



# **AGENDA**

## **Audit and Risk Sub-committee Meeting**

**I hereby give notice that a Meeting of the Audit and Risk  
Subcommittee will be held on:**

**Date: Thursday, 20 February 2020**

**Time: 9.30am**

**Location: Council Chamber  
Ground Floor, 175 Rimu Road  
Paraparaumu**

**Mark de Haast  
Group Manager**

**Kapiti Coast District Council**

**Notice is hereby given that a meeting of the Audit and Risk Subcommittee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 20 February 2020, 9.30am.**

**Audit and Risk Subcommittee Members**

Mr Bryan Jackson	Chair
Cr Angela Buswell	Deputy Chair
Mayor K Gurunathan	Member
Deputy Mayor Janet Holborow	Member
Cr Gwynn Compton	Member
Mr Gary Simpson	Member

## Order Of Business

<b>1</b>	<b>Welcome.....</b>	<b>5</b>
<b>2</b>	<b>Council Blessing.....</b>	<b>5</b>
<b>3</b>	<b>Apologies .....</b>	<b>5</b>
<b>4</b>	<b>Declarations of Interest Relating to Items on the Agenda .....</b>	<b>5</b>
<b>5</b>	<b>Public Speaking Time for Items Relating to the Agenda.....</b>	<b>5</b>
<b>6</b>	<b>Members' Business .....</b>	<b>5</b>
<b>7</b>	<b>Updates .....</b>	<b>5</b>
	Nil	
<b>8</b>	<b>Reports.....</b>	<b>6</b>
8.1	Proposal to conduct the audit of the Council on behalf of the Auditor-General for 2020, 2021 and 2022 financial years.....	6
8.2	Ernst and Young Audit Plan for the year ended 30 June 2020 .....	18
8.3	Timetable for the Audit Plan for the year ended 30 June 2020 .....	40
8.4	Update on key 2018-19 Audit Findings.....	44
8.5	Quarterly Treasury Compliance Report .....	55
8.6	Ombudsman Investigation into Christchurch City Council LGOIMA Practices .....	64
8.7	Risk Management - Business Assurance Update.....	87
8.8	Health and Safety Quarterly Reports: 1 July 2019 - 30 September 2019; and 1 October 2019 - 31 December 2019 .....	97
<b>9</b>	<b>Confirmation of Public Excluded Minutes.....</b>	<b>109</b>
	Nil	
<b>10</b>	<b>Public Excluded Reports.....</b>	<b>110</b>
	<b>Resolution to Exclude the Public .....</b>	<b>110</b>
10.1	Update on Ombudsman and Privacy Commissioner Investigations and Litigation Status Report .....	110





**1 WELCOME****2 COUNCIL BLESSING**

“As we deliberate on the issues before us, we trust that we will reflect positively on the communities we serve. Let us all seek to be effective and just, so that with courage, vision and energy, we provide positive leadership in a spirit of harmony and compassion.”

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro, e pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, ā, mā te māia, te tiro whakamua me te hihiri ka taea te arahi i roto i te kotahitanga me te aroha.

**3 APOLOGIES****4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA**

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

**5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA****6 MEMBERS' BUSINESS**

- (a) Public Speaking Time Responses
- (b) Leave of Absence
- (c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

**7 UPDATES**

Nil

**8 REPORTS****8.1 PROPOSAL TO CONDUCT THE AUDIT OF THE COUNCIL ON BEHALF OF THE AUDITOR-GENERAL FOR 2020, 2021 AND 2022 FINANCIAL YEARS****Author:** Anelise Horn, Manager Financial Accounting**Authoriser:** Mark de Haast, Group Manager**PURPOSE OF REPORT**

- 1 This report informs the Audit and Risk Subcommittee of the proposal from Council's auditors, Ernst & Young, to carry out the annual audits of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
- *Confirming the terms of engagement for each audit with a recommendation to the Council; and receiving the external audit reports for recommendation to the Council.*

**BACKGROUND**

- 3 The Auditor-General is the auditor of all 'public entities', including Kāpiti Coast District Council.
- 4 Under section 32 and 33 of the Public Audit Act 2001, the Auditor General has appointed Ernst & Young to carry out the annual audit of the Council's financial statements and performance information for the three years ending 30 June 2020 to 30 June 2022.
- 5 Fees for the audit of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. Ernst & Young has provided Council the opportunity to consider the proposed fees before being recommended for approval by the Auditor General. The Auditor-General will only set audit fees directly if both parties fail to reach an agreement.

**CONSIDERATIONS**

- 6 Ernst & Young sets out their proposal to conduct the statutory audit of the Council on behalf of the Auditor-General for the 2020, 2021 and 2022 Financial years (Refer to Appendix)
- 7 Ernst & Young's proposed audit fees for the 2020, 2021 and 2022 Financial years are as follows:

Structure of audit fees	2019 Budget \$	2019 Actual \$	2020 \$	2021 \$	2022 \$
Net audit fee (excluding OAG overhead and disbursements)	165,000	165,000	168,300	175,400	180,900
OAG overhead charge	12,500	12,500	13,500	14,500	15,500
<b>Total audit fee (excluding disbursements)</b>	<b>177,500</b>	<b>177,500</b>	<b>181,800</b>	<b>189,900</b>	<b>196,400</b>
Estimated disbursements	3,400	3,400	3,400	3,400	3,400
<b>Total billable audit fees and charges</b>	<b>180,900</b>	<b>180,900</b>	<b>185,200</b>	<b>193,300</b>	<b>199,800</b>
GST	27,135	27,135	27,780	28,995	29,970
<b>Total (including GST)</b>	<b>208,035</b>	<b>208,035</b>	<b>212,980</b>	<b>222,295</b>	<b>229,770</b>

- 8 Compared to the actual audit fees for the 2019 financial year, the proposed fee increase is due to the following:

- Ernst and Young predict an annual staff salary cost movement of 2% per year for the three-year period.
- 20 additional audit hours are required by the audit team in 2021, for the implementation of the revised auditing standards ISA (NZ) 540 *Auditing Accounting Estimates and Related Disclosures*.
- 10 additional audit hours are required by the audit team in 2022, for auditing the impact of Council adopting PBE FRS 48 *Service Performance Reporting*.

- 9 Council Officers have considered this proposal and have determined that the proposed fee increases are fair and reasonable.

## CONSIDERATIONS

### Policy considerations

- 10 There are no policy considerations arising from this report.

### Legal considerations

- 11 There are no legal issues in addition to those already outlined in this report.

### Financial considerations

- 12 The total audit fees payable to Ernst & Young for the year ended 30 June 2020 are \$188,400 plus GST. This fee includes the audit of the 2019/20 Annual Report including estimated disbursements and assessing the Council's compliance with its Debenture Trust Deed for the year ended 30 June 2020. This has been included in the 2019/20 Annual Plan and no new money is required.
- 13 In addition, the Council's Debenture Trust Deed requires a full audit of the Council's register. Council has engaged PricewaterhouseCoopers (PwC), the auditors of Computershare (the Council's registrar), to complete a full audit of the Council's register. The fee for this service is \$750 (inclusive of GST). This has been included in the 2019/20 Annual Plan and no new money is required.

### Tāngata whenua considerations

- 14 There are no tāngata whenua considerations arising from this report.

## SIGNIFICANCE AND ENGAGEMENT

### Significance policy

- 15 This matter has a low level of significance under the Council's Significance and Engagement Policy.

### Publicity

- 16 There are no publicity considerations arising from this report.

## RECOMMENDATIONS

- 17 That the Audit and Risk Subcommittee receives and accepts Ernst & Young's proposal to conduct the audit of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years.

## APPENDICES

1. 2020-22 Draft KCDC Audit Proposal Letter [!\[\]\(39e79a92faddb6446b52e85f72c85198\_img.jpg\) !\[\]\(78e636b30d0a5a7aa997da8876eb2931\_img.jpg\)](#)





Ernst & Young  
100 Willis Street  
Wellington 6011 New Zealand  
PO Box 490 Wellington 6140

Tel: +64 4 499 4888  
Fax: +64 4 495 7400  
ey.com/nz

15 January 2020

Ref.: 60822158

Mark de Haast  
Group Manager, Corporate Services  
Kapiti Coast District Council  
Private Bag 60601  
Paraparaumu 5254

Copy: Director Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington

Dear Mark

**Proposal to conduct the audit of Kapiti Coast District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years**

**1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2020, 2021 and 2022 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and

A member firm of Ernst & Young Global Limited



- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

## 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that "the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, you and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

## 3 Entities covered by this proposal

This proposal covers the audit of Kapiti Coast District Council and reporting to the Trustee pursuant to the Debenture Trust Deed dated 19 September 2012. The Trust Deed provides security for those that provide debt financing to the Council.

## 4 Key members of the audit team

Appointed Auditor	David Borrie
Quality Control Reviewer	Stuart Mutch
Audit Senior Manager	Ahmed Sofe
Technical Accounting Specialist	Lara Truman
IT Assurance Specialist	Ruth Russell

## 5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):



Audit team member	2019 budget	2019 actual	2020	2021	2022
Appointed Auditor	55	53	55	56	56
Review Partner	11	12	11	12	12
Audit Manager	130	150	130	136	136
Other CA qualified staff	197	276	197	205	210
Non CA qualified staff	480	620	480	483	486
Technical Accounting Specialists	25	26	25	26	28
<b>Total audit hours</b>	<b>898</b>	<b>1,137</b>	<b>898</b>	<b>918</b>	<b>928</b>

Actual hours for the 2019 audit were higher than the budgeted hours set out in the 2017 to 2019 audit proposal letter due to:

- Additional audit effort required to validate request for service based measures included in Council's Statement of Service Performance. One of Council's key activities is managing, responding to, and recording, requests for service. Issues identified during the 2019 audit included resolution or response times not being accurately recorded, duplicate requests for the same matter, and errors resulting from manual reorganisation of the request for service information. We understand that Council has resolved these issues and have assumed these issues won't reoccur in future years.
- There was also a component of the additional hours that related to new members of our audit team transitioning into their roles. Again, this is not expected to recur.

### 5.1 Reasons for changes in budgeted audit hours

The major reasons for the changes in budgeted hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period budgeted hours:	2020	2021	2022
Impact of adopting PBE FRS 48 Service Performance Reporting.	-	-	10



Reasons for increased or decreased audit hours compared to previous period budgeted hours:	2020	2021	2022
Impact of revised auditing standard ISA (NZ) 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i> .	-	20	-
<b>Total increase (decrease) in audit hours</b>	<b>-</b>	<b>20</b>	<b>10</b>

#### **PBE FRS 48 Service Performance Reporting**

PBE FRS 48 *Service Performance Reporting* ("PBE FRS 48") is a new accounting standard effective for Council's financial statements for the first time in the 2022 financial year. The standard formalises in accounting standards requirements for PBEs to select and present service performance information. We acknowledge that requirements for service performance reporting already exist for local authorities in the Local Government Act 2002 and Non-financial Performance Measures Rules 2013 and changes as a result of the new standard are likely to relate to the level of disclosure regarding the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

#### **ISA (NZ) 540 (Revised) Auditing Accounting Estimates and Related Disclosures**

We will be required to complete our audit procedures in line with ISA (NZ) 540 (Revised) for the first time for the 2021 financial year. This will result in additional audit effort for financial statement components where there are higher levels of estimation (e.g. valuation of infrastructure assets) as the level of assurance that is attained when auditing accounting estimates will change from adequate to reasonable. As a result, there will be additional requirements associated with risk assessment for both inherent and control risk plus testing of the operating effectiveness of controls relevant to accounting estimates.

We have limited the increase in audit hours associated with the adoption of these new standards on the basis that Council will undertake steps to prepare for these changes. The preparation would include an impact assessment for the adoption of PBE FRS 48.

## **6 Proposed audit fees**

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:





Structure of audit fees	2019 budget fees	2019 actual fees charged	2020	2021	2022
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	165,000	165,000	168,300	175,400	180,900
OAG overhead charge	12,500	12,500	13,500	14,500	15,500
<b>Total audit fee (excluding disbursements)</b>	<b>177,500</b>	<b>177,500</b>	<b>181,800</b>	<b>189,900</b>	<b>196,400</b>
Estimated Disbursements	3,400	3,400	3,400	3,400	3,400
<b>Total billable audit fees and charges</b>	<b>180,900</b>	<b>180,900</b>	<b>185,200</b>	<b>193,300</b>	<b>199,800</b>
GST	27,135	27,135	27,780	28,995	29,970
<b>Total (including GST)</b>	<b>208,035</b>	<b>208,035</b>	<b>212,980</b>	<b>222,295</b>	<b>229,770</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

## 6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period budgeted fees.	2020 \$	2021 \$	2022 \$
Predicted staff salary cost movements (2%).	3,300	3,400	3,500
Impact of adopting PBE FRS 48 <i>Service Performance Reporting</i> .	-	-	2,000
Impact of revised auditing standard ISA (NZ) 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i> .	-	3,700	-
<b>Total increase (decrease) in audit fees</b>	<b>3,300</b>	<b>7,100</b>	<b>5,500</b>



#### **Predicted staff salary cost movements**

We have used an estimated base cost increase of 2% per annum reflecting the expected movements in staff and support costs.

### **7 Assumptions relating to our audit fee**

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit. In particular, we anticipate issues identified during the course of the 2019 audit in relation to request for service based service performance reporting measures will not recur.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work other than items specifically identified in the tables above.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.



- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

## **8 What the OAG overhead charge provides**

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.



## 9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## 10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

David Borrie  
Partner  
Ernst & Young



I accept the audit fees for the audit of the three financial years as stated above.

Full name:	<u>Mark de Haast</u>	Position:	<u>Group Manager, Corporate Services</u>
Authorised signature:	<u></u>	Date:	<u></u>
Entity name:	<u>Kapiti Coast District Council</u>		

**Actions to take when agreement has been reached:**

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: 

David Borrie  
Ernst & Young  
PO Box 490  
Wellington 6140

**8.2 ERNST AND YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2020**

**Author:** Anelise Horn, Manager Financial Accounting

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 This report provides the Audit and Risk Subcommittee with a summary of the Ernst & Young Audit Plan for the year ending 30 June 2020.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
- *Confirming the terms of engagement for each audit with a recommendation to the Council; and receiving the external audit reports for recommendation to the Council.*
  - *Obtaining from external auditors any information relevant to the council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

**BACKGROUND**

- 3 Council's Auditors, Ernst & Young (Audit) have been engaged to undertake the audit of Council's Annual Report, including the Council's Summary Annual Report and compliance with its Debenture Trust Deed, for the year ended 30 June 2020.
- 4 The Audit Plan is attached as Appendix 1 to this report. This provides an overview of audit's focus areas, their risk assessment and their audit approach for the year ended 30 June 2020.

**CONSIDERATIONS****Audit focus areas and risk assessment**

- 5 The areas of audit focus, which are broadly consistent with the previous year are summarised below:
- Infrastructure assets;
  - Rates setting, rates invoicing and collection;
  - Non-financial performance reporting;
  - New Zealand Transport Agency (NZTA) subsidies;
  - Expenditure, procurement and tendering;
  - Debt facilities and derivatives; and
  - Landfill aftercare provision

**Materiality**

- 6 Audit has set their materiality threshold at \$1.7 million, being 2% of forecast expenditure. Materiality is broadly defined as the quantum of any misstatements (through error or otherwise), that would likely mislead users of the financial statements. Any identified misstatements impacting on Council's operating result by more than \$90,000 will be reported to the Subcommittee by way of Audit's Closing Report on conclusion of their audit.

**Policy considerations**

- 7 There are no policy implications arising from this report.

**Legal considerations**

- 8 There are no legal issues arising from this report.

**Financial considerations**

- 9 The total audit fees payable to Ernst & Young for the year ended 30 June 2020 are estimated to be \$188,400 plus GST. This fee includes the audit of the 2019/20 Annual Report (\$185,200, including reasonable disbursements) and Council's compliance with its Debenture Trust Deed (\$3,200) for the year ended 30 June 2020. Provision for this audit fee has been included in the 2019/20 Annual Plan.

**Tāngata whenua considerations**

- 10 There are no tāngata whenua considerations arising from this report

**SIGNIFICANCE AND ENGAGEMENT****Significance policy**

- 11 This matter has a low level of significance under the Council's Significance and Engagement Policy.

**Publicity**

- 12 There are no specific publicity considerations arising from this report.

**RECOMMENDATIONS**

- 13 That the Audit and Risk Subcommittee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2020 attached as Appendix 1 to this report.

**APPENDICES**

1. Ernst and Young Audit Plan for the year ended 30 June 2020 [!\[\]\(91353dea0600335a09362f69ea4eac2b\_img.jpg\) !\[\]\(8ac20398c2287d97d8335789f07d6827\_img.jpg\)](#)









## Kapiti Coast District Council

Audit Plan for the year ended 30 June 2020

**Executive Summary**

Areas of Audit Focus

Audit Approach

Your EY Team

Engagement Execution

Appendices

## Dear Audit and Risk Subcommittee Members

We are pleased to present our Audit Plan ("Plan") for Kapiti Coast District Council ("KCDC" or "The Council") for the year ending 30 June 2020. Our meeting with you on 20 February 2020 is a forum to discuss our Plan, the scope of our work, confirm your expectations and make certain that our efforts are aligned with your expectations.

Our audit is designed to express an audit opinion on the 30 June 2020 full year financial statements, service performance information and information included in the annual report in compliance with the Local Government Act and Prudence Regulations 2014.

Our Plan has been prepared acknowledging, and with consideration of, the Council's current and emerging risks and the resultant financial statement impacts. It is designed to be responsive to the unique needs of KCDC, to maximise audit effectiveness and to deliver the high-quality audit you expect.

Should you have any questions or comments, please do not hesitate to contact me on 021 923 431 or david.borrie@nz.ey.com. We look forward to discussing our Plan with you at the Audit and Risk Subcommittee meeting on 20 February 2020.

Yours faithfully,

David Borrie  
Partner

Ahmed Sofe  
Senior Manager





# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

## Executive summary

Areas of audit focus

Audit approach

Your EY team

Engagement execution

Appendices

## Executive summary

### Areas of audit focus

# 7

Our overall assessment of KCDC's financial and non-financial reporting risks remain reasonably consistent with prior years. The Areas of Audit Focus and the level of complexity or management judgement to be applied are summarised below and explained in detail on pages 4 to 11:

- ▶ Infrastructure assets **HIGH**
- ▶ Rates setting, invoicing and collection **HIGH**
- ▶ Non-financial performance reporting **MEDIUM**
- ▶ New Zealand Transport Agency subsidies **LOW**
- ▶ Expenditure, procurement and tendering **LOW**
- ▶ Debt facilities and derivatives **LOW**
- ▶ Landfill after care provision **LOW**

[Read more on Areas of Audit Focus](#)

### Our audit approach

We will seek to test controls over the key financial statement processes and therefore expect to take a control based audit approach for the following processes:

- ▶ Expenditure and accounts payable;
- ▶ Rates setting and collection; and
- ▶ Payroll.

There continues to be a substantive approach taken to the following areas of the audit that typically involve more judgement:

- ▶ Valuation of infrastructure assets
- ▶ Other Income (fees and charges and NZTA subsidies);
- ▶ Statement of Service Performance reporting;
- ▶ Debt and Derivatives; and
- ▶ Accruals

### Independence



We will confirm our independence throughout the audit. We remain in compliance with the NZICA Code of Ethics and the Auditor General's Statement on Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners*.

### Planning materiality

# \$1.7m

Our planning materiality has been set at \$1.7m, calculated at 2% of forecast expenditure as set out in the 2019/20 Annual Plan. The basis for calculating planning materiality is consistent with previous years. We will report all audit differences over \$90k.

Materiality will be set individually for each significant performance measure selected to test.

### Audit fee

The proposed audit fee for the next three years is set out in our draft audit proposal letter dated 15 January 2020. The fee proposed for the year ending 30 June 2020 is set out below.

	\$'000s
Audit fees	168.3
OAG overhead	13.5
<b>Audit fees excluding GST and Disbursements</b>	<b>181.8</b>



# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

## Areas of audit focus

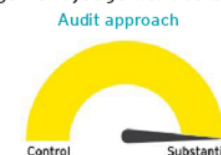
Set out below are the areas of significant focus and a description of our planned approach. We have outlined the expected level of complexity or management judgement to be applied as either **LOW**, **MEDIUM** or **HIGH**.

### Infrastructure assets

**Key Judgements:** Key assumptions used in valuations, useful lives of assets and classification of capital and maintenance costs

**Relevant accounting standards:** [PBE IPSAS 17 Property, Plant and Equipment](#)

**HIGH**



#### Background

- Infrastructure assets dominate KCDC's balance sheet with carrying values at 30 June 2019 of approximately:

Assets	\$million
Bridges, roads and footpaths	346
Storm water	68
Waste water	138
Drinking water	117
Land under roads	796
Seawalls	6
<b>Total value</b>	<b>1,471</b>

- Infrastructure assets are held at fair value less accumulated depreciation and are re-valued on a systematic basis. Future revaluations are scheduled as follows:

Assets	Scheduled Revaluation Date
Three waters	2020
Land under roads	2020
Bridges, roads and footpaths	2021

- The valuation of infrastructure assets is judgmental and there are key assumptions that the valuer is required to make based on their experience. Each of these judgements have the potential to materially impact the resulting valuation (and future depreciation).
- Valuation adjustments arising from significant movements in market values or replacement costs may be material.

#### Planned audit approach

- For the three waters and land under roads assets that will be revalued this year we will review the valuations for appropriateness and obtain a reliance letter from the independent valuers engaged by KCDC. In particular, we will review key inputs to the valuation and consider valuation techniques for appropriateness.
- We will assess whether the asset information provided to the valuers is reflective of the asset data maintained in the Council's assets management systems and registers.
- We will obtain assurance that all assets within the applicable asset class were included in the valuation.
- We will perform procedures to obtain assurance that the valuations have been appropriately recorded in the financial statements.
- For asset classes that are not revalued in the current year, we will review the assumptions underlying the historical valuation against current asset management plans to assess whether the carrying value of such assets is a reasonable proxy for fair value.
- We will review and test the year end reconciliation and roll forward of the fixed assets register to the general ledger, including additions, disposals and depreciation.
- We will obtain assurance in relation to the appropriateness of work in progress (WIP) cut-off at balance date and confirm that the carrying value of WIP is supportable in relation to both valuation and the nature of cost incurred is in line with PBE IPSAS 17.
- For completed projects recorded in WIP, we will trace the transfer through to the fixed assets register and check that these projects are subject to depreciation from their completion date.



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary	Areas of audit focus	Audit approach	Your EY team	Engagement execution	Appendices
<b>Background</b> <ul style="list-style-type: none"> <li>▶ There is a risk of the useful life assumptions used in the valuation reports not being reflective of actual asset condition.</li> <li>▶ The integrity of the classification of maintenance and/or capital expenditure is important both from the perspective of correct classification in the financial statements and updating records for asset condition and extending the expected useful life.</li> </ul>		<b>Planned audit approach</b> <ul style="list-style-type: none"> <li>▶ We will review significant asset impairments and management's assessment for indicators of impairment such as the impact of major weather events and consider whether any other indicators may be present.</li> <li>▶ We will review the appropriateness of depreciation recognised against the estimated useful life recorded in the KCDC's latest valuation and other supporting information.</li> <li>▶ Assess capital projects for their impact upon capital commitments and other related disclosures.</li> </ul>			



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

### Rates setting, invoicing and collection

**Key Judgements:** Compliance with the Local Government (Rating) Act and provisioning for outstanding rates debtors

**Relevant accounting standards:** [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)

Audit approach



**HIGH**

#### Background

- ▶ Rates income levied represents KCDC's primary revenue source. There is specific legislation in place which must be adhered to for the rates set to be lawful. In the local authority context, failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue.
- ▶ The requirement for there to be consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by KCDC.
- ▶ The accuracy of rates revenue is dependent on the integrity of the rates database. The reliability of the rates billing system is also key to rates being billed appropriately.
- ▶ Certain rate paying groups may represent significant collection risk to the Council.
- ▶ Management have a history of consulting with external legal counsel to check compliance with rating legislation is maintained.

#### Planned audit approach

- ▶ We will review KCDC's procedures for ensuring the rates set are compliant with the Local Government Rating Act and test that the rates set are being applied appropriately to the rating database and invoiced accordingly.
- ▶ We will test the accuracy of the use of underlying valuation information (as prepared by Quotable Value) within the rating database and its application to rates set.
- ▶ On a sample basis we will undertake a review of the billing to specific ratepayers and subsequent collection.
- ▶ For a sample of water rates invoiced we will agree the amounts to supporting information and trace the cash received to bank statements.
- ▶ We will review any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances. We understand that Council continues to successfully use the assistance of Debt Management Central (DMC) to manage the age profile of rates debtors. We will consider whether this has been appropriately reflected in the provision for doubtful debts recognised at year end.
- ▶ We will obtain a sample of the rates assessments for 2019/20 and check that the recommendations made by Council's legal advisor continue to be applied.



# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

## Non-financial performance reporting

Audit approach



Key Judgements: Results included / excluded from measures

**MEDIUM**

### Background

- ▶ The Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a 'performance story' to the community.
- ▶ Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.
- ▶ The performance framework set as part of the 2018/38 LTP is applicable to the current financial year.
- ▶ There is a risk of inadequacy of reporting systems to monitor performance and hence the potential failure to adequately report the provision of core utility services to the public.
- ▶ We have selected the following activities as significant in the context of our audit of 2019/20 annual report. However, we will consider the entire Annual Report in providing general feedback to management.
  - ▶ Drinking Water
  - ▶ Access and Transport
  - ▶ Coastal Management
  - ▶ Wastewater
  - ▶ Stormwater
  - ▶ Regulatory services

### Planned audit approach

- ▶ We will update our understanding of key performance reporting processes and review the collation methodologies applied by the Council.
- ▶ We will examine, on a sample basis, the Statement of Service Performance to determine if measures have been reported on and outputs have been achieved where stipulated. For the selected measures this will include obtaining the underlying supporting documentation on a sample basis and re-performing the calculations.
- ▶ We will assess the completeness and effectiveness of the performance framework utilised.
- ▶ We will check whether all mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been reported appropriately.
- ▶ We will assess the extent to which the improvement matters identified during the 2019 audit have been addressed and will provide feedback on the overall annual report and the summary annual report.





# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

## New Zealand Transport Agency subsidies

**Key Judgements:** Classification of roading costs incurred

**Relevant accounting standards:** [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)

Audit approach



LOW

### Background

- ▶ Transport projects and maintenance undertaken by KCDC are eligible to receive funding from New Zealand Transport Agency (NZTA). The relevant funding rates range from 51% for majority of roading works to upwards of 85% for specific projects.
- ▶ For roading work to be eligible for NZTA funding it must be competitively tendered.
- ▶ Financial reporting standards require NZTA subsidies to be recognised as revenue, while a portion of the associated expenditure is capitalised by KCDC as part of roading assets.
- ▶ There is a risk that KCDC will claim costs that are ineligible according to the funding requirements, thereby overstating the claim accrual and the corresponding revenue at year end.
- ▶ During the year KCDC is likely to take ownership of several connecting roads as vested assets and it is expected the maintenance of these assets will be eligible for NZTA funding when it is required in due course.

### Planned audit approach

- ▶ We will review the claim process and controls system (approvals, checking and reconciliations) utilised by KCDC to support claims made to NZTA.
- ▶ We will review a sample of funding claims to check the costs claimed are allowable and that cash is received from NZTA.
- ▶ We will assess the year end accrual for NZTA revenue to obtain assurance that the amount recognised for claims at year end relates to the 2020 year.
- ▶ We will obtain and review supporting documentation for funding levels approved by NZTA.
- ▶ We will carry out an assessment of the reasonability of NZTA income and its completeness in consideration of the level of costs incurred for the period.



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

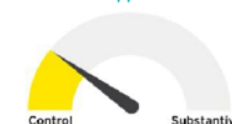
Your EY team

Engagement execution

Appendices

### Expenditure, procurement and tendering

Audit approach



Key Judgements: Appropriateness / reasonableness of costs incurred

LOW

#### Background

- ▶ Appropriateness of Councillor and management expenditure is an area of interest to ratepayers.
- ▶ The Council's capital works procurement programme involves significant cash flows. The Council has a range of policies that seek to ensure procurement is managed in the best interests of the Council.
- ▶ Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit.

#### Planned audit approach

- ▶ We will review the incurrence and approval of operational expenditure.
- ▶ We will review the use of credit cards and whether expenditure has been incurred for a reasonable purpose.
- ▶ We will review the application of procurement policies.
- ▶ We will review areas of potential sensitivity for appropriateness.
- ▶ Obtain assurance that appropriate processes and controls over expenditure are in place.
- ▶ For a sample of contracts tendered during the year we will establish an understanding of how the tendering process was managed. This will be completed with reference to KCDC's tendering policies and good practice.





# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

## Debt facilities and derivatives

**Key Judgements:** Valuation of derivatives

**Relevant accounting standards:** [PBE IPSAS 28 Financial Instruments: Presentation](#), [PBE IPSAS 29 Financial Instruments: Recognition and Measurement](#), [PBE IPSAS 30 Financial Instruments: Disclosures](#)

Audit approach



LOW

### Background

- ▶ Borrowing represents one of the main sources of funding for KCDC's capital costs and debt levels change with the timing of planned capital projects and repayment timelines. The total value of debt at 30 June 2019 was \$210 million.
- ▶ KCDC accesses debt through the Local Government Funding Authority (LGFA) and has reporting requirements and debt covenant compliance obligations. The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the accuracy of the reporting certificates.
- ▶ KCDC is also a guarantor of LGFA total debt, and financial reporting standards require the Council to recognise the fair value of the guarantee liability if it is considered to be material.
- ▶ KCDC maintains interest rate swaps to manage the Council's exposure to interest rate fluctuations. The mark to market value of swaps amounted to a liability of \$21.2m at 30 June 2019.

### Planned audit approach

- ▶ We will obtain an understanding of debt facility agreements maintained in the year and review the relevant debt facility agreements including the process for managing drawdowns.
- ▶ We will consider the term or current classification of the debt.
- ▶ We will obtain LGFA confirmation of the outstanding debt position at year end.
- ▶ We will confirm derivative positions in place at year end and independently value a sample of derivative contracts.
- ▶ We will review disclosures associated with the debt and swap positions held to check that they are in accordance with the reporting standards.
- ▶ We will also complete procedures required of us by the debenture trust deed.
- ▶ We will review the prudence benchmark measures relating to debt, interest level and sustainability as required by regulation.



# Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

**Areas of audit focus**

Audit approach

Your EY team

Engagement execution

Appendices

## Landfill after care provision

**Key Judgements:** Estimated cash outflow and discount rate applied / Landfill remaining useful life

**Relevant accounting standards:** [PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets](#)



LOW

### Background

- ▶ Council currently operates the Otaihangā landfill and also manages the Otaki and Waikanae sites which are now closed. Council has a responsibility under the resource consents to provide ongoing maintenance and monitoring of the landfills after closure. Council is obliged to recognise a provision in relation to the closure and aftercare costs of the landfill. Aftercare responsibilities include the final cover application and planting of vegetation, drainage control features, monitoring of water quality and gas emissions.
- ▶ The useful life of the Otaihangā landfill asset has not been re-assessed recently. The asset is nearing the end of its capacity and is only able to accept clean-fill going forwards. We understand management will reassess both the residual value attributed to the landfill and the appropriateness of the useful life as part of the process for preparing the Annual Report.
- ▶ Assumptions used in the calculation could be subject to significant judgement. Amongst these judgements is:
  - ▶ Estimates of future cash flows relating to the closure of the landfill and the necessary after care costs
  - ▶ Assumed cost inflation and discount rates
  - ▶ Landfill remaining life assessments

### Planned audit approach

- ▶ We will review the adequacy of estimated costs based on recent Council cost experience.
- ▶ We will test assumptions (discount rates, cash flow forecasts) and the discounting of values associated with the landfill.
- ▶ We will assess the appropriateness of the useful life assumed for the landfill.
- ▶ We will assess whether disclosures in the financial statements are appropriate.



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

**Audit approach**

Your EY team

Engagement execution

Appendices

### Digital audit

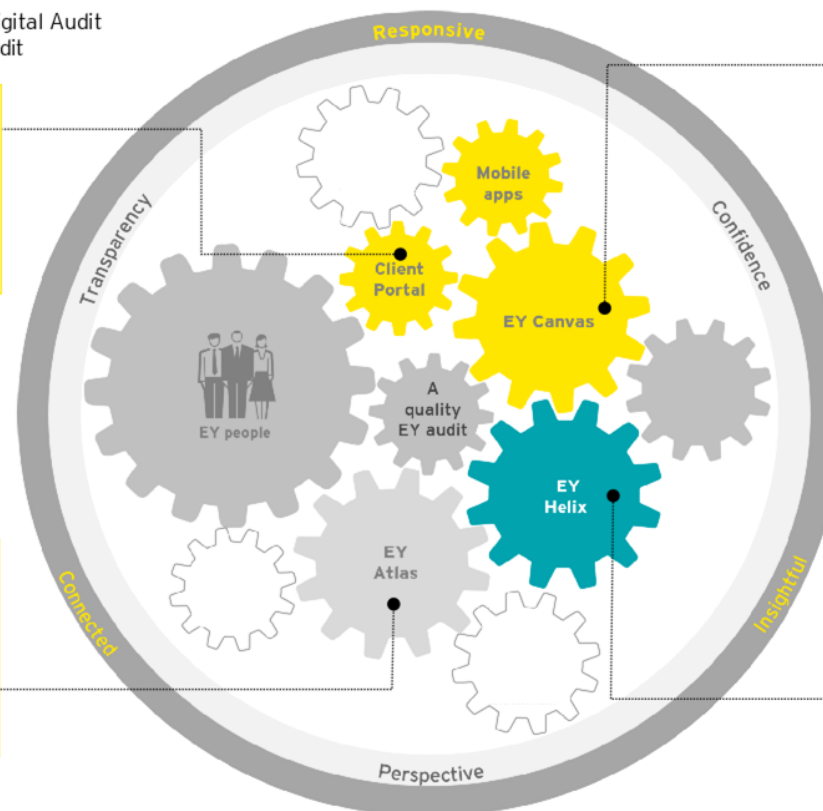
Each of the components of the EY Digital Audit work together to deliver a quality audit

#### The Client Portal

The Client Portal connects us directly to you. It enables you to securely provide supporting audit evidence, automated uploading the information to EY Canvas and gives you reporting of the status of the audit progress. This streamlines our communications with you and saves you time.

#### EY Atlas

Our global accounting and financial reporting research platform, keeps our audit team up-to-date with the most relevant accounting, auditing and industry information globally. This enables us to share accounting precedents efficiently and deliver a more relevant audit.



#### EY Canvas

Our state-of-the-art global online audit platform is the engine that drives the EY Digital Audit. It enables teams to drive an integrated and consistent audit, allows us to better identify and respond to audit risks and leverage our industry experience to customise our audit approach.

#### EY Helix

Our library of Analysers and tools provide better, more relevant audit evidence and a deeper understanding of your business. EY Helix is fully integrated with our audit approach and enables us to focus on the risks and issues that matter.



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

**Audit approach**

Your EY team

Engagement execution

Appendices

### Assessment of internal control environment

#### Controls reliance

In accordance with the Auditor General's auditing standards, we will perform a review of the design and operating effectiveness of KCDC's significant financial recording and reporting processes. We will ensure that any significant deficiencies that come to our attention during the course of our audit are communicated to the Subcommittee and management in a timely manner. We will revisit our 2019 control findings during our audit to check if management's responses have been implemented during the year as agreed.

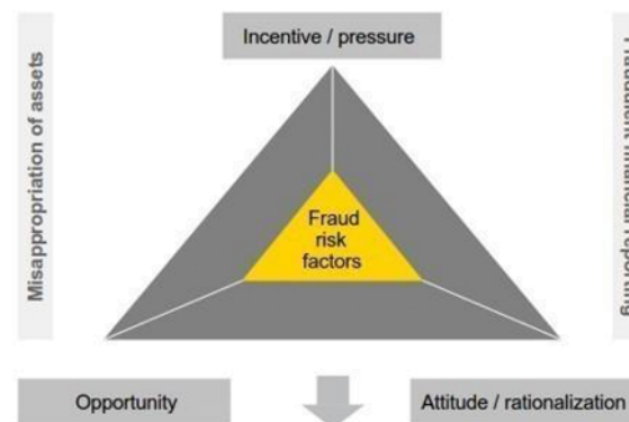
We have set out to the right a table which summarises the level of controls reliance we expect to achieve in the key financial statements processes.

Process	Approach
Financial statement close	
Infrastructure Assets	
Rates setting and collections	
Purchases and payables	
Fees and charges & NZTA Funding	
Payroll	
Non-Financial Performance Information Reporting	
Debt Facilities and Derivatives	

#### The risk of fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).





## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

Audit approach

**Your EY team**

Engagement execution

Appendices

### Your EY team

We understand that our team is the most important element of your relationship with us.

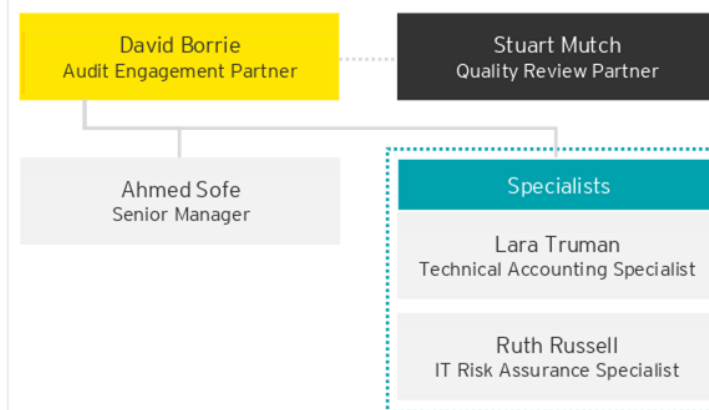
Our team has been involved in the audit of KCDC for a number of years. This stability provides KCDC with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your organisation. Further we have incorporated experts from our IT and Technical Accounting teams to assist us in addressing the financial risks facing the Council.

#### Team rotation

We believe that the periodic rotation of the key decision makers on the audit assists with maintaining our independence and bringing a fresh view. We actively plan rotation well in advance of the required rotation period to ensure that you benefit from a smooth transition.

Our executive team will continue to be David Borrie and Ahmed Sofe as Audit Engagement Partner and Senior Manager. Stuart Mutch will continue with the role of the audit Quality Review Partner.

We have also maintained strong continuity at the staff level while bringing on some new talent.





## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

Audit approach

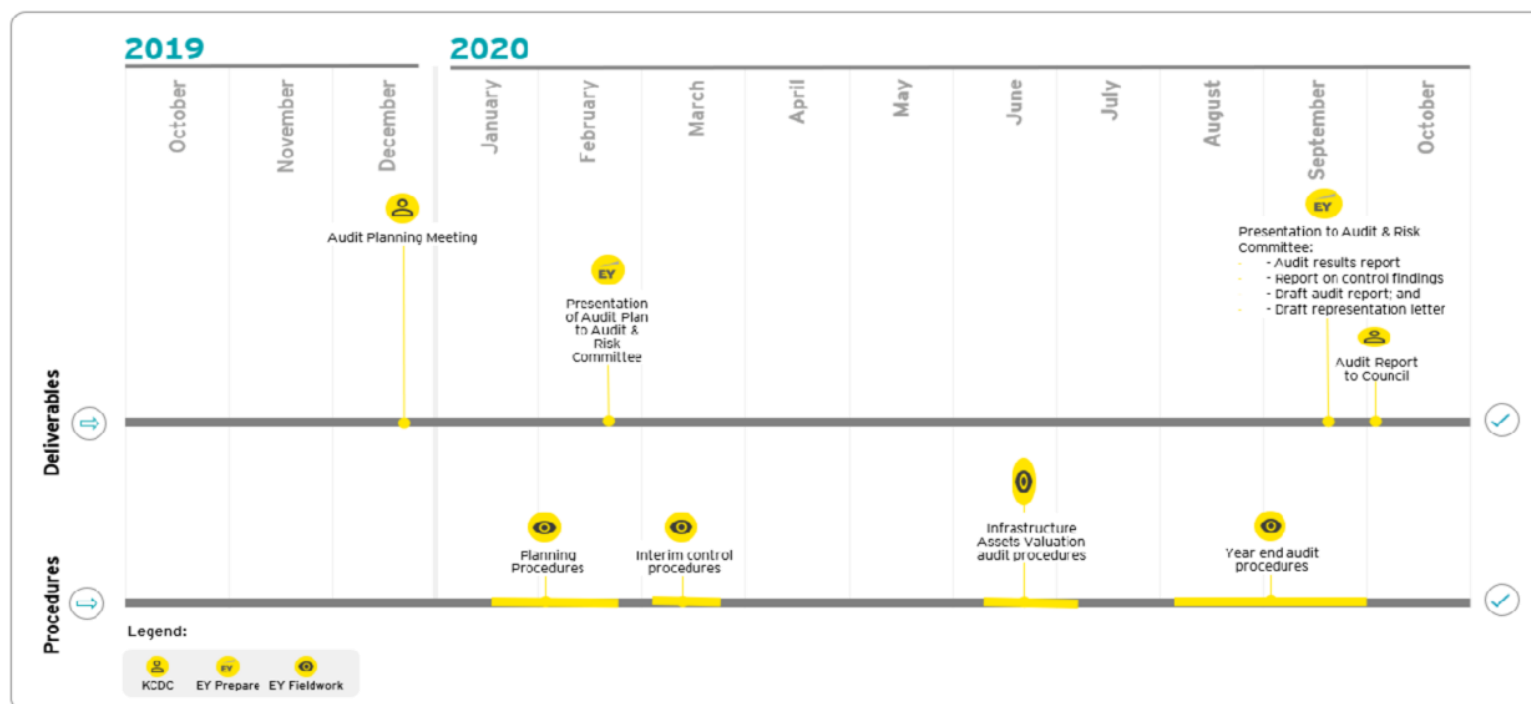
Your EY team

**Engagement execution**

Appendices

### Engagement execution and reporting

We recognise that regular, timely communication with Management and the Subcommittee is critical to maintaining an effective and transparent relationship. Our audit process operates throughout the year so that we can respond to issues as they arise and maintain close communication, with Management and the Subcommittee, as the audit cycle progresses.





## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

Audit approach

Your EY team

Engagement execution

**Appendices**

## Appendices

**Focused on your future**

Upcoming matters Subcommittee members should be aware of including the impact of new accounting standards.

**Independence**

How we are meeting independence requirements.





## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

Audit approach

Your EY team

Engagement execution

**Appendices**

### Focused on your future

#### New accounting standards

The following Standards and Interpretations have been issued and become effective for Public Sector PBEs over the next couple of years:

PBE IPSAS 41 *Financial Instruments*      Mandatory adoption from 1 July 2022

PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* & PBE IPSAS 26 *Impairment of Cash-Generating Assets*      Mandatory adoption from 1 July 2019

PBE FRS 48 *Service Performance Reporting*      Mandatory adoption from 1 July 2021

#### Financial Instruments

- ▶ PBE IPSAS 41 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector and replaces most of the requirements of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*.
- ▶ This new standard introduces a forward-looking impairment model for financial assets, based on expected credit loss, which may cause certain assets to be impaired earlier than they would be under the current 'incurred loss' model.
- ▶ The standard also introduces a new classification model for financial assets, which may cause certain financial assets to be classified and measured differently as compared to PBE IPSAS 29.

#### Impairment

- ▶ Amends the scope of PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets* to include revalued assets.
- ▶ Revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model.
- ▶ Where an impairment loss is recognised for an asset (or group of assets) that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset (or group of assets) belongs.
- ▶ For revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases.

#### Service Performance Reporting

- ▶ PBE FRS 48 formalises in accounting standards requirements for PBEs to select and present service performance information.
- ▶ We acknowledge that requirements for service performance reporting already exist for local authorities in the Local Government Act 2002 and Non-financial Performance Measures Rules 2013 and changes as a result of the new standard are likely to relate to the level of disclosure regarding the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.





## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary	Areas of audit focus	Audit approach	Your EY team	Engagement execution	Appendices
<b>Sector matters</b>  There continues to be ongoing change in the legislative and regulatory space for local authorities. This includes:		<b>Three waters review</b> <ul style="list-style-type: none"> <li>The Government has approved the establishment of a dedicated water regulator to help ensure safe drinking water and deliver improved environmental outcomes from New Zealand's wastewater and stormwater systems. The majority of the proposed reforms will be implemented through a Water Services Bill, which the Government is aiming to enact in mid-2020. After the establishment of a water regulator, the Government will be considering future water service delivery models and funding.</li> </ul>			
Three waters review		Local Government Act 2002 amendments			
Local Government Act 2002 amendments		<ul style="list-style-type: none"> <li>The four well-beings were reintroduced into the Local Government Act 2002 in May 2019 with consequential local authority annual reporting obligations. Local authorities are now required to describe in their annual report any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community, as opposed to the previous more general requirement to describe those effects on the community.</li> </ul>			
Productivity Commissioner's inquiry		Productivity Commissioner's inquiry			
Consultation on new and updated National Policy Statements		<ul style="list-style-type: none"> <li>In July 2018, the Government asked the Productivity Commission to examine and report on local government funding and financing arrangements. The inquiry had a broad scope to look at cost pressures, funding and financing models, and the regulatory system. The productivity Commission has recently finalised its report and the next steps is for the Department of Internal Affairs (DIA) to consider the report and provide advice to the Minister of Local Government. Decisions will then be made regarding if, or how, recommendations will be taken forward.</li> </ul>			
		Consultation on new and updated National Policy Statements			
		<ul style="list-style-type: none"> <li>The Government is consulting on new and updated National Policy Statements, which will create new planning requirements and standards that local authorities must meet. Those matters most significantly affecting local authorities are the National Policy Statement on Freshwater Management and Urban Development Capacity</li> </ul>			
		We will continue to engage with management on these matters over the medium term as more definitive findings and intended actions are confirmed.			



## Kapiti Coast District Council

Audit Plan for the year ending 30 June 2020

Executive summary

Areas of audit focus

Audit approach

Your EY team

Engagement execution

**Appendices**

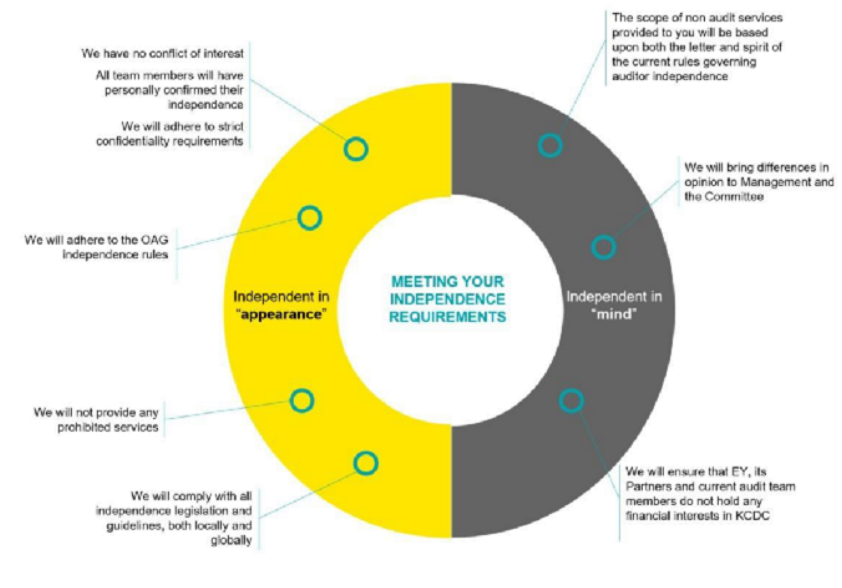
### Independence

Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both KCDC's and broader regulatory independence requirements.

We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ PES 1 Code of Ethics for Assurance Practitioners
- ▶ OAG independence rules

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.





EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, please visit [ey.com](https://ey.com).

© 2020 Ernst & Young, New Zealand  
All Rights Reserved.

#### ED None

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

[ey.com](https://ey.com)

**8.3 TIMETABLE FOR THE AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2020**

**Author:** Anelise Horn, Manager Financial Accounting

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 This report updates the Audit and Risk Subcommittee on the proposed timetable for the audit of Council's Annual Report and Debenture Trust Deed for the year ended 30 June 2020.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
- *Confirming the terms of engagement for each audit with a recommendation to the Council; and receiving the external audit reports for recommendation to the Council.*
  - *Obtaining from external auditors any information relevant to the council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

**BACKGROUND**

- 3 The Auditor-General is the auditor of all 'public entities', including the Kāpiti Coast District Council.
- 4 Under section 32 and 33 of the Public Audit Act 2001, the Auditor General has appointed Ernst & Young to carry out the annual audit of the Council's financial statements and performance information for the years ending 30 June 2020 to 30 June 2022.
- 5 Fees for the audit of public entities are set by the Auditor General under section 42 of the Public Audit Act 2001.
- 6 The nature and scope of these audit engagements are set out in the Letters of Engagement as approved by Council, the Council's auditors, Ernst & Young and the Council's Trustee, Covenant Trustee Services. The latter is only applicable to the audit of the Debenture Trust Deed.

**CONSIDERATIONS****Audit Plan for the year ended 30 June 2020**

- 7 Ernst & Young is presenting their audit plan for the audit of the 2019/20 annual report to the Audit and Risk Subcommittee at this meeting. (refer to Ernst and Young Audit Plan for the year ended 30 June 2020)

**Audit Approach**

- 8 Following agreement with Ernst & Young, the audit of the Council's financial statements and non-financial information for the year ended 30 June 2020 will be completed in two separate stages. Stage one comprises an audit of the revaluation of the infrastructure assets and stage two comprises an audit of the financial statements, non-financial performance information and a full review of the draft 2019/20 Annual report.
- 9 Stage one includes:

Property, plant and equipment (PPE) is the largest and most complex asset category on the balance sheet and a separate audit stage is allocated to the revaluation of infrastructure assets.

Based on councils annual rolling asset revaluation programme, Council is revaluing the following asset classes as at 31 March 2020:

- Land and buildings (including land under roads)
- Parks and reserves structures
- Water, wastewater and stormwater (including seawalls and river control)

The valuation of infrastructure assets is judgemental and there are a number of key assumptions that the independent valuer is required to make, based on their experience and expertise, that have the potential to materially impact the resulting asset values. For this reason, the audit of the asset revaluation will be done in isolation of the other financial statement elements and is scheduled to take place from Monday 8 June 2020 to Friday 19 June 2020.

10 Stage two includes:

- A substantive audit of the draft financial statements (including a draft financial overview and a draft Report Disclosure Statement (Prudence Benchmarks)).
- A substantive audit of the non-financial performance information (service performance measures).
- A detailed review of the draft Annual Report and Summary Annual Report for the year ended 30 June 2020.
- The audit of the Debenture Trust Deed for the year ended 30 June 2020.

This is scheduled to take place from Monday 10 August 2020 to Friday 11 September 2020.

