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, 25 February 2021**
Time:	**1.30pm**
Location:	**Council Chamber Ground Floor, 175 Rimu Road Paraparaumu**

Mark de Haast

Group Manager Corporate Services

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 25 February 2021, 1.30pm.

Audit and Risk Subcommittee Members

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

Order Of Business

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 HEALTH AND SAFETY QUARTERLY REPORT: 1 OCTOBER 2020 - 31 DECEMBER 2020

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

Authoriser: **Wayne Maxwell, Chief Executive**

PURPOSE OF REPORT

1 This report presents a Health and Safety report for the period 1 October 2020 – 31 December 2020.

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 Council's commitment to providing a safe and healthy place to work. The contents and any subsequent discussions arising from this report can support 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 some process improvements to further strengthen Council's ability to more effectively monitor and verify.

5 A draft Health and Safety Plan 2018 – 2020 was provided to the Committee at the meeting of 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 A draft Health and Safety Plan 2020-2023 will be incorporated into 2021 reports following adoption by the Senior Leadership Team.

ISSUES AND OPTIONS

Issues

8 Progress on the Health and Safety 2018-2020 Plan initiatives are progressing however the alert level 4 and alert level 3 restrictions severely disrupted planned health and safety related initiatives and training. Several time lines may continue to be extended and this will be updated through the regular reporting cycle.

9 Disruptions as a result of previous and future Covid-19 alert level resurgence and/or restrictions will be factored into the draft 2020 – 2023 Health and Safety Plan.

CONSIDERATIONS

Policy considerations

10 There are no Policy considerations arising from this report.

Legal considerations

11 There are no legal considerations arising from this report.

Financial considerations

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

Tāngata whenua considerations

13 There are no Tāngata whenua considerations arising from this report.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

15 There are no publicity considerations.

RECOMMENDATIONS

16 That the Audit and Risk Sub Committee notes the Health and Safety Quarterly Report for the period 1 October 2020 – 31 December 2020 attached as Appendix One to this Report.

APPENDICES

1. Health and Safety Quarterly Report 1 October 2020 - 31 December 2020 ⇩

Appendix One

KĀPITI COAST DISTRICT COUNCIL

Health and Safety Quarterly Report to the Audit and Risk Sub Committee
1 October 2020 – 31 December 2020

Following the recommendations from the SimpsonGrierson review we continue to progress the work programme. The Health and Safety Plan 2018 – 2020 was presented to the Audit and Risk Committee at the September 2018 meeting. The 2020 – 2023 Plan is still under development, and will be submitted to Audit and Risk Sub Committee when completed. It will be aligned to the recently introduced WorkSafe NZ SafePlus model of 'what good looks like', the framework of which sets out ten performance requirements, under the three themes of Leadership, Worker Engagement, and Risk Management. The plan will continue to build on the three current high level areas of Leadership; Health and Safety Management Systems, and Contractor Management, with the underlying focus on:

- skill and capability of our people
- managing our critical risks, and
- leadership and engagement

Lag performance indicators are a measure of adverse events that have occurred and reported. Compared to the same period last year, the total number of health and safety incidents reported this quarter are significantly higher (85 compared to 57). As explained in the last quarterly report it is likely that this increase is largely attributable to two factors. Firstly, over the last 12 months, significant work has been done to encourage reporting and making it easier and quicker, and in that respect an increase is a positive. However, there has been a marked increase in third party related incidents reported of staff exposure to antisocial behaviour by a small group of library users, possibly explained by the psychosocial impact of COVID-19.

<u>LEAD INDICATORS</u>

1. CORPORATE HEALTH AND SAFETY TRAINING COMPLETED

( ) indicates no. of attendees

TASK RELATED:

- Safety in Trenches (8)
- Traffic Management Level 1 Basic (6)
- Confined Spaces and Gas Detection (3)
- Breathing Apparatus (1)
- Gas Lines – Close Approach (9)

ROLE RELATED:

- Class 2 vehicle driver licence (8)
- Growsafe Basic (2)
- Fork Lift Truck Operating (7)
- Site-Specific Personal Safety (21)

CRITICAL RISK RELATED:

- AA Safe Driving – e-learning (113)
- AA Safe Driving – on-road assessment (35)

HEALTH AND SAFETY RELATED:

- Comprehensive First Aid (40)
- Psychological First Aid (CDEM) (1)
- Heartbeat CPR and AED (17)

2. EMERGENCY EVACUATIONS AND DRILLS

- Six-monthly emergency evacuation drills – 1 overdue at 1 Oct 2020.

This is related to the Otaki Civic Theatre which is closed for refurbishment until April 2021. No fire drills will be happening until after the building has re-opened.

Appendix One

3. EMPLOYEE HEALTH AND SAFETY INDUCTIONS

- 12 inductions were completed this quarter.

4. WELLNESS INITIATIVES

	( )indicates no. of attendees
• Eye Examinations	(16)
• Ergonomic Work Assessments	(7)
• EAP Services hours utilized	(29)

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 and a worker's actions or lack of action may have contributed.
- No Reasonable Cause tests were conducted this quarter.

6. STANDARD OPERATING PROCEDURES (SOPS)

- SOPs continue to be maintained.

7. CONTRACTOR MANAGEMENT

- As at 31 December 2020 a total of 166 Contractors were listed as 'current approved' on the Contractor Register.
- Thirteen contractors were either newly added or had their approval renewed 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

- The 2018-2020 work program identified three organizational critical risk priority areas: Asbestos Management, Hazardous Substance Management, and Driving.
- Property Services continue to strengthen the management of asbestos-containing-materials.
- Hazardous substances management is now business-as-usual.
- Driving remains an ongoing critical risk. Job specific training for specialist vehicle drivers (pump trucks, bulldozers etc.) remains in place. Of 120 Council vehicle drivers identified for AA Driver training, this quarter 113 drivers completed an online competency test which included a risk profiling and acknowledgement of having read the Vehicle User policy. 35 drivers identified as higher risk completed an on-road assessment.
- As at 31 December there were 50 Care Register entries, with five new additions this quarter, all of which related to antisocial disruptive behaviour by youths at Otaki library.
- A project to complete an overall review of all risk assessments and safety plans for Council Operations staff working at parks and reserves has been deferred due to Operations resource unavailability. The overall project is still to be rescheduled however ongoing risk assessments and safety plans are monitored and updated on a case by case basis.
- Occupational noise monitoring across Infrastructure Operations and Water Treatment Plants staff commenced, aimed at verifying the hearing protection programme and identifying any gaps or opportunities to improve.

9. HEALTH AND SAFETY COMMITTEE (HSC)

- Monthly meetings were held in October and November 2020. No meeting was scheduled in December 2020 due to the Christmas holiday period.
- The updated Worker Health and Safety Participation Agreement has been completed. Formal publication will commence following the completion of all signatories which was delayed due to the Christmas holiday period.
- The SLT representative role on the Committee is on a 12 month rotation basis. Mr Mark de Haast completed his rotation this quarter and Mr James Jefferson assumed the role this quarter.
- A new Chairperson was appointed to the Committee this quarter

10. SLT INITIATIVES

- A site visit scheduled to Otaki library has been rescheduled for early 2021.
- SLT continues to maintain a focus on wellbeing, including psychological wellbeing as a result of previous lockdowns and future planning for Covid related contingencies and potential impacts amongst our staff.

11. HEALTH AND SAFETY POLICY REVIEW

Appendix One

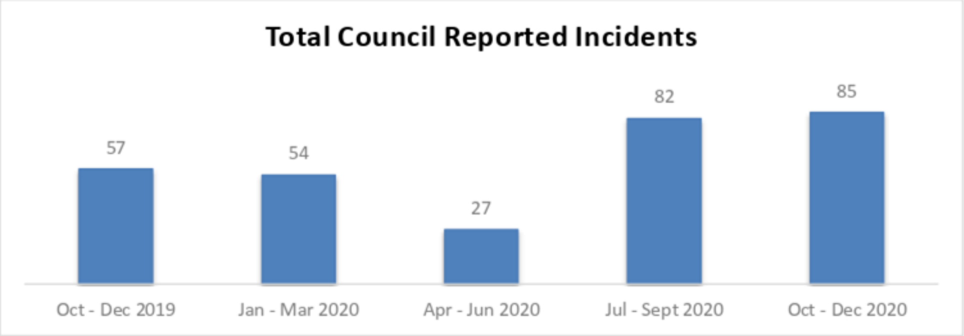
- An updated Health and Safety Risk Management Policy and an Accidents and Incidents Management Policy will shortly be reviewed by SLT for approval. Emergency Preparedness and Business Continuity policies remain under constant review and monitoring.
- The wider health and safety policy review work program continues to be a work in progress, with 12 key procedure documents either published, drafted or pending. This work stream is contained under the Health and Safety Management Systems section of the 2018-2020 plan. Extra resource in the form of a 0.5 FTE Health and Safety Coordinator role for a fixed term two year period was appointed in October 2020.
- The Health and Safety Toolkit on HubKap has been maintained under business-as-usual continuous improvement.

