



**The Meeting of the
Audit and Risk Committee will be
held on Tuesday 21 July 2020
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)

**Kawerau District Council Minutes of an
Audit & Risk Committee Meeting held on Friday, 15 May 2020
via Zoom Video Conference commencing at 2.45pm**

Present: Philip Jones – P J Associates (Chair)
His Worship the Mayor M J Campbell (Deputy Chair)
Councillor F K N Tunui
Councillor C J Ion
Councillor A Rangihika
Councillor D Sparks

In attendance: Councillor W Godfery
Councillor B J Julian
Chief Executive Officer (R George)
Manager, Finance & Corporate Services (P Christophers)
Manager, Planning, Compliance and Capability (C Jensen)
Manager, Operations & Services (H van der Merwe)
Health and Safety Officer (P Snook)
Chief Executive Officer's Secretary (P Maxwell)
Communications Manager (T Humberstone)
Local Government Funding Agency (A Michl)
Media (C Jones)

Apologies

No apologies.

Declarations of Conflict of Interest

No conflicts of interest were received.

1 Presentation by Local Government Funding Agency (LGFA)

Andrew Michl guided the Committee through the powerpoint presentation and provided clarification on the following:

- The current interest rates if borrowing under a year is less than 1% or less than 2% for 13yrs (April 2033). Council is required to comply with LGFA lending covenants but no other conditions to Council.
- Councils can borrow up to April 2033. LGFA are looking at a 2037 dated bond.
- Non-Guarantor: cannot borrow over \$20mil; and pays an extra 0.1% for debt.
Guarantor: will be liable for financial obligations of LGFA. Council can become a guarantor at any stage.
- LGFA has no issue approving Council's membership due to its financial position
- 30 Councils are shareholders and receive a dividend on shares at 2%. Shareholders also have voting rights and approve director's remuneration.
- Crown offered LGFA a standby borrowing facility of \$1bil when it was first established. LGFA have never accessed it since establishment but it is there in case of absolute emergency.
- Process to become a member of LGFA.

- Consult via Long Term Plan, Annual Plan or separate special consultative procedure, because borrower notes (1.6%) could convert to equity.
 - Appoint a Professional Trustee – will need to check Council’s Treasury Policy permits this
 - Complete the legal process with Council’s lawyers
 - Only ongoing cost is an annual trustee fee to LGFA
- NB: LGFA has put a resolution to shareholders to increase borrower notes from 1.6% to 2.5%. Every time Councils borrow, LGFA gets additional equity e.g. \$1mil borrowed = \$16k in equity (1.6%) which will increase to \$25k (2.5%) if approved.

The Chair thanked Andrew for the presentation. The Committee were supportive of membership with LGFA. The Chief Executive Officer advised that a report will go to Council.

2 Confirmation of the Audit & Risk Committee Meeting Minutes dated 4 February 2020

The Committee considered the Minutes of the Audit & Risk Meeting on 4 February 2020.

Resolved **His Worship the Mayor/Councillor Sparks**

That the Minutes of the Audit & Risk Committee meeting held on 4 February 2020 is confirmed as a true and accurate record.

3 Occupational Health and Safety Management System Status (509500)

The Health and Safety Officer provided an overview of the report.

Councillors received clarification on the following:

- Page 10 Item 4 - The Retirement Planning Policy is still to be reviewed by the Committee
- Page 15 Item 7 - The driver of the other Ute was a member of the public. The figures dropped to 5 per month because of low figures in April consequent of the COVID-19 lockdown on non-essential operations.

Action Item:

The Health & Safety Officer will organise for the Engineering Manager to provide an update to Councillors on the status of the Netball Pavilion and preference for reinstatement or demolition.

Resolved **Councillors Ion / Sparks**

That the report “Occupational Health and Safety Management System Status” is received.

4 Treasury Report to 30 April 2020 (110551)

The Manager, Finance & Corporate Services explained that the Treasury report expanded on his monthly report to the Regulatory & Services Committee.

Councillors received clarification on Page 26 paragraph 2 – Due to a minimal number of requests to extend payment of the 4th rates instalment and a high number of people indicating payment once the office opens, staff anticipate receiving at least 75% of the 4th rates instalment.

Resolved

Councillors Rangihika / Sparks

That the report "Treasury Report to 30 April 2020" is received.

5 Annual Plan Performance Summary – for nine months ended 31 March 2020 (110400)

The Manager, Finance & Corporate Services provided an overview of the Annual Plan Performance Summary for the nine months to 31 March 2020. He advised that the NRB Community Satisfaction Survey results will be reported to Council as well as a comprehensive report on activities and performances to 31 March 2020.

The Committee received clarification on the following:

- Page 29 Item 2.1 NZTA subsidies - Staff were unsure of availability of contractors over next few months but were working to secure contracts as quickly as possible.
- Page 30 Item 2.2 - For the statement of Financial Position, the variance between the budget and the actuals was because not all receivable and payable costs were captured.

Resolved

Councillor Tunui / His Worship the Mayor

That the report "Annual Plan Performance Summary – for the nine months ended 31 March 2020" is received.

6 2020/21 Annual Plan Timetable and Proposal to Borrow Funds through Local Government Funding Agency (110400)

The Committee considered the updated timetable for the 2020/21 Annual Plan.

The Manager, Finance & Corporate Services noted that following the Committee's support of LGFA membership, a consultation document for 2020/21 Annual Plan will go to Council for consideration and adoption.

The Committee received clarification on the following:

- Page 37 Item 11 - Staff will also email the letter to special interest groups.
Page 37 Item 20 – Staff indicated that the first instalment for 2020/21 will be posted out end of July with the due date being 21 August 2020. Backstop is 25%. The chair suggested this may be a problem and that Council should also consider extending the due date for the first rate instalment. The Manager, Finance & Corporate Services would investigate the preferred option and report back to Council

Resolved

Councillors Ion / Sparks

That the report "2020/21 Annual Plan Timetable and Proposal to Borrow Funds through Local Government Funding Agency" is received.

7 Risk Register Summary (201000)

The Manager, Finance & Corporate Services informed the Committee that the last review of the Risk Register was May 2019.

The Committee reviewed the Risk Register, and there were no further amendments or risks identified that needed to be included.

Resolved

Chair Jones / His Worship the Mayor

That the report "Risk Register Summary" is received.

8 Review of Risk Management Strategy (201000)

The Committee discussed the report that requested the Committee to review Council's Risk Management Strategy and recommend any amendments prior to it being adopted by Council.

The Committee received clarification on the following:

- Page 50, Item 2 - The 'high level risks' were high level of risks i.e. strategic risks.
- Page 54, Risk Matrix - The Committee agreed to change unanticipated extreme consequence from low risk to considerable risk.
- Page 55, Pt vi: Reporting of risks - Staff will include more detail i.e. who is responsible and what is the process and will bring back to next meeting.

Resolved

Chair Jones / Councillor Ion

That the report "Review of Risk Management Strategy" with amendments is received.

9 Procurement Policy (110820)

The Committee reviewed Council's Procurement Policy and made the following amendments:

- Any proposed decisions that fall outside the procurement method selection (flowchart) will be referred to the Chief Executive Officer for prior approval.
- The Committee agreed to change 'exceptional' circumstances to 'unforeseen' circumstances to allow staff some flexibility around the tender process without need for pre-definition of circumstances.

The Chief Executive Officer advised that those amendments will be reported to the next Council meeting.

Resolved

Chair Jones / Councillor Tunui

1. That the report "Procurement Policy" with amendments is received.

The meeting closed at 4.37pm

P Jones

P J Associates

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Meeting: Audit and Risk Committee

Meeting Date: 21 July 2020

Subject: Occupational Health and Safety Management System Status

File No: 509500

1 Executive Summary

The data captured is for the period 1 May 2020 to 30 June 2020.

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
Lone Working	15 High	10 Moderate	Underway	Target is: 22 Control Measures Completed	
				Control Measures	
				Completed	21
				Underway	1
Traffic (Working on or near roads)	20 High	10 Moderate	Completed	Target is: 9 Control Measures Completed	
				Control Measures	
				Completed	9
				Underway	0
Contractors (sharing the workplace)	15 High	10 Moderate	Completed	Target is: 9 Control Measures Completed	
				Control Measures	
				Completed	9
				Underway	0
				Not Started	0

The COVID – 19 Pandemic emergency has resulted in the re-prioritisation of work regarding Health, Safety and Wellbeing at Kawerau District Council (KDC) and the effects are still ongoing.

The KDC Civil Defence Emergency Operations Centre (EOC) “stood down” and Incident Management Team (IMT) meetings ceased during this report period.

A “cold debrief” is planned for July involving KDC Civil Defence Staff and representative/s from Bay of Plenty Civil Defence Emergency Management (BoP CDEM).

At COVID – 19 alert level 1 - KDC is displaying Ministry of Health (MOH) contact tracing posters at entrances to its buildings.

Perspex screens remain in place where KDC counter services are in operation and hygiene and distancing practices still encouraged.

KDC staff relocated from home based working to their usual workplaces on 9 June with some flexible working arrangements in place where appropriate.

Staff were encouraged to discuss their transition arrangements with their managers and reminded of the availability of access to professional support services e.g. Employee Assistance Programme (EAP) Services offered free to staff 24/7.

A “Remote Working and Wellbeing” survey was released across the organisation at the end of April around the time of the move to COVID-19 Alert level 3 from level 4.

The results were reviewed in May to identify what worked well and opportunities for improvement.

A high speed Police pursuit occurred around the town on 27 May involving an armed offender resulting in KDC staff being instructed to go to the nearest secure site and fully locking down.

The lock down process worked successfully although further learning opportunities were identified from the experience.

Ongoing work on developing the Hazard Register has started to resume.

Health and Safety Training has resumed and Staff Health Monitoring rescheduled for the future.

The May and June Health and Safety Committee meetings took place.

The staff training and move from VAULT 2 to VAULT 3 (Council’s Health and Safety Computerised System) was completed at the end of June.

The Health and Safety Officer (HSO) will continue to guide and support staff familiarising themselves with the new VAULT 3.

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

Activities aimed at preventing accidents and maintaining health and safety like induction, training, hazard management, monitoring and prompt event investigation are some of the Lead indicators identified.

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 year to reporting date.

Regarding the Lead data - Monitoring health and safety processes, hazardous situations, emergency response equipment and processes identifies a further 39 entries year to date compared with the last report.

Crisis Management Team (CMT) meetings conducted in relation to the COVID-19 emergency was a significant contributor to the figures where the Chief Executive Officer, Leadership team and key staff monitored developments, Council's status and strategized the response.

VAULT data identifies 27 meetings monitoring Council's status and response were held from 23 March to 5 June.

Employee Inductions identifies an increase year to date of 46.

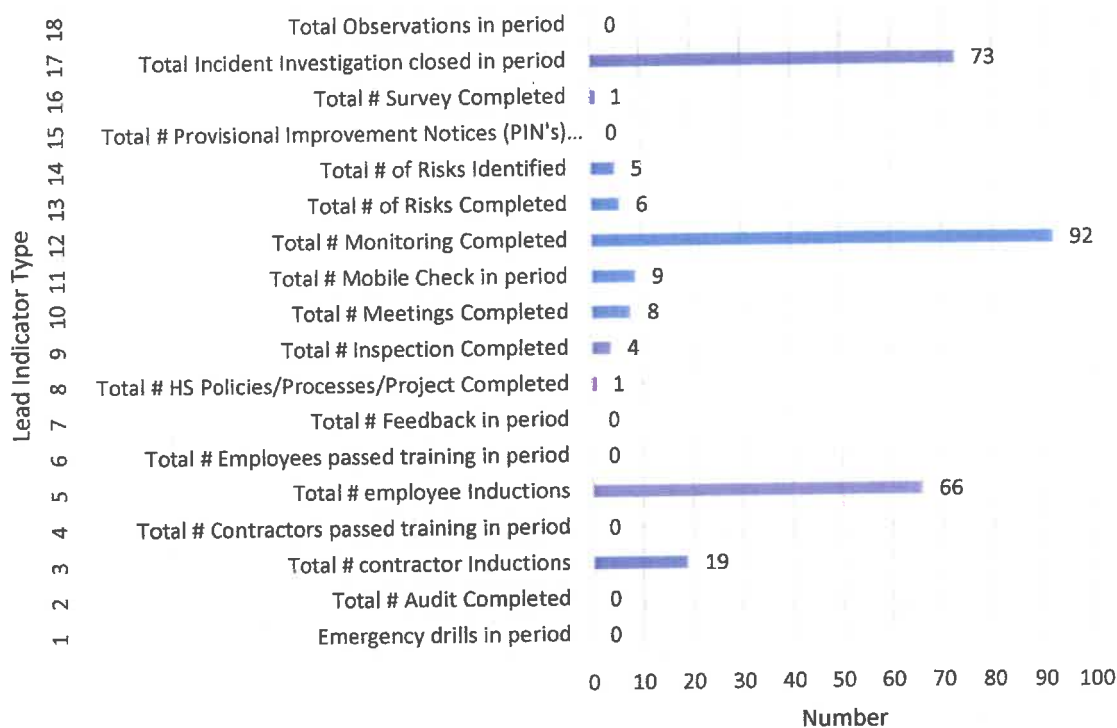
This figure includes Health and Safety re-inductions for staff, which is currently required every 3 years.

This is to refresh them and identify any changes or improvements implemented since their last induction.

Some new staff undergo several site-specific safety inductions (SSSI's) on top of the general KDC Health and Safety Induction – depending on their role e.g. a new 3 – waters team member will be inducted to all outside sites because they will be working or visiting the sites during their work.