2019/20 Annual Report adoption timetable

- 11 The table below sets out the scheduled meeting dates of the Audit and Risk Subcommittee, and Council meetings that are relevant to the adoption of the 2019/20 Annual Report.
- 12 Agenda items relevant to the 2019/20 Annual Report have been outlined.

Meeting of...	Meeting Date	Agenda Items to include...
<b>Audit and Risk Subcommittee</b>	<b>Thursday 20 February 2020</b>	<b><i>For Review and feedback:</i></b> 1. <i>Ernst and Young's audit plan for the audit of the 2019/20 annual report.</i>
<b>Audit and Risk Subcommittee</b>	<b>Thursday 17 September 2020</b>	<b><i>For Information:</i></b> 1. <i>Ernst and Young's Closing Report to the Audit and Risk Subcommittee for the year ended 30 June 2020.</i> 2. <i>Ernst &amp; Young's Report on Control Findings for the year ended 30 June 2020.</i> <b><i>For Decision:</i></b> 3. <i>Review and recommend adoption of the 2019/20 Annual Report to Council.</i>
<b>Council</b>	<b>Thursday 1 October 2020</b>	<b><i>For Decision</i></b> 1. <i>Adopt the 2019/20 Annual Report.</i>

- 13 The table below summarises the combined timings of both the audit process and the Council meetings at which the audit outputs are tabled for information and or decision-making purposes, which will result in the adoption of the Annual Report.

Summary table of audit processes and related Council meetings:

W/C Mon	8-Jun	15-Jun	10-Aug	17-Aug	24-Aug	31-Aug	7-Sep	14-Sep	28-Sep
<b>Ernst &amp; Young Audit</b>									
Substantive audit of revaluation of Property, Plant and Equipment									
Substantive audit of financial statements and Prudence Benchmarks									
Substantive audit of non-financial performance information									
Detailed review of draft Annual Report and Summary Annual Report									
Audit of Debenture Trust Deeds									
<b>Council Meetings</b>									
Audit and Risk Committee								17/09/2020	
Council									1/10/2020

## CONSIDERATIONS

### Policy considerations

- 14 There are no policy considerations at this stage.

### Legal considerations

- 15 There are no legal considerations at this time.

### Financial considerations

- 16 The total audit fees payable to Ernst & Young for the year ended 30 June 2020 are estimated to be \$188,400 plus GST. This fee includes the audit of the 2019/20 Annual Report (\$185,200, including reasonable disbursements) and Council's compliance with its Debenture Trust Deed (\$3,200) for the year ended 30 June 2020. This audit fee is included in the 2019/20 Annual Plan.
- 17 In addition to the above, the Debenture Trust Deed requires the Council to complete a full audit of its debt/security stock register. Council has engaged PricewaterhouseCoopers (PWC), the auditors of Computershare (the registrar), to complete this audit. The fee for this service is \$750 (inclusive of GST). Similarly, this fee is included in the 2019/20 Annual Plan.

### Tāngata whenua considerations

- 18 There are no tāngata whenua considerations.

## SIGNIFICANCE AND ENGAGEMENT

### Significance policy

- 19 This matter has a low level of significance under the Council's Significance and Engagement Policy.

### Publicity

- 20 There are no publicity considerations at this stage.

**RECOMMENDATIONS**

- 21 That the Audit and Risk Subcommittee notes the timetable for the audit of the Council's Annual Report and the Council's Debenture Trust Deed for the year ended 30 June 2020.

**APPENDICES**

Nil

**8.4 UPDATE ON KEY 2018-19 AUDIT FINDINGS**

**Author:** Anelise Horn, Manager Financial Accounting

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 This report provides the Audit and Risk Subcommittee with a progress update regards Ernst & Young's Report on Control Findings for the year ended 30 June 2019.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
  - *Reviewing and maintaining the internal control framework.*

**OBTAINING FROM EXTERNAL AUDITORS ANY INFORMATION RELEVANT TO THE COUNCIL'S FINANCIAL STATEMENTS AND ASSESSING WHETHER APPROPRIATE ACTION HAS BEEN TAKEN BY MANAGEMENT IN RESPONSE TO THE ABOVE.BACKGROUND**

- 3 In accordance with New Zealand Auditing Standards, Ernst & Young (Audit) performed a review of the design and operating effectiveness of the Council's significant financial reporting processes as part of their audit for the year ended 30 June 2019.
- 4 Control risk matters and/or issues are classified as high, moderate or low. Control risk definitions are as follows:
  - **High Risk** – matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
  - **Moderate Risk** – matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within six months.
  - **Low Risk** – A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.
- 5 Audit identified eight control risk issues for the year ended 30 June 2019, ranging from low to moderate risk rankings. The table at the end of the report, details the year to date progress against these control findings.
- 6 In keeping with standard practice, Audit will consider whether these control findings can be closed-out, as part of their audit for the year ended 30 June 2020.

**CONSIDERATIONS****Policy considerations**

- 7 There are no policy implications arising from this report.

**Legal considerations**

- 8 There are no legal considerations arising from this report.

**Financial considerations**

- 9 Financial issues have been covered as part of this report.

**Tāngata whenua considerations**

- 10 There are no tāngata whenua considerations arising from this report.



**SIGNIFICANCE AND ENGAGEMENT****Significance policy**

- 11 This matter has a low level of significance under the Council's Significance and Engagement Policy.

**Publicity**

- 12 There are no publicity considerations.

**RECOMMENDATIONS**

- 13 That the Audit and Risk Subcommittee notes the progress update in regards to Ernst & Young's Report on Control findings for the year ended 30 June 2019 and that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2020.

**APPENDICES**

Nil

## Summary of Control Findings for the year ended 30 June 2019

1. Service requests - Accuracy of response and resolution times (Moderate)	
<b>Target date for completion and current status</b>	31/03/2020  On track with manual reviews. System upgrade likely to take longer.
<b>Ernst &amp; Young Audit Observation</b>	<p>In completing our testing of performance reporting information we identified multiple instances where the response and resolution times used as a basis for calculating measures were inconsistent with the times indicated on job sheets that were completed for those jobs by the staff attending to the request.</p> <p>One particular issue we observed that occurred for multiple items tested was requests being marked as responded to or resolved too early. This was observed for both water supply and waste water when measuring response or resolution times to urgent and non-urgent requests. This is primarily the result of the first action logged in response to the request being treated as either KCDC having responded to, or resolved, the matter when in actual fact the action was a step towards either responding to, or resolving, the matter.</p> <p>Since a number of performance measures require reporting of response or resolution times discrepancies in the time recorded will lead to incorrect outcomes being reported. Whilst this has implications for Council's non-financial performance reporting it also impacts management's ability to understand the team's responsiveness to ratepayer requests and any resourcing or process issues that may need to be remedied to allow timely responses to requests.</p>
<b>EY Audit Recommendation</b>	Requests logged in Council's system should be reviewed on a periodic basis to ensure the time to respond to, or resolve, matters is being accurately reflected in the system.
<b>Action Plan</b>	<p>We agree with the observation. The MagiQ system allows multiple actions to be recorded against a service request. In some cases, the final response time is recorded on the second or later action. Our analysis found that, although the correct response time is being entered in the system, the automatic reports used to calculate the response time measures only capture the time that the first action is completed. This has meant that in cases when the final response time is not when the first action is completed, the calculations of median response time are being made incorrectly.</p> <p>The issues have been documented and several solution options will be investigated further:</p> <ul style="list-style-type: none"> <li>• Re-design the service request system and data capture process, to allow for reports to accurately calculate the correct median response time. This is the most robust and long-term solution, but would be the most complex to implement.</li> <li>• Adopt a workaround whereby staff ensure that only the first action can be used for the resolving action, allowing existing reports to calculate the median response time accurately.</li> <li>• Continue the current practice of cleaning the report data manually to ensure that the measure is reported accurately, but undertake this on a more regular basis throughout the year as recommended above. This is a short-term solution that does not fix the root cause of the problem. However, in advance of a more sustainable solution being implemented, a review and cleaning of the first two months of data for FY19/20 is already underway.</li> </ul> <p><b>Responsibility:</b> Manager Corporate Planning and Reporting and Chief Information Officer</p>
<b>Progress Update</b>	<p>Data from the first quarter of the 19/20 year has been fully reviewed to ensure that both the response and/or resolution times to service request matters is being accurately reflected in the system. This will be repeated during the 2019/20 financial year to ensure that the time to respond to, or resolve matters is being accurately reflected in the system.</p> <p>Manual reviews of the data are time consuming and work is continuing to explore a re-design of the service request system and data capture process to allow for reports to accurately calculate the correct median response time.</p>

<b>2. Service requests - Monitoring of roading requests for service (Moderate)</b>	
<b>Target date for completion and current status</b>	31/03/2020  On track with manual reviews. System upgrade likely to take longer.
<b>Ernst &amp; Young Audit Observation</b>	For the access and transport measure relating to the Council's response time to requests for service for roads and footpaths Council were unable to accurately determine if requests for service had been responded to within the target timeframes. The information for this measure is sourced from two separate systems, MagiQ which holds the details of requests, and RAMM which holds the details of work and actions undertaken. The primary issue is that there is insufficient clarity of how some requests in MagiQ can be linked to actions taken recorded in RAMM.  Because requests for service in MagiQ are unable to be fully mapped to work undertaken recorded in RAMM, Council is unable to report an outturn for the year against this target. The issue also limits Council's ability to measure responsiveness from the perspective of managing operations and considering performance on a regular basis and how resource should be allocated.
<b>EY Audit Recommendation</b>	We recommend that work is completed to improve the interfacing or flow of data between these two systems. Alternatively work completed could be recorded in MagiQ against each of the relevant requests for service.
<b>Action Plan</b>	Investigative work will be needed to determine the best way forward to accurately measure response time to service requests for road and footpath work. The ideal would be an automated flow of data between MagiQ and RAMM where the interface is seamless and error-free. However, if that proves unattainable we will have to look at establishing systems to achieve manual updates of service request response time information from RAMM to MagiQ at the same time that completion times are entered into MagiQ from RAMM. This may require additional consistency checks between the two databases to ensure that request types and priority assignments are the same in the two systems so that response time targets are equivalent. At first glance this appears to be a substantial piece of work and will probably exceed the recommended six-month timeframe.  <b>Responsibility:</b> Chief Information Officer and Manager Corporate Planning and Reporting
<b>Progress Update</b>	Council's road maintenance contractor has identified a solution to automate service requests data from Council's MagiQ system into RAMM to ensure the data is consistent across both systems. Currently this is a one-way data transfer, and solutions to enable two-way data transfer are being investigated.  Data is currently being manually reviewed as the two-way automatic data transfer is still likely to take several months to implement.

3. Service requests – Duplicate requests for services (Low)	
Target date for completion and current status	30/06/2020  On track
Ernst & Young Audit Observation	<p>When reviewing requests for service data for the water supply and wastewater management activities we identified duplicate requests for service for the same matter. In some instances, requests for service were closed with zero response times if they were confirmed as duplicates. This has an impact on median response times through reducing this measure incorrectly.</p> <p>We also noted instances where Council initiated requests for service for planned work and these were included in the calculation of median response times. The request for service based metrics are primarily intended to measure response times to ratepayer requests as opposed to Council's internal work program.</p> <p>Duplicate requests included in the system impact the reported results especially in instances where duplicates have a response time set to zero and have been included in the calculation of the median.</p> <p>The inclusion of requests for service from Council employees means the measures become less focused on Council's responsiveness to ratepayer requests.</p>
EY Audit Recommendation	We recommend implementing controls that prevent duplicate requests for service being recorded in the system. Alternatively, a periodic review of requests within the system could be undertaken to identify and remove duplicate requests. The same review could ensure Council generated requests are clearly labelled as such and excluded from the calculation of the measure.
Action Plan	<p>We agree with the observation.</p> <p>Several solution options will be investigated further in conjunction with the response in 2.1.1:</p> <ol style="list-style-type: none"> <li>1. Re-design the service request system and data capture process, to ensure that duplicate requests, internal requests, planned work, and other non-applicable requests can be excluded from the calculation of the performance measure.</li> <li>2. Continue the current practice of cleaning the report data manually to ensure that the measures are reported accurately, but undertake this on a more regular basis throughout the year as recommended above.</li> </ol> <p>As noted in 2.1.1, we have already begun a review and cleaning of the report data for FY19/20. As well as correcting the response times, this task also includes removing duplicates and non-applicable service requests from the calculated median response times.</p> <p><b>Responsibility:</b> Manager Corporate Planning and Reporting, and Chief Information Officer</p>
Progress Update	<p>Data from the first quarter of the 19/20 year has been fully reviewed for duplicate service requests to ensure that both the response and/or resolution times to service request matters is being accurately reflected in the system. Similarly, this will be repeated during the 2019/20 financial year to ensure that the time to respond to, or resolve matters is being accurately reflected in the system.</p> <p>Similar to above, work is continuing to explore a re-design of the service request system and data capture process, (including removing any duplicate requests), to allow for reports to accurately calculate the correct median response time.</p>

4. Service requests – Manual reorganisation of requests for services (Low)	
Target date for completion and current status	30/06/2020  On track
Ernst & Young Audit Observation	<p>To calculate outcomes for some measures data was extracted from the system and put through a further manual process to determine the category of the request. This involved adjusting the category of the request per the system and then calculating the measure to be reported based on the excel spreadsheet with updated categorisations.</p> <p>We identified instances where information extracted from the system subjected to further manual categorisation was incorrectly categorised affecting the reported results. For example, requests for service that did not relate to the particular activity or urgency categorisation were included in calculating the outcome for that measure.</p> <p>We also identified instances where subsequent to information being extracted from the system changes were made to the information in the system and the associated spreadsheet wasn't updated to reflect these changes. Because the measures are calculated based on the data in the spreadsheet this results in information relevant to the request for service being excluded.</p> <p>Incorrect categorisation of data could lead to measures being incorrectly calculated.</p>
EY Audit Recommendation	We recommend that processes be updated to allow for correct classification of requests for service at the point the requests are received. If this is impractical we would suggest that requests for service be reviewed on a periodic basis and reclassified within the system when a reclassification is required.
Action Plan	<p>The points above appear to refer to the current system for assessing and reporting on Stormwater and Coastal service requests.</p> <p>We agree that this system should be amenable to significant improvement. However, following our own analysis we have further characterised the issue:</p> <p>Firstly, our understanding is that <i>'instances where information extracted from the system subjected to further manual categorisation was incorrectly categorised affecting the reported results'</i> relates to two separate matters;</p> <ul style="list-style-type: none"> <li>i) Where instances of service requests related to stormwater outlets were included in calculations of the Coastal measure for 'Urgent requests to repair sea walls or rock revetments' when they should only be accounted for in the Coastal measure for 'Stormwater beach outlets are kept clear'. This has been fixed in the current reporting and is a straightforward fix even in the existing 'manual' spreadsheet method of reporting on Coastal KPI measures.</li> <li>ii) There were three instances of stormwater service requests (out of 89) which were classified as urgent in error. This error rate is unlikely to be improved by adopting the suggestion that <i>'processes be updated to allow for correct classification of request for service at the point requests are received'</i>. Requests are received at the call centre for the most part and staff often either a) do not have sufficient or accurate enough information from the caller to correctly classify the request, or b) do not have the experience to be able to do so. This is why we rely on a subsequent, secondary, classification process by our stormwater team, who occasionally make errors.</li> </ul> <p>Secondly, it was identified that <i>'instances where subsequent to information being extracted from the system changes were made to the information in the system and the associated spreadsheet wasn't updated to reflect these change'</i>. It isn't clear how many instances of this were found but to our knowledge there weren't many and we expect they would be largely immaterial to the measures being reported on or the response time calculations. Many of the changes made to</p>

	<p>request types subsequent to data being extracted from the system do not have any material bearing on the secondary categorisation made by the stormwater team and to revisit MagiQ on a regular basis to update these would be both time-consuming and probably not very productive.</p> <p>A full improvement solution to MagiQ to enable it to generate more stream-lined and efficient Coastal and Stormwater service request reporting will take significant investigation and discussion with both MagiQ, regarding the system's capabilities, and the Coastal and Stormwater team, regarding their requirements. We envisage the following:</p> <ul style="list-style-type: none"> <li>i) introducing a pro-forma report that doesn't require manual set-up each week and only needs date ranges entered to provide the appropriately filtered list of service requests each week.</li> <li>ii) ideally, we would then like to see enhancements to the system so that there are a range of drop-down or pick-list categories that the Coastal and Stormwater team can use for providing secondary and tertiary categorisations to each service request (so that this is done in MagiQ rather than on a separate spreadsheet). This categorisation process would include categorisations as to which service requests are Coastal or Stormwater requests, and further to that which are urgent/non-urgent, council/private issues, affect buildings/or don't etc</li> <li>iii) if such improvements are feasible then when that secondary categorisation process is complete each week a report should be able to be generated from MagiQ which generates the equivalent of the current Stormwater and Coastal service request spreadsheets.</li> </ul> <p>This approach would significantly improve the efficiency of the current process and improve the audit trail. It would not remove the human judgement factor behind the categorisation process as that is how the categorisations are currently made in MagiQ in any case. We would need to investigate whether there is an efficient process for checking whether subsequent changes to categorisations of service requests not initially identified as relevant for Coastal or Stormwater reporting purposes have, as a result of a re-categorisation in MagiQ, become relevant for those purposes.</p> <p>This will be a significant piece of work and will need to be undertaken in concert with the planned upgrade to MagiQ and other proposed improvements recommended to improve reporting of actual resolution times and avoidance of counting duplicate service requests in those calculations.</p> <p><b>Responsibility:</b></p> <p>Manager Corporate Planning and Reporting, and Chief Information Officer</p>
<b>Progress Update</b>	<p>Work is continuing to explore a re-design of the service request system and data capture process, (including removing any duplicate requests) that will include solutions (i) and (iii) above as well.</p> <p>The additional categorisation proposed at (ii) above may require external resource from MagiQ and may take longer to complete.</p>

5. Corporate policies due for review (Low)	
<b>Target date for completion and current status</b>	30/06/2020 On-track
<b>Ernst &amp; Young Audit Observation</b>	<p>We observed various employee manuals and policy documents were last updated over 3 years ago. Specifically, we noted the below policies are currently overdue for review and update:</p> <ul style="list-style-type: none"> <li>a. Receipt of gifts and hospitality</li> <li>b. Rewards and recognition policy</li> <li>c. Mitigation of fraud</li> <li>d. Employee code of conduct</li> <li>e. Elected member code of conduct</li> </ul> <p>Policies and other guidance documents should be updated on a regular basis to ensure any changes in circumstances that require additional guidance are incorporated on a timely basis.</p>
<b>EY Audit Recommendation</b>	We recommend that corporate policies be monitored and updated on a regular basis.
<b>Action Plan</b>	<p>We accept the findings and recommendation from audit. The register of corporate policies, including review dates, will be updated and monitored by Corporate Services going forward as part of the wider policy programme.</p> <p><b>Responsibility:</b> Manager Research and Policy, Corporate Services</p>
<b>Progress Update</b>	The Research and Policy team are currently developing a programme of work to review, update and maintain Corporate Policies.



6. Timeliness of purchase order initiation (Low)	
Target date for completion and current status	30/06/2020 On-track
Ernst & Young Audit Observation	<p>During our testing of the expenditure and payments process we observed that some purchase orders were generated subsequent to the receipt of invoices.</p> <p>Without adequate controls for processing and reconciling purchase orders, invoices and the receipt of goods and services there is an increased risk inappropriate or erroneous expenditure is incurred or reported. A purchase order system works most effectively when purchase orders are approved prior to goods or services being purchased. After the transaction has occurred there may be less opportunity to change the agreement that has been entered into.</p>
EY Audit Recommendation	We recommend purchase orders are raised and appropriately approved prior to placing orders with suppliers.
Action Plan	<p>Management accepts the recommendation and is currently working on a programme for induction and increased training for staff to ensure there is a consistent high standard of compliance with the Procurement Policy across all areas of the Council. The Finance team worked with the suppliers during the 2018/19 year to highlight the importance of requesting an EPO number from Council before beginning any work.</p> <p><b>Responsibility:</b> <b>Chief Financial Officer</b></p>
Progress Update	<p>Council-wide procurement training continues and the Finance team are actively providing one-on-one EPO training for new staff members.</p> <p>Furthermore, Council is currently investigating how technology can be used more effectively in the supplier payment space through automation of the accounts payable function. A Request for Proposal (RFP) was issued in January 2020 with full implementation of the selected solution targeted by 30 June 2020.</p> <p>Automation will strengthen the discipline of initiating an EPO when the goods or services are ordered as the EPO number will be a key field on the supplier invoice required by the payment solution.</p>

7. Approval of expenditure (Low)	
Target date for completion and current status	30/06/2020 On-track
Ernst & Young Audit Observation	<p>KCDC's General Expenses policy states "one-up authorisation must be given to the person who will benefit or might be perceived to benefit from the expenditure."</p> <p>We noted two instances where an expense claim was either authorised by a person who was not one up from the individual that incurred the cost or was not one up from the most senior individual that benefited or might be perceived to have benefited from the expenditure. In both instances we are satisfied that the expenditure was appropriate but have recommendations regarding the execution of the relevant controls. This may increase the risk that inappropriate expenditure goes undetected.</p> <p>This policy also serves to safeguard staff in that in instances where they may have been perceived to have benefited from Council expenditure an independent member of staff has concurred with their judgement that the costs are appropriate.</p>
EY Audit Recommendation	We recommend that expenses incurred are approved in a manner that is in line with KCDC's policies
Action Plan	<p>Management accepts the findings and recommendation from Audit. Corporate Services will seek to increase Council-wide access to and awareness of all corporate policies</p> <p><b>Responsibility:</b> <b>Chief Financial Officer</b></p>
Progress Update	<p>The Accounts Payable team are manually reviewing each expense claim submitted for payment to ensure that it has been approved in accordance with the general expense policy. If not, the claim is reverted to the relevant staff members to be corrected.</p> <p>The General Expense policy is included in the programme of work being developed by the Research and Policy team to review, update and maintain Corporate Policies.</p>

8. Review of useful life of landfill asset (Low)	
<b>Target date for completion and current status</b>	30/06/2020  On-track
<b>Ernst &amp; Young Audit Observation</b>	The useful life of the Otaihanga landfill asset has not been thoroughly re-assessed recently. The asset is nearing the end of its capacity and is only able to accept clean-fill going forwards. There is currently an asset recorded on balance sheet for the Otaihanga landfill that has a residual useful life spanning a number of years. If the landfill is near to the end of its useful life and the asset has limited remaining value the residual useful life used for accounting purposes may need to be reduced or the value attributed to the asset may need to be decreased.
<b>EY Audit Recommendation</b>	The current useful life of the landfill suggests that benefit will continue to be derived from the landfill over a number of years going forward. We recommend that Council consider the nature and timing of the expected benefits from the landfill and use this as context for evaluating if the current useful life is still appropriate and if Council is likely to receive future benefit from the landfill that broadly equates to the current carrying value of the landfill asset.
<b>Action Plan</b>	Management accepts the findings and will assess the economic life of the asset during the 2019/20 year.  <b>Responsibility:</b> <b>Chief Financial Officer</b>
<b>Progress Update</b>	The economic life of the Otaihanga landfill asset is scheduled to be reviewed in April 2020.

**8.5 QUARTERLY TREASURY COMPLIANCE REPORT**

**Author:** Anelise Horn, Manager Financial Accounting

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 This report provides confirmation to the Audit and Risk Subcommittee of the Council's compliance with its Treasury Management Policy (Policy) for the six months ended 31 December 2019.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.

*Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

**BACKGROUND**

- 3 The Policy sets out a framework for the Council to manage its borrowing and investment activities in accordance with the Council's objectives and incorporates legislative requirements.
- 4 The Policy mandates regular treasury reporting to management and the Strategy and Operations Committee, as well as quarterly compliance reporting to the Audit and Risk Subcommittee.
- 5 In order to assess the effectiveness of the Council's treasury management activities and compliance to the Policy, certain performance measures and parameters have been prescribed. These are:
  - cash/debt position;
  - liquidity/funding control limits;
  - interest rate risk control limits;
  - counterparty credit risk;
  - specific borrowing limits; and
  - risk management performance.
- 6 Given this is the first Audit and Risk Subcommittee meeting for this triennium, this report covers the compliance reporting for both the first quarter (July to September) and the second quarter (October to December) of the 2019/2020 financial year.

## DISCUSSION

## Cash/Debt Position

- 7 Table 1 below shows the Council's net debt position as at 31 December 2019 against the 2019/20 full year budget and the prior year closing balance.