LAG INDICATORS

12. INCIDENTS, INJURIES, ILLNESSES AND NEAR MISSES 1 OCTOBER – 30 DECEMBER 2020

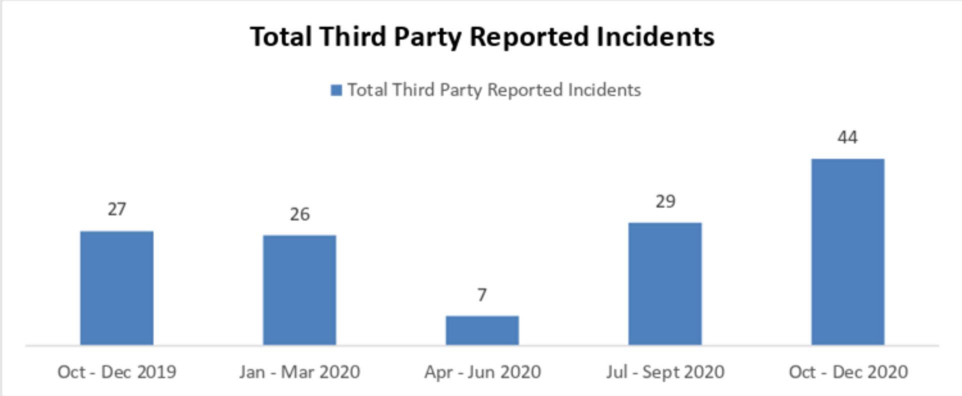
	Incident/Injury / illness	Notifiable* Incident / Injury or illness	Near Miss	Total
Corporate Services	3	0	0	3
Infrastructure Services	9	0	0	9
People and Partnerships	5	0	0	5
Place and Space	17	0	3	20
Regulatory Services	2	0	0	2
Chief Executive including Org Dev	1	0	1	2
Third Party	44	0	0	44
Contractor	0	0	0	0
Total				**85**

- ** 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.*

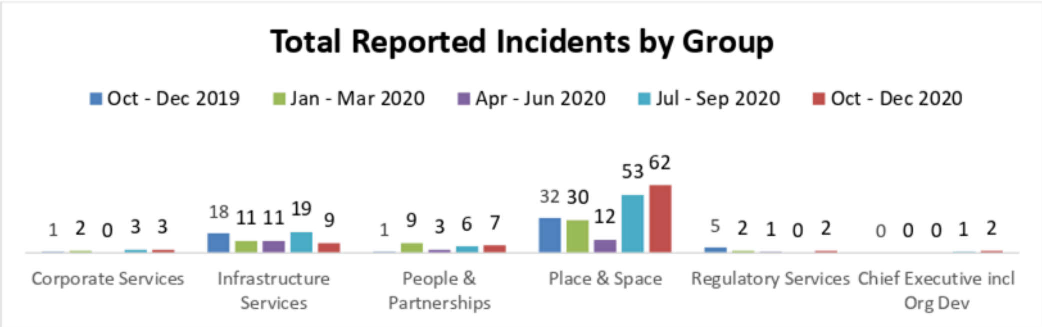


- *Of 85 total incidents:*
  - *10 worker injuries: including over-exertion / bodily stressing (8), hit by moving object (1), skin puncture (1).*
  - *31 worker non –injuries including 0 serious near miss, 3rd party behaviour / mental stress (17), internal office environment (5), underground cables and services (3), vehicle and mobile plant events (2), behaviour (1), theft (1), biological agent (1), other (1)*
  - *44 third party incidents*
  - *0 contractor events*

Appendix One



- *Third Party is defined as a person who does not hold employee status or contractor worker status*
- *Third Party events are associated primarily with Council's recreational public buildings i.e. Aquatics centres and Libraries.*



8.2 ERNST AND YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2021

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

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

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 2021.

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 2021.

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 2021.

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;
- Expenditure, procurement and tendering;
- Debt facilities and derivatives; and
- Sector focus areas

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 2021 are estimated to be $196,500 plus GST. This fee includes the audit of the 2020/21 Annual Report ($193,300, including reasonable disbursements) and Council's compliance with its Debenture Trust Deed ($3,200) for the year ended 30 June 2021. Provision for this audit fee has been included in the 2020/21 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

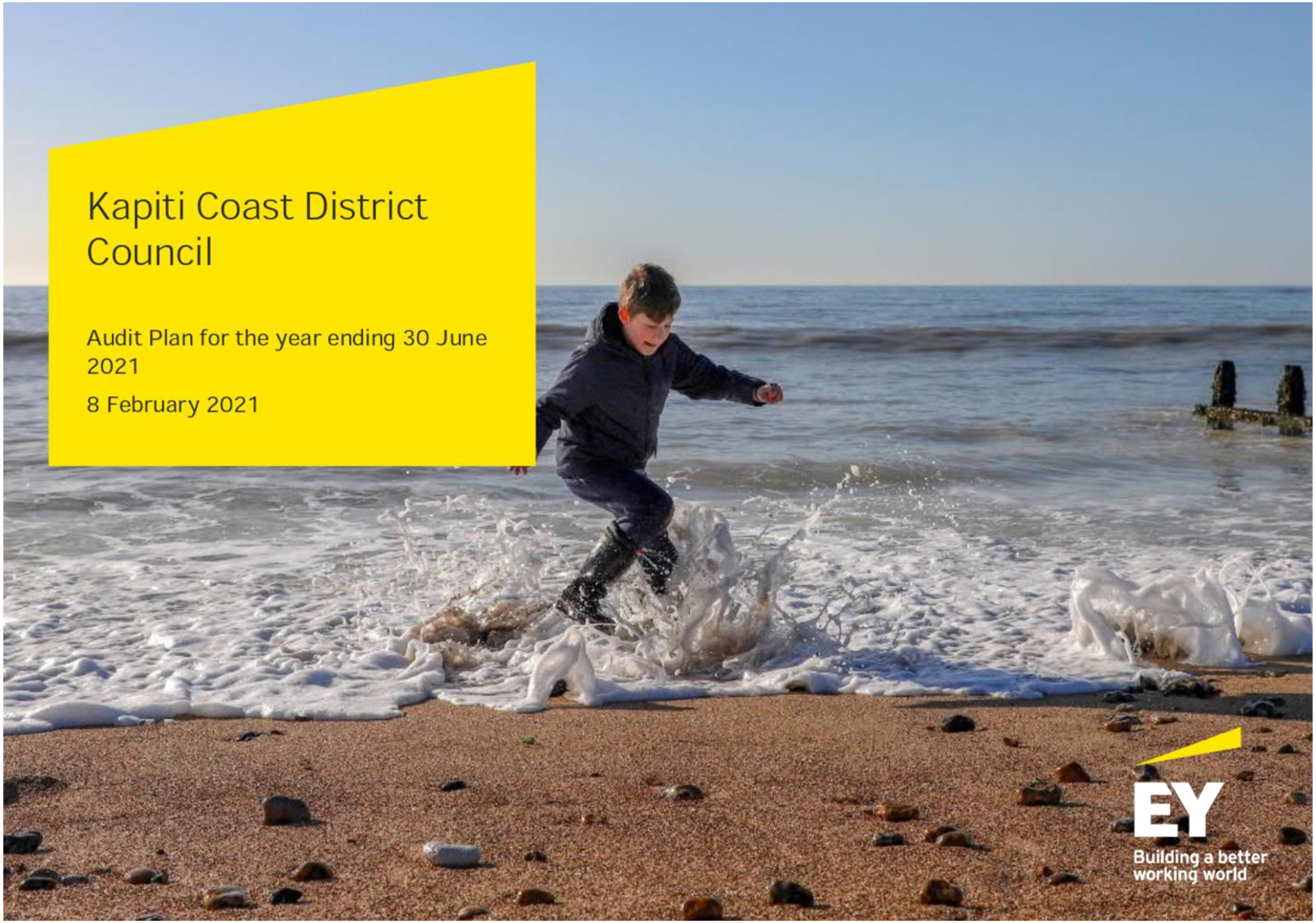
12 There are no specific publicity considerations arising from this report.

RECOMMENDATIONS

13 That the Audit and Risk Subcommittee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2021 attached as Appendix 1 to this report.

APPENDICES

1. 2021 Audit Plan ⇩


Kapiti Coast District Council
Audit Plan for the year ending 30 June 2021
8 February 2021
EY
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Kapiti Coast District Council

For the year ending 30 June 2021

Welcome

Dear Audit and Risk Subcommittee Members

David Borrie
EY Assurance
Partner

Ahmed Sofe
EY Assurance Senior
Manager

We are pleased to present our External Audit Plan ("Audit Plan") for Kapiti Coast District Council ("KCDC" or "the Council") for the year ending 30 June 2021. Our meeting with you on 25 February 2021 is a forum to discuss our Audit Plan, the scope of our work, confirm your current 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 2021 full year financial statements, service performance information and information included in the annual report in compliance with the Local Government Act 2002 and Prudence Regulations 2014.

Our Audit Plan has been prepared acknowledging, and with consideration of, the Council's current and emerging business 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. We look forward to discussing our Audit Plan with you at the Audit and Risk Subcommittee ("the Committee") meeting on 25 February 2021.

Yours faithfully

David Borrie
Partner

Ahmed Sofe
Senior Manager

Go to Executive Summary

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Kapiti Coast District Council
For the year ending 30 June 2021

Executive Summary

AREAS OF AUDIT FOCUS

5

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 9:

Infrastructural Assets	HIGH
Rates setting, invoicing and collection	HIGH
Non-financial performance reporting	MEDIUM
Expenditure, procurement and tendering	LOW
Debt facilities and derivatives	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 infrastructural assets
- Other Income (fees and charges and NZTA subsidies);
- Statement of Service Performance reporting;
- Debt and Derivatives; and
- Accruals

PLANNING MATERIALITY

$1.7m

Our planning materiality has been set at $1.7m, calculated at 2% of forecast expenditure included in the Annual Plan for 2020/21.

The basis for calculating planning materiality is consistent with the prior year. We will report all audit differences over $90k.