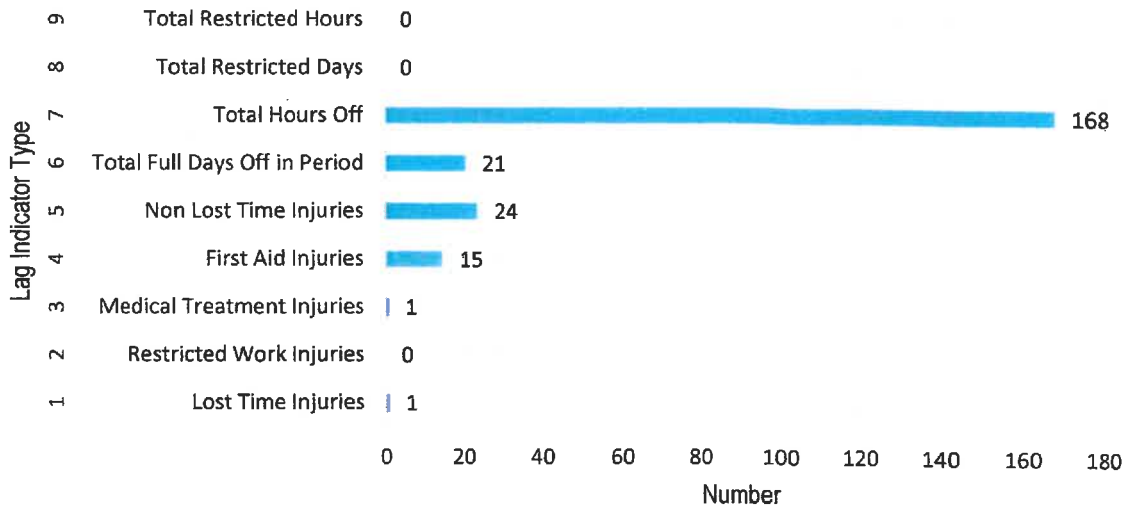
Regarding the lag data - the 21 days lost, relate to one accident involving a worker from the Parks and Reserves team identified in the previous report.

2020 Lead Indicators Year to Date



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

2020 Lag Indicators Year to Date



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

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.

They 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	Annual Review 12/12/2020 HSC
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 30/06/2022 HSC
Safe Driving Policy	Review 01/07/2022 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 <i>Interim review underway as of 27/05/20</i>
VDU Management Policy	Review 01/03/2022 HSC
HSR Position Description	Review 01/03/2022 HSC
Stress Policy	Review 30/08/2022 HSC
Retirement Planning Policy	Review 01/09/19 (Not Started) MPCC, HRA & HSO

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.

VAULT provides automatic notifications and escalations to managers' email addresses also.

The table below identifies reports and their status.

Health and Safety Reports (Significant)	Date written	To	From	Status	Date
Firmin Lodge Facility – Health & Safety Observations	19/08/2016	CEO, MPCC, MOS, EVM & EDM	HSO	Recommendations entered in VAULT as Corrective Actions Underway	April 2020

Contractor Monitoring Key Performance Indicator (KPI)

The table below identifies Contractor Monitoring and KPI data to date.

This KPI global target of 10 audits for 2020 has yet to be achieved.

COVID-19 has impacted the ability to achieve this to date.

Key Performance Indicator (KPI) Contractor Health and Safety Monthly Monitoring 2020				
Month	Monthly Site Inspections Required	Monthly Site Inspections Completed	Monthly KPI Achieved	Comment
January	0	0	N/A	Contractor activity low over Christmas period
February	1	0	No	Contractor Activity Low
March	1	0	No	Footpath/Roading Contractor - Postponed
April	1	0	No	HSO home working
May	1	1	Yes	Tree Planting Contractor – Stoneham walk hillside
June	1	1	Yes	Asbestos Removalists – District Office
July	1	-	No	-
August	1	-	No	-
September	1	-	No	-
October	1	-	No	-
November	1	-	No	-
December	0	0	N/A	Contractor activity low over Christmas period
	10	2	No	
KPI: 10 Site Inspections – February to November			Assigned to: HSO	
Review: as a minimum - Annually Last Review Date 31/07/2019 – Complete Next Review Date 31/07/2020			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.	

Monitoring and Audit	
Health and Safety System Audits	VAULT CHECK module is in use for <i>Work Station Assessments</i> and <i>Contractor Monitoring</i> SAFE PLUS Online Self-Assessment tool for staff surveys available to deploy ASK YOUR TEAM “Have Your Say Survey” online staff survey tool can be tailored specifically for Health and Safety and available for deployment

An Ask Your Team “Remote Working and Wellbeing” survey related to the COVID-19 Lock-down was released at the end of April to staff and the results reviewed in May.

The survey provides opportunities for staff to rate the organisation’s performance and identify any gaps in the organisational support for the workforce.

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. Lone Working
4. Traffic - Working on/near Roads
5. Contractors sharing the workplace

1 Public/People

The risk of violence or abuse to workers remains a high priority.

Contact with the public during the COVID-19 event was eliminated where possible or minimised aligned with government distancing, hygiene and contact tracing guidelines.

KDC continues to follow hygiene guidelines e.g. Perspex screens remain in place at customer service counters.

These measures are aimed at protecting staff and the community.

A significant event took place on 27 May involving an armed offender, Police and a high speed pursuit around Kawerau with potentially life threatening consequences for any person in the vicinity of the event.

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 and Mental Health awareness was postponed - but due to recommence in July via Zoom¹.

Maintaining focus on staff mental wellbeing has been a priority during the move through the different COVID-19 Alert levels.

The Leadership team has maintained awareness of the potential to affect staff mental health regarding the return from home based working to the workplace.

Staff support has been offered through the transition.

The Chief Executive Officer has also kept staff fully informed of developments and encouraged staff to contact their managers to discuss relocating back into their usual workplaces.

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

3 Lone Working

KDC maintains a policy and process available to managers for Lone Working Management.

Additional resources include an electronic tracking system.

The risks to staff mental health during COVID – 19 Lockdown from lone working was minimised by regular contact via Zoom meetings and phone conversations.

It was understood that some staff always work in groups and were not accustomed to lone working in isolation away from their routine daily contact with their colleagues.

¹ Cloud-based video conferencing service

4 Traffic – Working on or near roads

Staff continue to work to approved Traffic Management Plans (TMP's).

5 Contractors sharing the workplace

Regarding Contractor management - KDC Contractor managers now receive emails directly from SHE identifying when contractors reach an expired status on the SHE approved contractor register.

They also receive a report from SHE identifying contractors impending certification and insurance expiries.

Impending in this case means - in 3 months' time – providing contract managers reasonable time to plan their projects accordingly.

Contractor site inspections resumed at the end of May.

New contractors continue to register on the SHE approved database having completed their Health and Safety Pre-Qualification checks.

Unapproved contractors can access the KDC website where they can identify information and commence the SHE pre-qualification process.

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.

A review of the top 5 hazards is being undertaken by the Health and Safety Committee.

Asbestos

Recent fire damage to the Netball Pavilion has resulted in the Insurer and KDC organising asbestos removal by licenced professional removalists.

This is a health and safety requirement prior to any demolition or refurbishment works.

The site remains secured to prevent unauthorised access.

The Animal Control office was surveyed for asbestos and samples sent to the laboratory for analysis.

The laboratory test results confirmed the samples as Asbestos Containing Material (ACM).

The Engineering Manager organised the removal of the ACM in June by licensed professional removalists.

This is a health and safety requirement prior to the planned maintenance work commencing.

The Health and Safety Officer (HSO) audited the contractor undertaking the removal as part of the contractor monitoring component of contractor management.

Emerging Hazards

COVID-19 a biological hazard is identified, reviewed and implemented on the risk register.

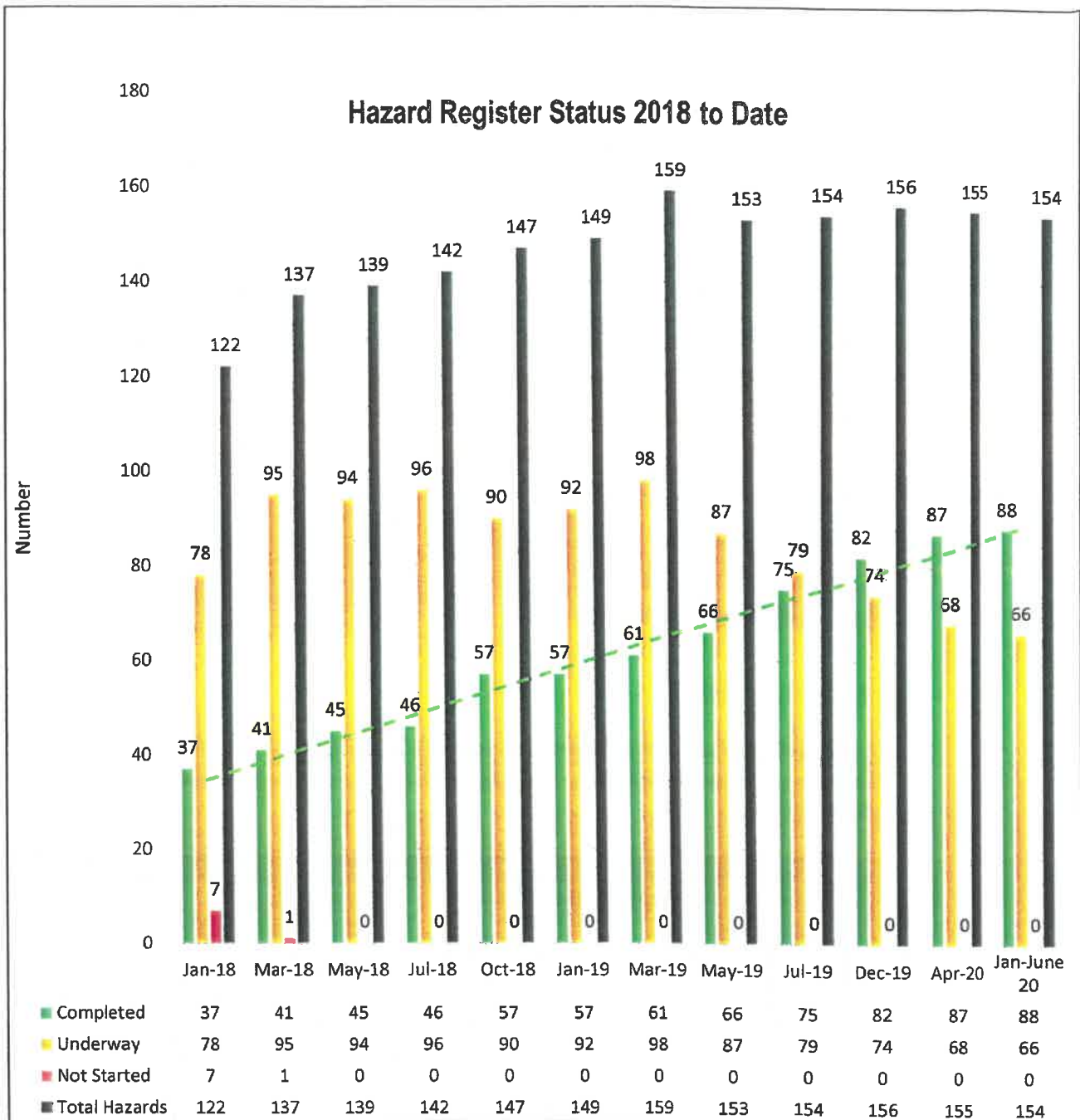
Specific control measures to eliminate or minimise health risks to staff and the community are implemented to align with current government guidelines.

The Hazard Register Status

Work continues with workgroups to identify new hazards, bringing them to a completed status and reviewing them.

Hazards continue to reach a completed status.

The current COVID-19 situation has resulted in this work being delayed.



Chemical Hazards - Substance Register

An inventory is managed in VAULT of Hazardous Substances used by the organisation e.g. Agrichemicals, Water Treatment or Swimming Pool Chemicals.

Tailgate meeting/Job Safety Analysis Sheets (JSA)

Managers or Supervisors provide either a tailgate sheet or a Job Safety Analysis sheet to workers requiring them to identify and record hazards and controls associated with their job before starting work.

The Tailgate sheet includes additional data specifically including Covid-19 risk management.

Health Monitoring

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

Monitoring/Vaccination	Status
Audiometry (Hearing monitoring)	Due September 2020
Immunisations/vaccinations (Tetanus, Hep A, B & Diphtheria)	Ongoing/Underway
Work station assessments	Ongoing/Underway
Spirometry (Lung Function Monitoring)	Due September 2020
Full Asbestos Medical (Workers doing Asbestos Related/Removal Work)	Due September 2020
Pre-Employment-Medicals (PEM's)	Started August 2018 - Ongoing/Underway
Face Fit Assessment & Monitoring (RPE)	Started August 2018– Ongoing/Underway
Pre-Employment Drug & Alcohol Test	Ongoing/Underway
Random Drug & Alcohol Test	Ongoing/Underway – Staff notified testing to recommence in July
Reasonable Grounds Drug & Alcohol Test	Ongoing/Underway
Post Event Drug & Alcohol Test	Ongoing/Underway
Eye Health and Vision Check	Ongoing/Underway for staff spending over 50% of their worktime 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)	Available 24/7
Annual Flu vaccine	Underway April 2020.
Health Assessment (Heart, BP, Cholesterol, Glucose, BMI & Waist Circumference etc.)	Due August 2020
Skin Checks (Melanoma/Skin Cancer)	Due August 2020
Yoga Class	Available weekly – resumed late June.
Zumba Dance Class	Due to resume July 2020
Domestic Violence Victims Protection Standard Operating Procedure	Available on the KDC Intranet

Drug & Alcohol Policy

The Policy was implemented August 1, 2019.

The Council has engaged a contractor to provide training to all staff and provide drug and alcohol testing.

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

Pre-Employment testing for potential employees only took place at COVID – 19 Alert Level 2.

The last Random drug and Alcohol test took place 20 March one day prior to COVID – 19 Alert Level 2 Government announcement.

Staff were informed on 9 June that Random testing would resume from July onwards at COVID – 19 Alert Level 1.

Training for new KDC staff, Managers/Supervisors and Health and Safety Representatives (HSR's) was completed in June at KDC by Council's drug testing contractor.

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.

Training was suspended due to COVID-19.

Normal schedules are being resumed.

First Aid refresher training was suspended during COVID-19 lockdown and the New Zealand Qualifications Authority (NZQA) extended the time allowance for renewal of the unit standards.

KDC First Aiders do not have expired unit standards currently.

Remote health and safety training opportunities will be reviewed where appropriate e.g. via Zoom eliminating work related driving risks, Council's impact on the environment/infrastructure, transport costs and increased productivity due to time not being lost through travel.

Some external training organisations now readily offer remote training opportunities since COVID-19 lockdown.

Internal training recommencing in June delivered to staff by the HSO included VAULT user, Manual Handling and Preventing Occupational Respiratory Illness.

VAULT user training was delivered by the HSO via Zoom.

7 Incident and Injury Reporting, Recording and Investigation

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

- 2017 averaged 15 events per month
- 2018 averaged 15 events per month
- 2019 averaged 18 events per month
- 2020 averaging 6 events per month

2020 currently identifies a lower average per month due to COVID – 19 impacting non – essential recreational staff not in the field - and the swimming pool complex and Library either closed or operating under restrictions.

A significant event occurred during this reporting period.

ID: 11 Formal Investigation.

Category: Criminal Activity.