<b>Table 1</b>	<b>Dec YTD Actual \$000's</b>	<b>Full Year Budget \$000's</b>	<b>Full year 2018/19 \$000's</b>
External debt	215,000	210,000	210,000
less borrower notes	(3,440)	(3,360)	(3,360)
less cash and cash equivalents	(57,644)	(45,200)	(59,086)
<b>Net debt</b>	<b>153,916</b>	<b>161,440</b>	<b>147,554</b>

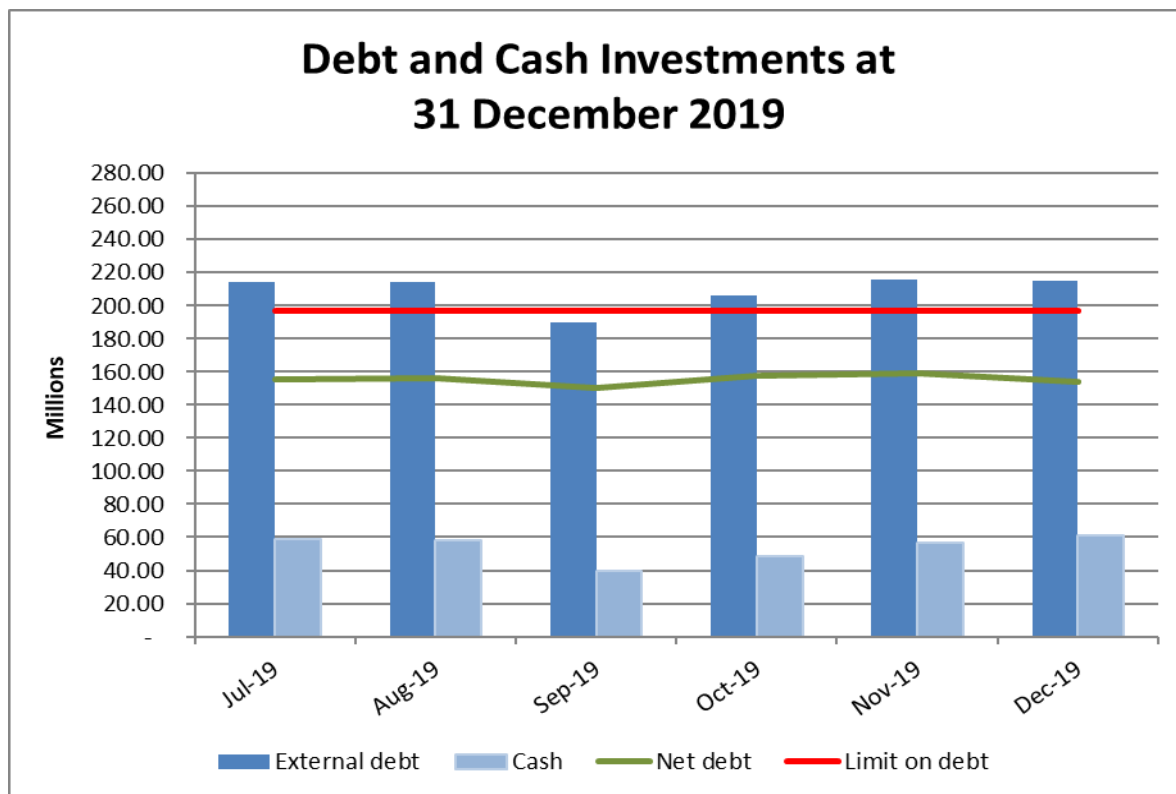
- 8 During the past six months, the Council has issued \$25 million of new debt towards prefunding the April 2020, October 2020 and May 2021 debt maturities. The funds were placed on term deposit, at the most favourable market rates available at that time, as part of the Council's prefunding programme.
- 9 During the same period, \$20 million of long term debt matured during September 2019. This was fully funded through the Council's prefunding programme and was repaid from term deposits maturing on the day.
- 10 The table below shows (a) the movement in the Council's external debt balance and (b) the movement in the Council's pre-funding programme by debt maturity, for the six months ended 31 December 2019.

<b>Borrowings</b>	<b>Gross borrowings \$000</b>	<b>Explained by:</b>			
		<b>Pre-funding borrowings</b>			
		<b>TD Sept 2019 \$000</b>	<b>TD April 2020 \$000</b>	<b>TD Oct 2020 \$000</b>	<b>TD May 2021 \$000</b>
Opening balance 1 July	210,000	20,000	20,000	10,000	
New Long term debt issued YTD	25,000		5,000	10,000	10,000
Matured Long term debt	(20,000)	(20,000)			
<b>Total</b>	<b>215,000</b>	<b>-</b>	<b>25,000</b>	<b>20,000</b>	<b>10,000</b>

- 11 As at 31 December 2019, the Council had \$61.08 million of cash, term deposits and borrower notes on hand, and relates mainly to the Council's debt pre-funding programme. This is broken down as follows:

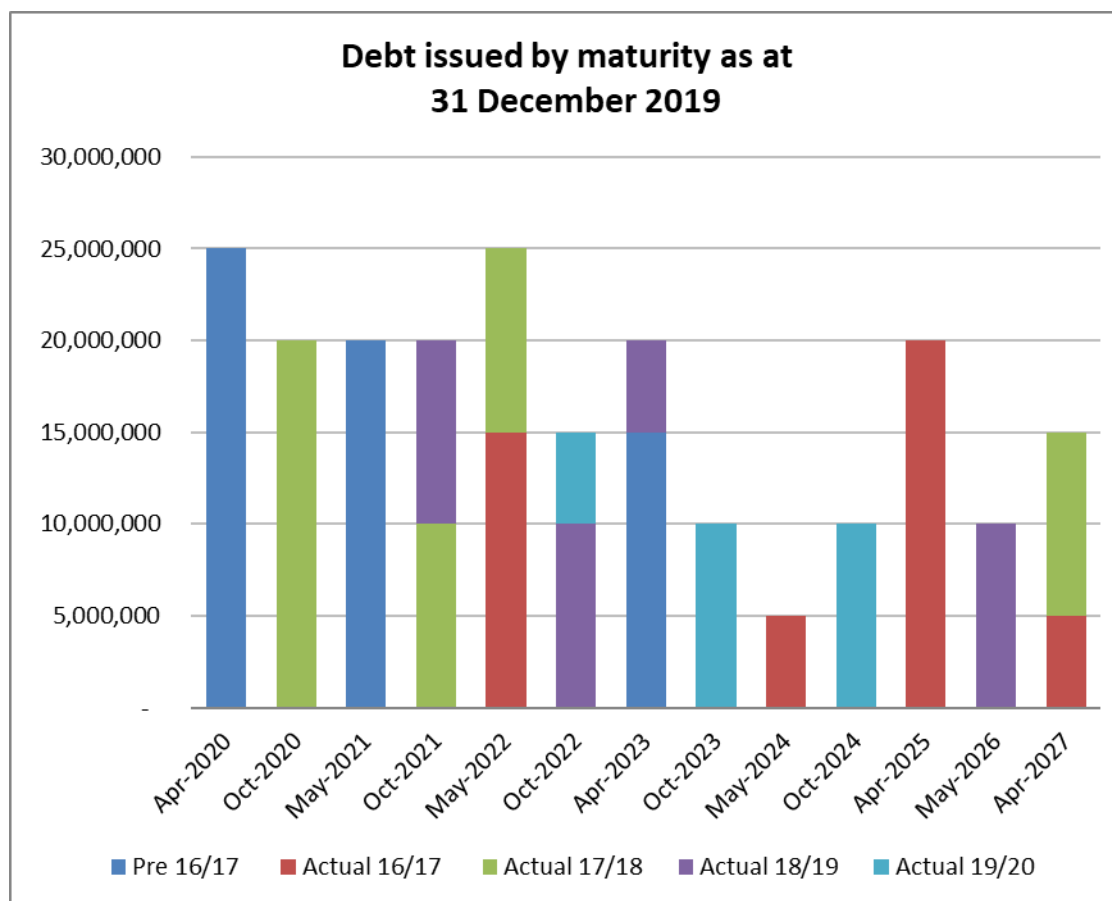
<b>Term deposits, cash &amp; borrower notes</b>	<b>Term deposits to prefund borrowings \$000</b>	<b>Borrower notes \$000</b>	<b>Cash \$000</b>	<b>Total \$000</b>
LGFA debt maturing April 2020	25,000	-	-	25,000
LGFA debt maturing Oct 2020	20,000	-	-	20,000
LGFA debt maturing May 2021	10,000	-	-	10,000
Surplus cash	-	-	2,644	2,644
Borrower notes held	-	3,440	-	3,440
<b>Total</b>	<b>55,000</b>	<b>3,440</b>	<b>2,644</b>	<b>61,084</b>

- 12 The Council is targeting through its financial strategy to keep net borrowings below 200% of total operating income. At 31 December 2019, the Council is forecasting its net borrowings to be 185.8% of total operating income at 30 June 2020.
- 13 For the six months ended 31 December 2019, the Council has not breached its net debt upper limit, as shown in the chart below:



#### Liquidity/Funding control limits

- 14 Liquidity and funding management focuses on reducing the concentration of risk at any point so that the overall borrowings cost is not increased unnecessarily and/or the desired maturity profile is not compromised due to market conditions. This risk is managed by spreading and smoothing debt maturities and establishing maturity compliance buckets.
- 15 Since October 2015 the Council's treasury strategy has included a debt pre-funding programme. The Policy allows pre-funding of Council debt maturities up to 18 months in advance, including re-financing. Market conditions have been favourable for this approach, where the Council draws down debt early and is able to invest the funds on term deposit for a positive net return.
- 16 The debt pre-funding programme was highlighted by Standard & Poor's (S&P) in their July 2019 review, where Council's credit rating was upgraded from A+ to AA with S&P noting the Council's exceptional liquidity coverage.
- 17 The following graph presents the Council's debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.

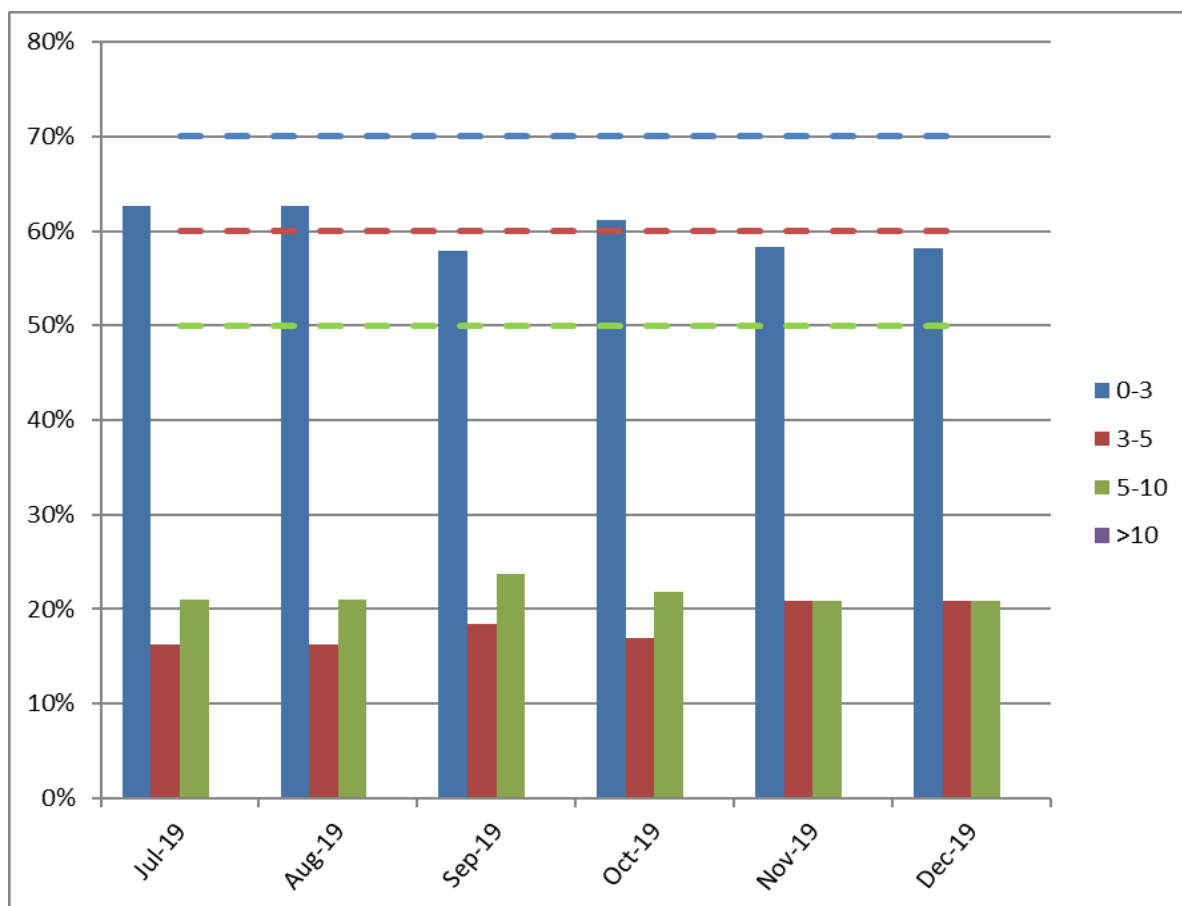


- 18 Debt maturities must fall within maturity compliance buckets. These maturity buckets are as follows:

Maturity Period	Minimum	Maximum
0 to 3 years	10%	70%
3 to 5 years	10%	60%
5 to 10 years	10%	50%
10 years plus	0%	20%

- 19 For the 6 months ending 31 December 2019, the Council has been fully compliant with its debt maturity limits, as shown by the chart below. The upper limits, as shown by dashed lines, relate to the bars of the same colour. For example, the 0 to 3 year upper limit of 70% is in blue. Actual maturities in the 0-3 year bucket are represented by the blue bars. The Council has no long term debt maturing in ten years' time or beyond.





### Interest rate risk control limits

- 20 The Council issues all debt on a floating rate basis, as lower interest rates are realised this way, and uses fixed interest rate swaps (hedges) to minimise exposure at any one time to interest rate fluctuations. This ensures more certainty of interest rate costs when setting our annual plan and long term plan budgets.
- 21 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$215 million in net debt would equate to additional interest expense of \$2.15 million per annum. Conversely, fixing interest rates does however reduce the Council's ability to benefit from falling and/or more favourable interest rate movements.
- 22 The objectives of any treasury strategy are therefore to smooth out the effects of interest rate movements, while being aware of the direction of the market, and to be able to respond accordingly.
- 23 The Policy sets out the following interest rate limits:
- Major control limit where the total notional amount of all interest rate risk management instruments (i.e. interest rate swaps) must not exceed the Council's total actual debt, and;
- Fixed/Floating Risk Control limit, that specifies that at least 55% of Council's borrowings must be fixed, up to a maximum of 100%.

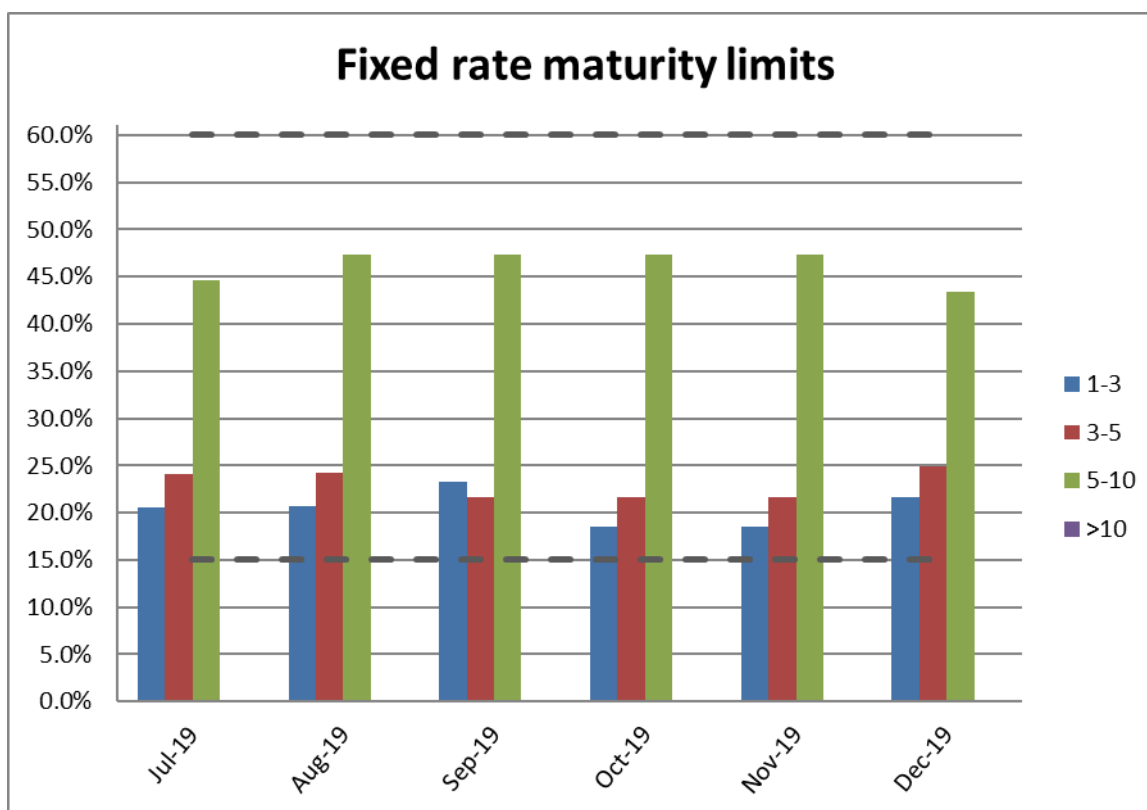
- 24 The table below shows the Council's hedging value for the six months ending 31 December 2019.

\$000's	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
External debt (floating	214,500	214,500	190,000	206,000	216,000	215,000
Swaps (fixed portion)	195,250	194,250	194,250	194,113	194,113	189,113
Fixed %	91.0%	90.6%	102.2%	94.2%	89.9%	88.0%
Unfixed debt	19,250	20,250	-	11,888	21,888	25,888

- 25 The Policy Fixed/Floating Risk Control Limit was briefly breached during the month of September 2019. This breach occurred because planned debt pre-funding of \$5 million was not issued. This has since been corrected and the debt pre-funding programme is closely monitored by Council Officers.
- 26 Similar to debt maturities, hedging instrument maturities must also fall within maturity compliance buckets. These maturity compliance buckets are as follows:

Period	Minimum	Maximum
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 to 10 years	15%	60%
10 years plus	0%	20%

- 27 The Council has been fully compliant for the six months ended 31 December 2019, as shown by the following chart. Note that maturities falling within 1 year are not included.



**Counterparty Credit Risk**

- 28 The policy sets maximum limits on transactions with counterparties. The purpose of this is to ensure the Council does not concentrate its investments or risk management instruments with a single party.
- 30 The policy sets the gross counter party limits as follows:

Counterparty/Issuer	Minimum Standard and Poor's long term	Investments maximum per counterparty	Risk management instruments maximum per counterparty	Borrowing maximum per counterparty
NZ Government	N/A	Unlimited	None	Unlimited
LGFA	AA-/A-1	\$20m	None	Unlimited
NZ registered bank	A+/A-1	60% of total investments or \$25m; whichever is greater.	50% of total instruments or \$80m; whichever is greater.	\$50m

- 31 The Council was in full compliance with all counterpart credit limits for the six months ended 31 December 2019. The tables below show the Council's investments and risk management instruments holdings per counterparty during the quarter.

**Term deposits**

Counter party	Jul-2019		Aug-2019		Sep-2019		Oct-2019		Nov-2019		Dec-2019		Comply
	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	10,000	18.18%	10,000	18.18%	10,000	33.33%	10,000	25.00%	10,000	20.00%	10,000	18.18%	✓
NZ Registerd Bank 2	25,000	45.45%	25,000	45.45%	10,000	33.33%	10,000	25.00%	20,000	40.00%	25,000	45.45%	✓
NZ Registerd Bank 3	20,000	36.36%	20,000	36.36%	10,000	33.33%	20,000	50.00%	20,000	40.00%	20,000	36.36%	✓
NZ Registerd Bank 4	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	✓
	55,000	100%	55,000	100%	30,000	100%	40,000	100%	50,000	100%	55,000	100%	

\*Policy Limit: 60% of total investments or \$25 million; whichever is greater

**Interest rate swaps**

Counter party	Jul-2019		Aug-2019		Sep-2019		Oct-2019		Nov-2019		Dec-2019		Comply
	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	60,000	30.73%	60,000	30.89%	60,000	30.89%	60,000	30.91%	60,000	30.91%	55,000	29.08%	✓
NZ Registerd Bank 2	80,250	41.10%	85,250	43.89%	85,250	43.89%	85,113	43.85%	85,113	43.85%	85,113	45.01%	✓
NZ Registerd Bank 3	55,000	28.17%	49,000	25.23%	49,000	25.23%	49,000	25.24%	49,000	25.24%	49,000	25.91%	✓
	195,250	100%	194,250	100%	194,250	100%	194,113	100%	194,113	100%	189,113	100%	

\*Policy Limit: 50% of total instruments or \$80 million; whichever is greater

**Specific Borrowing Limits**

- 32 In managing debt, the Council is required to adhere to the limits below. The Council fully complied with these limits for the six months ended 31 December 2019 (or a period as otherwise specified) and the results are shown below:

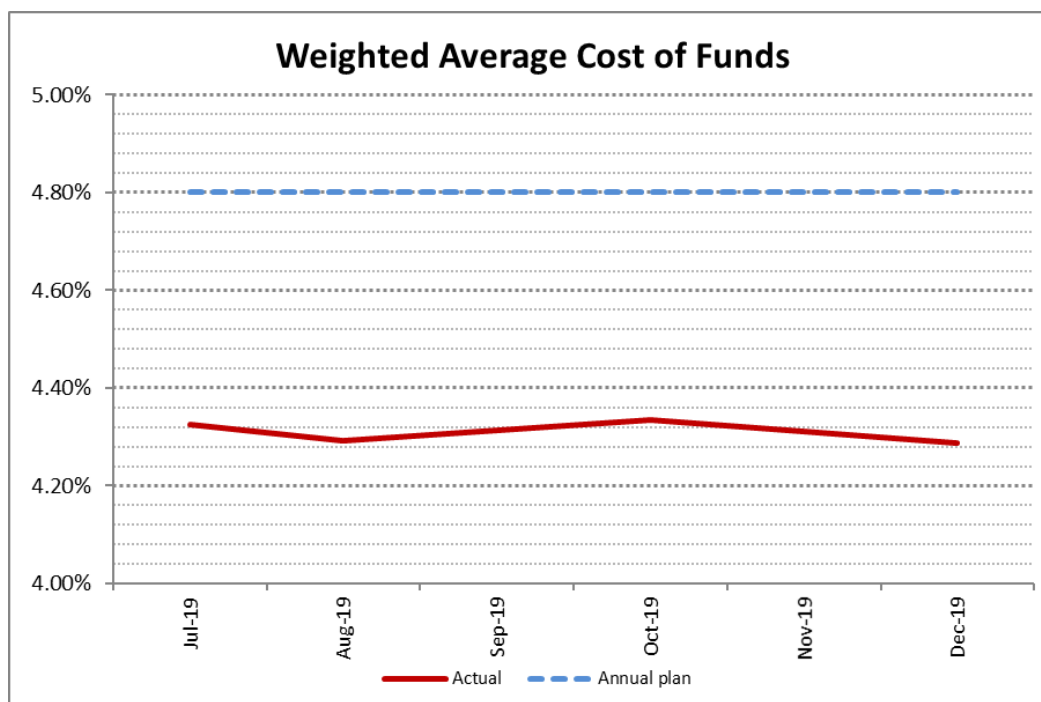
Borrowing limit	Policy limit	2019/20	Comply
Net interest expense/Total Operating Income	< 20%	8.6%	✓
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	136.1%	✓
Net External Debt/Total Operating Income (Projected 30 June 2020 figures)	< 240%	185.8%	✓

**Risk Management Performance**

- 33 The following table shows the Council's interest income and expense for the year to date, along with the weighted average cost of borrowing (WACB)

	Dec YTD Actual \$000	YTD Budget \$000	YTD Variance \$000
External Interest Expense	4,555	4,773	217
less: Interest Income	(884)	(920)	(36)
Net Interest Cost	3,672	3,853	181
Weighted Average Cost of Borrowings	4.29%	4.80%	0.51%

- 34 Council's net interest cost year to date is \$181,00 favourable to budget. This is mainly due to a lower external borrowings balance at the start of the 2019/20 financial year than planned.
- 35 Council has been effective in its treasury management with its weighted average cost of funds being 0.51% lower than budget as at the 31 December 2019.
- 36 The following graph shows the cost of borrowing each month.



**CONSIDERATIONS****Policy considerations**

37 There are no policy considerations other than those already noted in this report.

**Legal considerations**

38 There are no legal considerations arising from this report.

**Financial considerations**

39 There are no financial considerations other than those already noted in this report.

**Tāngata whenua considerations**

40 There are no tāngata whenua considerations arising from this report.

**SIGNIFICANCE AND ENGAGEMENT****Significance policy**

41 This matter has a low level of significance under Council's Significance and Engagement Policy.

**Publicity**

42 There are no publicity considerations arising from this report.

**RECOMMENDATIONS**

43 That the Audit and Risk Subcommittee notes the Council's compliance with its Treasury Management Policy for the six months ended 31 December 2019.

**APPENDICES**

Nil

**8.6 OMBUDSMAN INVESTIGATION INTO CHRISTCHURCH CITY COUNCIL LGOIMA PRACTICES**

**Author:** Tim Power, Senior Legal Counsel

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 The purpose of this report is to update the Subcommittee on the Council's compliance with its obligations under the Local Government Official Information and Meetings Act (LGOIMA) following concerns raised by the Chief Ombudsman over compliance in the sector.
- 2 An internal self-review has been undertaken of Council's LOGIMA practices. The report does not identify any major areas of concern but does note some areas where the Council could improve its processes.