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

INDEPENDENCE

We will confirm our independence throughout the audit. We remain in compliance with the NZICA Code of Ethics and the Professional and Ethical Standard 1: international code of ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) independence requirements and the Auditor General's independence requirements.

AUDIT FEE

The audit fee has been agreed in the audit proposal letter dated 15 January 2020 for the 2021 financial year and is set out below.

	$'000s
Audit fee	175.4
OAG overhead	14.5
Audit fee excluding disbursements	**189.9**

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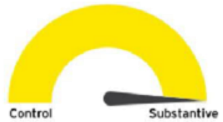
Kapiti Coast District Council
For the year ending 30 June 2021

Areas of Audit Focus

Set out below are the areas of significant audit 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.

Infrastructural 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, PBE IPSAS 23 Revenue from Non-Exchange Transactions

HIGH

Audit Approach

Background

- Infrastructural assets dominate KCDC's balance sheet with carrying values at 30 June 2020 of approximately:

Assets	$million
Bridges, Roads and Footpaths	360
Land under roads	768
Wastewater	136
Drinking water	121
Stormwater	67
Seawalls	7
Assets under construction	21
Total value	**1,480**

- Infrastructural assets are held at fair value less accumulated depreciation and are re-valued on a systematic basis with a revaluation of the Bridges, Roads and Footpaths planned for 2021. WSP, an external valuer, will carry out the valuation.
- The valuation of infrastructural 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).

Planned Audit Approach

- For the Bridges, Roads and Footpaths 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 the asset classes that won't be revalued in the current year (three waters, land under roads, operational land and improvements and parks and reserves assets), we will review management's assessment of the assumptions underlying the historical valuation against current asset management plans and recent experience in maintaining those assets to check that values ascribed to the assets remain appropriate. We will also discuss with management potential indicators of impairment at balance date.
- 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.

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Kapiti Coast District Council
For the year ending 30 June 2021

Background

- Valuation adjustments arising from significant movements in market rates or replacement costs may be material.
- There is a risk of the useful life assumptions used in the valuation reports not being reflective of actual asset condition.
- 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 in terms of improving asset condition and extending the expected useful life.
- Nationally the management of three water assets are currently going through a major change through the establishment of a dedicated national water regulator and central and local government considering options for a new model for the direction of water assets and activities. In July 2020, the Government announced a funding package for local authorities to participate in the initial process of exploring the impacts of the government proposals. Kapiti has chosen to participate in the initial stage of the programme and as a result it was granted $6.2m for three water services. Later in 2021 Council will likely have the opportunity to consult with the community regarding the reform and proposed future changes.

Planned Audit Approach

- For completed WIP projects, we will trace the transfer through to the fixed assets register and check that these projects are subject to depreciation.
- We will review the appropriateness of depreciation recognised against the estimated useful life in the KCDC's latest valuation and other supporting information. For assets revalued in 2020 financial year we will check the depreciation expense recorded in the 2021 financial year is in line with the 2020 valuations.
- Assess capital projects for their impact upon capital commitments and other related disclosures.
- We will consider the progress on the three-water reform to the extent it impacts the 30 June 2021 audit including the appropriate treatment of the one-off funding received by the Council for the three waters.

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Kapiti Coast District Council
For the year ending 30 June 2021

Rates setting, invoicing and collection

HIGH

Audit Approach

Key Judgements: Compliance with the Local Government (Rating) Act 2002 and provisioning for outstanding rates debtors
Relevant accounting standards: PBE IPSAS 23 Revenue from Non-Exchange Transactions

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.
- Below is summary of the rates revenue recognised by the Council at 30 June 2020 alongside the Annual Plan.

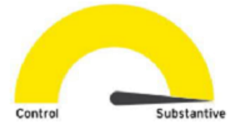
Rates revenue	2020 Annual Report $million	2021 Annual Plan $million
General rates	23.2	24.7
Targeted rates	45.8	45.4
Internal rates and rates remitted	(1.5)	(0.5)
Total value	**67.5**	**69.6**

- 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.
- KCDC is currently undertaking a minor rates review alongside the LTP process to improve the fairness of the spread of the rates. Depending on the outcome from the consultation process any changes will be effective from 1 July 2021.

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 2020/21 and check that the recommendations made by Council's legal advisor is appropriately applied.
- As part of our audit of the long-term plan, we will consider the proposed rates changes and how they are reflected in the rating database.

Non-financial performance reporting



Key Judgements: Results included / excluded from measures

MEDIUM

Audit Approach

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.
- During the FY20 audit we reported the need for further improvements to the way information is captured in the system for certain measures relating to the customer services requests.
- We have selected the following activities as significant in the context of our audit of 2020/21 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
  - Solid waste
  - Regulatory services
- There have been changes to the accounting standards in relation to service performance reporting. This has been formalised through PBE FRS 48 Service performance reporting which is applicable to all public sector entities. This standard is not in effect until 1 January 2022. We have provided more detail in our focused on the future section within the appendices to our report.

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 2020 audit have been addressed and will provide feedback on the overall annual report and the summary annual report.

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Kapiti Coast District Council
For the year ending 30 June 2021

Expenditure, procurement and tendering

Key Judgements: Appropriateness / reasonableness of costs incurred

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.
- The OAG published a good practice guide in October 2020 called Controlling sensitive expenditure: Guide for public organisations which assists public organisations improve, where necessary, their approach to, and control of, sensitive expenditure.
- We will maintain an awareness of transactions or events that could indicate waste and probity concerns.
- OAG's controlling sensitive expenditure guidelines for public entities require expenditure decisions must:
  - Have a justifiable business purpose;
  - Be cost-effective;
  - Preserve impartiality;
  - Be made with integrity;
  - Be moderate and conservative, having regard to circumstances;
  - Be made transparently and;
  - Be appropriate in all respects
- Remuneration of Councillors and those in leadership roles is also an area of interest.

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.
- In considering sensitive expenditure, we will review the Council's policies to check if there is adequate guidance regarding the procedures for handling sensitive expenditure within the organisation and the policy is consistent with best practice guidelines issued by the OAG in October 2020.

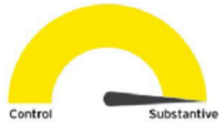
EY Building a better working world

Kapiti Coast District Council
For the year ending 30 June 2021

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

LOW



Audit Approach

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 2020 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 $28.5m at 30 June 2020.

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.

EY Building a better working world

Kapiti Coast District Council
For the year ending 30 June 2021

Digital Audit

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

The Client Portal

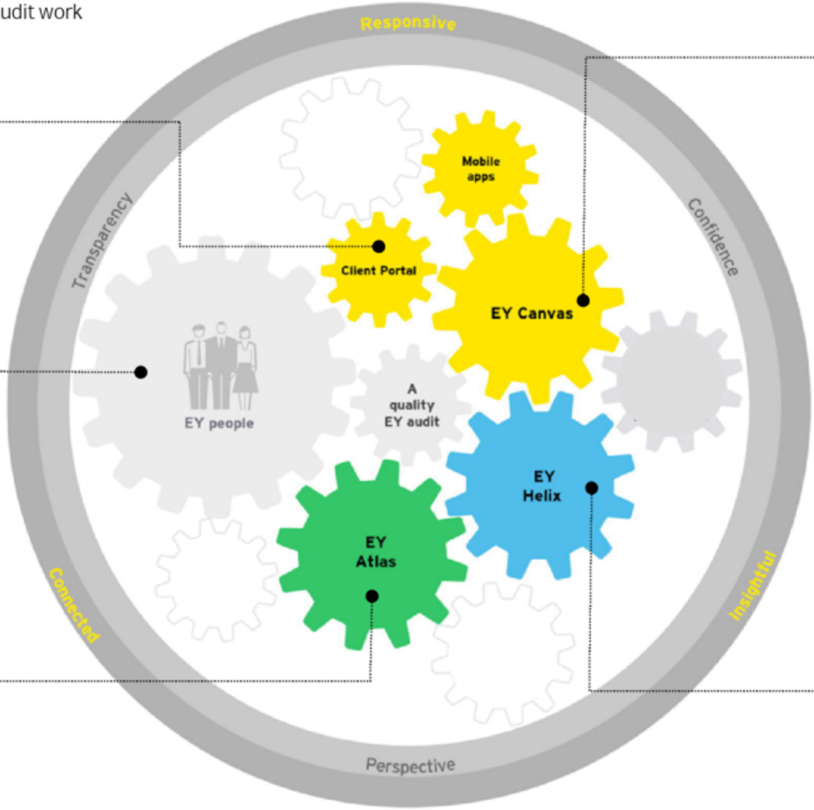
The Client Portal connects us directly to you. It enables you to securely provide supporting audit evidence, automated uploading the information to EY Canvas and gives you reporting of the status of the audit progress. This streamlines our communications with you and saves you time.
The client portal played an important role in the FY20 audit as both EY and KCDC teams partly operated remotely during elements of the audit.

EY People

The EY engagement team is uniquely placed to appropriately execute a digital audit strategy.

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 globally consistent Analyzers 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 so we can provide feedback and actionable business insights.

EY Building a better working world

Kapiti Coast District Council
For the year ending 30 June 2021

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 2020 control findings during our audit to check if management's responses have been implemented during the year as agreed.