Subject: High-speed Police pursuit involving Firearms – Kawerau Town Centre and surrounds.

Date: 27 05 2020

Time: 011.30 hours

Event Status: Underway

Police contained the situation and apprehended the alleged offender.

After Police confirmation, KDC Lockdown was lifted at 14:19 hours.

Various recommendations from the investigation are being implemented to improve staff safety and communications to the public.

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).

No events were notified to WorkSafe NZ during this reporting period.

Event Statistic Line Graphs

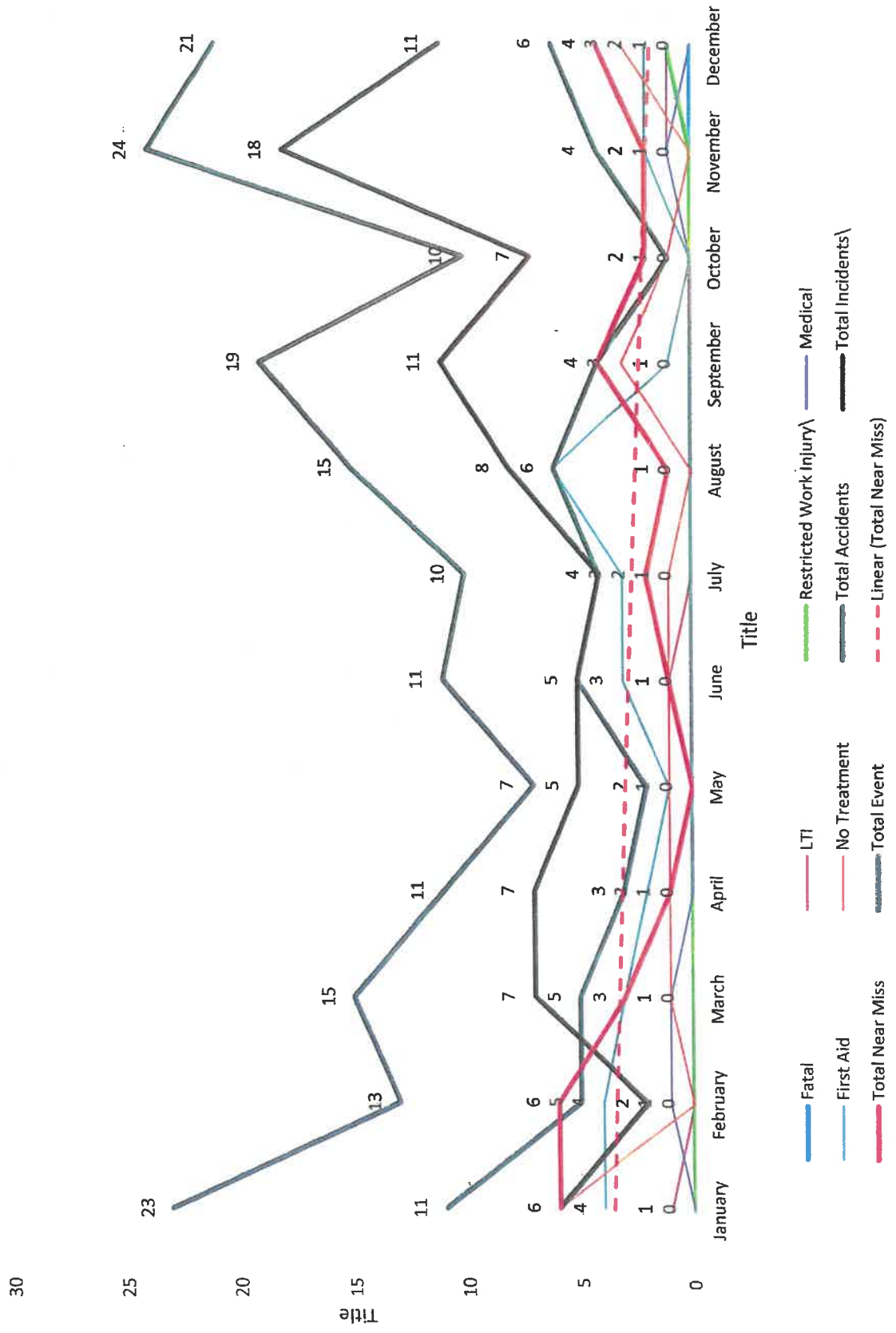
The graphs below identify the type of events recorded.

The Near Miss data has trend lines included.

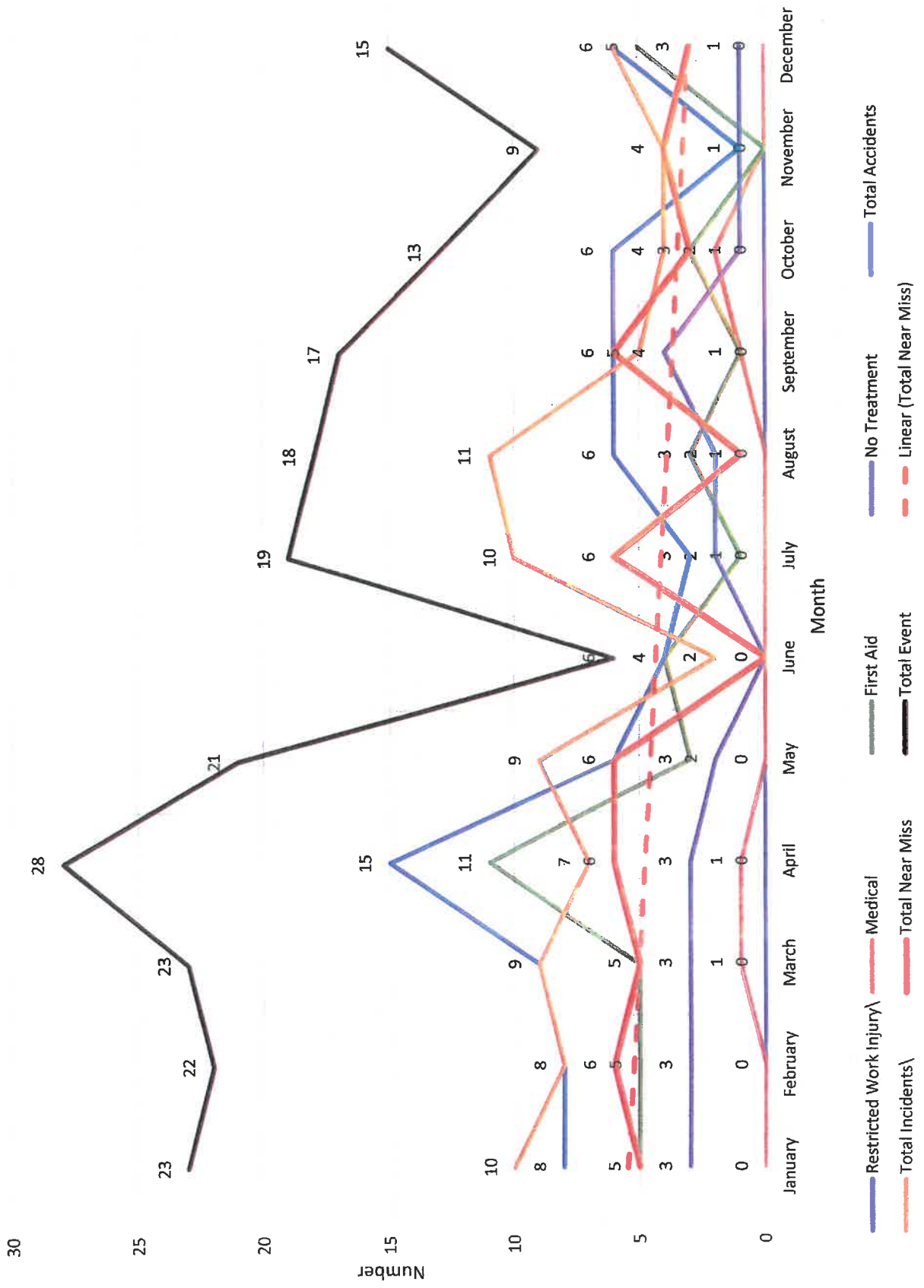
- Near miss data contributed to 26% of the total events for 2017.
- Near Miss data contributed to 18% of the total events for 2018.
- Near miss data contributed to 24% of the total events for 2019.
- Near miss data currently contributes to 24% of the total events for 2020.

Event statistics remain low due to the impact of COVID-19.

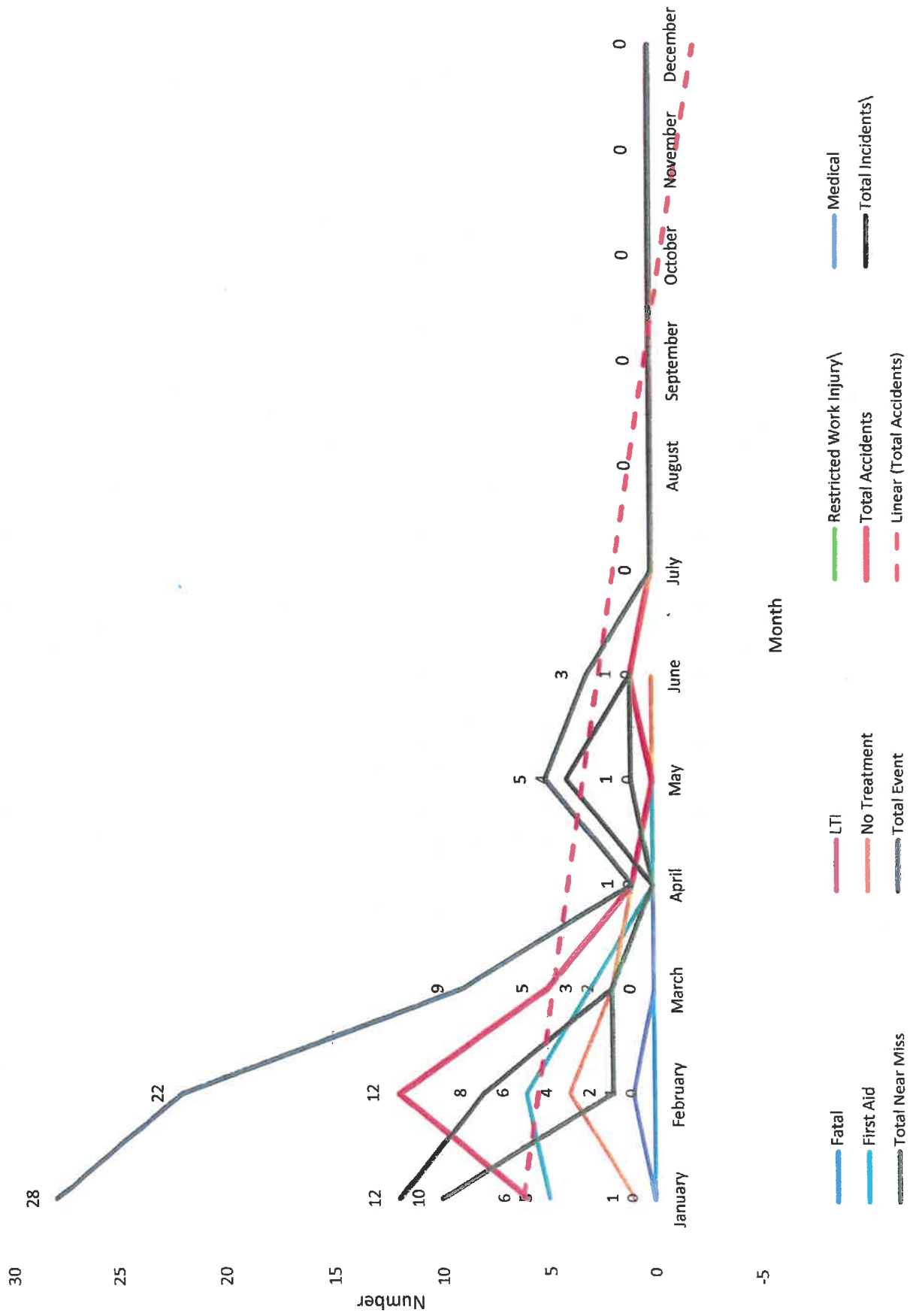
Event Statistics 2018 (Total 179)



Event Statistics 2019 (Total 214)

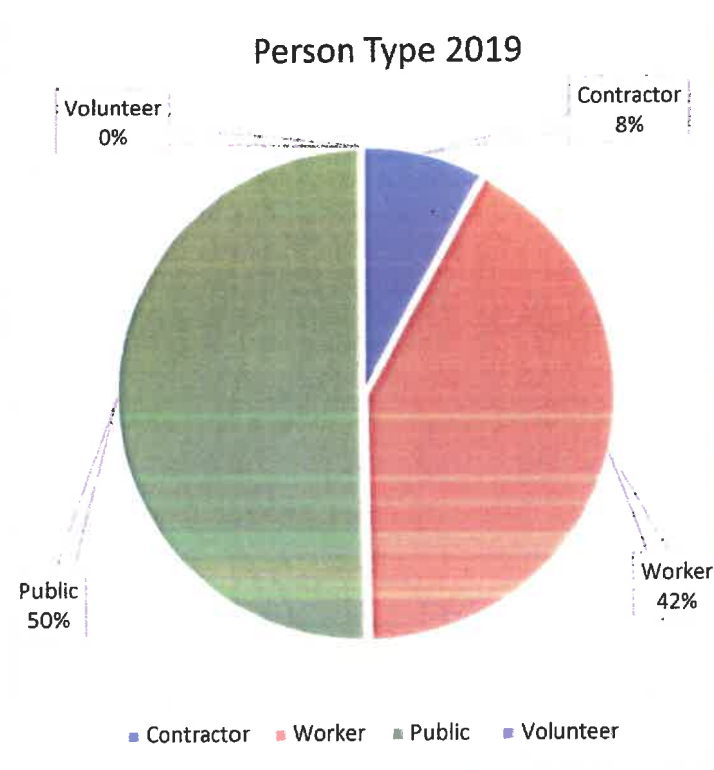
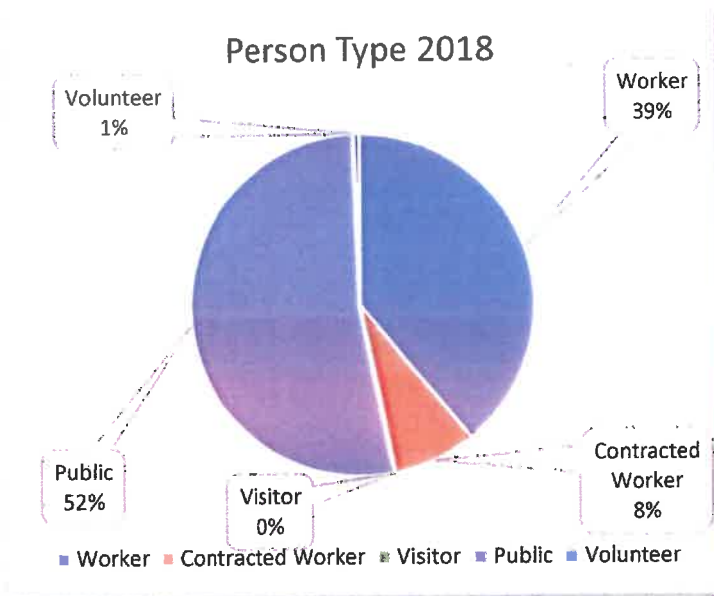