**DELEGATION**

- 3 The Audit and Risk Subcommittee has the appropriate delegation to consider this report and recommendations under the Governance Structure C1:
  - *Reviewing and maintaining the internal control framework.*

**BACKGROUND**

- 4 The Chief Ombudsman has been monitoring agencies' official information practices, resources and systems by undertaking targeted investigations and publishing reports of findings. Several local authorities have been the subject of a targeted investigation. Most recently an investigation into Christchurch City Council (CCC) identified a number of serious concerns about the Council's leadership and culture, and its commitment to openness and transparency. A number of recommendations were made in the Ombudsman's report. A copy of the Executive Summary of the Ombudsman's report is attached as Appendix 1 to this report.
- 5 A full copy of the report can be found by accessing the following link:  
<https://www.ombudsman.parliament.nz/resources/lgoima-compliance-and-practice-christchurch-city-council>

**ISSUES AND OPTIONS****Issues**

- 6 The Chief Ombudsman's investigation of CCC looked at how the Council dealt with requests for official information, produced Land Information Memoranda (LIM) reports, and whether Council meetings complied with LGOIMA requirements.
- 7 The information gathered during the investigation was considered against a framework consisting of the following areas:
  - Leadership and culture
  - Organisation structure, staffing and capability

- Internal policies, procedures and resources
- Current practices
- Performance monitoring and learning

#### Leadership and culture

- 8 CCC staff raised concerns about the methods used by the Executive Leadership Team (ELT) to keep negative information about the Council from Elected Members and/or the public. The alleged methods included manipulating or removing information from reports, project reporting not occurring, and staff being told not to record information or to keep information in draft form.
- 9 The investigation found the former CCC Chief Executive failed to take adequate and appropriate action to address staff concerns and to ensure the actions of the ELT reflected the LGOIMA's principle of availability and the commitment to openness and transparency.
- 10 The following recommendations were made:
- All staff should be encouraged to identify process improvements and receive training in accordance with their position.
  - Review the delegations' framework to ensure decision making and accountability at the senior level are clear.
  - Develop a proactive release policy to support the Council's commitment to transparency.
  - Establish a process to ensure any amendments made to documents/records are transparent.
  - Establish a clear process for staff reporting and raising concerns without fear of reprisal, and ensure outcomes are clearly communicated back to staff.
  - Regular consistent positive messaging by the CE and ELT about the importance of openness and transparency.
  - Assign a senior manager with specific strategic responsibility and executive accountability for official information practice.

#### Organisation structure, staffing and capability

- 11 The report noted that it is essential that LGOIMA training is mandatory for all staff upon induction, with refresher training offered periodically to staff who handle information requests.
- 12 The following recommendations were made:
- Develop a LGOIMA training programme tailored to the needs of all staff.
  - Develop and implement more detailed, regular training for delegated decision makers, including senior leaders and staff in the LGOIMA team.
  - Ensure appropriate staff have access to, and understand how to use, the LGOIMA tracking spreadsheet to ensure feedback is available.

#### Internal policies, procedures and resources

- 13 While CCC had internal guidance material for staff, the report noted that it is important to ensure the guidance is consistent across the different platforms within Council. While the policies existed, it was important to ensure they were adhered to, and senior leaders needed to champion the importance of those policies.



- 14 The following recommendations were made:
- Ensure guidance is reviewed regularly and updated.
  - Leaders to champion sound record keeping practice.
  - Prioritise the development of a proactive release policy.

#### Current practices

- 15 The report noted that a number of requests received by the CCC customer services team were not recorded as LGOIMA requests. CCC used a spreadsheet that recorded the relevant information associated with each request. However, the spreadsheet did not include information in respect of the decision-making. Also, Elected Members directed their requests to the CE's Office where information was supplied on a "need to know" basis. Staff needed to be sure that information requests made by Elected Members were treated as LGOIMA requests.
- 16 The investigation identified that an advisor to the Mayor was present while LGOIMA requests were being discussed. CCC were encouraged to develop a protocol to clarify when and in what circumstances decision-makers would consult with Elected Members, including the Mayor and their staff. Any consultation needed to be recorded.
- 17 The following recommendations were made:
- Ensure all public and media information requests are handed in accordance with LGOIMA.
  - Upgrade to a database (non-spreadsheet) to track requests and decisions.
  - Record the reasoning behind LGOIMA decisions, including any consideration of the public interest and results of consultations with third parties.
  - Establish a peer review process.
  - Ensure records are kept of workshops and briefings.

#### Performance monitoring and learning

- 18 CCC had internal processes which included the ELT receiving a weekly spreadsheet of all open LGOMIA requests and weekly meetings were held between various teams which include LGOIMA discussions. The performance monitoring could be improved by providing analysis of data collected in the spreadsheet, as well as capturing additional data. The report noted that media requests were not captured in the spreadsheet which resulted in an incomplete picture of CCC's compliance with LGOIMA deadlines.
- 19 The following recommendations were made:
- Consider providing the ELT with a monthly report on LGOMIA.
  - Consider ways to include requests handled by the communications and customer services team, as well as Elected Members and property file requests, in LGOIMA reporting.
  - Develop a formal quality assurance process.
- 20 The report also found that the Council generally complied with its LGOIMA obligations in terms of time frames for responding to LIM requests, and meeting administration requirements.

**REVIEW OF KCDC'S LGOIMA PRACTICES**

- 21 Officers have undertaken a self-review assessment of Council's processes, taking into account the concerns raised and recommendations made in the CCC investigation.
- 22 There are a number of aspects of the Council's approach to LGOIMA that Council does well:
- Responses are approved by Group Managers.
  - Sensitive and complex requests are all required to have Senior Legal Counsel oversight.
  - Good internal guidance is available to staff in the form of standard form templates (staff guide available).
  - Requests are tracked in a database and assigned to staff with an automated reminder function.
  - Proactive disclosure policy is planned (some responses have already been made publicly available).
- 23 The Audit and Risk Subcommittee receives regular reports on the status of new and current Ombudsman investigations. The Council's Legal Counsel has a good relationship with the Office of the Ombudsman and a significant number of inquiries from members of the public to the Office of the Ombudsman in relation to the Council are resolved before they are formally recorded as a "complaint". In recent years there have been very few complaints to the Office of the Ombudsman that have been upheld.
- 24 Council's processes for producing LIMs have been through a business improvement process leading to a much more robust process for the production of LIMs with accountabilities much clearer.
- 25 Council has recently implemented changes to the manner in which records of briefings and workshops are now captured. A record of elected members attending is now taken and there is a recording of all workshops and briefings.
- 26 No issues have been identified in relation to the notification of meetings and the publication of agendas and issuing of minutes. For those meetings that are held in public excluded grounds under LGOIMA are always identified. There have been no successful challenges to grounds identified by the Council for excluding members of the public. Council regularly release the recommendations from public excluded meetings once the meeting has concluded.
- 27 Council meetings are livestreamed and the Council is in the process of working through issues around the proposal to make video records of meetings available to members of the public on-line.
- 28 While there are no concerns in respect of the KCDC LGOIMA processes, the CCC report has highlighted some areas where processes could be improved, including:
- Training for new staff at induction (and ongoing training for staff).
  - Ensuring reasons for decisions are recorded in the database. This would require that any grounds used for withholding information are identified along with any public interest matters that are taken into account in reaching a decision on withholding or releasing information.

- Ensuring that requests received through the communications and customer services teams are captured in the LGOIMA database.
- Consideration should be given to whether there should be any record kept of matters discussed at public only discussions held immediately before Council meetings. Currently no staff attend these sessions.

## CONSIDERATIONS

### Policy considerations

- 25 There are no policy considerations arising from the recommendations in this report.

### Legal considerations

- 26 There are no additional legal considerations arising from this report.

### Financial considerations

- 27 For the most part the recommendations in this report do not require any additional funding and can be funded from within existing budgets. Any additional effort required is likely to be off-set by less staff time required to deal with LGOIMA responses that result in complaints to the Office of the Ombudsman.

### Tāngata whenua considerations

- 28 There are no tāngata whenua considerations arising from this report.

### Strategic considerations

- 29 This matter relates to Council's focus outcome of *improving accessibility of Council services*. By improving its LGOIMA practices, Council makes it easier for the community to access information about Council and engage with Council activities.

## SIGNIFICANCE AND ENGAGEMENT

### Significance policy

- 30 This matter has a low level of significance under Council's Significance and Engagement Policy.

### Consultation already undertaken

- 31 There has been no consultation undertaken in relation to this report and its recommendations.

### Engagement planning

- 32 An engagement plan is not needed to implement this report.


### Publicity

- 33 No publicity is planned in relation to this report.

**RECOMMENDATIONS**

- 34 That the Audit and Risk Subcommittee:
- (a) Notes the CCC Ombudsman report;
  - (b) Notes the areas highlighted for improvement set out in paragraph 28 to this report.

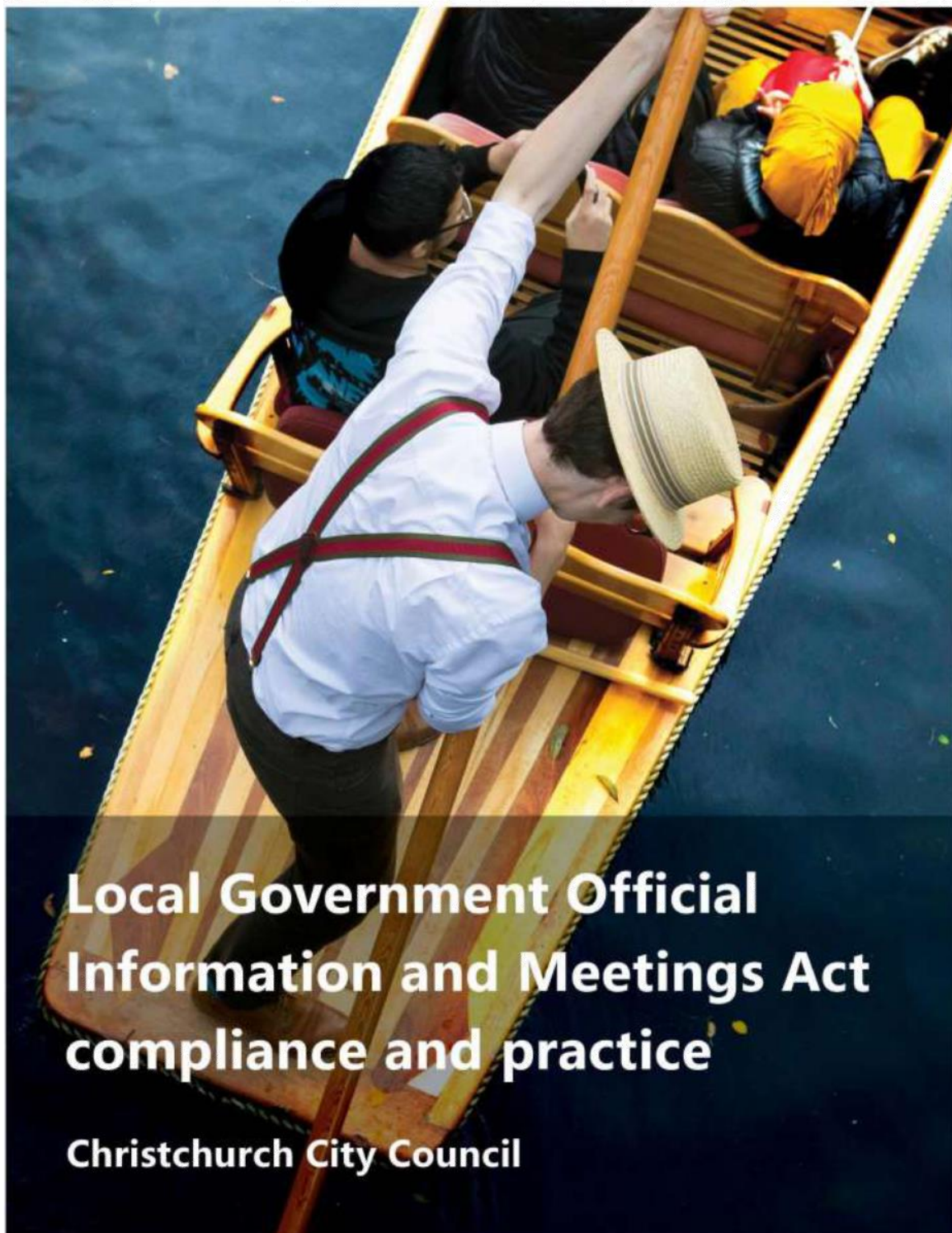
**APPENDICES**

1. Office of the Ombudsman - LGOIMA Compliance and Practice at Christchurch City Council (Executive Summary only) [↓](#) 



Fairness for all

A.3a



# Local Government Official Information and Meetings Act compliance and practice

Christchurch City Council

Office of the Ombudsman  
Tari o te Kaitiaki Mana Tangata

*LGOIMA compliance and practice at Christchurch City Council*

Office of the Ombudsman

November 2019

ISBN: 978-0-473-50171-6 (print)

978-0-473-50172-3 (online)

Cover image courtesy Christchurch City Council

Office of the Ombudsman | Tari o te Kaitiaki Mana Tangata

---

## LGOIMA compliance and practice at Christchurch City Council

Opinion of the Chief Ombudsman

November 2019

---

### Contents

Foreword	2
Introduction	4
Christchurch City Council: a snapshot	8
Executive summary	9
Lifting LGOIMA performance at Christchurch City Council: summary of actions	16
Leadership and culture	17
Organisation structure, staffing, and capability	32
Internal policies, procedures and resources	39
Current practices	47
Performance monitoring and learning	58
Appendix 1: LGOIMA practice investigation terms of reference	63
Appendix 2: Key dimensions and indicators	68
Appendix 3: Council's draft improvement plan	83

## Foreword

As Chief Ombudsman, I have been tasked by Parliament with monitoring agencies' official information practices, resources and systems. I do this by undertaking targeted investigations and publishing reports of my findings.

New Zealand has 78 local authorities. In selecting which of these to include in the first investigations into local government official information practices, I wanted to ensure a mix of different council structures, levels of resource and regions of the country. I considered the nature of complaints received by my Office, and whether a council had been dealing with any high-profile issues that had increased the number of information requests received.

The Local Government Official Information and Meetings Act 1987 (LGOIMA) is an important tool for fostering transparency and accountability in local government. It allows people to request information held by local authorities, it provides a right to complain to the Ombudsman in certain circumstances, and it has provisions governing the administration of local authority meetings. Without access to information held by local authorities, and to public meetings, the ability of New Zealanders to participate in the democratic process is diminished. An effective official information regime sits at the very heart of local government practice and should be closely connected with governance, community engagement and communications functions.

Achieving the purposes of LGOIMA depends significantly on the culture of a council and the attitudes and actions of its leaders. It is imperative that the Chief Executive and Senior leaders demonstrate a commitment to meeting LGOIMA obligations and actively foster a culture of openness.

My investigation identified serious concerns about the Council's leadership and culture, and its commitment to openness and transparency. As part of this investigation, a number of Council staff raised concerns about the behaviour of some members of the then Executive Leadership Team, and alleged methods to control certain types of information in order to keep negative information about the Council from the public and/or elected members. This led to a perception amongst staff that some members of the Executive Leadership Team were not supportive of openness and transparency.

I have found that the previous Chief Executive's failure to take appropriate and adequate action in relation to concerns expressed by staff, was unreasonable. Accordingly, I have made one recommendation, which I have not done lightly. I have recommended the Chief Executive review the practice of the Executive Leadership Team's involvement in controlling the flow of information to elected members and the public to ensure an approach is adopted that is consistent with the purposes of the LGOIMA; in particular, openness and transparency.

In August 2019, the Council provided comments on my provisional opinion. The previous Chief Executive also provided comments and I have taken this feedback into account in my final opinion. I understand the Council's Acting Chief Executive has discussed my opinion with the incoming Chief Executive and I note that it is her clear expectation that, as an organisation, Christchurch City Council is committed to openness and transparency. The Acting Chief



Executive also acted swiftly and has provided me with a draft improvement plan addressing the recommendation, and accepting all 39 suggested actions to improve its practices, with corresponding time frames. Some of my action points have already been completed. I will be following up with the Council on a regular basis over the next year to check in on the progress of the remaining action points.

The draft improvement plan is reproduced in full as an appendix to this report (Appendix 3). I am encouraged by the responses both by the Acting Chief Executive and the incoming Chief Executive. It is clear to me that the leadership team is serious about ensuring the behaviours identified as part of this investigation will not be tolerated at Christchurch City Council. I am confident that the Council has put the building blocks in place to regain the trust of staff, elected members and the public and it is committed to creating an environment that promotes openness and transparency, and this is championed by leaders at all levels.

I wish to acknowledge Council staff for the positive way they engaged with this investigation. In particular, I wish to thank those staff who came forward and raised concerns with me during my investigation. This highlights the importance of staff feeling able to raise issues with their senior leaders in order to speak freely without fear of reprisal. It is imperative that senior leaders take the time to listen and be open to hearing bad news. This includes providing feedback loops to staff so they are kept informed of progress and the outcome of their report of concern. The Council has advised me that it is putting increased focus on its Protected Disclosures Act policy, ensuring staff know of its existence and where to find it.

I have also advised the Council that it must be willing to receive and appropriately handle all reports of concern, even those that are not about serious wrongdoing. In this respect, its policies and procedures should explain what to do in the event that concerns do not meet the threshold of serious wrongdoing, and the process that will apply in that situation. This is important in order to embed the Council's commitment to fostering a culture in which staff are comfortable raising concerns with senior leaders.

Finally, I wish to thank the Senior Information Advisor and staff within the Office of the Chief Executive, for the time they took to prepare the response to our detailed questionnaire; and all those staff who participated in employee surveys, and met with my investigators to discuss their role and share their views on the Council's LGOIMA practices.

I also acknowledge members of the public, including journalists, regular requesters, and regular council meeting attendees for the views they shared in our public survey.

I look forward to continuing my engagement with the Council as it works through implementing my recommendation and suggested actions.

Peter Boshier  
Chief Ombudsman  
November 2019

## Introduction

This report sets out my opinion on how well Christchurch City Council<sup>1</sup> (the Council) is meeting its obligations under the Local Government Official Information and Meetings Act 1987 (LGOIMA).

My investigation has looked at how the Council deals with requests for official information, produces Land Information Memorandum (LIM) reports, and administers Council meetings in accordance with LGOIMA.

The purposes of LGOIMA are to increase the availability of information held by local authorities and to promote the open and public transaction of business at meetings. This ensures people can:

- effectively participate in the actions and decisions of local authorities;
- hold local authority members and their officials to account for any decisions; and
- understand why decisions were made, which will enhance respect for the law and promote good local government in New Zealand.

The LGOIMA also protects official information and the deliberations of local authorities from disclosure, but only to the extent consistent with the public interest and the need to protect personal privacy.

As Chief Ombudsman, I am committed to improving the operation of LGOIMA to ensure the purposes of the Act are realised. Key to achieving this is Parliament's expectation that I regularly review the LGOIMA practices and capabilities of councils.

I have initiated this practice investigation using my power under the Ombudsmen Act 1975 (OA). This provides me with the tools needed to investigate matters I consider important to improve administrative decision making across the public sector.<sup>2</sup> The full terms of reference for my investigation are in Appendix 1.

I have considered the information gathered through my investigation against an assessment framework consisting of the following five areas:

- Leadership and culture
- Organisation structure, staffing and capability
- Internal policies, procedures and resources
- Current practices

---

<sup>1</sup> When I use the term 'Council', this primarily relates to the operational arm of the organisation unless the context suggests otherwise.

<sup>2</sup> See sections 13(1) and 13(3) Ombudsmen Act 1975

- Performance monitoring and learning

Appendix 2 provides a set of good practice indicators for each of these areas. These indicators are not exhaustive and do not preclude an agency demonstrating that good practice in a particular area is being met in other ways.

Reporting the outcome of these investigations promotes a council's accountability, and gives the public an insight into their council's ability to promote openness and transparency.

### My opinion

For the reasons set out below, and based on the information before me, I consider that there was a failure by the previous Chief Executive to take appropriate and adequate action in relation to concerns expressed by staff about some members of the Executive Leadership Team's behaviour, which staff had said did not reflect the principle of availability in the LGOIMA, nor a commitment to openness and transparency. I am of the opinion that such failure was unreasonable.<sup>3</sup>

I recommend that the new Chief Executive review the practice of the Executive Leadership Team's involvement in controlling the flow of information to the public and elected members, to ensure an approach consistent with the principles and purposes of the LGOIMA; in particular, openness and transparency.

The Council has advised me it has, or will be implementing the following actions in response to my recommendation:

- The incoming Chief Executive has read my provisional opinion. She has indicated that she intends to address the issues raised, and that *"responding in an open and honest way will be the start of delivering cultural change in our organisation at all levels."*
- The incoming Chief Executive will speak about my report at the Annual Leaders' Workshop in November.
- The Acting Chief Executive will develop an Improvement Plan with agreed mitigating actions and milestones for implementation.
- Senior Leadership practices will be reviewed, noting that any recommendations from the review will be added to the plan.

Through the investigation process, areas of good practice have been identified, and improvement opportunities suggested where there are areas of vulnerability. The Council has advised that it accepts all 39 of my suggested action points, and has developed a plan to implement these action points within the current financial year. I refer to some of the Council's specific responses in the body of this report.

I deal with each of the dimensions listed above setting out:

---

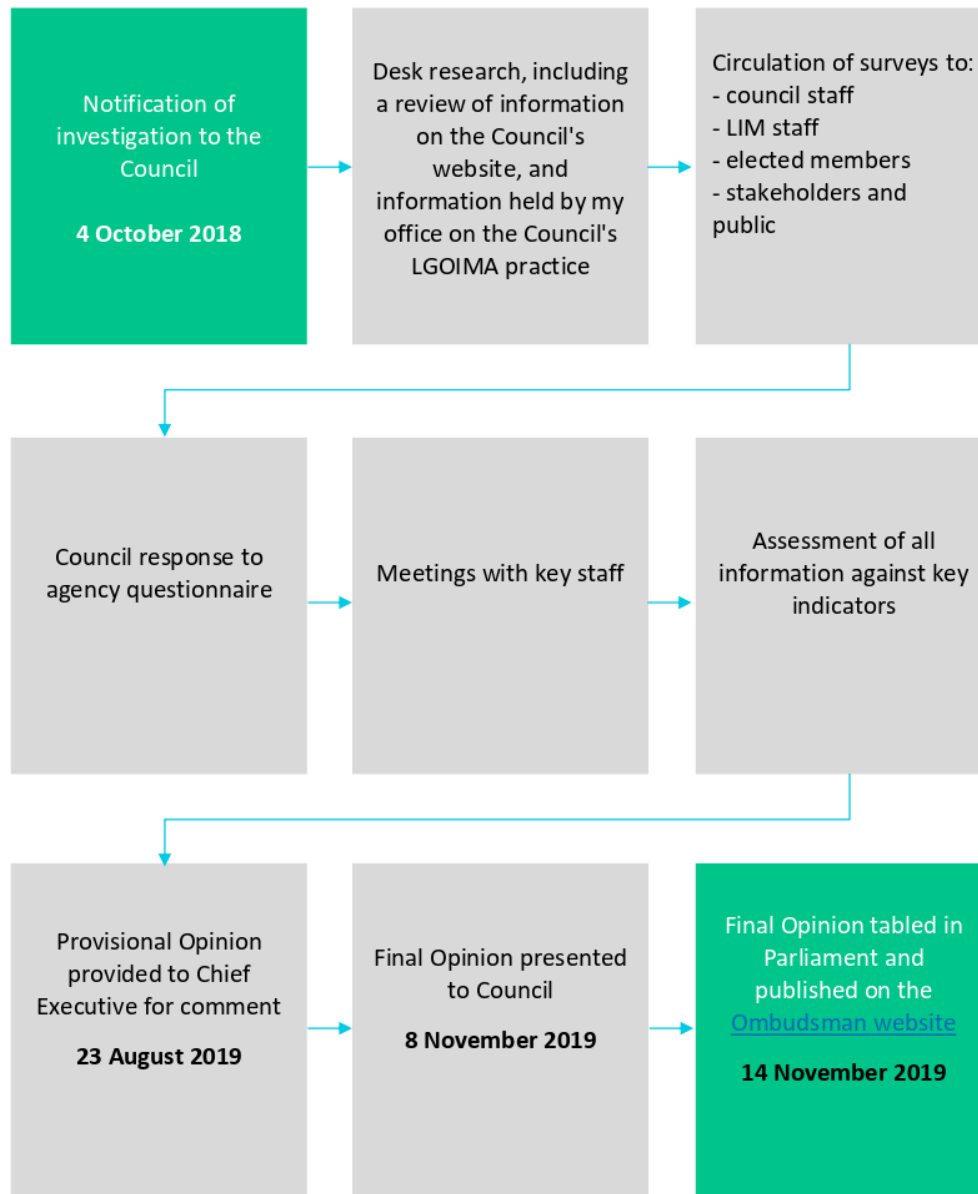
<sup>3</sup> Formal recommendations under the OA are only made if I form an opinion that a decision, recommendation, act, or omission by the agency was wrong, unreasonable or contrary to law, etc. under s 22 of the OA.

Office of the Ombudsman | Tari o te Kaitiaki Mana Tangata

---

- key findings;
- aspects that are going well; and
- opportunities to improve LGOIMA compliance and practice.

## Timeline and methodology



## Christchurch City Council: a snapshot

Christchurch lies between the Canterbury Plains and Pacific Ocean near the centre of the east coast of New Zealand's South Island. Its land area is 1415 kilometres.

The local authority, Christchurch City Council, has 16 elected Councillors and one elected Mayor. Elections are held every three years.

The Council's responsibilities include infrastructure, emergency management, community services and environmental management. The Local Government Official Information and Meetings Act (LGOIMA) both requires and encourages Council to be open and transparent in its decision making and activities.

The Council was established in 1862.



### In 2017/18, Christchurch City Council:

- served 388 400 residents
- received \$460 473 million in rates
- employed approximately 2135 staff
- received 600 requests under LGOIMA
- handled 98% of these requests within the legislative timeframe
- processed 11 031 LIM reports
- handled 100% of LIM applications within the legislative timeframe



*Image courtesy of the Department of Internal Affairs*

**MAYOR** Hon Lianne Dalziel

**DEPUTY MAYOR** Cr Andrew Turner

**ELECTED COUNCILLORS** 16

**WARDS** Banks Peninsula, Burwood, Cashmere, Central, Coastal, Fendalton, Halswell, Harewood, Heathcote, Hornby, Innes, Linwood, Papanui, Riccarton, Spreydon, Waimairi

**COMMUNITY BOARDS** Banks Peninsula, Coastal-Burwood, Fendalton-Waimairi-Harewood, Halswell-Hornby-Riccarton, Linwood-Central-Heathcote, Papanui-Innes, Spreydon-Cashmere (53 elected members between seven local boards)

**CHIEF EXECUTIVE** Dawn Baxendale

## Executive summary

This summary draws together the key findings, recommendation, and suggested actions from my investigation. The diagram on page 16 further summarises the action points into a ‘snapshot view’ of those aspects I consider will further lift LGOIMA performance at the Council.