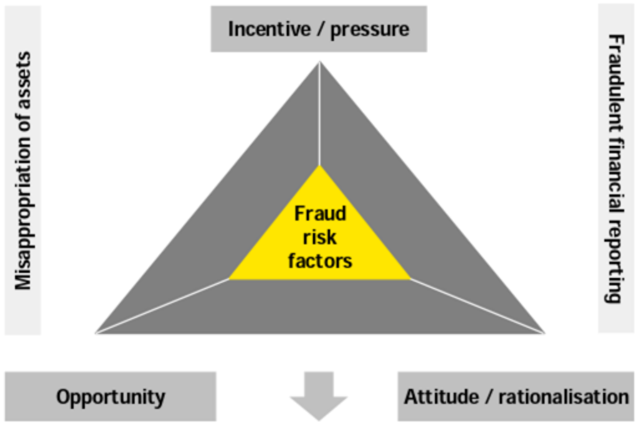
We have set out to the right a table which summarises the level of controls reliance we expect to achieve in the key financial statements processes.

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

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 Audit 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).



Building a better working world

Kapiti Coast District Council
For the year ending 30 June 2021

Your EY Team

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

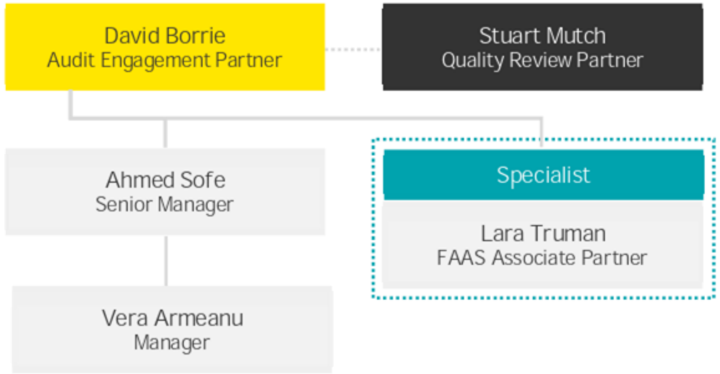
Our team has been involved in the audit of KCDC for a number of years. This stability provides KCDC with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your organisation. Further we have incorporated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

Our executive team will continue to be David Borrie and Ahmed Sofe as Audit Engagement Partner and Senior Manager, with Vera Armeanu joining the team as 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.



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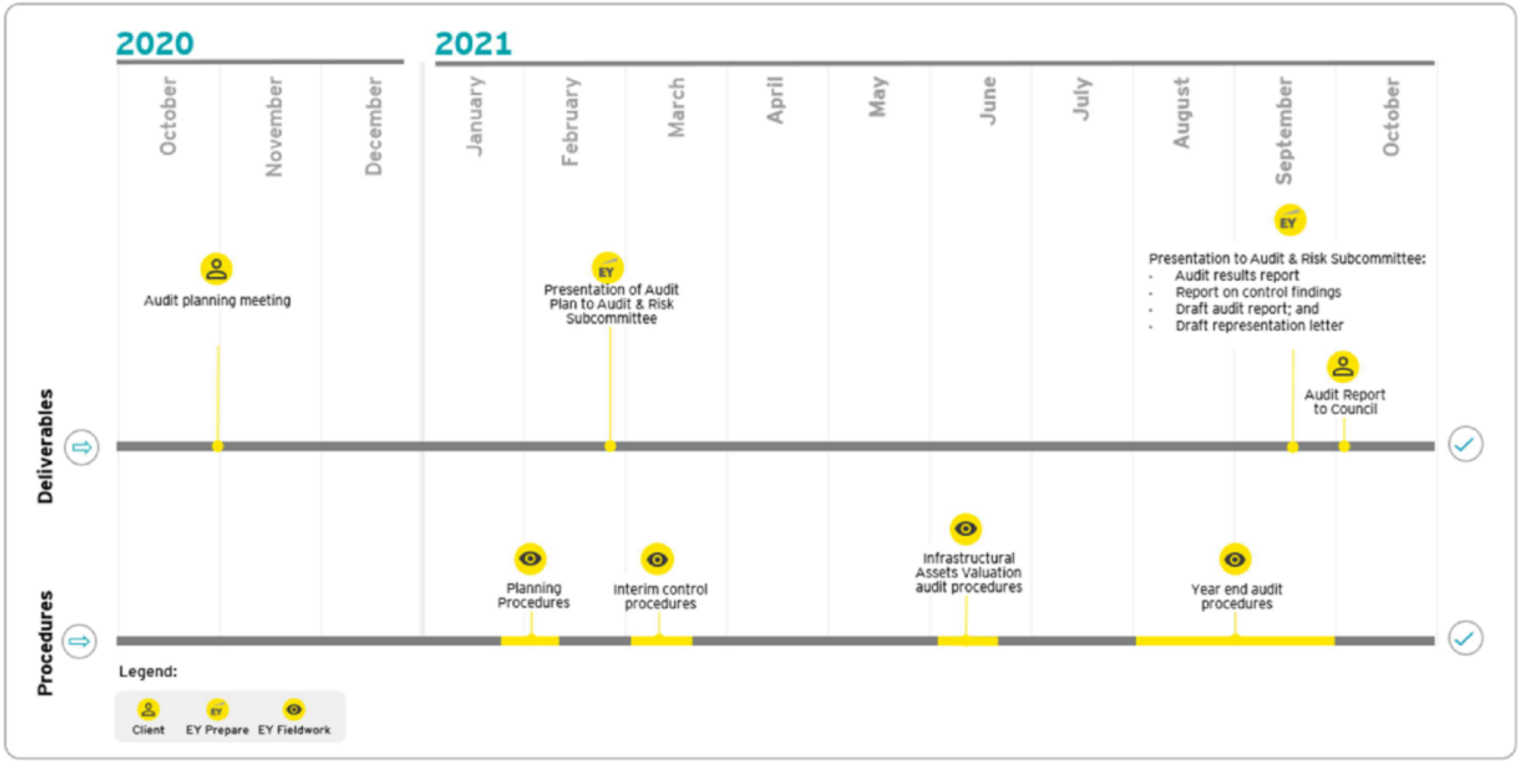
Kapiti Coast District Council
For the year ending 30 June 2021

Engagement Execution



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Kapiti Coast District Council
For the year ending 30 June 2021

Appendices

Independence

How we are meeting independence requirements.

Focused on Your Future

Upcoming matters Subcommittee members should be aware of including the impact of new accounting standards and climate risk disclosures and the potential impact on reporting.

EY Building a better working world

Kapiti Coast District Council
For the year ending 30 June 2021

Independence

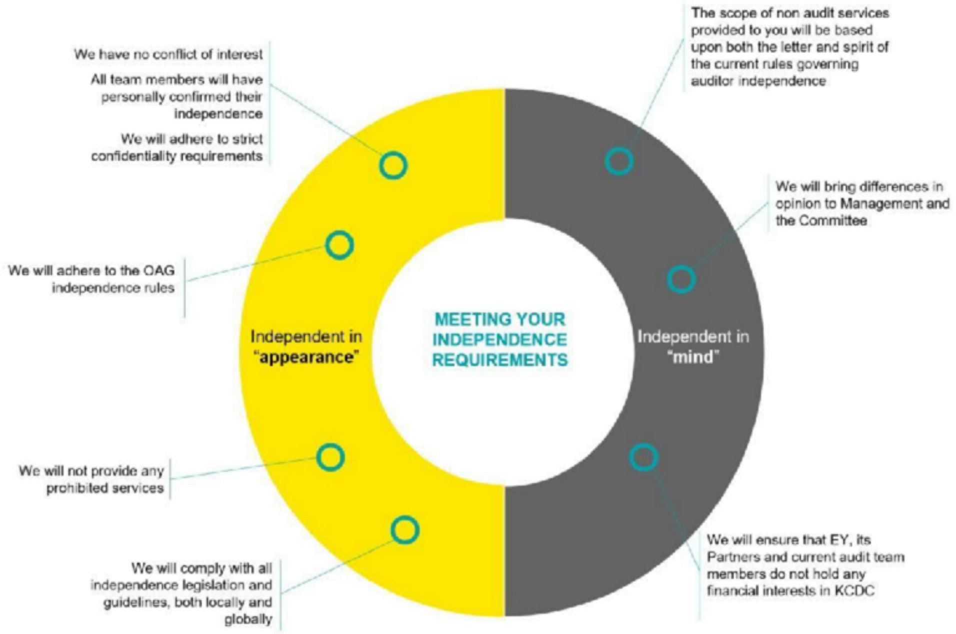
Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both KCDC's and broader regulatory independence requirements.

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

- PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)
- 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.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit and Risk Subcommittee.



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Kapiti Coast District Council
For the year ending 30 June 2021

Focused on Your Future – Accounting standards and interpretations

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 FRS 48 Service Performance Reporting	Mandatory adoption from 1 July 2022

Financial Instruments

- PBE IPSAS 41 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector. This standard replaces most of the requirements of PBE IPSAS 29.
- 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.

Service performance reporting

- The NZASB has issued a new accounting standard for PBEs, FRS 48 Service Performance Reporting. This new standard is effective for periods beginning on or after 1 January 2021 and requires the preparation of Statements of Service Performance for PBEs that report in accordance with Tier 1 and Tier 2 PBE standards. In August 2020 the NZASB deferred the effective date of PBE FRS 48 by one year (from 1 January 2021 to 1 January 2022). The NZ AuASB have also issued a related auditing standard, AS 1 The Audit of Service Performance.
- The Standard describes service performance information as information about what an entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
- The standard establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements. This is due to the standard being applied to a wide range of PBEs. Entities also use a variety of terms and approaches to explain what they do, why they do it and what they have achieved.
- An explanatory guide to FRS 48, called EG A10, has been issued by the XRB and is published on their website (https://www.xrb.govt.nz/accounting-standards/not-for-profit/explanatory-guide-eg-a10/). The explanatory guide has been published with the intention of helping entities apply the new requirements.
- KCDC is required to prepare a Statement of Service Performance under legislation and the new standard will primarily result in disclosure changes. Likely disclosure changes include providing the details of the judgements associated with selecting and measuring performance metrics.