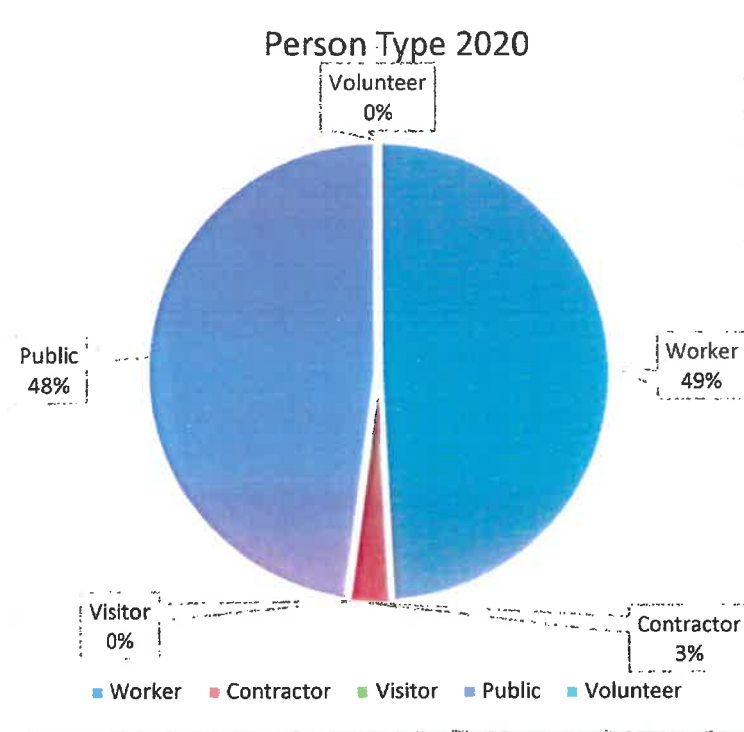
Event Statistics 2020 (Total Year to Date 68)



The charts below identify the person type featuring in events.

The public and workers are the highest contributors identified in events.





Event Site

The bar graphs below identify the sites where events have been recorded.

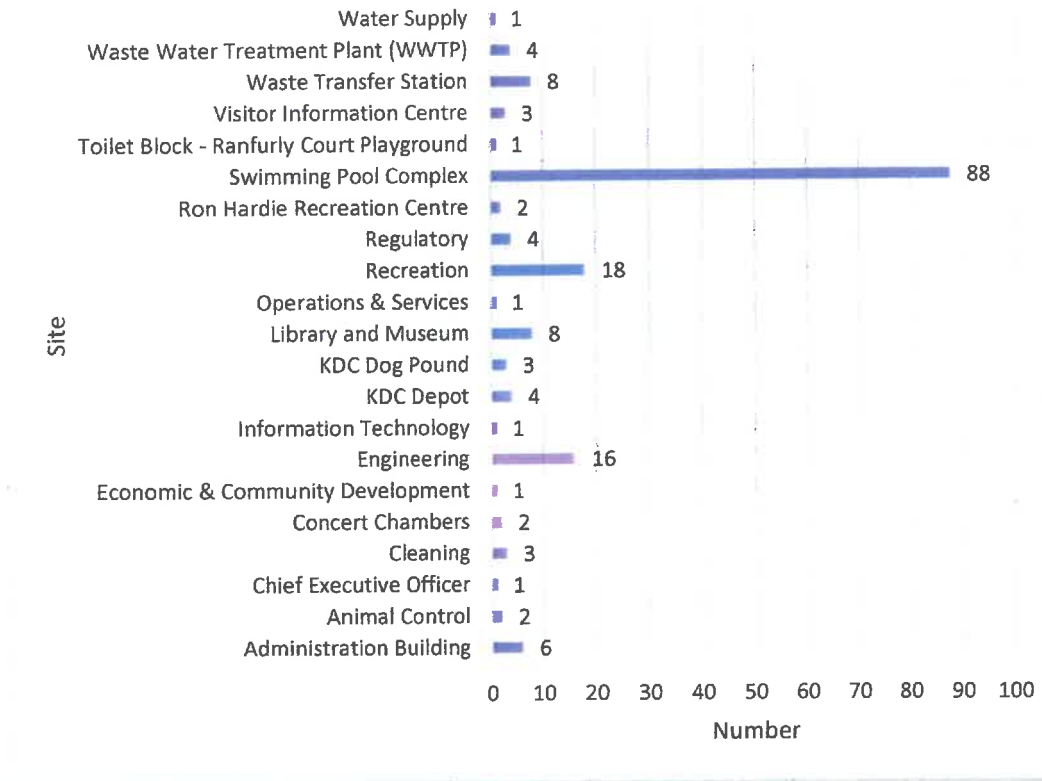
The swimming pool complex and recreation (Parks and Reserves) feature as sites where the most events are recorded for 2018, 2019 and Year to Date 2020.

In 2018 the swimming pool site events involved 16% workers and 84% public.

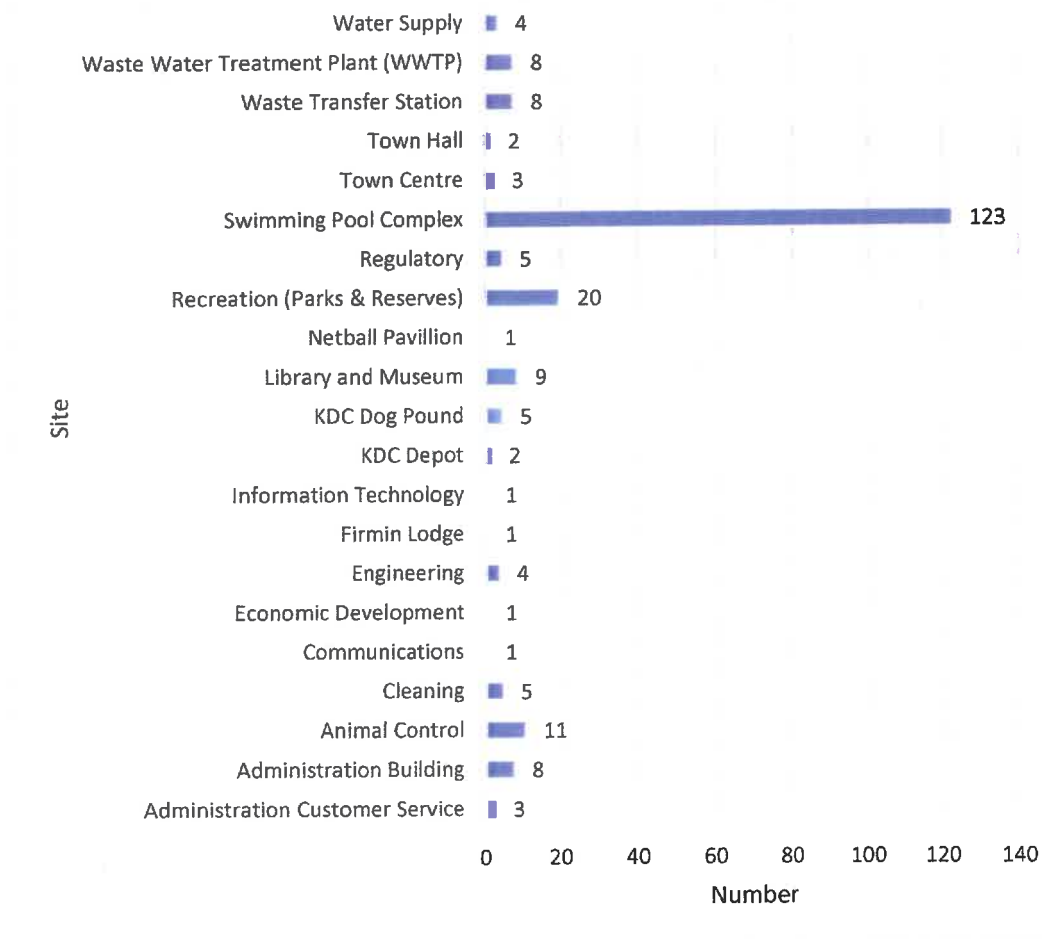
In 2019 the swimming pool site events involved 27% workers and 73% public.

In 2020 the swimming pool site events have currently involved 13% workers and 87% public. (No change from the last reporting period).

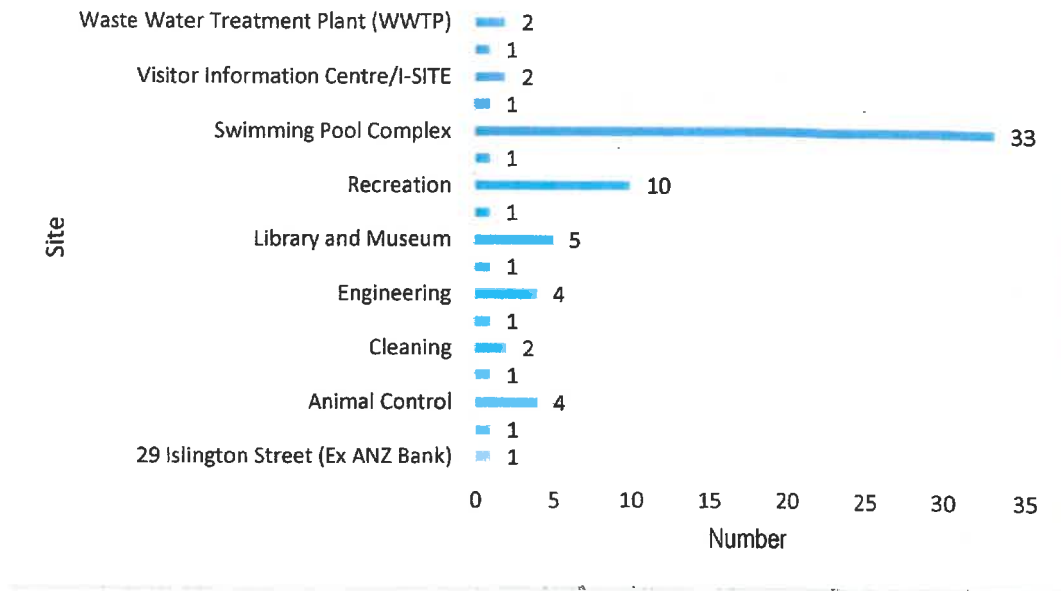
Event Site 2018



Event Site 2019



Event Site 2020 Year to Date



8 Employee Participation in Health and Safety Management

The Health and Safety Representative (HSR) for the Parks and Reserves Turf and tree team has now left the organisation.

The Depot Collective union representative will cover the role for this workgroup in the meantime.

The Health and Safety Committee (HSC) met in May via Zoom and face-to-face.

The June meeting was as face-to-face.

The next meeting scheduled for 7 July is likely to be face to face based on the current COVID-19 Alert level guidelines.

Lists are maintained and displayed of HSR's and HSC members in VAULT and Health and Safety notice boards in Council buildings.

New staff are introduced to the HSR for their workgroup during their Induction.

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.

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.

The KDC Building Control Officer (BCO) and the KDC Engineering Support Worker have carried out owners checks in line with BWOFF requirements as Cove Kinloch KDCs (IQP) has been unavailable during the Covid event.

KDC Venues have been reopened, the Engineering Manager ensured pre-opening checks for those that have been non-operational over the COVID-19 lockdown period.

Checks included things like looking for issues relating to insect infestations, rodents, electricity, water, lighting, heating/ventilation, toilets, kitchen, First Aid Kits and Signage etc.

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 and also inspected and maintained on an annual schedule – ensuring the contents do not exceed their expiry dates and are of the correct type and quantity.

All KDC Buildings, Venues, Vehicles and Plant are equipped with an appropriate First Aid Kit e.g. the arborist first aid kit includes extra-large dressings.

Current First Aid training now includes the reintroduction of the Tourniquet and these will be re-introduced to the first aid kits.

51 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 with the exception of the Library where work is being arranged to connect the duress alarm.

The district office lock down and duress system is tested weekly by staff.

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	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	December 2020	Underway
Protection of employees from on-site work undertaken by contractors and sub-contractors (Contractor Management)	High	SHE prequalification complete. Contractor induction document in place. Contractor Monitoring KPI in place. Contractor Post Contract review In place.	June 2016	HSO	June 2019	Complete
Employee Participation in Health and Safety Management	High	Health and Safety Representative Job Description complete. Agreement signed by CEO –awaiting Union signatures.	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

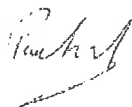
Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
Planning, Review and evaluation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Information, Training and Supervision	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Incident and Injury Reporting, Recording and Investigation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway

12 Conclusion

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

13 RECOMMENDATION

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



Paul Snook, Grad NZISM. MIIRSM. HASANZ

Health & Safety Officer

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Meeting: Audit and Risk Committee

Meeting Date: 21 July 2020

Subject: Treasury Report to 30 June 2020

File No: 110551

1 Purpose

The purpose of this report is to inform members of the funds held by Council as at 30 June 2020 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.

3 Funds Held

The following funds were held at 30 June 2020:

	June - 2020	June - 2019
Special Funds		
Depreciation Funds	\$5,507,604	\$7,033,974
Development Feasibility	\$11,000	\$11,000
Total Special Funds	\$5,518,604	\$7,044,974
General Funds	\$141,315	\$45,198
Total Cash & Term Balances	\$5,659,919	\$7,090,172

General Funds:

General funds are slightly more than they were in June 2019. The increase in the general funds has resulted from the COVID-19 lockdown and therefore staff not being able to undertake some of the programmed maintenance projects.

It is expected that general funds will be close to zero throughout the 2020/21 year, apart from timing differences, assuming no unbudgeted expenditure occurs.

Depreciation Funds:

Depreciation funds are \$1,526.4k lower than what they were at this time last year, mostly as a result of \$2.9 million being spent to date on residential developments.