### Leadership and Culture

My investigation identified serious concerns about the Council’s leadership and culture, and its commitment to openness and transparency. In particular, Council staff raised concerns with me about various methods employed by some members of the Executive Leadership Team to keep negative information about the Council from the public and/or elected members. These methods allegedly included manipulating or removing information from reports, project reporting not occurring, staff being told not to record information or to keep information in draft form. This has caused a perception to develop among staff that some members of the Executive Leadership Team wished to manipulate any messaging about the Council that might be negative.

The previous Chief Executive indicated that she was aware of some of the concerns raised by staff, particularly in relation to the Council’s performance reporting. The previous Chief Executive stated that the Executive Leadership Team had changed the process around the presentation of some reports, but it had not changed the content of those reports. She acknowledged that some staff were not comfortable with the evolving system around performance reporting, but in her view this was reflective of staff not understanding the role of the Executive Leadership Team, rather than senior leaders acting inappropriately.

I nevertheless consider that the previous Chief Executive did not take adequate and appropriate action to address staff concerns and ensure the actions and behaviours of some members of the Executive Leadership Team reflected the LGOIMA’s principle of availability and the commitment to openness and transparency, and that this was unreasonable. In my view it is imperative that the new Chief Executive review the Executive Leadership Team’s involvement in controlling the flow of information to the public and elected members to ensure an approach is adopted that is consistent with the principles and purposes of the LGOIMA, and in particular, openness and transparency.

In her response to my provisional opinion, the previous Chief Executive indicated that, where staff had expressed concerns to her about the actions of some members of the Executive Leadership Team, she had taken these very seriously. She also stated she had no knowledge of some of the issues staff raised with my investigators concerning the behaviours of some members of the Executive Leadership Team.

I acknowledge the previous Chief Executive considered she had dealt effectively with the concerns that were brought to her by staff. Notwithstanding this, during my investigation staff told me that issues of concern continued to occur, and a perception of secrecy existed.

The Chief Executive is ultimately accountable for staff’s perceptions of openness and transparency; the culture within the Executive Leadership Team; and the culture of the Council



more broadly. The effectiveness of any Chief Executive depends on enlightened and conscientious leadership.

The new Chief Executive now has an opportunity to transform the culture at the Council and act as a positive role model for best practice in relation to the operation of the LGOIMA, and organisational transparency. Key actions include:

- All staff should be encouraged to identify process improvements in responding to LGOIMA requests and should receive LGOIMA training in accordance with their position. Where senior leaders actively encourage staff to identify areas for improvement, and provide a system to facilitate this, the improvements are more likely to be implemented.
- The Council should review its delegation framework to ensure decision making and accountability at the senior level are clear.
- Develop a proactive release policy to support the Council's commitment to transparency.

The Council has increased its public engagement through the 'have your say' page on their website, as well as having a team tasked with ensuring the Council delivers on consultation results. The Council has a good LGOIMA request webpage, which is easy to find, and provides clear information on making a request.

Councils are statutorily required to release a range of information. In addition to fulfilling these requirements, I am pleased that the Council publishes its LGOIMA responses. Further, the Council's external messaging expresses a commitment to the principles and purposes of the LGOIMA, and to openness in general.

#### Recommendation

That the Chief Executive review the practice of the Executive Leadership Team's involvement in controlling the flow of information to the public and elected members to ensure an approach is adopted that is consistent with the principles and purposes of the LGOIMA, in particular, openness and transparency

#### Action points

1. Ensure the outcome of the review of the Executive Leadership Team's practices is clearly understood by staff and any recommendations are implemented
2. Establish a process to ensure that any amendments made to documents/records are transparent, with clear lines of accountability, and a record of the amendment is made
3. Establish a clear process for staff reporting and raising concerns without fear of reprisal, and ensure outcomes are clearly communicated back to staff
4. Regular consistent positive messaging by the Chief Executive and senior leaders about the importance of the LGOIMA and openness and transparency more generally in Council wide communications
5. Senior leaders to role model behaviours consistent with a commitment to openness and transparency



**Action points**

6. Complete the review of the structure of the Office of the Chief Executive to ensure the lines of decision-making and accountability are clear between the Director of the Office of the Chief Executive, the Senior Information Advisor, and the Chief Advisor to the Chief Executive
7. Ensure delegations for decisions on LGOIMA requests are clear, up to date and understood by senior leaders and staff
8. Assign a Senior Manager with specific strategic responsibility and executive accountability for official information practice
9. Senior leaders to champion a system for staff to identify and communicate opportunities for improvements to LGOIMA policies and practice, and proactive release
10. Senior leaders to set clear expectations that staff receive appropriate training on LGOIMA policies and procedures and make this expectation visible by attending training themselves
11. Include reference to LGOIMA compliance in job descriptions
12. Consider how a proactive release policy, once developed, can be incorporated into the Council's external communications strategy to further increase engagement and public participation in decision-making

**Organisation structure, staffing, and capability**

The Council employs a mixed model for handling LGOIMA requests. The LGOIMA team comprises two Information Advisors (one Senior) within the Office of the Chief Executive, who work with subject matter experts in relevant business units to process requests. This collaborative approach appears to be working well, as the Council has steadily received more LGOIMA requests year by year while achieving a timeliness rating of 98 percent (from 1 July 2017 through 30 June 2018).

In my survey of Council staff, I note that many lauded the expertise held by the LGOIMA Team, who are often relied on for advice when questions arise.

The Council employs a centralised model for LIM applications, and staff in the Community Support, Governance and Partnerships Unit administer Council meetings. A Council Secretary assists the Executive Leadership Team with agendas and reports. Requests from elected members are made through the Office of the Chief Executive. There is a clear process to determine whether items should be discussed in public excluded (PX) sessions of Council meetings.

While the Council provides some training on the LGOIMA to staff, I believe it is essential to make some level of LGOIMA training mandatory for all staff upon induction, with refresher training offered periodically to staff who handle information requests. Of the LGOIMA training that is currently offered, the material is sound. Staff involved in writing reports for Council meetings receive training on InfoCouncil,<sup>4</sup> and information management training is compulsory for new staff at induction.

<sup>4</sup> InfoCouncil is the system that supports the end-to-end advice and decision-making process at Council for elected member meetings.

Due to the size of the Council, there could be more staff cross-trained to cover for the Information Advisors. There are only two staff members on the LGOIMA Team, which is a potential vulnerability. Cross-training includes the ability to log, track and coordinate responses, manage the LGOIMA spreadsheet and provide advice on the LGOIMA.

#### Action points

1. Develop a LGOIMA training programme tailored to the needs of all staff, including for staff at induction, the Public Information and Participation (PIP) Team and Customer Services Teams
2. Develop and implement more detailed, regular training for delegated decision makers, including senior leaders and for staff in the LGOIMA Team
3. Ensure appropriate staff have access to, and understand how to use, the LGOIMA tracking spreadsheet to ensure back up is available if necessary

### Internal policies, procedures, and resources

The Council has some useful resources to guide staff. These include guidance on LIM requests; template letters and emails for LGOIMA requests; an induction guide for elected members; and a policy on record-keeping obligations. The Council also produces a guidance document for staff who write reports, on what to consider in relation to matters that may be heard in a public excluded portion of a meeting.

I encourage the Council to ensure that its policies are kept up to date and align with actual practice. The existence of policies does not necessarily mean they will be adhered to, and leaders need to consistently champion the importance of these policies.

Some staff advised that the guidance may not be consistent across different platforms. For instance, some information on the Council's primary document management system, TRIM, does not match the information available on the intranet. The Council may benefit from consolidating LGOIMA resources, and making them more visible and accessible to staff.

Furthermore, I suggest a review of the LGOIMA resources, including template letters, to incorporate guidance on how to apply withholding grounds while considering the public interest (among other points). The Council should consider updating the 'LGOIMA Assistance' wording on the intranet so it aligns with section 13 of the Act.

It would also be advantageous for the Council to develop a proactive release policy to underpin its current practice.

#### Action points

1. Consider undertaking a review of Information Management (IM) policies and guidance to ensure they are fit for purpose
2. Ensure IM guidance is regularly reviewed and updated
3. Ensure IM guidance and policy is visible and easily accessible for staff and, if guidance is stored in more than one IM system, ensure guidance is consistent across all platforms
4. Leaders to champion sound record keeping practice

Action points
5. Prioritise the development of a proactive release policy with accountability for its delivery assigned to a senior leader
6. Review and update LGOIMA guidance incorporating my suggestions
7. Ensure LGOIMA guidance is regularly reviewed and updated
8. Consider amending template letters to include specific consideration of the public interest, where applicable

**Current practices**

My investigation found that the Council generally complies with LGOIMA obligations in terms of timeframes for responding to LGOIMA requests, timeframes for LIM reports, and meeting administration requirements. Overall, the LGOIMA responses reviewed within this investigation were generally comprehensive, but records of LGOIMA decision making were minimal. I would encourage the Council to consider keeping a record of discussions that take place in workshops and briefings.

In addition to LGOIMA requests handled within the 'formal' process, other parts of the business (such as the Public Information and Participation Team) also respond to straightforward requests for information. The Council must ensure that these requests are handled in accordance with the LGOIMA. This includes providing a reason for any information that is refused, and including the Ombudsman's contact details for making a complaint. It is crucial that regular training is provided to all Council teams that handle requests for information.

The Council may enhance its practice further by capturing the decision-making process for each response. I encourage the Council to move away from using a spreadsheet to input and track LGOIMA requests and decisions. I am concerned that the spreadsheet does not have a provision for documenting the decision-making process on a request. Implementing a formal peer review process would also assist in promoting transparency at a senior leadership level.

I am pleased to note that there appears to be a good working relationship between Council staff and elected members. Elected members direct their information requests to the Office of the Chief Executive, which usually supplies information under the common law, 'need-to-know' principle. Staff must be aware that information requests made by elected members are governed by LGOIMA.

It is important the Council ensures that the distinction between consultation and notification of elected members on LGOIMA requests is unambiguous, and there is no perception that elected members and/or Mayoral office staff have undue input on decision making on LGOIMA requests. Therefore, I encourage the Council to develop a protocol to clarify when and in what circumstances decision makers will consult with elected members, including the Mayor and their staff. This consultation should be recorded, as a lack of record keeping is a vulnerability that could leave the Council open to criticism. It is also not appropriate that the Mayor's advisor attends the weekly meeting where LGOIMA requests are discussed.

**Action points**

9. Ensure that all public and media information requests, as well as property file requests, are handled in accordance with the provisions of the LGOIMA
10. Provide regular training to all Council teams that handle requests for information in any capacity
11. Upgrade to a database (non-spreadsheet) system to track LGOIMA requests and decisions
12. Record the reasoning behind LGOIMA decisions, including any consideration of the public interest and the results of any consultations with third parties
13. Record the administrative steps taken in respect of LGOIMA responses where relevant
14. Establish a formalised peer review process
15. Ensure records are kept of workshops and briefings
16. Provide training to staff who are processing elected member requests to ensure consistency of practice
17. Ensure that requests from elected members are handled in accordance with LGOIMA
18. Review the practice of sending all LGOIMA requests to the Mayor's office and develop a protocol between the Council and elected members to clarify elected member involvement in LGOIMAs
19. Ensure the Mayor's advisor is not a participant in the weekly meeting where LGOIMA requests are discussed

**Performance monitoring and learning**

The Executive Leadership Team receives a weekly spreadsheet of all open LGOIMA requests (which is extracted from the LGOIMA spreadsheet). Weekly meetings are held between various teams and include discussion of LGOIMA requests and key issues. I have been informed that the meetings can trigger review of policies and practice.

Aside from the meetings, performance monitoring could be improved by providing an analysis of the data collected in the LGOIMA spreadsheet, as well as capturing additional data. A monthly report should be provided to the Executive Leadership Team for record keeping purposes and point-in-time comparisons. Such information could later be used to inform decisions about resourcing, capacity and capability, to name a few.

Media requests made to the Public Information and Participation (PIP) Team and information requests made to Customer Services Teams are not captured in the LGOIMA spreadsheet. This results in an incomplete picture of the Council's reported LGOIMA timeliness compliance. The inclusion of these requests in LGOIMA reporting would result in a more accurate representation of Council performance, as would requests from elected members and property file requests.

On a positive note, the Council engages with my Office to disperse guidance, reports and case notes to key staff. Staff are also kept informed of Ombudsman investigations into Council LGOIMA responses and their eventual outcomes.

There is no clearly defined process for the Quality Assurance (QA) of LGOIMA requests at the Council. There is merit in the Council developing a more formalised QA system to ensure consistency of decision making.

The Council does not appear to be taking adequate steps to record the decision-making process on LGOIMA requests. Failure to record the outcome of past decisions can make it difficult for other staff within the Council to locate similar, previous requests for information. The Council may wish to consider building a step into their decision-making process whereby similar requests are noted, which will help to ensure consistency of decision making.

**Action points**

1. Consider analysing LGOIMA request data and collecting more comprehensive data on the Council's handling of LGOIMA requests
2. Consider providing the Executive Leadership Team with a monthly report on LGOIMA requests
3. Consider ways to include requests handled by the PIP Team and Customer Services Team, as well as elected member requests and property file requests, in LGOIMA statistical reporting
4. Consider developing a formal quality assurance process for LGOIMAs
5. Consider how staff can quickly and easily access previous LGOIMA decisions

**8.7 RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE**

**Author:** Jacinta Straker, Chief Financial Officer

**Authoriser:** Mark de Haast, Group Manager

**PURPOSE OF REPORT**

- 1 This report primarily updates the Audit and Risk Subcommittee on the on-going implementation of the Enterprise Risk Management (ERM) framework.

**DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.

*Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

**BACKGROUND**

- 3 The key elements of the Enterprise Risk Management Framework include:

- Risk Management;
- Business Continuity Management;
- Business Assurance; and
- Procurement Improvement Programme.

- 4 The key work streams within this area are:

- Regularly discuss risks with the Council's business groups and Senior Leadership Team and embed the day-to-day management of risks in the more routine activities;
- develop a risk communication/reporting process at and between, the following levels:
  - Council/Committees;
  - Senior Leadership Team (SLT);
  - Business Units/Groups; and
  - Projects, Asset Management.
- develop a Business Continuity Management System for effective response to a range of potential business disruptions;
- provide fraud awareness training;
- provide business assurance oversight and complete business assurance work; and
- improve the understanding and tools to support good procurement practices.

- 5 As previously reported, the intended outcomes from performing this programme well will include:

- stakeholders, external auditors, Council and management achieve high levels of assurance that the real risks are being identified and managed effectively;
- better decision making throughout the business through greater awareness of the real risks (threats and opportunities); and
- clarification and socialisation of the Council's risk appetite and tolerance.

**Enterprise Risk Management Progress Update**

- 6 Guidance for the risk management, procurement and assurance work has been established through a collaborative process with Council staff.
- 7 The work has focussed primarily on tangible outputs, as discussed separately below.

### **Corporate Risk Profile – Status Update**

- 8 As part of Enterprise Risk Management (ERM) a risk profile, comprising a risk register and risk treatment plan, was established. This is subject to approximately quarterly updates by management and is then reported to the Subcommittee. The focus is on identifying, managing and communicating the very highest strategic and operational risks that the Council faces.
- 9 Engagement on the risk profile now routinely includes conversation with activity managers as well as Group Managers. The overall risk management culture and practice is improving and risk conversations are widening.
- 10 We are currently considering implementation of a new risk management software tool to enable wider and efficient awareness and management of all organisational risks by Council staff.
- 11 The concept of risk acceptance is being further embedded, i.e. certain moderate level risks may be overtly tolerated by the business in the context of the costs or impracticalities to further mitigate the risk.
- 12 The risk profile was reviewed and updated by the Group Managers and the relevant activity managers of each group during the quarter. The Corporate Risk Register is attached as Appendix 1 to this report.
- 13 The intention is for the Subcommittee to first familiarise themselves with the Corporate Risk Register and thereafter, to nominate any risk/s for “deep dive” discussions at future Subcommittee meetings. Risk “deep dives” provide an opportunity for Subcommittee members to engage and gain a deeper insight on a specific risk/s.

### **Corporate Business Continuity Management System (BCMS) – Status Update**

- 14 Business Disruptions are currently assessed as a “moderate” level risk (with a target risk level of “Low”), on the Corporate Risk Register, attached as Appendix 1 to this report.
- 15 To address this risk, Council is refreshing and widening a BCMS development programme. The objective of the programme is to ensure that, following a disruptive incident, Council has the systems and capability to continue the delivery of its critical activities and services within acceptable, predefined levels.
- 16 This programme builds on some work carried out in early 2017 to refresh Business Continuity Plans (BCPs) for critical corporate activities:
  - payroll (HR and Finance);
  - loss of office buildings;
  - supplier payments; and
  - customer call centre.
- 17 The development programme is being staged over the 2018/19 and 2019/20 years.
- 18 The development programme is iterative and includes:
  - establishment of BCMS policy and guidance material (largely complete);
  - Business Impact Analysis to identify all critical activities (complete);
  - development of BCPs for identified critical activities (largely complete);
  - review and refresh existing BCPs where necessary (in progress);
  - identification of critical dependencies and resource needs including ICT (in progress);



- leadership requirements during an event (complete); and
- Regular BCP testing and refresh/development programme (not started).

BCPs have recently been developed for:

- Drinking Water Supply.
- Laboratory Water Testing.
- Wastewater Services.
- Electoral Services.

- 19 Business continuity has recently been strengthened with the formation of a Continuity Leadership Team (CLT) comprising the GM Corporate Services and the Business Improvement Manager. The CLT provides guidance and support for further BCMS development, exercises and real responses.

### **Procurement Improvement Programme – Status Update**

- 20 A comprehensive procurement manual and set of templates was updated in 2018/19 and rolled out across the Council using a series of workshop training sessions. A refresh of key council procurement contract templates was reviewed and refreshed over the past six months. Staff are better supported with the procurement aspects of their jobs and are developing improved procurement capability.
- 21 The procurement specialist has been contracted until the end of May 2020, to build up the level of capability across the organisation. Focused training on procurement will be provided to new senior staff during February to ensure good practice continues through the effective use of the procurement policy and manuals.

### **Business Assurance – Status Update**

- 22 The Council has contracted PricewaterhouseCoopers (PwC) to complete a PAYE tax compliance review during the third quarter. PwC will use a payroll and analytics tool to review key data and ensure the accuracy of payroll data and calculations.
- 23 A report back will be provided to the Subcommittee at its next meeting following completion of the review.

## **CONSIDERATIONS**

### **Policy considerations**

- 24 There are no further policy implications arising from this report.

### **Legal considerations**

- 25 There are no further legal considerations arising from this report.

### **Financial considerations**

- 26 The cost of the independent consultants (procurement improvement programme and the Business Assurance review) will be funded from within the 2019/20 annual plan budget.

### **Tāngata whenua considerations**

- 27 There has been no engagement with tāngata whenua regarding this report.



**Strategic considerations**

- 28 This enterprise risk management framework contributes to ensuring that the Council is continuing to improve its financial position against financial constraints.


**SIGNIFICANCE AND ENGAGEMENT**

- 29 This matter has a low level of significance under the Council Policy.

**RECOMMENDATIONS**

- 30 That the Audit and Risk Committee notes the progress on the Council's Enterprise Risk Management Framework.

**APPENDICES**

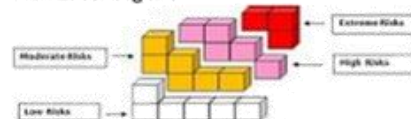
1. Corporate-wide Risk Register 2019/2020 [↓](#) 

## Appendix 1

## Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update
1 <b>Global Warming: Sea Level Rise / Climate Change</b> Erosion, property floods, property abandonment, early asset replacements and higher costs for more resilient assets are likely to result due to global warming effects.	13 Strategic	Global warming effects	- Global warming - Inability to budget for effects - Community divergence of views on risk and response	- Building consent liabilities - Erosion, property abandonment - Property floods - Greater costs - Early stormwater asset replacements - Higher capital costs for more resilient assets - Environmental non-compliances due discharges during more frequent extreme weather events - Wastewater overflow incidents increase - Impacts on business and the wider community	100	4	400	Extreme	High	- Asset management plans including risk and event targeted asset upgrades, seawall and other protective measures - Proactive coastal hazards and climate change planning - LGNZ liaison - Council Climate Change Working Group - Self insurance fund (\$250k Capex, \$150k Opex per annum) - Stormwater Plan - Ensure future development takes into account expected sea level rise.	* Community engagement * Resilience work * Establish sufficient resource to lead strategy development * Prioritise interventions to preclude house flooding * Include risk assessments for natural hazards in District Plan to support land use planning that prevents creating vulnerable housing opportunities. * Updating floodmaps to inform regulatory and District Plan. * 30 year Asset management plans. * Mean high water surveys, sea level rise data - GWRC/NiWA * Updating sea level rise model. * Establishment of a community led coastal adaptation programme * Emissions reduction (CEMARS targets) * Ensure appropriate recognition of the risk across key Council strategies and activity management plans and the impact on the business and wider community	Senior Leadership Team	Dec-18	Jun-23	On Track	On Track	Updates to Mean High Water Surveys and Sea Level Rise data by GWRC and NiWA are being finalised.  The outcome of ACN/Tonkin Taylor resilience work will be incorporated in the strategic asset planning approach.  Proactively engaging with our community.  Coastal hazards work programme involving other Wellington region councils. Project plan is currently being developed and progressing.  Continuing to explore projects necessary to reach targeted CO2 emissions reduction by 21/22.
2 <b>Infrastructure Service Disruption</b> Loss of critical infrastructure and services for extended periods are likely to occur in an extreme natural event due to lack of resilience and inadequate insurance arrangements.	10 Operational	Infrastructure service disruption	- Extreme natural event e.g. earthquake, tsunami, flood	- Loss of core infrastructure and services - May impact the usability of buildings in the district. - Injuries, fatalities - Significant impact on the ability of business and the wider community to operate effectively. - Lack of resilience - Uncertainty with Central Govt assurance of 60% loss funding	100	4	400	Extreme	Moderate	- AON / Tonkin Taylor / GNSR vulnerability / resilience modelling report - Self insurance \$250k p.a. - Asset replacement programme & condition assessments - Resilience programme - Insurance programme \$130M underground assets - Redundant network - Embedded water storage	* Review insurance arrangements * Waikanae WTP clarifier project * Strategy development and review to include climate change vision and actions. * Emergency recovery plan is incorporated within the wider Regional Civil Defence Emergency response.	GM Infrastructure Services	Dec-18	Jul-20	On Track	On Track	The Outer Wellington Shared Services resilience study is complete and highlights significant anomalies in risk and hence cost sharing amongst the subscribed councils. The arrangement is to be reviewed.  Significant uncertainty of Central Govt 60% loss contribution in the context of a major event.
3 <b>Asset Investment Decisions</b> Sub-optimal asset investment decisions due to various constraints could potentially result in poor District outcomes, possible financial losses and/or failure to achieve KPIs.	1 Financial	Asset investment decisions	- Weak strategic vision/plan - Funding limitations, poor prioritization - Expert advice not accepted - Poor or no business case justification	- Financial losses - Strategy not achieved - Reputational damage - Higher priority issues unresolved - Deliverables / KPIs not met	100	4	400	Extreme	Moderate	- Underpinned by Infrastructure and Financial Strategy- Activity management plans - Asset renewal programme - SLT and Council reviews and approvals - Business cases required	* SLT discussion to be held regarding activity management plan / audit process across all of Council * Increase frequency of activity management plan review and audit processes * Ensure asset management decisions align with land-use and regulatory approach to ensure good planning, consenting and implementation decisions.	GM Infrastructure Services and GM Place and Space	-	Jul-20	On Track	On Track	Review activity management plan / audit processes across all of council in coordination with strategy development and review.  A more strategic asset management approach is underway

## Risk Level Legend



12/02/2020

## Treatment Update Legend

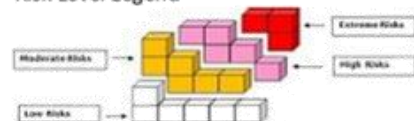


## Appendix 1

## Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence (L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update
4 <b>Management of Council Owned Property Assets</b> Poor council asset management practices and outcomes		Council Property Assets Management	- Fragmented data, lack of analysis - Poor risk management - Lack of life cycle approach	- Reputational damage - Costs - Penalties - Social, environmental harm	100	4	400	Extreme	* SPM asset management system * RFS processes * Condition surveys * Business intelligence reporting	* Asset management practices review has led to asset management maturity improvement programme.	GM Place and Space	Jun-20	Ongoing	On Track	On Track	Morrison Low report was critical of property asset management systems and practices. The asset management maturity improvement programme to address is well progressed.  Of the 200 property assets inspected, two buildings require further inspection to see if they meet structural and moisture standards. We are in the process of obtaining more detailed reports on both buildings.
5 <b>Iwi Relationships</b> Failure to meet statutory and Memoranda of Partnership obligations to iwi, and to meet the council work programme, may result from an inability to achieve mutual understanding and agreement.	0 Strategic Reputational	Iwi Relationships	-Misunderstanding of purpose and function of Te Whakaminenga o Kāpiti -Limited understanding of tikanga maori and te reo maori within the Council -Limited internal capacity while recruiting for Iwi Partnerships Team -External factors e.g. 3 Waters -Limited resource capacity within iwi	-Reputational damage - Failure to meet statutory and MoP obligations -Delays, misalignment on key initiatives	70	4	280	High	- Proactively monitor and communicate with ART -Consultation and participation policies/contract - Maori Economic Development work programme - Kaihautū Hononga Iwi (Iwi Partnership Manager)	- Independent stocktake of legal and partnering obligations -Ongoing conversation with iwi partners about partnership needs and aspirations -Enhanced induction on Iwi matters -Identify further initiatives that can influence positively e.g. GM level interaction with community leaders -Collaborate with iwi through to Te Whakaminenga o Kāpiti to ensure the iwi perspective of risk is incorporated - Increase awareness of staff through training	GM People and Partnerships	Dec-18	Ongoing	On Track	On Track	Regular meetings are occurring with each 3 iwi.  Additional capacity has been provided within the Iwi Partnership team.
6 <b>Central and Regional Government Policy Uncertainty</b> Unforeseen district impacts/opportunities brought about by new Government policies.	0 Strategic	Central Government Policy Uncertainty	Development and introduction of new policies potentially affecting infrastructure development, housing, transport priorities, environmental and community initiatives	-Financial impacts -Government intervention -Delays in projects programmes -Redesign -Priority change -Community dissatisfaction	70	4	280	High	=N7- Monitor policy announcements - Prepare submissions to advocate on behalf of the community - Clear communication within the organisation	* Research and Policy team to monitor policy announcements and work with SMEs across Council. * Advocacy to be presented and approved by Council and/or Committee * Form and strengthen good relationships and actively collaborate with Central and Regional Government to influence decisions	GM Corporate Services	Jun-18	Ongoing	On Track	On Track	The Government has embarked on a significant round of policy consultations.  New 3 Waters regulatory changes have been announced. The financial implications of compliance need to be determined and resourced.  The Sustainability & Resilience team has been established and is participating in the national risk assessment.  Council is represented on the DIA working group for Wellbeing and Central & Local Government relationships.