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Kapiti Coast District Council
For the year ending 30 June 2021

Focused on Your Future - Climate Risk Disclosure

New Zealand is witnessing a significant change in climate-related business risk. Climate change is not limited to a solely environmental concern, for many organisation's, it presents a material financial risk. The increasing awareness of climate-related risks is driving those in governance roles in New Zealand to question what they can and should be doing to assess and manage climate risks.

Climate Risk Disclosures

The Taskforce on Climate-related Financial Disclosures (TCFD) is a framework developed by the Financial Stability Board for organisation's to disclose how climate change is being addressed as a systemic financial risk to their business and the economy.

Highlights of the TCFD recommendations:

- Applicable to all organisations
- Disclosures to be included in financial filings
- Designed to solicit decision-useful, forward-looking information for financial markets
- Focused on risks and opportunities from the transition to a low carbon economy and the physical changes expected from climate change

Core elements of recommended climate-related financial disclosures

In New Zealand a recent legal opinion commissioned by The Aotearoa Circle concluded company Directors, trustees and fund managers have requirements to consider climate risk in decision making. The New Zealand Government has also released a document on climate-related financial disclosures recommending the implementation of a mandatory reporting scheme for certain entities.

Current PBE Standards where there could be changes as a result of climate risks

PBE IFRS 9 – Financial Instruments	PBE IFRS 9 impairment requirements use forward-looking information to recognise expected credit losses. For example, identifying exposure in the debtor book to climate risk.
PBE IPSAS 19 – Provisions, contingent liabilities	Regulatory changes could result in an increase in provisions for example, the requirement to perform rehabilitation work or disclosure of contingent liabilities for potential litigation or fines.
PBE IPSAS 21 – Impairment of Non-cash generating Assets	The carrying amount of assets could be overstated if the impairment calculation does not account for the effect of climate-related risk.
PBE IPSAS 17 – Fair value Measurement	Where the Fair value of an asset is affected by climate related risks, organisation's may need to consider how they factor climate risk into calculations.
PBE IPSAS 1 – Presentation of Financial statements	Organisations may need to explain whether and how it has considered climate-related risks in its impairment calculations, due to the requirement to disclose information that is not present elsewhere in the financial statements

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting 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.

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ED None

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8.3 TIMETABLE FOR THE AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2021

Author: Anelise Horn, Manager Financial Accounting

Authoriser: Mark de Haast, Group Manager Corporate Services

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 2021.

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 and Audit approach for the year ended 30 June 2021

7 Ernst & Young is presenting their audit plan (including Audit approach) for the audit of the 2020/21 annual report to the Audit and Risk Subcommittee at this meeting. (refer to Ernst and Young Audit Plan for the year ended 30 June 2021)

2020/21 ANNUAL REPORT ADOPTION TIMETABLE

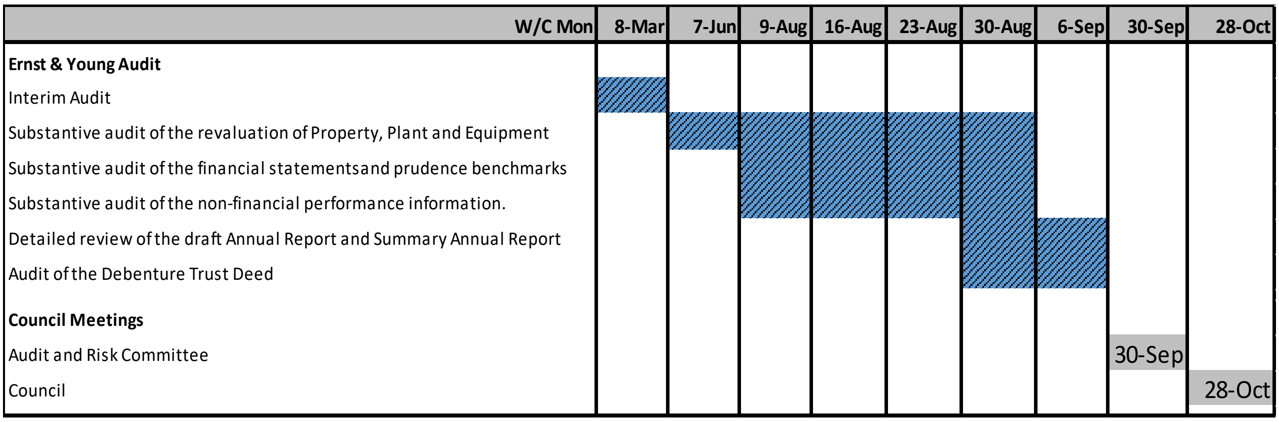
8 The table below sets out the scheduled meeting dates of the Audit and Risk Subcommittee, and Council meetings that are relevant to the adoption of the 2020/21 Annual Report.

9 Agenda items relevant to the 2020/21 Annual Report have been outlined.

Meeting of…	Meeting Date	Agenda Items to include…
Audit and Risk Subcommittee	**Thursday 25 February 2021**	***For Review and feedback:*** *1. Ernst and Young's audit plan for the audit of the 2012/21 annual report.*
Audit and Risk Subcommittee	**Thursday 30 September 2021**	*For Information:* *1. Ernst and Young's Closing Report to the Audit and Risk Subcommittee for the year ended 30 June 2021.* *2. Ernst & Young's Report on Control Findings for the year ended 30 June 2021.* ***For Decision:*** *3. Review and recommend adoption of the 2020/21 Annual Report to Council.*
Council	**Thursday 28 October 2021**	***For Decision*** *1. Adopt the 2020/21 Annual Report.*

10 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:



CONSIDERATIONS

Policy considerations

11 There are no policy considerations at this stage.

Legal considerations

12 There are no legal considerations at this time.

Financial considerations

13 The total audit fees payable to Ernst & Young for the year ended 30 June 2021 are estimated to be $196,500 plus GST. This fee includes the audit of the 2020/21 Annual Report ($193,300, including reasonable disbursements) and Council's compliance with its Debenture Trust Deed ($3,200) for the year ended 30 June 2021. This audit fee is included in the 2019/20 Annual Plan.

14 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 2020/21 Annual Plan.

Tāngata whenua considerations

15 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

17 There are no publicity considerations at this stage.

RECOMMENDATIONS

18 That the Audit and Risk Subcommittee notes the timetable for the audit of the Council's Annual Report and Debenture Trust Deed for the year ended 30 June 2021.

APPENDICES

Nil

8.4 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2019/20

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

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

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 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.

- *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 2020.

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 ten control risk issues for the year ended 30 June 2020, 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 2021.

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 2020 and that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2021.

APPENDICES

Nil

Summary of Control Findings for the year ended 30 June 2020

1. Payroll review controls (Moderate)	
Target date for completion and current status	30/06/21 **Completed**
Ernst & Young Audit Observation and Implication	Through our review of the controls in place for monitoring payroll expenses and changes to payroll static data we noted the controls functioned appropriately for most of the year. However; during the Covid-19 lockdown period, the review elements of the fortnightly payrun process function did not operate as they ordinarily would. For example, during this period whilst the Payrun reports such as the variance report and the reports identifying changes to payroll static data were produced, these were not reviewed. **Implication** - The absence of regular reviews of payroll masterfile data and changes to that data can increases the risk of errors going undetected.
EY Audit Recommendation	We recommend that management consider how payroll static data and changes to this could continue to be reviewed effectively in remote working scenarios.
Action Plan	We accept the findings and recommendation from audit. Covid-19 lock down restrictions presented a challenge for remote payroll operations due to the reliance on paper documentation. Variance reports and reports identifying changes made to static payroll data were reviewed and checked by Payroll Officers but not signed off by the Manager as an electronic approval process was not in place. Manager review and sign off re-commenced under restricted access (Level 3) and full return to the office (Level 2). A new electronic folder (with controlled access) has been set up which will, in the future, enable checking and sign off by the Manager without the reliance on paper reports. **Responsibility:** **Organisational Development Manager**
Progress Update	The electronic verification and approval process has been put in place and are used when the Manager is absent from the office. This process appears to be working effectively.

2. Service requests – Accuracy of response and resolution times (Moderate)	
Target date for completion and current status	30/06/2021 **Ongoing**
Ernst & Young Audit Observation and Implication	One of Council's key activities is managing, and responding to, requests for service that ratepayers make of Council. KCDC uses the MagiQ system to record and monitor these requests. When a member of the community makes a request the time of the request, actions taken to respond to and resolve the request, and the time these actions were taken are all recorded in the system. This data then forms the basis for reporting a number of performance measures which relate to how quickly Council have either responded to, or resolved, requests for service relating to a particular area of operations. 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. This was observed for water supply, waste water and stormwater when measuring response or resolution times to urgent and non-urgent requests. This is primarily the result of the resolution time captured in the system reflecting the time service was restored based on discussion with the staff that have completed the task. However; this was not supported by the information in the job sheets. This was most prevalent for the first nine months of the 2020 financial year. From March 2020 onwards management implement a new process whereby job sheets are stamped with the time service was restored or the issue was resolved. **Implication** - Since a number of performance measures require reporting of response or resolution times discrepancies in the time recorded will lead to incorrect metrics 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.
EY Audit Recommendation	Council continue to follow the new process that provides greater clarity of resolution times. Once the new process has been operating for a notable period of time consideration should be given to the extent that it has remediated the original underlying issue.
Action Plan	We accept the findings and recommendation from audit. Mid-way through the 2020/21 financial year we will run reports and test a sample of service requests to assess the extent that the underlying issues have been remediated. **Responsibility:** **Manager, Corporate Planning and Reporting**
Progress Update	The new process for capturing resolution times has improved accuracy of the reported data. A report for the first six months of the 2020/21 year revealed only a small number of anomalies which appear to relate to keying errors rather than systemic issues with the report. These anomalies will be easily identified and remedied for the annual report.