Council has received \$638k from the sale of 6 sections in Central Cove and other sales are expected throughout the year.

It is projected that Council will need to borrow funds during the second quarter of the year as there are some significant infrastructure projects that are due to commence shortly. The last graph in this report shows the cashflow to date as well as the anticipated cashflow to 31 March 2021.

Staff will undertake the necessary processes to borrow funds through the LGFA as soon as the 2020/21 Annual Plan is adopted.

Funds were invested @ 30 June 2020 as follows:

Invested in	\$	Interest (Average) %	% External
ANZ	\$600,955	0.05%	15.84%
ASB	\$500,340	1.91%	13.19%
BNZ – current and on-call	\$859,162	0.05%	22.65%
Westpac	\$900,845	1.19%	23.75%
Rabobank (includes on-call)	\$932,199	0.98%	24.57%
TSB	\$0		0.00%
External Investments (Fixed)	\$3,793,501		100.0%
Internal Loans	\$1,866,418		
Total Investments	\$5,659,919		

The following investments were held at 30 June 2020:

Bank	Invested	Days	Interest	Amount (\$)
ASB	17-June-20	230	1.91%	500,000
Westpac	13-May-20	63	1.21%	400,000
Westpac	17-June-20	61	1.17%	500,000
Rabobank	13-May-20	68	1.45%	600,000
ANZ - Call			0.05%	600,955
BNZ - Call			0.05%	805,472
Rabobank - Call			0.50%	331,055
Total				3,737,482
Interest rates (includes on-call)	Average interest rate		0.91%	
	Weighted average interest rate		0.84%	

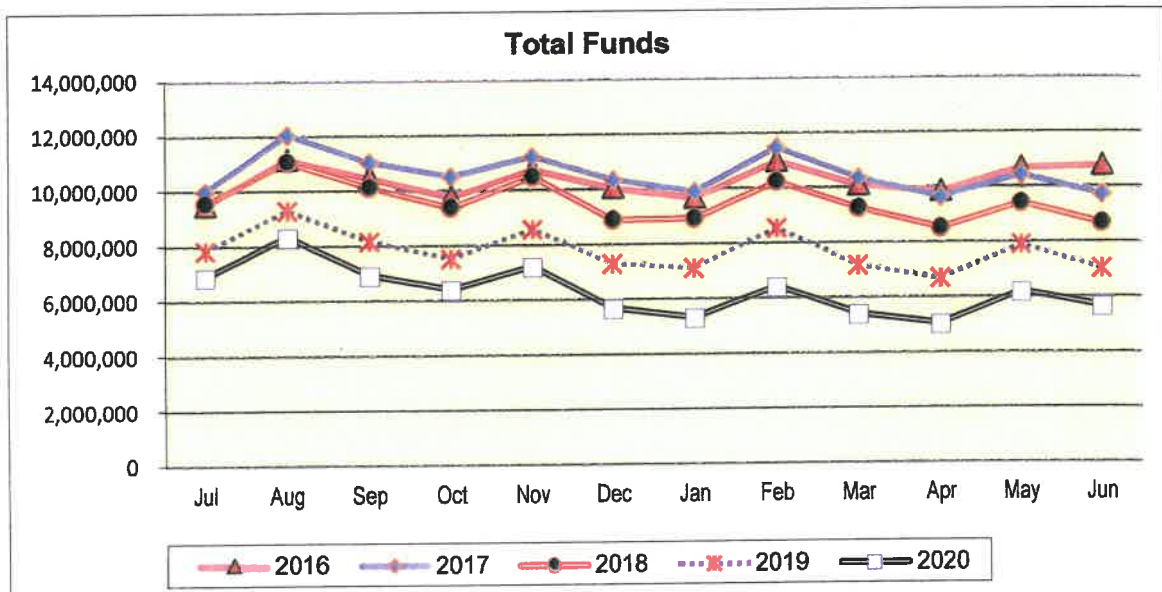
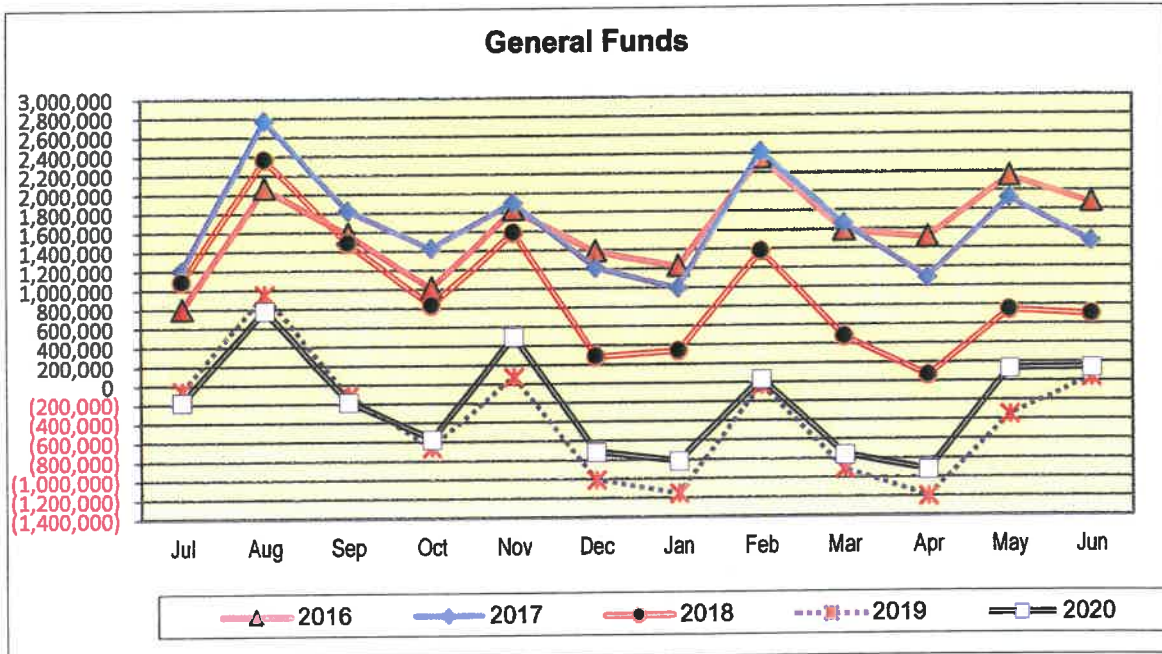
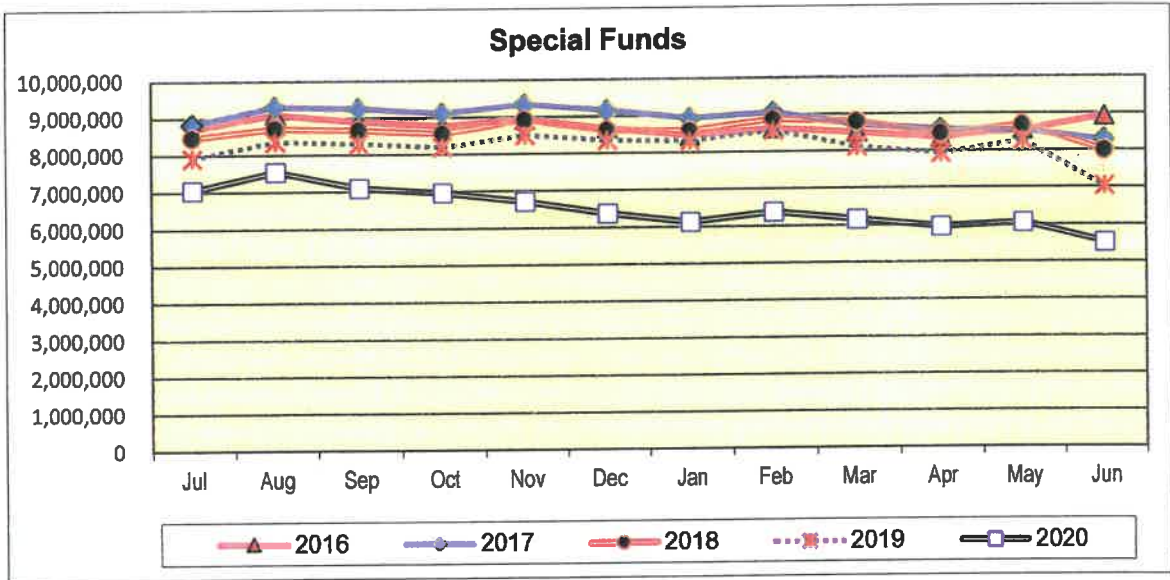
4 **RECOMMENDATION**

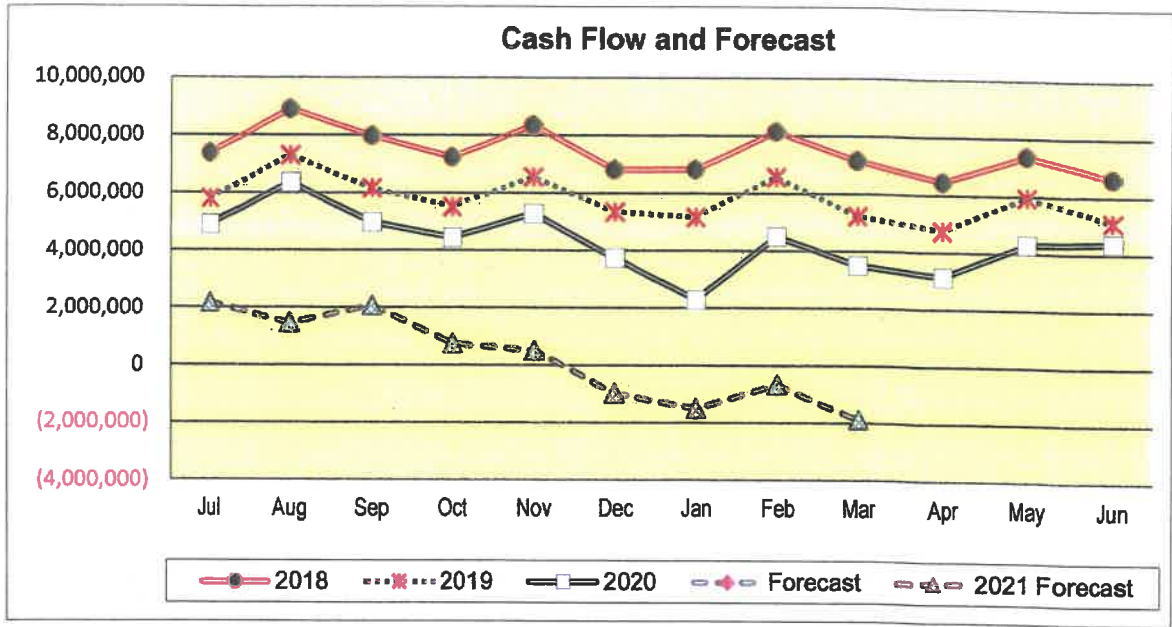
That the report "Treasury report to 30 June 2020" be received.

A handwritten signature in blue ink, appearing to read 'Peter Christophers', is written over the text of the recommendation.

Peter Christophers, BBS, ACA
Manager, Finance & Corporate Services
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Funds Monitoring Graphs
June 2020





Meeting: Audit and Risk Committee
Meeting Date: 21 July 2020
Subject: Review of Council's Fraud Policy
File No: 201000

1 Purpose

The purpose of this report is to review the current fraud policy as the policy was last reviewed in 2017 and it is now due for another review to ensure that it is up to date and in line with best practice.

2 Background

The Office of the Auditor-General requires every public entity to formally address the matter of fraud and formulate an appropriate policy on how to minimize it and if it occurs, how to deal with it.

Kawerau District Council needs to protect its revenue, property and information. The fraud policy has been established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Council.

Council reviewed and adopted the revised fraud policy back in 2017 and incorporated the following changes in to the policy:

- Included the statement that Council is committed to act fairly, honestly and in good faith when conducting fraud investigations
- Provided explanations of the difference between the organisation's fraud policy and other policies, such as the privacy policy, sensitive expenditure policy and code of conduct. While these policies overlap, fraud has elements of dishonesty
- Include information on fraud risks to assist employees to detect possible fraud and corruption

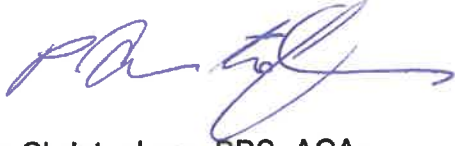
Also added were risks that increased the likelihood of fraud, which were:

- *Incentives/pressures:* Management, other staff or external parties are under pressure or there are incentives for them to commit fraud
- *Opportunities:* Circumstances or lack of controls allow employees to commit fraud or corruption. Also employees are able to get around or override ineffective controls (for example officers are able to approve their own sensitive expenditure)
- *Attitudes:* Employees are able to rationalise committing fraud (for example believing that everyone else is doing it, or that it was so easy for me)

The appendix to this report contains Council's Fraud Policy.

3 **RECOMMENDATIONS**

1. That the report "Review of Council's Fraud Policy" be received.
2. That the Audit and Risk Committee approves the Fraud Policy (with any amendments) for adoption.



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

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SUBJECT: FRAUD POLICY

DATE: 21 July 2020

REVIEW: 2023

FILE REFERENCE: 201300

1. PURPOSE

- 1.1 Kawerau District Council ("Council") is committed to protecting its revenue, property, information and other assets from any attempt to gain financial or other benefits from it by deceit and to preventing the occurrence of fraud and corruption. This fraud policy has been established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Council.
- 1.2 Fraud is defined as the use of deception with the intention of obtaining personal gain, an unlawful advantage, avoiding an obligation, or causing loss to another party.
- 1.3 It is the intent of Council to promote an anti-fraud culture by providing these guidelines and by assigning responsibility for the development of controls and conduct of investigations.
- 1.4 The Office of the Auditor-General requires every public entity to formally address the matter of fraud and formulate an appropriate policy on how to minimize it and if it occurs, how to deal with it.

2. SCOPE

- 2.1 This policy applies to any fraud, impropriety or dishonesty, suspected or actual and relates to all property, funds and services, as well as statutory responsibilities.
- 2.2 This policy applies to all employees of Council or Council appointees to other organisations as well as Elected Members, consultants, vendors, contractors or any other parties having a business relationship with Council.
- 2.3 This policy also covers allegations made by Council employees, appointees or Elected Members against other employees, appointees or Elected Members.
- 2.4 There may be particular risks that increase the likelihood of fraud occurring, which include:

- *Incentives/pressures:* Management, other staff or external parties are under pressure or there are incentives for them to commit fraud
- *Opportunities:* Circumstances or lack of controls allow employees to commit fraud or corruption. Also employees are able to get around or override ineffective controls (for example officers are able to approve their own sensitive expenditure)
- *Attitudes:* Employees are able to rationalise committing fraud (for example believing that everyone else is doing it, or that it was so easy for me)

The policy will put in place processes to minimise these particular risks as much as practicable.