## Risk Level Legend



12/02/2020

## Treatment Update Legend



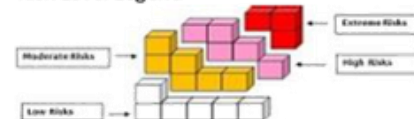


Appendix 1

Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update
7 <b>Staff recruitment and retention</b> Additional costs, high staff stress, poor morale, loss of staff, loss of IANZ accreditation, poor decision making may result from difficulties in recruiting and retaining staff due to more attractive work/salaries elsewhere and industry staffing fluctuations.	6 Strategic	Staff recruitment & retention	- Competing, more interesting work elsewhere - Fluctuations in some industries (consenting, building inspection) - Less desirable working location for some people - Better salaries elsewhere - FTE cap policy - High workload and expectations.	- Loss of intellectual knowledge - Additional costs e.g. consultants - Delays in critical work programmes, e.g. economic development strategy - Loss of IANZ accreditation- Shortage of building control staff - Poor staff morale - Less than optimal decision making - Corporate loss of institutional knowledge - Few staff leads to high workload and high stress	70	4	280	High	Moderate	- Staff engagement surveys - Employ contractors/consultants to backfill vacancies - Succession planning - Workforce planning - Talent management - Short term workload management - Job grade and pay structure reviews - Adjust forward work programmes to align with capability and capacity	- Greater capacity in Organisational Development area - Reviewing remuneration - Better document/information management; desk files, project plans, asset management systems - Professional Development - Leadership training - Monitoring staff work loads - Increased focus on culture and development	Organisational Development Manager	Jun-19	On-going	On Track	On Track	A Council-wide Gallup engagement survey has been completed and action plans and training have been scheduled.  We now have greater capacity in the Organisational Development area and there is an increased focus on culture and engagement.  Strong competition from larger metropolitan Councils and central government.  SOLGM recognise widespread industry skills shortages.  Particular long term issues in; - RMA area - Building area - Development engineer
8 <b>Fraudulent Activity</b> Fraudulent activity could occur undetected due to inadequate monitoring, lack of strong physical and process controls resulting in financial loss, business interruption and reputational damage.	11 Financial Reputational	Fraudulent activity	- Inadequate monitoring of processes and transactions - Lack of strong physical and process controls - Unauthorised misappropriation of council assets - Procurement agility versus conflicts of interest	- Financial loss - Business interruption - Reputational damage	70	3	210	High	Low	- Maintain fraud awareness - Protected disclosures - Employee screening - Statutory year end audits - Internal controls - Fraud management framework	- Fraud awareness training - Enterprise risk management - Internal audit programme (as resources allow) - Conflict of interest declaration processes	GM Corporate Services	Feb-21		On Track	Attention	Limited resources to carry out necessary steps to reduce target risk level to low.  The focus for 2019/20 is on PWC completing PAYE tax compliance review.
9 <b>Paraparamu Wastewater Treatment Plant Consent</b> - Legislative change could result in reduced number of viable options and higher discharge standards at substantial cost to further treat/dispose. - Poor investigations, assessments and/or iwi engagement result in unsuccessful application.	8 Strategic Reputational	Paraparamu Wastewater Treatment Plant Consent	- Restrictive provisions introduced in the proposed natural resources plan or subsequent Whaitua process. - Submissions to application upheld and new consent not issued	- Costly additional works required to consent WWTP - More onerous discharge conditions require substantial upgrade to WWTP - Failure to secure consent limits growth and development	100	2	200	High	Moderate	- Comprehensive consenting strategy include risk assessment and mitigations - Professional services contract aligned to risk mitigation actions including engagement and consultation strategies	- Track PNRP and Whaitua Processes - Close working relations with GWRC through the development of the AEE and options assessments - Maintain and strengthen iwi/community relationships - New consenting strategy	GM Infrastructure Services	Jun-18	Jun-22	On Track	Attention	Significant uncertainty continues due to engagement challenges with iwi.  Lack of availability for iwi to engage is now critical to the ability to progress the consent process. Alternative interim option decision is imminent.
10 <b>Programme Delivery</b> Planned project delivery could be compromised due to unforeseen events.	4 Financial	Programme delivery compromised	- Poor project management, procurement etc. - Potential global economic crisis - Unforeseen cost pressures - Design / scope changes	- Projects not delivered as planned - Financial losses - Reputational damage - Non delivery of core services	40	5	200	High	Moderate	Quarterly reports of performance (financial and non-financial) of Council's priority projects are provided to the Strategy and Operations Committee. - In-house Project Management Office (PMO) - Risk management - Regular financial reporting and monitoring - Rationalised capital project programme budget for the first 6 years of the 18-38 LTP	- Continue to develop financial management capability - Continue to develop capability of in-house PMO function - Continue to improve risk management awareness and capability - More extensive asset inventory - More conservative/resilient forward programme - Roll-out of project management techniques and educate new/existing staff - Council has limited the capital programme budget for the first 6 years of 18-38 LTP	Senior Leadership Team	Jun-19	Ongoing	On Track	On Track	Deliverability of the 2019/20 CAPEX programme is reviewed quarterly and the current forecast will be presented to Strategy & Operations in March 2020.  More frequent reporting to SLT, on all relevant detail is now occurring.

Risk Level Legend



Treatment Update Legend



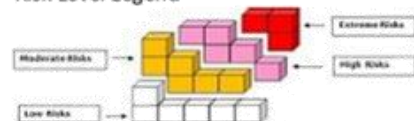
12/02/2020

## Appendix 1

## Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update			
11	Health & Safety	Harm occurs due to inadequate safeguards against extreme events and/or hazardous environments.	Compliance Operational	Health and safety (Permanent item on register)	- Extreme events (e.g. natural hazard) - Hazardous environments - Poor hazard identification - High consequence areas include Hazardous substances, Contractor Management, Asbestos, Driving - Working alone and remotely	- Injuries to people - Loss of reputation - Penalties, fines - Welfare staff exposure	100	2	200	High	Low	- H&S Wellbeing role - Health and safety management systems - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace - Increase awareness	- H&S Committee - Risk based approach focus on Asbestos - Hazardous substances - Contractor management - Driving - Employee Assistance Programme	Senior Leadership Team	Feb-22	Ongoing	On Track	On Track	Commenced implementing staff asbestos health monitoring programme.  HSWA 2 year integrated action plan (incl Hazardous Substances) phase 1 complete.  Quarantine protocol is being established for staff visiting China (Coronavirus).	
12	LGA Social Well-Being Policy Expectations	Council loses the trust of the community if it fails to respond to the increased demand/expectations as a result of the new LGA well-being policies (e.g. social housing)		Social Wellbeing	Lack of resource and/or priority	- Community dissatisfaction - Reputational risk	40	4	160	Moderate	Low	* Explore responses at next LTP round * Welfare planning as part of the wider emergency management planning.	* Developing strategies and putting wellbeing policy measures in place	GM People and Partnerships	Dec-20	Dec-20	On Track	On Track	LGA amendments passed	
13	Financial Management	Actual costs exceed budget due to poor financial management	12	Financial	Poor Financial Management	- Poor financial controls and monitoring - Unforeseen events	- Actual costs exceed budgets - Financial losses - Reputational damage - Non-delivery of core services	40	4	160	Moderate	Low	- Monthly management reports provided to budget managers - SLT provided with monthly management report identifying financial risks - Quarterly financial and non-financial performance reporting to Council	- Reprioritisation of budgets - Procurement improvement programme - PMO - Risk management - Financial management awareness training	GM Corporate Services	Dec-18	Ongoing	On Track	On Track	Council's half year financial performance and position including year end forecasts will be reported to the Strategy and operations Committee in March 2020. This will include the capital works programme.
14	New Asset Operational Deficiencies	Assets transferred to KCDC are not fit for purpose due to lack of quality in design/construction.	0	Financial	New Asset Operational Deficiencies	District Plan and consenting processes do not guarantee good design and/or sustainable assets Lack of proper design consideration up front Planning processes do not always meet engineering requirements	High costs to maintain or replace	40	4	160	Moderate	Low	- District Plan - Consent processes - Hand over processes - SDPR process	SDPR Review has commenced  Open spaces strategy development  Business Improvement Team working on subdivision processes including approval of s224 certificate in consultation with internal stakeholders and more detailed review of assets to vest in Council, early reviews and working with developers from an early stage, with better monitoring of asset development.	GM Infrastructure Services GM Regulatory Services GM Place and Space	Dec-18	Ongoing	On Track	On Track	Process review on subdivision processes is still in progress.  SDPR work has begun and is intended to be substantially complete by December 2020 with plan changes to follow by Dec 2021.  The impacts of the proposed Urban Development Bill are being monitored as any future identified project may impact future assets vested to Council.
15	Significant Contractual Disputes	Contractual obligations not met or breached by the principal and/or contractor leading to disputes.	0	Financial Reputational	Significant Contractual Disputes	Required contract management processes not followed, lack of consistency	- Costs, fines - Dispute - Arbitration - Judicial review - Reputation	70	2	140	Moderate	Moderate	Contract Management Processes	- Review current practices to ensure process consistency - Continuous improvement	GM Infrastructure Services	Dec-18	Ongoing	On Track	Completed	Target risk reached and risk level accepted.

## Risk Level Legend



## Treatment Update Legend



12/02/2020

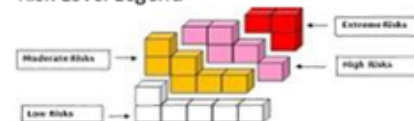


## Appendix 1

## Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update
16 <b>Business Disruptions</b> Following a disruptive incident, extended non delivery of core services, financial losses, reputational damage could result due to lack of Business Continuity Plans (BCPs).	7 Operational Reputational	Business disruptions	- Lack of BCP's - Lack of staff awareness / training - Lack of staff - Disruptive events - Over-reliance on key staff capability	- Financial losses - Reputational damage - Non-delivery of core services - H&S compromised	40	3	120	Moderate	Low	- Specific corporate BCPs in place - Continuity Leadership Team (CLT)	* Development and testing of organisation wide BCPs	Senior Leadership Team	Dec-18	Ongoing	On Track	On Track	* Work has been completed on some key business continuity plans (listed below). Testing and providing staff training of these BCPs to follow.  -Payroll (HR and Finance) -Loss of office buildings -Supplier payments -Customer call centre -Drinking Water Supply -Laboratory Water Testing -Wastewater Services Electoral Services
17 <b>Community Engagement</b> Challenges in understanding and achieving optimal engagement with the community could lead to delays to critical works and reputational damage.	9 Strategic Reputational	Community Engagement	- Need to extensively consult - Legislative requirements - Community desire for growing transparency and participation - Business planning deficiencies - Community perception of council - Silo'd activities	- Reputational damage - Delays to critical works - Raising community expectations but disconnect with current resources - Reputational damage through lack of progress - Lack of progress - People opt out	40	3	120	Moderate	Moderate	- Consultation processes - Significance and engagement policies - Communication & engagement strategy - LG Act requirements - Connecting the dots; blend / extend consultation topics	Slow down and be more deliberate  Seek out more opportunities for information sharing to encourage positive engagement.	GM Corporate Services GM People and Partnerships	Dec-18	Ongoing	On Track	Completed	Target risk level achieved.  Increased alignment and awareness of complimentary work programmes (E.g. Coastal Strategy and Beach Bylaw ).  We are looking ahead at localism.  Digital campaigns are achieving far greater reach Our home, our Kāpiti #shareyourkapiti #backinmydaykapiti
18 <b>Open for Business</b> Poor customer perceptions of council, financial losses, legal challenges, developer dissuasion and reputational damage could likely result if the Open for Business initiative is not implemented or successful. Also refer "Engagement Fatigue" and "Staff Recruitment and Retention" risks	5 Reputational	Not "Open for Business"	- Systems and processes not fully fit for purpose - Expert advice ignored - Poor customer service culture - Staff capacity / capability	- Reputational damage – council perceived as not helpful - Loss of trust with customers - Dissuades new developers - Loss claims - H&S compromised - Litigation and legal challenges - Financial losses	40	3	120	Moderate	Low	- "Open for Business" initiative - Case/project management - Pre-application meetings - Business start-up meetings - Meeting with developers - Structural and cultural changes	-Continue to build on "Open for Business" initiative -Enhance systems and processes -Ensure timely delivery -Integrated services -Working with the Chamber of Commerce -Ongoing engagement with key customers -Improve customer solution focused culture -Ensure staff are empowered to make decisions -Develop and highlight positive examples / case studies where staff have developed innovative approaches	Senior Leadership Team	Dec-18	Dec-20	On Track	On Track	The independent organisational review is underway.  The Economic Development team have appointed a Principal Advisor Growth and Development to work on a 'key account' basis to manage and grow relationships with the development community and across Council.
19 <b>High Debt</b> Potential inability to increase debt funding in the future constraining council's ability to deliver (revised wording)	3 Financial	High Debt	- Trying to meet community expectations but lack of willingness to pay	- Inability to increase debt - Debt cap breached faster - High interest costs - Financial losses - Reputational damage - Non-delivery of core services	40	3	120	Moderate	Low	- Infrastructure strategy - Rating system - Strong treasury management with quarterly treasury performance reporting to A&R Committee	- Focus on green line strategy and on capital expenditure that provides for resilience and growth - Reprioritise to ensure borrowings stay below 200% of operating income - Developer contributions and other funds - Central government funding, provincial growth fund - Continue to seek alternate funding sources and/or increase non-rates funding sources to keep debt down	Chief Executive	Feb-21	On-going	On Track	On Track	Independent credit rating agency Standard and Poors affirmed council's credit rating of AA stable (was A+) in Aug 2019.  This was a significant achievement and represents 3rd party confirmation of Council's strong treasury management and ability to borrow and repay debt.

## Risk Level Legend



12/02/2020

## Treatment Update Legend

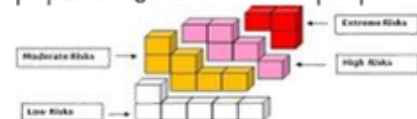


## Appendix 1

## Corporate-wide Profile

Risk	Type of Risk	Short Description	Cause	Impacts	(C)onsequence (L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Update
20 <b>Emergency Response</b> Financial loss and reputational damage may result during a significant natural event due to a lack of preparedness, lack of unified response approach and loss of key staff.	14 Operational	Emergency response	- Community expectations - WREMO expectations evolving - Lack of preparedness and unified response approach - Loss of limited key staff	- Reputational damage - Financial loss - Injuries, fatalities	100	1	100	Moderate	Low	- WREMO response plan - CD and emergency management systems - CD training and exercises	GM Place and Space	Dec-18	Ongoing	On Track	On Track	The Sustainability and Resilience team has been created and this team is leading the emergency management work in partnership with WREMO.  The EOC staffing roster is full and the 2020 training programme starts in February.  Regular meetings with lifelines are occurring and the welfare plan and earthquake response plan is currently being finalised.
21 <b>Drinking Water Safety</b> Threat to sufficient water supply and delivery of safe drinking water. Also refer "Central Government Policy Uncertainty" risk.	Compliance Reputational	Drinking Water Safety	Insufficient source capacity due to climate change, drought Contamination Natural disaster Lifetime Infrastructure failures (part of criticality framework for our assets)	-Reputational damage -Non-M22 compliance with critical NZDWS element (Note we don't fully comply with all non-critical NZDWS on all schemes currently) -Water shortages -Community dissatisfaction	100	1	100	Moderate	Low	-All water supplies treated with multi-barrier approach -Water conservation and use management procedures -Network water quality sampling programme in place to meet NZDWS -Water safety plans 3 of 4 being updated currently and incorporate critical control points as per Havelock N -Joint working group with Councils in the Wellington region working collaboratively on water safety -Routine infrastructure inspections and condition inspections -SOPs and hygiene protocols -Water Supply Bylaw	GM Infrastructure Services	Dec-19	Jun-22	On Track	On Track	The report on the 3 waters regulatory review was released by central government.  A proposed MoU to form a 'Wellington Region Water Group' is being considered. The group would aim to ensure greater collaboration in the region and provide greater assurance of drinking water safety.
22 <b>Economic Development &amp; District Growth</b> Less actual economic development and growth than planned may occur and result in higher rates increases being required or levels of service reduced. • Outside macro-economic influences and impacts • Changes in Government Policy • Lack of delivery from Council and partners to support economic growth. • Required workforce unavailable to support growth	2 Strategic Financial	Uncertainty in economic development and district growth	- Lack of capability to accurately predict / forecast -Inherent uncertainty in growth forecasts - Divergent views on how Kapiti should develop - Expressway reshaping Kapiti	-Suboptimal district outcomes - Ad-hoc development and business growth unpredictable - Higher rates due lower than predicted growth - PGF funding - Reputation damage for Council and District - Increased unemployment - Loss of existing businesses and jobs	40	2	80	Moderate	Moderate	- Current forecasts - Constant review - Monitoring and quarterly reporting on resources and business land demand and supply underway (NPS-UDC) - Monthly / quarterly reporting A robust development contributions policy and scheme	GM Place and Space	Ongoing	Ongoing	On Track	Completed	Level of risk accepted however subject to continuous improvement.  Potential development partnering initiatives with central government are being explored.
23 <b>Procurement Process Compliance</b> Successful tenderer objection to procurement process. Failure to follow procurement processes	0 Financial Reputational	Procurement Process Failure	Tender process not followed	Costs, fines, reputation damage	40	2	80	Moderate	Moderate	-Procurement processes -Audits	GM Infrastructure Services	Ongoing	Ongoing	On Track	Completed	Level of risk accepted however subject to continuous improvement.
24 <b>Environmental Compliance</b> Harm to the environment, costs, fines due not following processes are failure to identify risks.	0 Compliance	Environmental Non-compliance	Process not followed or risks not anticipated	-Costs, fines -Environmental harm -Reputation damage	40	2	80	Moderate	Moderate	Consent processes Operational procedures Risk management CSVue compliance management system introduced as a pilot	GM Infrastructure Services	Ongoing	Ongoing	On Track	Completed	Level of risk accepted however subject to continuous improvement.

Risk Level Legend



Treatment Update Legend



12/02/2020

**8.8 HEALTH AND SAFETY QUARTERLY REPORTS: 1 JULY 2019 - 30 SEPTEMBER 2019; AND 1 OCTOBER 2019 - 31 DECEMBER 2019**

**Author:** Dianne Andrew, Organisational Development Manager

**Authoriser:** Wayne Maxwell, Chief Executive

**PURPOSE OF REPORT**

- 1 This report presents Health and Safety reports for the periods 1 July 2019 – 30 September 2019 and 1 October 2019 - 31 December 2019.

**DELEGATION**

- 2 The Audit and Risk Sub Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1:
- *Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation;*
  - *Assisting elected members in the discharge of their responsibilities by ensuring compliance procedures are in place for all statutory requirements relating to their role;*
  - *Governance role in regards to the Health and Safety Leadership Charter and Health and Safety Plan.*

**BACKGROUND**

- 3 The quarterly Health & Safety Performance Report is intended to provide the Council with insight into initiatives and activities, and their progress, as part of our organisations commitment to providing a safe and healthy place to work. The contents and any subsequent discussions arising from this report can support Council officers to meet their due diligence obligations under the Health & Safety at Work Act (HSWA) 2015.
- 4 Between July and September 2017 the Simpson Grierson Health and Safety team were engaged to review how the Council was progressing with changes and planned initiatives following the introduction of the Health and Safety at Work Act (HSWA) 2015. The findings were presented back to the Audit and Risk Committee in November 2017. This review identified areas for improvement, in particular where we can improve some current processes to further strengthen our ability to more effectively monitor and verify.
- 5 A draft Health and Safety Plan 2018 – 2020 was provided to the Committee at the meeting 13 September 2018 and has since been adopted by the Senior Leadership Team.
- 6 Progress on the 2018 – 2020 Health and Safety Plan has been incorporated into quarterly reports going forward.
- 7 Two reports are presented at this time due to the scheduled timing of the previous triennium last Audit and Risk Committee Meeting and the first Audit and Risk Subcommittee meeting for the new triennium.

**ISSUES AND OPTIONS****Issues**

- 8 Progress on the Health and Safety 2018-2020 Plan initiatives is progressing however 'business as usual' activities do have the potential to absorb resources and as such, some time lines may be extended and this will be updated through the reporting cycle.

**CONSIDERATIONS****Policy considerations**

- 9 There are no Policy considerations.



**Legal considerations**

- 10 There are no legal considerations.

**Financial considerations**

- 11 Budget has been provided for implementation of the action plan initiatives as part of the 2018-38 Long Term Plan.

**Tāngata whenua considerations**

- 12 There are no Tāngata whenua considerations.

**SIGNIFICANCE AND ENGAGEMENT****Significance policy**

- 13 This report does not trigger the Council's Significance and Engagement Policy.




**Publicity**

- 14 There are no publicity considerations.

**RECOMMENDATIONS**

- 15 That the Audit and Risk Sub Committee notes the two Health and Safety Quarterly Reports for the periods: 1 July 2019 – 30 September 2019; and 1 October 2019 – 31 December 2019 attached as Appendix One and Appendix Two to this Report.
- 16 That the Audit and Risk Sub Committee note the Health and Safety Leadership Charter which is attached for members' future reference as Appendix Three to this Report.

**APPENDICES**

1. Health and Safety Quarterly Report 1 July 2019 - 30 September 2019 [!\[\]\(a43b62a38b6e2844e794f4301a08d3ba\_img.jpg\)](#) 
2. Health and Safety Quarterly Report 1 October 2019 - 31 December 2019 [!\[\]\(020ca36803168f31a8fb3f576699f65c\_img.jpg\)](#) 
3. Health and Safety Leadership Charter [!\[\]\(b0152c3566cc0d4d9c4b5fa9e477a8dc\_img.jpg\)](#) 

- Following the recommendations from the SimpsonGrierson review we continue to progress the work program. The Health and Safety Plan 2018 – 2020 was presented to this committee at the September 2018 meeting. The plan is split into three high level areas: Leadership; Health and Safety Management Systems, and Contractor Management. Underlying these there is a particular focus on:
  - skill and capability of our people
  - managing our critical risks, and
  - leadership and engagement

## **LEAD INDICATORS**

### **1. CORPORATE HEALTH AND SAFETY TRAINING COMPLETED ( ) indicates no. of attendees**

#### **TASK RELATED:**

- ConstructSafe Foundation (19)
- Confined Space Entry and Gas Detection (1)
- Kerbside Collection Traffic Leader (4)
- Traffic Management – Level 1 (1)
- Slings and Loads (6)
- Height Safety - Introduction (1)

#### **ROLE RELATED:**

- First Aid - *Comprehensive including 2 yearly refresh* (10).
- HeartBeat CPR and AED (21)
- Fire Warden (16)
- Vault software upgrade (10)

#### **CRITICAL RISK RELATED:**

- Asbestos Awareness (1)

#### **HEALTH AND SAFETY RELATED:**

- Health & Safety Representative Stage 1 (1)
- Health & Safety Representative Stage 2 (1)

### **2. EMERGENCY EVACUATIONS AND DRILLS**

- Six-monthly emergency evacuation drills – 9 due, 9 completed

### **3. EMPLOYEE HEALTH AND SAFETY INDUCTIONS**

- 12 inductions were completed this quarter.

### **4. WELLNESS INITIATIVES**

( ) indicates no. of attendees

- Eye Examinations (11)
- Ergonomic Work Assessments (7)
- EAP Services hours utilized (31)

### **5. DRUG AND ALCOHOL MANAGEMENT**

( ) indicates no. of attendees

- Drug and Alcohol Tests pre-employment continue to be undertaken by all preferred applicants.

- Reasonable cause testing continues to be undertaken as a mandatory requirement where any incident involves the use of machinery or vehicles.