3. Service requests - Monitoring of roading requests for service (Moderate)	
Target date for completion and current status	30/06/2021 **On-going**
Ernst & Young Audit Observation and Implication	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 split the requests for roads and footpaths service that have been responded to within the target timeframes (urgent and non-urgent). **Implication** - Because requests for service in MagiQ are unable to be split between those relating to roads and footpaths, Council is unable to report an outturn for the year against this target and instead an overall result is included in the Annual Report.
EY Audit Recommendation	We recommend that a system based tagging process is set-up to record the needed information.
Action Plan	We will investigate whether it is possible for our road maintenance contractor to reconfigure their systems to allow us to report more accurately on the KPI for the 2020/21 financial year. If this proves difficult to do, our position will be to continue reporting overall performance against contracted timeframes, and then amend the KPI through the Long Term Plan process to ensure that it can be reported on accurately (whilst adhering to the DIA requirements). **Responsibility:** **Group Manager, Infrastructure**
Progress Update	We are continuing to report the combined road and footpath measures, whilst altering our systems to allow us to report individually against roads and footpaths, as per the DIA measure. This new system will be in place by 30 June 2021.

4. Approval of expenditure (Low)	
Target date for completion and current status	31/12/2021 **On-going**
Ernst & Young Audit Observation and Implication	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." We noted six instances where an expense claim was either authorised by a person who was not one up from the individual that incurred the costs or not one up from the most senior individual that benefited or might be perceived to have benefited from the expenditure. In all of these instances we are satisfied that the expenditure was appropriate but improvements could be made regarding how the relevant controls were executed. **Implication** –This may increase the risk that inappropriate expenditure goes undetected. This policy also serves to safeguard staff in instances where they may be perceived to have benefited from Council expenditure and an independent member of staff has concurred with their judgement that the costs are appropriate.
EY Audit Recommendation	We recommend that expenses incurred are approved in a manner that is in line with KCDC's policies.
Action Plan	We accept the findings and recommendation from audit. Council recently upgraded our Electronic Purchase Order (EPO) module within our ERP system (MagiQ). The new module provides us with better reporting functionality and visibility into purchase orders (including initiators and authorisers). During the role-out of the EPO system upgrade in August 2020, we provided training to staff on the functionality of the new module, and at the same time re-emphasised financial delegation responsibilities and the "one-up" authorisation principle. We will continue communicating this principle to staff. As a short term measure, we will be running EPO reports on a quarterly basis and manually review for compliance with policy. The result will be reported to the GM - Corporate Services, with follow up of any non-compliance with the applicable staff members. As a long term solution, we will be investigating the system controls within MagiQ, and consider re-configuration of the EPO approval structure within the system to align with Council's financial delegation policy. **Responsibility:** **Manager, Financial Accounting**
Progress Update	We have considered the Office of the Auditor General (OAG) good practice guide on "Controlling sensitive expenditure" published in October 2020 and based on that changed the "one up" authoriser for certain officials. Finance continues to communicate the "one-up" authorisation principle to the business.

5. Incorrect calculation of annual leave entitlement for an employee (Low)	
Target date for completion and current status	31/12/2021 **Completed**
Ernst & Young Audit Observation and Implication	Our review of the annual leave calculations for a sample employee have identified an instance where one employee's annual leave entitlement of five weeks was recorded as four weeks in the Chris21 payroll system. We understand this employee joined the Council during the year on a fixed contract basis and the discrepancy noted is due to a data entry error. At present we understand other than the review of the variance report identifying differences between pay periods, there is no control in place to check for the data inputted into the system are accurate. **Implication** - There is the risk that annual leave entitlements reflected in the system do not align with contractual leave entitlements which could lead to future disputes and underpay for affected employees.
EY Audit Recommendation	Employee details in Chris21 should be reviewed on a regular basis to ensure data input into the payroll system is consistent with underlying employment records. KCDC should ensure that personnel records reflect all key information such as date of hire, remuneration, annual leave and other benefits, and all employment arrangements are maintained under employment laws and regulations.
Action Plan	We accept the findings and recommendation from audit. This error was caused due to a one-off manual adjustment within the payroll system, as the leave groups set up within the system at that time did not cater for the particular employee scenario. As part of continuous improvement initiatives in our payroll system and to complement the enhancements we are making organisationally to our leave provisions, a new leave group has since been set up which will be able to manage this type of scenario in the future without the need for manual intervention. **Responsibility:** **Organisational Development Manager**
Progress Update	Leave fields have been updated and are in use within the payroll system. They appear to be working effectively and will be reviewed with the next payroll system upgrade in new financial year.

6. Incorrect capitalisation of expenditure (Low)	
Target date for completion and current status	31/12/2021 **On-going**
Ernst & Young Audit Observation and Implication	Our review of capital costs identified two transactions that were incorrectly capitalised. These transactions related to costs incurred for a storage unit rental to store items that were removed from a property when performing improvements and the cost for a prize draw as part of the project at Mahara Place in Waikanae. The capitalisation of these costs was not in accordance with PBE IPSAS 17 *Property, Plant and Equipment* however, we note that the dollar value of the identified costs was not material. **Implication** - Costs inappropriately capitalised carry the risk that asset values on the balance sheet may be overvalued. This will also further impact the corresponding expenditure and future depreciation values of these assets.
EY Audit Recommendation	We recommend that management ensure that all capitalised expenditure is appropriately reviewed so as to be consistent with KCDC's accounting policy and the accounting standards.
Action Plan	We accept the findings and recommendation from audit. Finance is currently working with the organisational development team to roll-out Finance specific training for new and existing employees. In addition to this, we are providing refresher training to Activity Managers regarding operational vs capital expenditure for projects. The Finance Business Analyst team will review capital project transactions on a timely basis, to further ensure operational expenditure has not been incorrectly coded and are meeting accounting standards. A final review for compliance will be done by the Finance Business Analyst – Fixed assets before capitalising costs to Property, Plant and Equipment. **Responsibility:** **Manager, Planning and Performance**
Progress Update	The Finance team has worked closely with the organisational development team in rolling-out two rounds of Finance specific training to new and existing managers up to December 2020 that covered and explained the difference between operational and capital expenditure.

7. Inaccurate data used to calculate certain service request measures (Low)	
Target date for completion and current status	31/12//2021 **On-going**
Ernst & Young Audit Observation and Implication	When reviewing the calculations supporting the reported results for a number of service request measures, we noted inaccurate data such as duplicate or negative requests being included in the calculations skewing the median or average response and resolution times reported. We also noted an instance where there was missing information that hadn't been included in the calculation. Below is summary of the measures affected: • Water: urgent – included 4 negative service restored times, meaning that the service was restored before the request was raised. • Water: non-urgent - included 12 negative response times and 2 private requests that do not relate to the KCDC water system. • Wastewater: dry weather overflows – there was 1 item missing from the overflow report, which have not been manually flagged as an overflow. We are also aware that service requests are going to be monitored on a quarterly basis going forward to identify issues earlier. This will involve a new duplicate request list being generated and sent to Activity Managers to resolve. **Implication** - The implications of the above findings are that the reported measures may not be accurate. Although in the current year these matters did not impact whether the targets were achieved or not there is the risk that inaccurate reporting occurs in future years that leads to an incorrect result.
EY Audit Recommendation	We recommend that management continue to make improvements to cleanse the data and perform regular checks that the data is free of duplicate requests and inaccurate entries
Action Plan	We accept the findings and recommendation from audit. Duplicate requests are now being reported and cleansed regularly and this will need to continue. There appears to be some instances where service requests were classified incorrectly. Mid-way through the 2020/21 financial year we will run reports and test a sample of service requests to identify and correct any inaccuracies. **Responsibility:** **Group Manager, Infrastructure Services**
Progress Update	We are altering our systems to allow us to report as per the DIA measure. This new system will be in place by 30 June 2021.

8. Review of manual journals (Low)	
Target date for completion and current status	30/06/2021 **Completed**
Ernst & Young Audit Observation and Implication	Manual journals are predominantly used to record payroll related transactions to MagiQ as there is no automatic interface between MagiQ and the payroll system. Council also use manual journals to record month end accruals and prepayments. We note whilst manual journals have enough documentation to support the business reason for the transaction, there is currently no review or approvals of manual journals. **Implication** - Manual journals are inherently more risky than standardised transactions posted through Council's sub-ledgers. Without some form of review of manual journals, either individually or in aggregate, there is a higher risk of errors going undetected.
EY Audit Recommendation	While we did not identify any issues with journals posted during the period, we recommend that all manual journals are reviewed and signed off as approved by a person other than the preparer. This could be completed for individual journals or periodically for groups of journals.
Action Plan	We accept the findings and recommendation from audit. Council's current ERP system (MagiQ) does not have a journal approval workflow that allows electronic sign off or approval of manual journal entries before they are posted in the system. During the year, finance has developed a manual review process of monthly manual journal entries and has tested and refined the process during April and May 2020. On a sample basis, the review focus on the validity, accuracy and rational of journal entries as well as the appropriate support. This manual review process will be rolled out as part of our monthly reconciliation and review processes for the 2020/21 financial year. **Responsibility:** **Manager, Financial Accounting**
Progress Update	As part of the monthly reconciliation and review process a sample of journal entries are reviewed by the Financial Accountant – Financial reporting and Team leader Financial Analysis, Planning and Performance to ensure accuracy and completeness of the documentation supporting the business reason for the transaction. The completion of this review is signed off by the Manager, Financial Accounting.