2.5 The Fraud Policy is a separate policy to other council policies, but will overlap with some policies. These include:

- *Sensitive Expenditure Policy:* This policy deals with staff/councillor sensitive expenditure which includes travel, accommodation, hospitality and gifts. The policy specifies the processes and procedures which are required when incurring sensitive expenditure. Fraud occurs when the sensitive expenditure is not followed and Council is deliberately charged an individual's private costs.
- *Code of Conduct:* This governs the behaviour of elected members and requires them to act with integrity, honesty and in the public interest. The behaviour and actions of elected members (as well as) should always be in the interests of the community and open to public scrutiny. If an elected member uses their position to obtain a financial benefit that may be to the cost/detriment of Council, then this will amount to fraud.

3. POLICY

- 3.1 Council personnel (defined as Council employees or appointees and Elected Members) must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
- 3.2 Council will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety or dishonesty by Council personnel or external parties.
- 3.3 Council personnel must not defraud the Council, or other personnel, clients or contractors of Council.
- 3.4 Council will take action – including dismissal and/or criminal prosecution against any member of personnel defrauding or attempting to defraud the Council, other personnel, clients or contractors of Council. In each case, the Council will make every effort to gather sufficient reliable evidence to support a prosecution.
- 3.5 Council will always seek to recover funds or goods (or the estimated value of the goods where they have been disposed of) lost through fraud

4. ACTIONS CONSTITUTING FRAUD

4.1 The terms fraud, impropriety and dishonesty refer to, but are not limited to:

- Any dishonest or fraudulent act.
- Misappropriation of funds, securities, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of Council activities or the activities of organisations with a Council appointee.
- Disclosing confidential and proprietary information to outside parties.
- Disclosing to other persons, securities, activities engaged in, or contemplated by the Council or any organisation with a Council appointee.
- Seeking or accepting anything of material value from contractors, vendors, or persons providing services/materials to the Council or any organisation with a Council appointee. Gifts valued at less than \$100 per annum, or otherwise approved by the Chief Executive Officer, are exempt.
- Unauthorised use of council property including property leased by Council.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
- Any similar or related irregularity.

If there is any question as to whether an action constitutes fraud, contact the Chief Executive Officer or Manager, Finance and Corporate Services for guidance.

5. MANAGEMENT RESPONSIBILITIES

5.1 Management is responsible for the detection and prevention of fraud, impropriety and dishonesty. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

5.2 Management should be alert to the possibility that unusual events may be symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks, or be brought to management's attention by a third party. Management is responsible for:

- Being aware of fraud
- Ensuring that an adequate system of internal controls exists within its area of responsibility and that those controls are operating effectively. These controls should include a system for undertaking regular reviews of transactions and activities that may be susceptible to fraud.

- 5.3 Any irregularity that is detected or suspected must be reported immediately to the Chief Executive Officer, who co-ordinates all investigations.
- 5.4 Management will promote ethical behaviour through Council's induction, training and performance development programmes.
- 5.5 Management will seek to minimise as much as possible the risks associated with:
- Incentives/pressures
 - Opportunities
 - Attitudes

This will be done by: making sure that the fraud policy is circulated regularly to all staff, undertaking regular reviews of the internal control systems, requiring all sensitive expenditure to be approved on a one-up basis, any reported incidences of potential fraud are investigated thoroughly and the policy is applied consistently to all council staff.

- 5.6 Employees may disclose fraud under the provisions of the Protected Disclosures Act 2000, and the disclosure will then be treated in accordance with the provisions of the Act.
- 5.7 Council is committed to its legal obligations to act fairly, honestly and in good faith when conducting fraud investigations

6. INVESTIGATION RESPONSIBILITIES

- 6.1 The Chief Executive Officer has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. This may require the formation of an Investigation Team comprised of suitably qualified persons, who may be staff or external parties as deemed appropriate. This responsibility will include full documentation of the facts and circumstances of the matter.
- 6.2 If the suspected fraud involves the Chief Executive Officer, the External Appointee to the Audit and Risk Committee will have the primary responsibility for conducting the investigation in consultation with the Mayor.
- 6.3 If the suspected fraud involves the Mayor or other elected member, the External Appointee to the Audit and Risk Committee will have the primary responsibility for conducting the investigation in consultation with the Chief Executive Officer.
- 6.4 Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management.

7. CONFIDENTIALITY

The Chief Executive Officer will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Chief Executive

Officer immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act

(see **REPORTING PROCEDURES** section below).

8. AUTHORISATION FOR INVESTIGATING SUSPECTED FRAUD

Members of the Investigation Team as appointed by the Chief Executive Officer will have:

- Free and unrestricted access to all Council records and premises, whether owned or rented.
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of the Team's investigation.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship to Council.

9. REPORTING PROCEDURES

- 9.1 Great care must be taken in the investigation of suspected improprieties or irregularities, to avoid mistaken accusations, or alerting suspected individuals and staff not involved in the investigation that an investigation is under way.
- 9.2 An employee who discovers or suspects fraudulent activity will notify the appropriate person immediately, as per the procedures laid down in the Council's Protected Disclosures Policy. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Chief Executive Officer. No information concerning the status of an investigation will be divulged.
- 9.3 The reporting individual should be informed of the following:
- Do not contact the suspected individual in an effort to determine facts or demand restitution.
 - Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Chief Executive Officer or members of the Investigation Team.
- 9.4 If the investigation by the Chief Executive Officer, or members of his appointed Investigation Team, substantiates that fraudulent activities have occurred, the Chief Executive Officer will decide the action to be taken, which may include termination of employment.

10. TERMINATION

Investigations could result in the termination of employment. If an investigation results in a recommendation to terminate an individual's employment, the recommendation will be reviewed by the Manager, Planning, Compliance and Capability, and by legal counsel if necessary, before any such action is taken.

Decisions to prosecute or turn matters over to the Police are at the discretion of the Chief Executive Officer.

Council will not provide any formal reference to any individual that has been found to have committed fraud, nor should any council officer be a referee for that individual.

11. MANAGING THE PUBLIC RELATIONS REGARDING FRAUD

The Chief Executive Officer will report to Council and the Audit and Risk Committee on any fraud investigation when it has reached a stage that he/she considers appropriate.

The Chief Executive Officer will also advise Council's auditors at the same time.

Any questions from the media in relation to fraud will be dealt with by the Chief Executive Officer or the Mayor.

Meeting: Audit and Risk Committee

Meeting Date: 21 July 2020

Subject: Review of Council's Sensitive Expenditure Policy

File No.: 110820

1 **Purpose**

The purpose of this report is to review and update Council's sensitive expenditure policy as it was last updated in 2017, and is due for review.

2 **Background**

The sensitive expenditure policy is essentially a guide for staff and elected members when dealing with expenditure that is deemed to be sensitive.

Examples of sensitive expenditure include:

- Travel and accommodation
- Hospitality
- Gifts

Council expenditure is public money and therefore should withstand scrutiny by the public. The Sensitive Expenditure Policy was last reviewed in 2017 and updated then to include:

- limits for the cost of meals that Council would reimburse
- guidance for entertainment and when giving gifts is appropriate
- requirement that all sensitive expenditure be approved on a "one-up" basis (that is approved by the supervisor or manager)

The policy was last adopted by Council on 8 December 2017.

3 **Sensitive Expenditure Policy**

The Sensitive Expenditure Policy has been developed to ensure that elected members and staff adhere to the appropriate processes and limits when incurring sensitive expenditure.

The policy specifically includes guidance for:

- Motor vehicles for business travel
- Air travel
- Accommodation and meals
- Telephones and communication
- Entertainment and hospitality
- Gifts
- Donations and Koha
- Authorisation for reimbursement of expenses

- Sale of surplus assets

The policy is appended to this report and does not include any changes apart from permitting an elected or staff member to consume food from the mini-bar where it is not possible or easy to get a meal. This would only happen in exceptional circumstances.

4 Policy and Plan Considerations

There are no policies or plans that are inconsistent with this proposal.

5 Legal Considerations

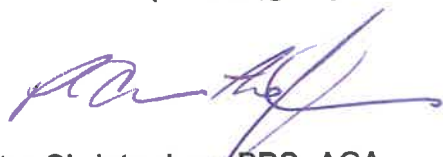
There is no legal requirement for Council to adopt a sensitive expenditure policy. However, Council's fundamental legal obligation is always to act fairly and reasonably, and in accordance with the law. To ensure that this always occurs when undertaking any sensitive expenditure, it is preferable that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

6 Significance and Engagement

There is nothing in the sensitive expenditure policy which would require Council to consult the community.

7 RECOMMENDATIONS

1. That the report "Review of Council's Sensitive Expenditure Policy" be received.
2. That the Audit and Risk Committee approve the Sensitive Expenditure Policy (including any further amendments) for adoption by Council.



Peter Christophers BBS, ACA
Manager Finance and Corporate Services

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COUNCIL POLICY

TITLE:	SENSITIVE EXPENDITURE POLICY
MEETING:	21 July 2020
OFFICER RESPONSIBLE	Manager Finance and Corporate Services
FILE REFERENCE:	112010
REVIEW:	30 June 2023

1. BACKGROUND

The money spent by Kawerau District Council ("Council") is public money and must meet standards of probity that will withstand scrutiny by the public and/or Parliament.

Sensitive expenditure is any expenditure incurred by Council that provides, has the potential to provide or may be perceived as providing some private benefit to an individual staff member in addition to its business purpose. It also includes expenditure which could be considered to be unusual for Council's purpose and function.

Examples of expenditure which may be regarded as sensitive include, travel, accommodation and hospitality, particularly, but not exclusively, on overseas trips.

2. PURPOSE

This policy has been developed in order to ensure that Council adheres to appropriate processes for the authorisation and control of sensitive expenditure.

Excluded from this policy are:

1. Elected Members' remuneration and expenses. Remuneration is governed by the Local Government Elected Members Determinations issued by the Remuneration Authority and reimbursement of expenses by Council's policy as approved by the Remuneration Authority.
2. Items specifically provided for in Employment Agreements.
3. Severance payments.

3. PRINCIPLES

All money spent by Council is public money and is not the property of elected Members or members of staff to do with as they wish. Consequently, expenditure should be subject to high standards of probity and financial prudence and be able to withstand scrutiny by the public or Parliament.

Under those standards, decisions made must apply the principles that the expenditure:

- Has a **justifiable business purpose**
- Maintains **impartiality**
- Is made with **integrity**
- Is **moderate and conservative**, taking into account the circumstances in which it is incurred
- Is made **transparently**
- Is **appropriate** in every respect

In deciding whether sensitive expenditure is to be authorised, members of staff must apply all the above principles. None should be regarded as being more important than, or applied in isolation from, the others.

In all cases, claims for reimbursement of expenditure must be made on Council's approved claim form, detailing people attending, the trip's destination and business purpose. All claims must be backed up by GST receipts where appropriate. Policies on specific types of expenditure which may be considered sensitive follow.

4. TRAVEL AND ACCOMMODATION

4.1 General

1. Expenses relating to attendance at courses, conferences and seminars relevant to an employee's duties will be reimbursed on an actual and reasonable basis.
2. Attendance at courses, training or seminars will need to be approved by the staff member's supervisor and all costs associated with the training must also be approved by the staff member's supervisor.

This will include meals, accommodation, travel, transport and any other associated costs.

This is for costs both charged directly to Council, and those reimbursed to the staff member.

The supervisor must ensure that these costs comply with this policy and is within their delegation to approve.

3. Council will not reimburse any bar (including "mini-bar") expenses that are incurred by the staff member. These expenses should be paid for directly but if they are charged back to Council they are to be paid by the staff member. However, if a staff or elected member has incurred mini-bar expenses for food as it was not easy to have a meal, then the employee's supervisor may approve the mini-bar expenses.
4. All travel and accommodation must be approved in advance.
5. Council will not pay round sum allowances to cover travel and accommodation.
6. Costs should be invoiced direct to Council whenever possible, otherwise they will be reimbursed to the individual (staff or elected member).
7. All claims for reimbursement must be submitted on Council's standard expenses claim form and include details of the business reason for the expense being incurred.

8. Relevant GST receipts for all expenditure must be attached to the form which will be approved and authorised by the relevant Manager.
9. Expenses will be measured against what is reasonable in the opinion of the employee's Manager. In the event of any dispute, the final decision will lie with the Chief Executive Officer ("CEO")

4.2 Motor Vehicles

1. When one is available, staff should use a Council vehicle for business travel.
2. If use of a rental car is authorised, it must be booked through the Chief Executive Officer's Secretary ("CEOS").
3. The car hired will be the most economical type and size appropriate for the people carried and distance travelled.
4. The car will be hired only for the duration of the business trip and may not be used for private purposes.
5. In the event that an employee is authorised to use his/her own car, the actual distance travelled on Council business will be reimbursed at the approved IRD rate. **N.B.** If such a business journey commences from and/or finishes at the employee's home, IRD rules require that the normal distance travelled between home and work be deducted from the total distance travelled.
6. Any parking fines or other traffic fines incurred during business travel will be the responsibility of the driver and will not be reimbursed by Council. The only exception will be if travel is undertaken in a Council vehicle and the fine results from an aspect of the condition of the vehicle is outside the driver's control.
7. The cost of taxis or shuttles will be reimbursed for journeys between an airport and the business destination. If accommodation is not within walking distance of a business destination, taxis may be used only if public transport is unavailable or impractical.

4.3 Air Travel

1. All air travel must be approved in writing and be booked through the CEOS at the lowest fare available at the time of booking.
2. No subscriptions will be paid to airline travel clubs and no airpoints or similar benefits may be claimed on business travel.

Overseas air travel will be in economy class for journeys.

4.4 Accommodation and Meals

1. Accommodation must be booked through the CEOS and will, whenever possible, be arranged at hotels offering special Government rates with chargeback facilities.
2. If a staff member stays with a friend or relative Council will not pay an allowance for accommodation. However, it will reimburse any reasonable additional costs

that were incurred to stay with the friend or relative (such as taxi or bus fare) as long as these costs don't exceed the amount that would have been incurred for hotel accommodation.

3. Meals will be reimbursed on an actual and reasonable basis, unless they are provided as part of the accommodation or other package.