## **6. STANDARD OPERATING PROCEDURE (SOP) REVIEW**

- SOPs continue to be periodically reviewed and updated

## **7. CONTRACTOR MANAGEMENT**

- As at 1 July a total of 213 Contractors were listed as 'approved' on the Contractor Register.
- Fourteen contractors were either newly added or had their approval renewed this quarter.
- No breaches of health and safety required formal intervention or corrective actions this quarter.
- Significant work continues in the area of contractor management in conjunction with the recommendations from the SimpsonGrierson health and safety review.

## **8. RISK MANAGEMENT**

- As part of the 2018-2020 work program, three organizational critical risk areas have been identified as current: Asbestos Management, Hazardous Substance Management, and Driving. Work has progressed in each of these areas.
  - Some additional legislative requirements relating to storage of hazardous substances and hazardous waste came into effect last quarter. Our independent Compliance Certifier has issued a Compliance Certificate verifying compliance.
  - Partly as a consequence of the Waikanae Library Mould issue, Property Services began the process of building team capability and capacity to better manage property assets from a health and safety perspective, including identifying and managing hazards such as asbestos and mould.
- Driving remains an ongoing critical risk for any PCBU who has vehicles and staff regularly on the road. We have revised our training plan to include a regular refresher/training cycle for all council staff who are required to regularly drive a council vehicle. Job specific training for specialist vehicles (pump trucks, bulldozers etc) is already in place. Not only is safety an issue, but also organizational reputational risk as all vehicles are clearly council logoed.
- As at 30 September 2019 there were 39 Care Register entries, with three new additions this quarter.
- Risk assessments and safety plans for Council Operations staff working at parks and reserves planned to commence in the previous quarter were deferred due to Operations resource unavailability. The project has not yet been rescheduled as resource is unlikely to become available in the short-term.

## **9. HEALTH AND SAFETY COMMITTEE (HSC)**

- The corporate HSC has continued to meet monthly.
- The Operations Working Group did not meet during the quarter due to the worker representative positions remaining unfilled. Further consideration of how best to achieve Operations worker participation and representation is in hand.
- One recently elected HS Representative successfully completed Level 1 training, and one other progressed to Level 2 in the quarter.
- The Civic Building Chief Fire Warden was formally recognised by the Chief Executive for proactively initiating improvements to the arrangements for evacuating the building in a fire emergency.

## **10. HEALTH AND SAFETY POLICY REVIEW PROGRESS**

- The Contractors' Health and Safety Management Policy review was completed. No significant issues were found and a slightly updated version will be published soon.
- The wider health and safety policy review work program continues to be a work in progress, with 12 key procedure documents drafted and pending review. This work stream is contained under the Health and Safety Management Systems section of the 2018-2020 plan. The

schedule is beginning to slip behind, due to competing operational demands on the Health and Safety Risk Manager as previously reported.

- The Health and Safety Toolkit on HubKap has been maintained under business-as-usual continuous improvement.

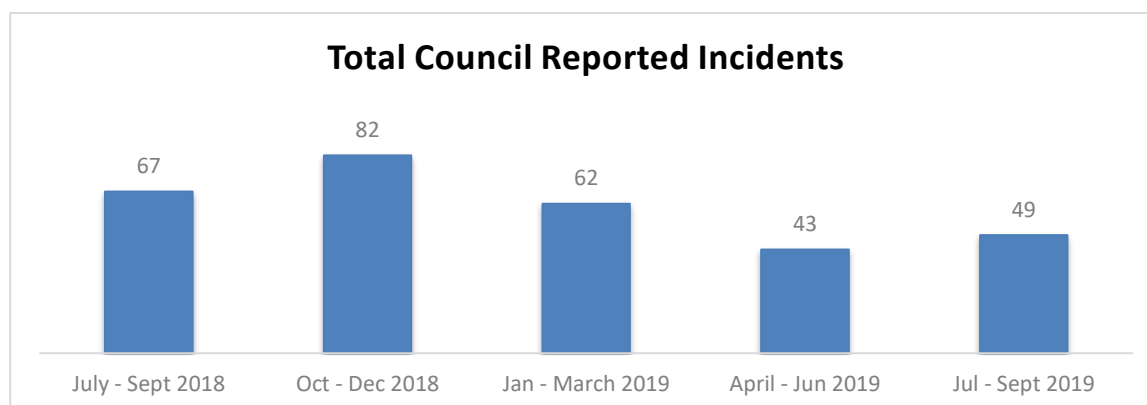
## **LAG INDICATORS**

### **11. INCIDENTS, INJURIES AND NEAR MISSES 1 JULY – 30 SEPT 2019**

	• Incident/Injury / illness	• Notifiable Incident / Injury or illness	• Near Miss	• Total
• Corporate Services	• 1	• 0	• 0	• 1
• Infrastructure Services	• 9	• 0	• 2	• 11
• People and Partnerships	• 1	• 0	• 0	• 1
• Place and Space	• 6	• 0	• 0	• 6
• Regulatory Services	• 4	• 0	• 0	• 4
• Chief Executive including Org Dev	• 2	• 0	• 1	• 3
• Third Party	• 20	• 0	• 2	• 22
• Contractor	• 1	• 0	• 0	• 1
• <b>Total</b>	•	•	•	• <b>49</b>

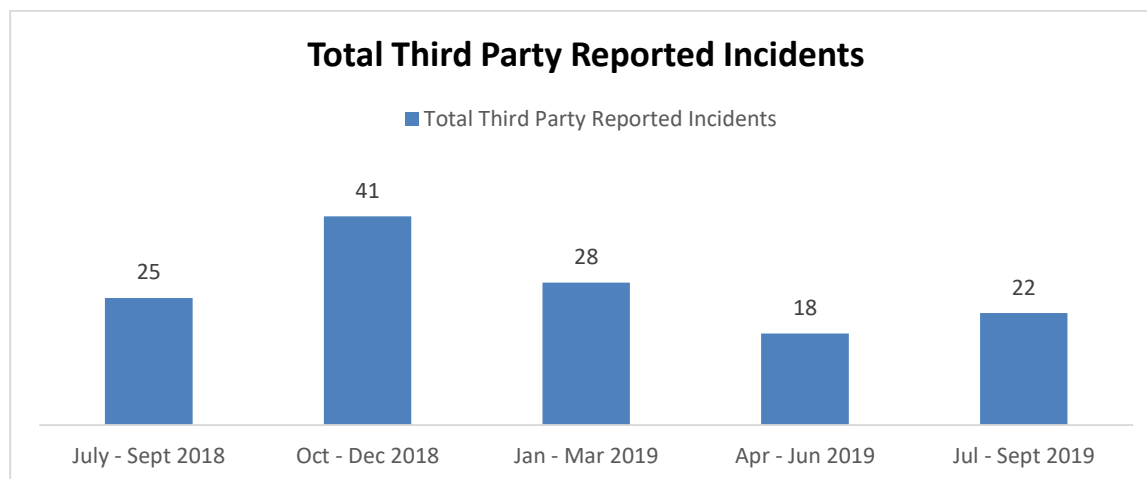
*There were no notifiable incidents this quarter.*

- *Notifiable Incident: an unplanned or uncontrolled incident in relation to a workplace that exposes the health and safety of workers or others to a serious risk, arising from immediate or imminent exposure.*
- *Notifiable Injury or illness: suffers a serious injury or illness as a result of work or workplace, for example requires immediate qualified medical assistance or admittance to hospital, or treatment from a registered medical practitioner within 48 hours of exposure to a substance.*

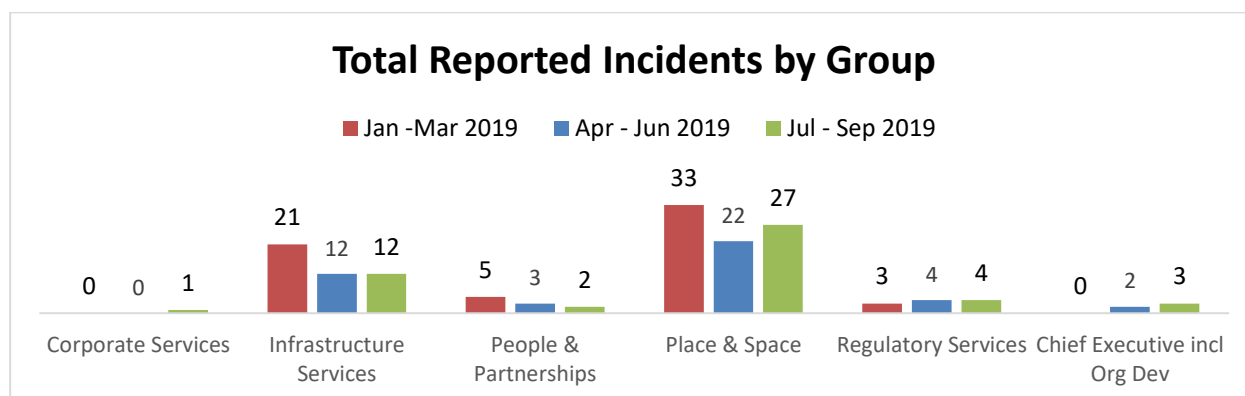


- *All reported incidents were investigated and corrective actions identified and actioned where required.*
- *Of 49 total incidents:*
  - *10 worker injuries: including falls on same level (3), non-powered tools & equipment (3), animal other than aggressive dog (1), biological factor (1), skin puncture (1), overexertion / body stressing (1)*

- 16 worker non –injuries including 3 near miss (mobile plant, flying object, person's behaviour), 5 vehicle events, 3<sup>rd</sup> party behaviour (3), indoor environment (2), hitting objects (1), fall on level (1), property damage (1)
- 1 contractor incident (sewer damage)
- 22 third party incidents



- Third Party is defined as a person who does not hold employee status or contractor worker status
- This quarter Third Party events continue to be predominantly Aquatics (9) and Libraries (11) i.e. Council's public spaces.
- Monitoring of third party events is continuous and dealt with directly by each site and escalated where risk is identified.



Due to the major organisational restructure in January 2019, data for quarterly comparison by Group is only available back to the beginning of the 2019 calendar year.

- Following the recommendations from the SimpsonGrierson review we continue to progress the work program. The Health and Safety Plan 2018 – 2020 was presented to the Audit and Risk Committee at the September 2018 meeting. The plan is split into three high level areas: Leadership; Health and Safety Management Systems, and Contractor Management. Underlying these there is a particular focus on:
  - skill and capability of our people
  - managing our critical risks, and
  - leadership and engagement
- This Report covers the beginning of a new triennium. Health and safety governance training is scheduled for February 2020 for elected members who have Officer due diligence duties.

## **LEAD INDICATORS**

### **1. CORPORATE HEALTH AND SAFETY TRAINING COMPLETED ( ) indicates no. of attendees**

#### **TASK RELATED:**

- Confined Space Entry and Gas Detection (1)
- Traffic Management – Level 1 (12)
- Truck Loader Crane (6)
- Growsafe Basic (3)

#### **ROLE RELATED:**

- First Aid - *Comprehensive including 2 yearly refresh* (28).
- HeartBeat CPR and AED (10)
- Psychological First Aid for Emergency Responders (15)
- Vault software upgrade (10)

#### **CRITICAL RISK RELATED:**

- None this quarter

#### **HEALTH AND SAFETY RELATED:**

- None this quarter

### **2. EMERGENCY EVACUATIONS AND DRILLS**

- Six-monthly emergency evacuation drills – 2 due, 2 completed.

### **3. EMPLOYEE HEALTH AND SAFETY INDUCTIONS**

- 10 inductions were completed this quarter.

### **4. WELLNESS INITIATIVES**

( ) indicates no. of attendees

- Eye Examinations (15)
- Ergonomic Work Assessments (10)
- EAP Services hours utilized (34)

### **5. DRUG AND ALCOHOL MANAGEMENT**

- Drug and Alcohol Tests pre-employment continue to be undertaken by all preferred applicants.

- Reasonable cause testing continues to be undertaken as a mandatory requirement where any incident involves the use of machinery or vehicles.

## 6. STANDARD OPERATING PROCEDURE (SOP) REVIEW

- SOPs continue to be periodically reviewed and updated

## 7. CONTRACTOR MANAGEMENT

- As at 1 October a total of 216 Contractors were listed as 'approved' on the Contractor Register.
- Three contractors were either newly added or had their approval renewed this quarter.
- Two separate Infrastructure contractor events occurred this quarter involving diggers rupturing live natural gas pipes. The most serious resulted in Kapiti Road being temporarily closed, Fire and Emergency NZ being called to attend, and a notification to WorkSafe NZ. There was no fire or explosion, no-one was injured, and no enforcement action ensued. In both events the Contract Managers obtained a detailed investigation report from the contractor with an improvement plan for preventing a recurrence.
- Significant work continues in the area of contractor management in conjunction with the recommendations from the SimpsonGrierson health and safety review.

## 8. RISK MANAGEMENT

- As part of the 2018-2020 work program, three organizational critical risk areas have been identified as current: Asbestos Management, Hazardous Substance Management, and Driving. Work has progressed in each of these areas.
  - Hazardous substances management is now Business-As-Usual. For example, there is an enduring expectation on line management to continue to pursue opportunities to reduce and where practicable eliminate the storage and handling of hazardous substances.
  - Property Services continued to build team capability and capacity to better manage property assets from a health and safety perspective, including identifying and managing hazards such as asbestos and mould.
- Driving remains an ongoing critical risk for any PCBU who has vehicles and staff regularly on the road. We have revised our training plan to include a regular refresher/training cycle for all council staff who are required to regularly drive a council vehicle. Job specific training for specialist vehicles (pump trucks, bulldozers etc) is already in place and over time both training streams will be incorporated under a centralized program. Not only is safety an issue, but also organizational reputational risk as all vehicles are clearly council logoed.
- As at 31 December 2019 there were 41 Care Register entries, with two new additions this quarter.
- Risk assessments and safety plans for Council Operations staff working at parks and reserves planned to commence in the Apr - Jun quarter were deferred due to Operations resource unavailability. The project will be rescheduled.

## 9. HEALTH AND SAFETY COMMITTEE (HSC)

- The corporate HSC has continued to meet monthly.
- The Operations Working Group did not meet during the quarter due to the worker representative positions remaining unfilled. Further consideration of how best to achieve Operations worker participation and representation is in hand.
- The HSC did not meet with SLT this quarter. A stronger relationship was one of the initiatives contained in the Leadership section of the 2018-2020 plan and given full support by SLT. Once vacancies on the HSC have been filled the meeting rotations will be reviewed.
- An extraordinary Committee meeting was held in November to discuss options to best achieve organisation-wide worker representation in future. Improvement opportunities were identified and taken forward for further consideration.

## 10. HEALTH AND SAFETY POLICY REVIEW PROGRESS

- The current Health and Safety at Work Act came into force on 4 April 2016, triggering ACC to review and ultimately withdraw its 20-year-old Workplace Safety Management Practices (WSMP) Discount Program. The scheme was already subject to challenge by academics for the lack of empirical evidence of actually delivering improving performance, but it did offer significant discounts on ACC insurance premiums which enabled further investment in health and safety initiatives and related training. Most reputable medium and large employers, including Council, used the criteria as the basis for its formally documented health and safety management system. By the time the scheme was withdrawn two years ago Council had successfully attained the top, tertiary level. A new one-page health and safety policy statement was signed by the Chief Executive and published in mid-2019, and the formal top tier management system policy document is currently being redrafted. Compared to the pre-existing document it will be significantly more strategic, and consistent with both international standards and WorkSafe's SafePlus model of what good organisational health and safety management looks like and will have an emphasis on engagement and leadership. The Chief Executive and SLT are committed to building, strengthening and maintaining a workforce which is underpinned by effective healthy and safe behaviour in our workplace.
- The wider health and safety policy review work program continues to be a work in progress, with 12 key procedure documents drafted and pending review. This work stream is contained under the Health and Safety Management Systems section of the 2018-2020 plan. The schedule is beginning to slip behind, due to competing operational demands on the services of the Health and Safety Risk Manager as previously reported.
- The Health and Safety Toolkit on HubKap has been maintained under business-as-usual continuous improvement.

## LAG INDICATORS

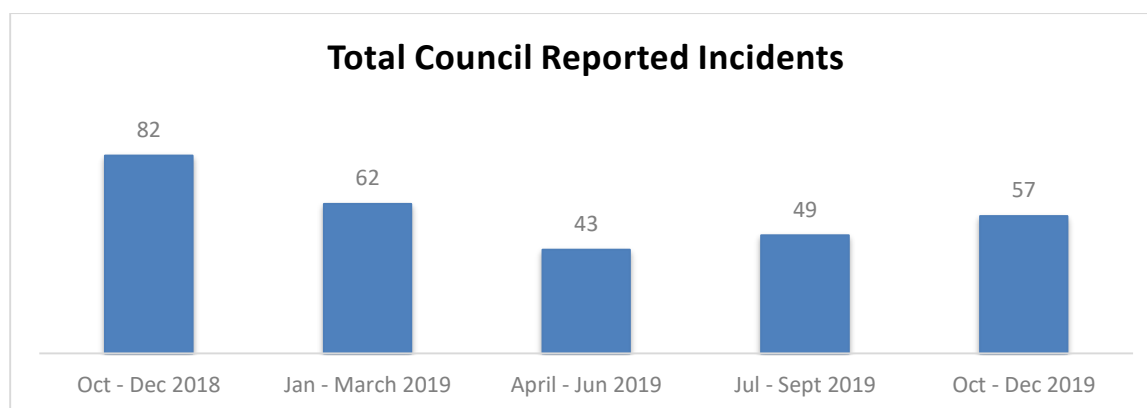
### 11. INCIDENTS, INJURIES AND NEAR MISSES 1 OCT – 31 DEC 2019

•	• Incident/ injury / illness	• Notifiable Incident / Injury or illness	• N ear Miss	• Total
• Corporate Services	• 1	• 0	• 0	• 1
• Infrastructure Services	• 12	• 0	• 4	• 16
• People and Partnerships	• 1	• 0	• 0	• 1
• Place and Space	• 2	• 0	• 2	• 4
• Regulatory Services	• 5	• 0	• 0	• 5
• Chief Executive including Org Dev	• 0	• 0	• 0	• 0
• Third Party	• 22	• 0	• 5	• 27
• Contractor	• 2	• 1	• 0	• 3
• <b>Total</b>	•	•	•	• <b>57</b>

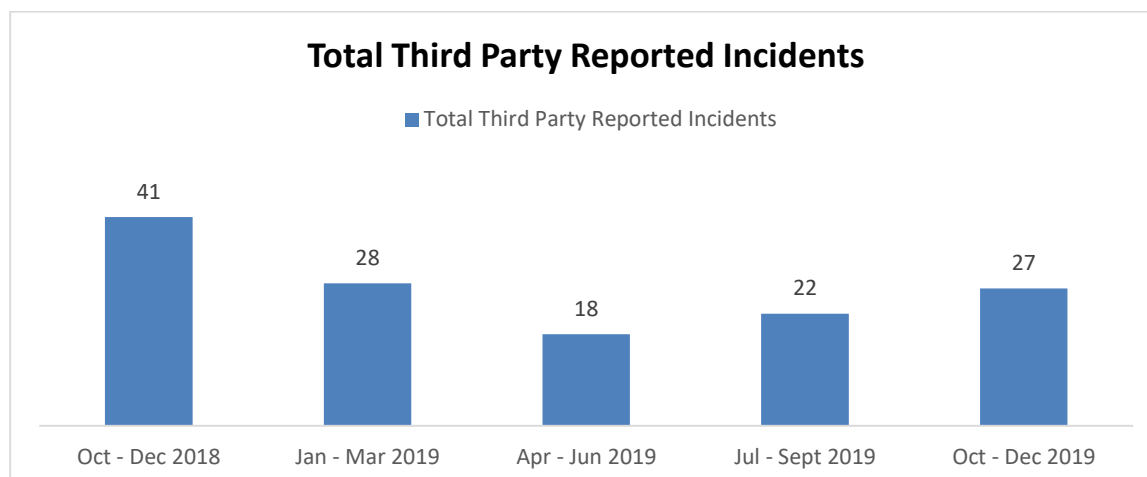
*The Notifiable Event occurred when a contractor ruptured an in-ground natural gas pipe resulting in closure of Kapiti Road and an emergency services callout.*

- *Notifiable Incident: an unplanned or uncontrolled incident in relation to a workplace that exposes the health and safety of workers or others to a serious risk, arising from immediate or imminent exposure.*
- *Notifiable Injury or illness: suffers a serious injury or illness as a result of work or workplace, for example requires immediate qualified medical assistance or admittance to hospital, or treatment from a registered medical practitioner within 48 hours of exposure to a substance.*

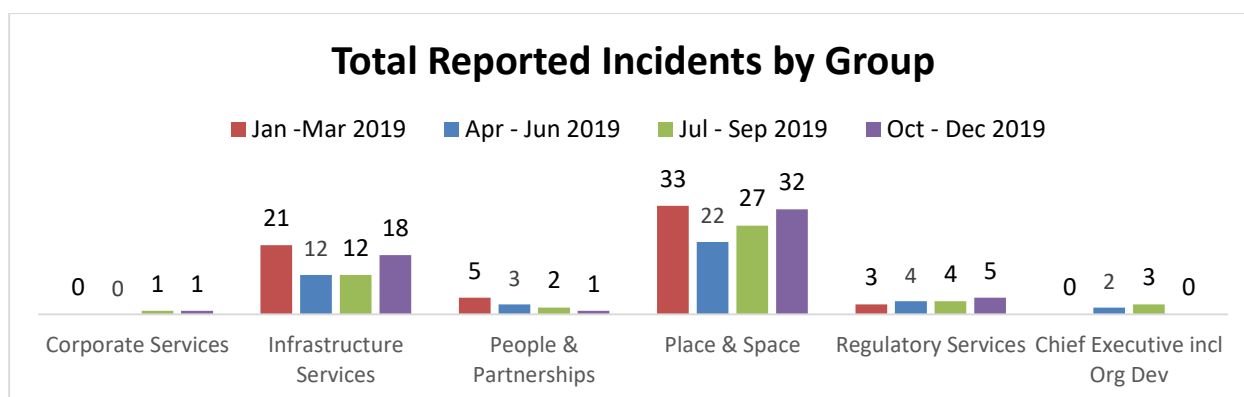




- All reported incidents were investigated and corrective actions identified and actioned where required.
- Of 57 total incidents:
  - 8 worker injuries: including falls on same level (4), over-exertion / bodily stressing (3), skin puncture (1).
  - 19 worker non –injuries including 6 near miss (1 unexpected in-ground power cable, 4 vehicle related, 1 shelf collapse), vehicle events (7), 3<sup>rd</sup> party behaviour (3), insecure site (1), dog related (1), body stressing (1)
  - 3 contractor incident (natural gas pipe damage (2), work at height (1))
  - 27 third party incidents



- Third Party is defined as a person who does not hold employee status or contractor worker status
- This quarter Third Party events continue to be predominantly Aquatics (22) and Libraries (5) i.e. Council's public spaces.
- Monitoring of third party events is continuous and dealt with directly by each site and escalated where risk is identified.



Due to the major organisational restructure in January 2019, data for quarterly comparison by Group is only available back to the beginning of the 2019 calendar year.

## Appendix Three

**KAPITI COAST DISTRICT COUNCIL  
HEALTH AND SAFETY LEADERSHIP CHARTER****1. Vision Statement**

Kāpiti Coast District Council will work to achieve a vibrant, diverse and thriving community by being open for business and delivering our services in a caring, dynamic and effective manner. This will be underpinned by an organisational culture that supports and encourages a healthy and safe working environment achieved through effective and inspired senior leadership, influence and shared learning.

**2. Health and Safety Leadership Charter**

Under the Health and Safety at Work Act, Elected Members and the Chief Executive are the Officers of our organisation. As Officers, Elected Members subscribe to the principle that nothing is more important than the health and safety of its workers, and those that could be affected by the work being undertaken by, or on behalf of, the Kāpiti Coast District Council.

Elected Members, as Officers of the Kāpiti Coast District Council, acknowledge their responsibility to exercise due diligence, taking reasonable steps to understand the Council's operations and health and safety risks, and to use this knowledge to influence health and safety outcomes by ensuring those risks are managed effectively through an effective health and safety framework.

This Leadership Charter is the key to enabling the effective implementation of the Health and Safety Plan for Kāpiti Coast District Council. All Officers (Chief Executive and Elected Members) commit to fulfilling their due diligence requirements to support the continuous improvement of health and safety functionality in our workplace. This commitment is founded on the principle that the effective management of health and safety is essential to the operation of a successful and thriving organisation.

Specifically, Kāpiti Coast District Council Elected Members in their capacity as Officers commit support to the following and take personal responsibility:

- To ensure as Officers they remain current in their knowledge of health and safety matters;
- To ensure the Council has and uses, appropriate resources and processes to identify then eliminate or minimise health and safety risk;
- To strive for continuous health and safety improvement and to provide leadership and support to the Chief Executive to achieve this;
- To ensure Council is an environment that engages with workers on matters which will or are likely to affect their health or safety;
- To have worker participation practices that provide workers with reasonable opportunities to participate effectively in improving health and safety;
- To take the opportunity to verify processes that are put in place; and
- To extend health and safety efforts, wherever relevant, beyond the workplace recognising and supporting related initiatives within the community.

**9 CONFIRMATION OF PUBLIC EXCLUDED MINUTES**

Nil

**10 PUBLIC EXCLUDED REPORTS****RESOLUTION TO EXCLUDE THE PUBLIC****PUBLIC EXCLUDED RESOLUTION**

That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting for the reasons given below, while the following matters are considered.

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

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>10.1 - Update on Ombudsman and Privacy Commissioner Investigations and Litigation Status Report</b>	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>