9. Incorrect pay to Elected Member (Low)	
Target date for completion and current status	31/12/2021 **Completed**
Ernst & Young Audit Observation and Implication	We are required to assess whether the remuneration paid to elected members is in accordance with the Local Government Members determination. Through our review of a sample of elected members we noted a member who held a chair of a community board role stepped down during the year but continued to be paid the chairperson remuneration for a short period of time. At the same time the member who took on the role was underpaid for the same period. This matter was subsequently identified by Council staff and rectified appropriately. **Implication** - Timely identification of elected members role changes is important in order to make sure remuneration paid is in accordance with the remuneration determination.
EY Audit Recommendation	We recommend that KCDC monitor the status of all its Elected Members to ensure that it is consistent with approved remuneration thresholds in accordance with the Local Government remuneration requirements.
Action Plan	We accept the findings and recommendation from audit. The error occurred due to information not reaching the payroll team in time for the processing of the next pay-run. The overpayment and underpayment was identified shortly afterwards and has since been rectified in subsequent pay runs. Going forward, Democracy services will ensure that any changes in Elected Member positions will be received in writing (e-mail) and conveyed to payroll before the relevant payroll cut off dates. **Responsibility: Manager, Democracy Services**
Progress Update	Payroll cut off dates have been re-communicated to the democracy services team, as well as the importance of communicating any changes in elected members payments to payroll within the relevant pay-run period.

10. Corporate policies due for review (Low)	
Target date for completion and current status	31/12/2021 **On-going**
Ernst & Young Audit Observation and Implication	We observed various employee manuals and policy documents were last updated over 4 years ago. Specifically, we noted the below policies are currently overdue for review and update: a. Receipt of gifts and hospitality b. Rewards and recognition policy c. Mitigation of fraud d. Employee code of conduct e. Elected member code of conduct We understand that KCDC are looking at implementing better monitoring framework of corporate policies to ensure they are updated in a timely manner. Currently there are updated policies in draft version. We expect this point to be closed in the next financial year. **Implication -** 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.
EY Audit Recommendation	We recommend that corporate policies be monitored and updated on a regular basis.
Action Plan	We accept the findings and recommendation from audit. The internal policy register has been re-established to support the monitoring, review and update of corporate policies. This includes regular reporting to SLT on progress. Of those previous out-of-date policies identified above, two have been updated and three are in draft form. All five are expected to be updated by the end of 2020. **Responsibility: Manager, Research and Policy**
Progress Update	The review and update of the last of the above policies was completed in December 2020. Work will continue to support the ongoing review and update of internal policies.

8.5 QUARTERLY TREASURY COMPLIANCE REPORT

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

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

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 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.

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.

DISCUSSION

Cash/Debt Position

6 Table 1 below shows the Council's net debt position as at 31 December 2020 against the 2020/21 full year budget and the prior year closing balance.

Table 1	December YTD Actual $000's	Full Year Budget $000's	Full year 2019/20 $000's
External debt	220,000	207,028	210,000
less borrower notes	(3,790)	(3,312)	(3,360)
less cash and cash equivalents	(67,283)	(40,200)	(50,944)
Net debt	**148,927**	**163,516**	**155,696**

7 During the past three months, the Council has issued $20 million of new debt, bringing the total amount of debt drawn the past six months to $30 million.

8 $30 million was issued to pre-fund $5 million of the May 2021, $10 million of the October 2021 and $15 million of the May 2022 debt maturities. As part of the Council's prefunding programme, all prefunding is placed on term deposit, at the most favourable market rates available at that time.

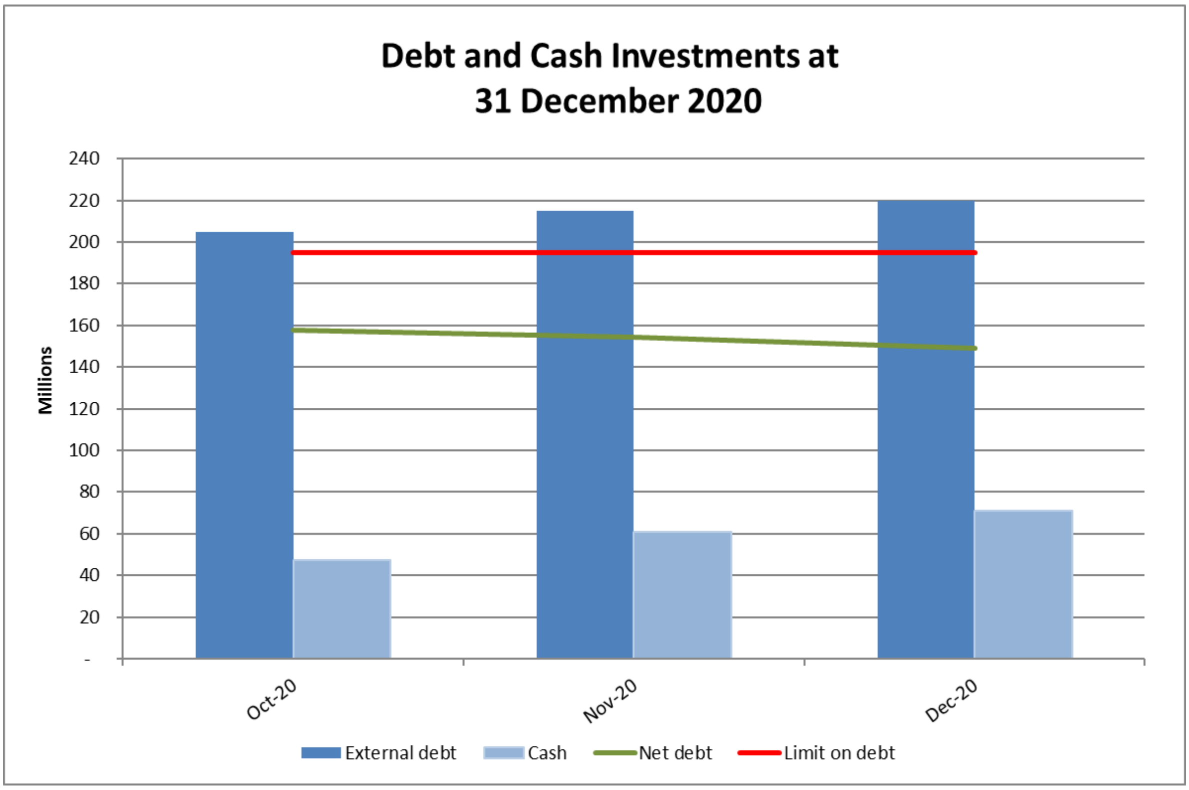
9 The table below shows (a) the movement in the Council's external debt balance and (b) the movement in the Council's pre-funding programme by debt maturity, for the six months ended 31 December 2020.

Borrowings	Gross borrowings	Pre-funding borrowings			
	$000	TD Oct 2020 $000	TD May 2021 $000	TD Oct 2021 $000	TD May 2022 $000
Opening balance 1 July	210,000	20,000	15,000	10,000	
New Long term debt issued YTD	30,000	-	5,000	10,000	15,000
Matured Long term debt	(20,000)	(20,000)	-	-	
Total	**220,000**	**-**	**20,000**	**20,000**	**15,000**

10 As at 31 December 2020 the Council had $71.1 million of cash, borrower notes and term deposits on hand. This is broken down as follows:

Term deposits, cash & borrower notes	Term deposits to prefund borrowings $000	Borrower notes $000	Cash $000	Total $000
LGFA debt maturing May 2021	20,000	-	-	20,000
LGFA debt maturing Oct 2021	20,000	-	-	20,000
LGFA debt maturing May 2022	15,000			15,000
Surplus cash	-	-	12,283	12,283
Borrower notes held	-	3,790	-	3,790
Total	**55,000**	**3,790**	**12,283**	**71,073**

11 For the three months ended 31 December 2020, the Council has not breached its net debt upper limit, as shown in the chart below:



12 The Council is targeting through its current financial strategy, to keep net borrowings below 200% of total operating income of the current financial year. At 31 December 2020, the Council's net borrowings are forecast to be 178.4% of total operating income at the 30 June 2021.