The following are expenditure limits for meals that will be paid for by Council:

- Breakfast \$25.00
- Lunch \$30.00
- Dinner \$45.00

If the conference or meeting necessitates expenditure for meals that exceed these limits, then approval can be given by the Chief Executive Officer.

Only expenses incurred by employees for business purposes will be met or reimbursed by Council. Should an employee wish to take annual leave in conjunction with any business trip or have a spouse/partner accompany them to any function this must be authorised in advance. If authorisation is given, all costs in excess of the minimum required for the employee's business purpose will be considered to be private costs and therefore the responsibility of the individual employee. Such costs include, but are not limited to, additional car hire or air fares, spouse/partner's travel, accommodation and meals.

5. TELEPHONES & COMMUNICATIONS

1. Staff will be supplied with a cellphone to be billed to Council's account where it is required for their job.
2. Private calls, including to home, may be made using a Council cellphone. Any charges that exceed the limit of Council's policy and/or are not reasonable will be charged to the individual.
3. Should a member of staff be delayed while returning from a business trip, calls made in order to advise the employee's family of the delay and expected time of return will not be considered private calls.
4. Private use of Council telephones, internet or e-mail facilities during normal working hours, for example to deal with a family emergency, will be permitted, but must be kept to a minimum. Staff found to be abusing this privilege will be subject to disciplinary action.

Fuller guidance on what is considered appropriate and inappropriate usage can be found in the separate E-mail and Internet Management Policies.

6. ENTERTAINMENT AND HOSPITALITY

As Council's functions are not commercial in their nature, there are likely to be limited circumstances in which entertainment and hospitality expenses are incurred. Reciprocal hospitality when attending courses, conferences or seminars and staff entertainment, for example at Christmas or other special event, are occasions when such expenditure may occur. Also Council may need to entertain a third party in order to facilitate investment and/or development for the district.

The following guidelines are to be applied when incurring such expenditure.

1. Staff meals in celebration of a special event will be considered reasonable. It is expected that such events are unlikely to occur more frequently than one or two times a year for any member of staff/department.
2. An employee should obtain guidance on permissible levels of expenditure from the relevant Manager in advance.
3. Where a Manager or the Council entertains a prospective investor/developer, approval will be obtained from the Chief Executive Office and/or Mayor. The staff involved in the entertainment will need to ensure that costs are reasonable.

Although not involving expenditure by Council, when an employee is offered entertainment or hospitality by third parties, such as suppliers or contractors, the following matters have to be considered:

1. Acceptance of entertainment or hospitality offered by a third party must be approved in advance by the CEO.
2. Entertainment or hospitality offered during a tender process by any third party who has submitted, or is likely to submit, a tender should be politely declined. The terms of this policy should be explained in order not to give offence by declining.
3. Any doubt on the appropriate response to an offer of entertainment or hospitality must be discussed with the employee's Manager.

7. GIFTS

As a general rule, Council does not offer gifts to third parties. However, Council may feel that a gift is necessary to facilitate an important relationship with a third party which will be to the future benefit of the district and ratepayers. In these circumstances the gift will need to be approved by the Mayor or Chief Executive Officer. The value of the gift should not exceed \$500.00.

The following guidelines refer to the offer of gifts from third parties to Council employees.

1. One-off gifts, valued at \$100 or less, may be retained by an employee.
2. A gift whose value exceeds the \$100 limit may be accepted, but only on behalf of the organisation and must be declared to the employee's Manager and the CEO, who will decide on the most appropriate course of action. Depending on the nature of the gift, it may be retained for use by Council.
3. No gifts should be accepted during a tender process from any supplier/contractor who has submitted, or is likely to submit, a tender. So that the reasons for declining the offer of a gift are clearly understood, the terms of this policy should be explained in order to avoid giving any offence.

8. DONATIONS AND KOHA

A donation, including the gifting of koha, is a payment made voluntarily without the expectation of receiving anything in return.

Donations and koha must be:

1. Lawful in all respects.
2. For purposes consistent with Council's business.
3. Of a size that is appropriate in the circumstances.
4. Made by normal commercial means, not in cash.
5. Non-political.

Approvals of donations and koha are restricted to the CEO and Managers.

9. **REIMBURSEMENT OF EXPENSES INCURRED BY THE CHIEF EXECUTIVE, MAYOR AND ELECTED MEMBERS**

Approval for reimbursement of expenses that are incurred while on Council business should be made by the individual that is "one-up" in the organisation.

Therefore reimbursement of expenses that are incurred by Chief Executive will be approved by the Mayor. Expenses incurred by councillors will also be approved by the Mayor.

Reimbursement of expenses incurred by the Mayor will need to be approved by two Councillors.

10. **SALE OF SURPLUS ASSETS**

From time to time Council will dispose of assets, usually when they have reached the end of their useful lives or have become surplus to its requirements. When disposing of assets, the procedures to be followed must be transparent, fair and designed to maximise the return to Council.

Whenever appropriate, assets may be traded in against their replacements. Otherwise, the following should be noted:

1. Assets to be disposed of should be valued in advance and the value declared for guidance.
2. Smaller value assets for sale, for example computers, will be advertised within the District on two occasions per year, when required.
3. Larger value assets, for example vehicles, may be auctioned off to the public by using an auction house or a site such as "Trade Me" if this is reasonably expected to yield a better price.

Meeting: Audit and Risk Committee

Meeting Date: 21 July 2020

Subject: Residential Developments (Central Cove, Te Ariki Place and Porritt Glade) – Progress and Risk Analysis

File No: 206700

1 **Purpose**

The purpose of this report is to update the committee on the progress for these residential developments, highlight what the risks are for Council and also determine the mitigations that are in place to reduce these risks.

2 **Background**

Council acquired the Bowen Street land, which was formerly Central School at the end of 2014 for \$70,000. Following an increased demand for both houses and sections in Kawerau and a substantial increase in house and land prices, Council decided that it would look at developing the Bowen Street land.

Registrations of interest were sought from developers and Council selected Generation Homes to do the subdivision, development and sale of the land.

Council has undertaken the development of the land prior to building taking place. Purchasers acquire a house and land package through Generation Homes and Council receives the payment for the land once the sale has been made. To date six house and land packages have been acquired and Council has received payment for these sections. Construction of houses is due to commence shortly.

Council also decided that the reserve at Te Ariki Place was surplus to the community's need and swapped the "reserve status" with freehold land near the skatepark. The land at Te Ariki Place fits four sections and Council has subsequently developed the land. As with the Bowen Street development, Generation Homes will sell a house and land package. No sections have been sold to date.

Finally, Council had been asked by the Kawerau Social Services Trust to make available the land next to Mountain View Resthome for further housing for the aged. Council went to some lengths to acquire the land and has it designated local purpose reserve.

Kawerau Social Services Trust subsequently informed Council (27 August 2017) that they could not proceed with their proposed development and therefore no longer wanted to lease the land. Council decided that it would develop 29 retirement units on the land and sell a "right to occupy".

Six units are currently being built with the first two being officially handed over 15 July 2020. Council has received deposits for 4 units (paid to the Statutory Supervisor), but expects the other two to sell shortly. A blessing and open day is to be held Saturday 18 July 2020. Generation Homes has also been engaged to undertake the construction of these units.

Council consulted the community on these proposals as part of the 2018 – 2028 Long Term Plan, which was adopted 26 June 2018.

The latest indicative costs for these developments, now that most costs have been received, are:

	Bowen Street	Te Ariki Place	River Road (incl GST)
Number of sections	31	4	29
Development Cost - Land	\$1,400,000	\$136,000	\$1,740,000
Development Costs - buildings			\$250,500 per unit

3 Risks associated with the Developments

There were a number of risks identified by Council in the early stages of considering these developments. However, there were also risks identified with not proceeding with the developments, which Council took into consideration when deciding whether to proceed with these proposals.

Council had initially proposed re-purchasing the retirement units from occupants at the end of the tenancy, however, as this would have created an ongoing liability and possible risk for Council, it was decided that the units would be sold directly to a new occupant at the end of each tenancy. This is how the Mountain View Retirements are operated.

The following table lists the high level risks and the mitigations for these developments:

Description	Risk	Impact	Current Mitigation	Is risk acceptable? Y/N
Residential Developments (all):				
Demand for housing	There is a risk that a lack of residential housing availability is (and would) restrict growth for the town	Council has contributed significant investment into economic development, however, there is not sufficient housing to meet a potential growth in the workforce. This may result in future developers being reluctant to invest in commercial enterprises. Also the lack residential housing will restrict any future growth.	Council has developed 35 residential home and land packages (in conjunction with a contractor) as well as providing for the construction of a 29 unit retirement village. 6 units are currently being constructed	No (Council acknowledges that demand is likely to exceed supply and is continuing to investigate residential development options)
Selling residential sections to developer	Sections (if sold to a developer) could be land banked and there would continue to be a shortage of residential houses	There is an immediate demand for residential housing and an even greater demand once planned commercial developments begin. Therefore, it is important that residential sections/houses be made available as soon as possible. Also a developer would keep the potential returns from the development (not the community)	Council did not sell the land to a developer, but instead undertook the development, so it could retain control and determine the timing for each development. Also the returns on these investments will be used for the benefit of the community	Yes. (Council has proceeded with the developments)

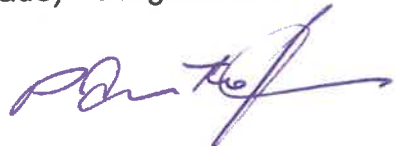
Description	Risk	Impact	Current Mitigation	Is risk acceptable? Y/N
Community response to developments	There was a risk that the community responds negatively to Council getting involved in residential developments	Community could have been unhappy with Council getting involved in residential developments and may feel that Council should stick to delivering its existing services as efficiently as possible.	Council consulted extensively on the proposed residential developments as part of the 2018-28 Long Term Plan. The community was overwhelmingly in favour of the proposed developments.	Yes
Small rating base and reliance on small number of significant ratepayers	There is an ongoing risk that one or more of the major ratepayers could cease operating.	The loss of one or more major ratepayers would result in significant rate increases for other ratepayers. One ratepayer currently pays over 21% of the total council rates.	Council has undertaken a number of initiatives to promote growth and expand the rating database. The development of the residential sections is one of the initiatives to promote growth and will add 64 rateable properties.	No (Council will continue to assist economic development to further minimise this risk)
Potential financial loss The total outlay by Council (including 29 retirement units) is \$10.5 million	Financial risk. There is significant financial investment by Council in these developments and there is a potential risk that there will be a delay before Council sees a return on its investment.	Council will have less funds available for a period and is likely to have to borrow funds. Council has spent \$3.8 mil to date on these developments and received \$640k from the sale of 6 sections in Bowen Street	Council will regularly monitor its cash flow projections for these developments. Council has initially only constructed 6 retirement units and will build further units when agreements with purchasers have been entered into. (Deposits received for 4 units and it is anticipated the other 2 will be sold in the near future)	Yes
Lack of expertise in residential developments	There is a risk Council will incur more costs and be less efficient as it is not in the business of developing residential property.	Council may take longer to do residential developments and also incur more costs, which may result in potentially less return for the community	Council has engaged experts (John Pullar & Generation Homes) as well as consulting with it's lawyers, to assist with the development of the sections.	Yes
Change in economic outlook resulting from external influences such as COVID-19	There is a risk that the economic outlook and therefore "demand for housing" may be adversely affected by external factors such as COVID-19 and global recession	It may take considerably longer to sell the residential properties and retirement units. Therefore Council potentially could have a longer period before it recovers the investment in these developments	Council has consulted with the community on raising a loan to undertake the programmed capital work for 2020/21 if required. Staff have also initiated becoming a member of LGFA, which will reduce the interest rate for any loans	Yes

Description	Risk	Impact	Current Mitigation	Is risk acceptable? Y/N
Porritt Lodge (Retirement Units):				
Demand for this type of housing	There is a risk that there is only limited demand for this type of residence	Council may have units that are vacant and not receive the funds that have spent building the units	Council initially constructed 6 units and once those are sold. There is currently 25 people that have registered an interest in these units	Yes
Lack of knowledge and expertise for managing retirement village	There is a potential risk that Council may not fulfil its legal obligations and also not provide sufficient resources to meet the day to day management of the retirement village	There are legal and operational demands when operating a retirement village. Council had considered the option of asking the Kawerau Social Services Trust to lease and manage the new retirement village.	Council has engaged its lawyers to advise the legal obligations for running a retirement village. Council has engaged a project manager to oversee to the construction of the units. Council has also appointed a statutory supervisor to minimise any risks associated with legal obligations or operational matters	Yes
Inflation	There is a risk that construction costs may escalate during the construction period.	Council will need to sign a contract with occupants that will include the cost of the unit. If costs rise and Council has to pay more for the construction, then there will be a loss incurred.	Council has arranged with Generation Homes to "fix" the construction costs of the units for 1 year. This will mitigate the risk of construction costs exceeding the revenue	Yes

The above list is not exhaustive but it does identify most of the significant risks and the mitigations that are in place.

4 **RECOMMENDATION**

That the report "Residential Developments (Central Cove, Te Arika Place and Porritt Glade) – Progress and Risk Analysis" be received.



Peter Christophers BBS, ACA

Manager Finance and Corporate Services

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Meeting: Audit and Risk Committee

Meeting Date: 21 July 2020

Subject: Interim 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 interim audit management report for the year ended 30 June 2020 and management's responses towards resolving 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.

Due to the COVID-19 lockdown the interim audit was undertaken remotely, which meant that some issues were not able to be fully investigated. A further interim audit took place during the week 6 July – 10 July. The final audit is due to be carried out 21 September to 2 October.

3 Issues raised in the interim audit management report for 2019/20

Included separately to this report is the interim audit management report as well as management's responses to the issues raised.

Regarding the adoption of the new accounting standards, staff are initially consulting the relevant standards and also discussing with other councils to determine if any changes are relatively straight-forward.

Following the completion of the audit, Council's auditors will issue an audit opinion for the annual report and also a final management report

4 RECOMMENDATION

That the report "Interim 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 Council
on the interim audit of**

Kawerau District Council

For the year ended 30 June 2020

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Key messages

We have completed our interim audit of Kawerau District Council (the District Council) for the year ended 30 June 2020. The primary purpose of our interim audit was to update our understanding of the District Council's control environment and to gain a better understanding of the issues facing the District Council and how these are being addressed.

Covid-19 has affected our ability to complete the interim audit as originally planned. Specifically there were instances where we were unable to sight evidential documentation remotely. We plan to complete this work as part of our pre final audit in July 2020. We will work with council staff to complete this work prior to the final audit currently planned for September 2020. We also encourage the District Council to discuss with us any potential issues or risks from Covid-19 as soon as they arise so we can eliminate any significant impact this may have on the final audit.

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

The District Council is required to adopt the new suite of group accounting standards PBE IPSAS 34-38 when preparing the 30 June 2020 financial statements. We will need council management to prepare and provide to us an assessment of the impact of these accounting standards before our visit in July 2020. Further information about these standards is included in section 3 of this report.

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

Thank you

We would like to thank the Council, management, and staff for the assistance received during the audit especially completing the audit remotely.



Jo Smail
Appointed Auditor
7 July 2020

1 Recommendations



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

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

1.1 New recommendations

Included below is a summary of the new recommendations identified during our interim audit visit.

Ref	Recommendation	Priority
Adoption of new accounting standards		
3	We recommend that management prepare and provide to us an assessment of the impact of the new suite of “group” accounting standards before our audit visit in July 2020. We also recommend that management prepare pro-forma financial statements so we can agree any revised group-related disclosures prior to the commencement of the final audit.	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	2	-	2
Implemented or closed	-	1	-	1
Matters that will be followed up during our pre-final audit visit	-	8	-	8
Matters that will be followed up during our final audit visit	-	2	-	2
Total	-	13	-	13

2 Assessment of internal control



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

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

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

Overall, we concluded that the control environment is effective.

2.2 Internal controls

Internal controls are the policies and processes designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. The design, implementation and maintenance of internal controls are the responsibility of the Council and management.

We reviewed the internal controls, in your information systems and related business processes for key financial information systems. We will review the non-financial systems and complete controls testing of the key financial systems as part of our pre final audit in July 2020. We will report our findings as part of the final management report.

3 Adoption of new accounting standards



Public benefit entities must apply the new “group” accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management is responsible for completing the necessary transition work to enable the successful implementation of the new accounting standards. Areas of focus when completing the transition include:

- Assessing whether the revised control definition and guidance results in a new entity being assessed as controlled under PBE IPSAS 35. For example, trusts established by the District Council that support the District Council in achieving its objectives will need to be assessed under the new standard.
- Determining whether a joint arrangement is categorised as a joint venture or joint operation. Joint ventures must be accounted for using the equity method.
- Updating the “group” accounting policies and “group” related disclosures in the financial statements. PBE IPSAS 38 generally requires more disclosure about interests in other entities than the previous standards.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Keeping relevant parties informed, such as your auditor and audit committee.

The transition to the new accounting standards may require significant judgement for some arrangements and the assessment may be particularly time consuming for those entities with a large number of potentially controlled entities.

We recommend that management prepare and provide to us an assessment of the impact of the new suite of “group” accounting standards before our audit visit in July 2020.

We also recommend that management prepare pro-forma financial statements so we can agree any revised group-related disclosures prior to the commencement of the final audit.

Management comment

KDC Management have sought advice from PWC as to implications and effects of the new reporting standards as well as assist with implementation of the changes required. It is expected that this advice will be provided by the middle of next month.

Appendix 1: Status of previous recommendations

Open recommendations

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 changes 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.

Recommendations to be followed up during our pre final audit

Recommendation	First raised
Necessary	
Bribery and corruption	
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: <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
Asset management plans (AMPs)	
The District Council continues to strengthen its AMP by: <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 	2018/19

Recommendation	First raised
Necessary	
<ul style="list-style-type: none"> 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. 	
Payroll processes	
Ensure the payroll masterfile change report reconciliations and the payroll reconciliations are completed for the year.	2018/19
Statement of service performance	
Carry out a review of processes for customer satisfaction measures in the statement of service performance.	2018/19
Contract unsigned	
Ensure all contracts are signed before the commencement date.	2018/19
Not all interests declared in interest registers	
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
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
Sensitive expenditure	
Expense claims are approved on a one up basis.	2015/16

Recommendations to be followed up during our final audit

Recommendation	First raised
Necessary	
Supporting documentation for all expenditure	
Ensure invoices are retained for all expenditure.	2018/19
Terminated employees	
Ensure all terminated employees are removed from the payroll system.	2018/19

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Statement of service performance (customer contact module)		
<p>Implements controls within the Customer Contact Module (CCM) to ensure dates and times cannot be manually changed.</p> <p>All coding within CCM is updated in order to utilise the reporting system within CCM.</p>	2015/16	As management is prepared to accept the risk, we have decided to close the issue.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$91,485 (excluding GST and disbursements), as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>



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Meeting: Audit and Risk Committee
Meeting Date: 21 July 2020
Subject: 2019/20 Annual Report Timetable and COVID-19 Implications
File No: 110400

1 Purpose

The purpose of this report is to inform the committee of the proposed timetable as well as the implications of COVID-19 for the 2019/20 Annual Report.

2 Background

The Local Government Act 2002 requires Council to prepare an annual report each year.

The Annual Report must be adopted within four months of the end of the financial year and be available to the public. Therefore, staff have prepared a timetable for the preparation of this report to ensure that all the necessary tasks are undertaken so that it is adopted within the statutory deadline.

The preparation of the annual report for this year is going to be a bit more complex as staff will need to ensure that the residential developments are recognised in accordance with the appropriate accounting standards. Also, there are new reporting standards (PBE PSAS 34 – 38) which relate to accounting treatment of Council Controlled Organisations, which will need to be incorporated into the annual report.

The auditors have indicated that staff will need to ascertain whether there has been any material movements in the value of assets, so they can be assured that the amounts in the asset register and annual report are reasonable.

3 Proposed timetable

The appendix to this report contains the proposed timetable for the completion of 2019/20 Annual Report.

4 Implications of COVID-19 for 2019/20 Annual Plan

Included with this report is a paper prepared by Council's auditors which summarises the audit implications of COVID-19 as they currently stand.

5 RECOMMENDATIONS

1. That the report "2019/20 Annual Report Timetable and COVID-19 Implications" be received.
2. That the Audit and Risk Committee recommend any amendment(s) to the proposed timetable to ensure that Council meets its statutory requirements.



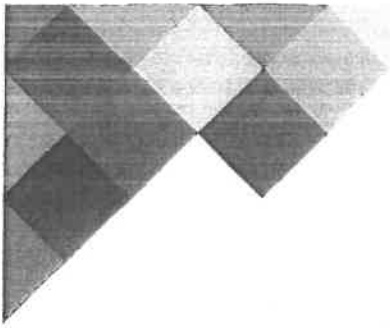
Peter Christophers, BBS, ACA
Manager, Finance & Corporate Services
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Project Plan for 2019/20 Annual Report

Non Financial Tasks:		
Performance Target results including supporting documents	Managers	15 August
Review/Update: <ul style="list-style-type: none"> • Interest Register and “conflicts of interest” 	MFCS	30 June
Availability of Council minutes for 2019/20	MFCS	21 Sept
Schedule of authorised cheque signatories	Accountant	30 June
Preparation of “pro-forma” financial statements (including any changes arising from Financial Reporting Requirements)	MFCS	30 June
Financial Tasks:		
GL balances agreed to Annual Report @ 1 July 2019	MFCS	30 June
Reconciliations done (and authorised) for: <ul style="list-style-type: none"> • Cash (unpresented cheques & deposits in transit) • Accounts Payable • EPO • Payroll • Other liabilities • Debtors (Rates, Water & Sundry) • Bonds/Suspense Accounts • GST • FBT • Public Debt • Internal Loans • Stock 	Accountant	31 July
Accruals for (and schedules of): <ul style="list-style-type: none"> • Prepayments • Creditors • Income in advance • Employee entitlements • Provisions (Doubtful debts, landfill aftercare) • Interest 	Accountant	15 Aug
Inventories: <ul style="list-style-type: none"> • Carrying out stock takes • Reconciliation to GL 	Accountant	1 July 31 July
Schedule of journal entries for year	Accountant	31 July

List of investments and cash at bank (accounts) <ul style="list-style-type: none"> • Shares • Impairment consideration • Split between "current" and "term" 	Accountant	31 July
Schedule of Debtors (Rates, water and sundry): <ul style="list-style-type: none"> • Aged Debtors • Doubtful debts calculation • Write-offs 	Finance Officer	31 July
Investment properties (& movements)	MFCS	31 July
Fixed Assets including: <ul style="list-style-type: none"> • Balancing of register to GL • Determine if material value changes for PP&E • Recognising additions • Expensing depreciation • Recognising disposals • Determining if obsolete (write off) • Determine "deterioration" (vs dep) • Work in progress schedule 	MFCS	15 Aug
Allocation (final) of corporate overheads including: <ul style="list-style-type: none"> • List "drivers" for allocating costs • List any changes to drivers from 2018/19 	MFCS	15 Aug
Schedule of commitments and contingencies	MFCS	15 Aug
Annual Report Preparation:		
Preparation of: <ul style="list-style-type: none"> • Trial Balance • FIS (for activities) • Financial Statements (including notes) • Cashflow and supporting documents • Financial Prudence Reports • Mayor's and CE's reports 	Accountant MFCS MFCS MFCS MFCS MFCS	31 August 31 August 31 August 31 August 31 August 31 August
Draft Financial Statements prepared	MFCS	21 Sept
Final draft Financial Statements (& Summary) – Audit changes	MFCS	9 October
Financial Statements available for adoption	MFCS	20 October
Financial Statements adopted	Council	27 October
Audit visits: <ul style="list-style-type: none"> • Interim – 6 July to 10 July 2020 • Final commences – 21 September 2020 		

MFCS = Manager Finance and Corporate Services



Date: 21 July 2020

This Paper has been prepared for the Kawerau District Council Audit and Risk Committee and summarises the audit implications of Covid-19 as they currently stand.

Covid-19 is having a varying impact throughout the public sector affecting, amongst other things, asset valuations, project timelines and costs and revenue streams.

1 Annual Report Disclosure

The inclusion of good disclosure in Kawerau District Council's Annual Report about the implications of Covid-19 will be important to ratepayers. In our view, the readers of the Annual Report could reasonably expect the Covid-19 related disclosures to include:

- General disclosure about Covid-19 and any resultant impact on the Council during the alert levels.
- Disclosure about how the Council's financial and non-financial performance has changed due to Covid-19. The closing of community facilities has for many council's impacted on their level of achievement for certain performance measures. Some councils have also had significant drops in revenue although I understand that this is not an issue for Kawerau.
- 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.

Audit New Zealand is developing a series of Bulletins in response to Covid-19 focused on providing guidance to public entities. These Bulletins will provide useful information, in particular when considering the implications of Covid-19 on:

- revaluations of property, plant and equipment, and investment property¹; and
- service performance reporting².

¹ <https://auditnz.parliament.nz/good-practice/public-sector-reporting/bulletin-one>.

² <https://auditnz.parliament.nz/good-practice/public-sector-reporting/bulletin-two>.

2 Audit Report – emphasis of matter

The Office of the Auditor-General has indicated an expectation that an emphasis of matter paragraph will be included in audit opinions for all entities with 31 March and 30 June 2020 year-ends, **highlighting the above relevant disclosures** made by each entity in the financial statements and performance report. If there any issues relating to the measurement of balances disclosed in the financial statements, or there is a material uncertainty, there may be further modifications to the audit opinion. This does not in any way imply criticism of Kawerau DC, but simply reflects the uncertainty created in the current post-Covid-19 environment.

We suggest that the Council undertakes a formal, systematic assessment of the impact on its Annual Report of Covid-19 especially the financial statements.

As the audit impacts of Covid-19 are still being worked through, we will update the Council on developments when we are informed of them.

3 Year-end audit timetable

The Covid-19 pandemic has and will impact on the timing of audits. Our general experience has been that audits take longer for two principal reasons. Firstly, client and audit staff working remotely, is overall, less efficient for the audit process. Secondly, the Covid-19 pandemic has created complex and challenging accounting and auditing issues that have and are taking time to address.

There are also potential implications of Covid-19 on the Council's control environment especially during the lockdown when some entities had to put in place control workarounds to keep systems operating. This could alter our planned audit approach and result in the completion of additional audit work.

We expect that it will not be possible for all audits of public entities to be completed within the existing statutory deadlines. As a consequence, we may need to prioritise the completion of audits based on both entity readiness and our own resource capacity to address the additional time expected to complete audits. We will maintain regular dialogue with management and Councillors over the coming months.

KAWERAU DISTRICT COUNCIL

The Meeting of the Audit and Risk Committee will be held on
Tuesday 21 July 2020 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 Confirmation of the Audit & Risk Committee Meeting Minutes dated 15 May 2020

Pgs.1-4

Recommendation

That the Minutes of the Audit & Risk Committee meeting held on 15 May 2020 be confirmed as a true and accurate record.

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

Pgs.5-28

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.

3 Treasury Report to 30 June 2020 (Manager, Finance and Corporate Services) (110551)

Pgs.29-33

Attached is a report informing members of Councils finance at 30 June 2020

Recommendation

That the report "Treasury report to 30 June 2020" be received.

4 Review of Councils Fraud Policy (Manager, Finance and Corporate Services) (201000)

Pgs.35-42

Attached for members consideration is Councils current Fraud Policy which is due to be reviewed

Recommendation

1. *That the report "Review of Councils Fraud Policy" be received.*
2. *That the Audit and Risk Committee approves the Fraud Policy (with any amendments) for adoption.*

5 Review of Councils Sensitive Expenditure Policy (Manager, Finance and Corporate Services) (110820)

Pgs.43-50

Attached is a report requesting members review Councils Sensitive Expenditure Policy

Recommendation

1. *That the report "Review of Councils Sensitive Expenditure Policy" be received.*
2. *That the Audit and Risk Committee approves the Sensitive Expenditure Policy (including any future amendments) for adoption by Council.*

6 Residential Developments – Progress and Risk Analysis (Manager, Finance and Corporate Services) (206700)

Pgs.51-54

Attached is a report which updates members on the progress for residential developments and the associated risks

Recommendation

That the report "Residential Developments – Progress and Risk Analysis" be received.

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

Pgs.55-68

Attached for members information is the Interim Audit Management Report for 2019/20 along with staff response to the issues raised

Recommendation

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

8 2019/20 Annual Report Timetable and COVID-19 Implications (Manager, Finance and Corporate Services) (110400)

Pgs.69-74

Attached is a report informing members of the timetable for the 2019/20 Annual Report and the implications of COVID-19 on the report

Recommendation

1. *That the report "2019/20 Annual Report Timetable and COVID-19 Implications" be received.*
2. *That the Audit and Risk Committee recommend any amendments to the proposed timetable to ensure that Council meets its statutory requirements.*

R B George

Chief Executive Officer

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