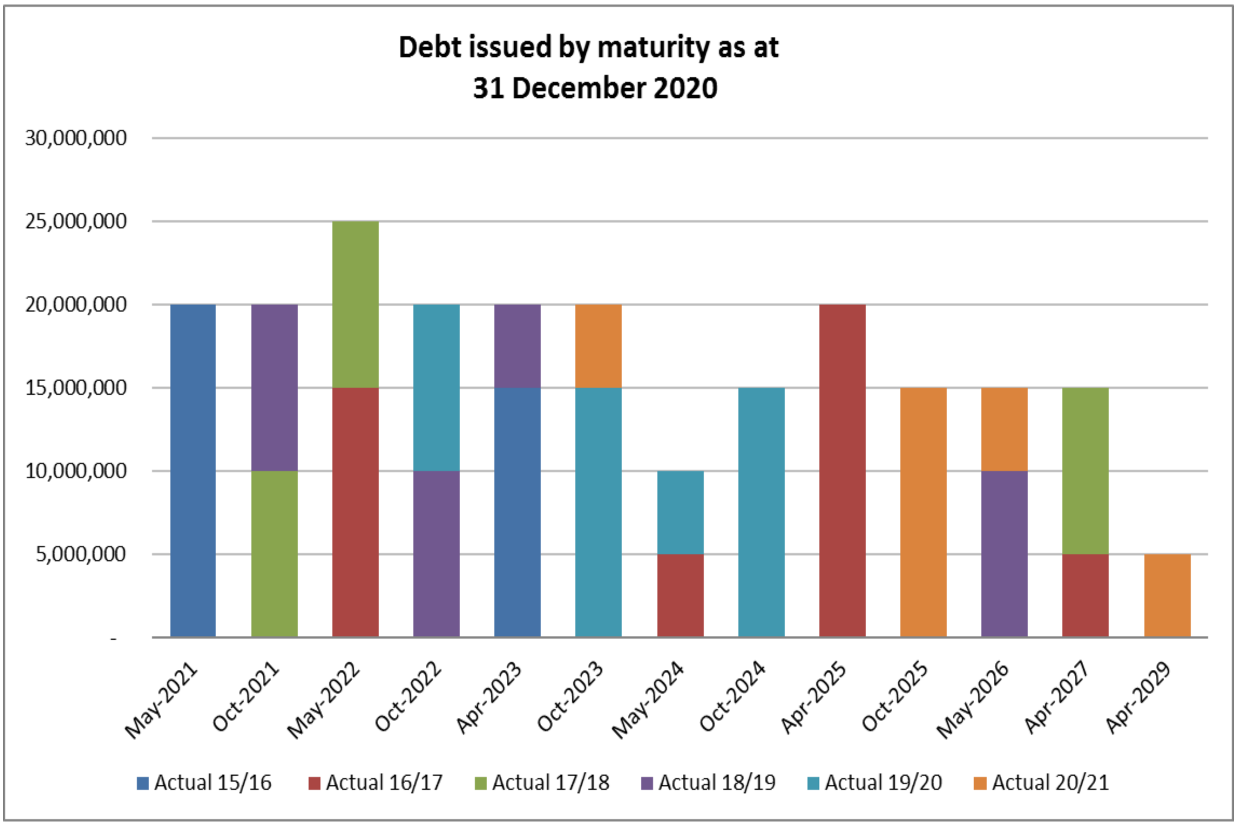
Liquidity/Funding control limits

13 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.

14 Since October 2015 the Council's treasury strategy has included a debt pre-funding programme. The Policy allows pre-funding of the 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.

15 The strength of the Council's debt pre-funding programme was again highlighted by the Council's independent Credit Rating Agency, Standard & Poor's (S&P), during their July 2020 review. This has resulted in the Council's credit rating remaining at AA with a stable outlook for the following year. S&P noted that the Council's liquidity coverage remains exceptional.

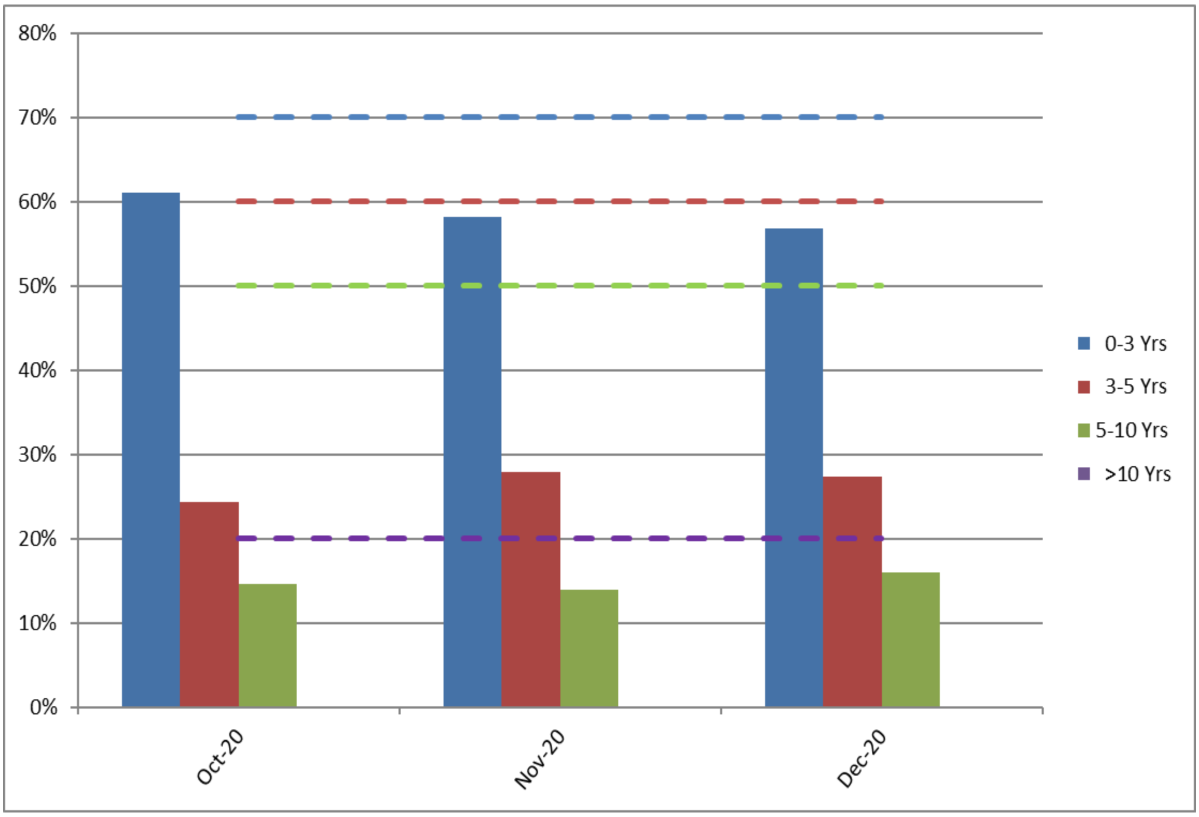
16 The following chart presents the Council's debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.



17 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%

18 For the three months ended 31 December 2020, 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

19 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.

20 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on $220 million of external debt would equate to additional interest expense of $2.2 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.

21 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.

22 The Policy sets out the following interest rate limits:

<u>Major control limit</u> 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;

<u>Fixed/Floating Risk Control limit</u>, that specifies that at least 55% of the Council's borrowings must be fixed, up to a maximum of 100%.

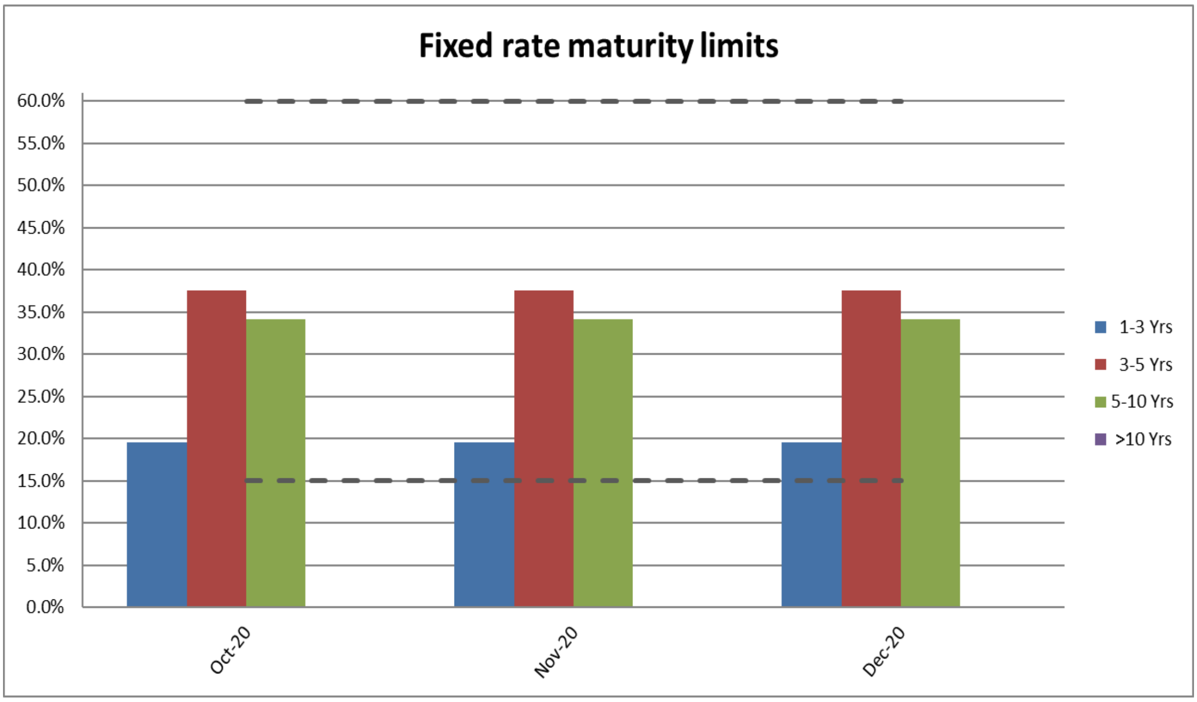
23 The Council has been fully compliant for the three months ended 31 December 2020, as shown by the table below.

$000's	Oct-20	Nov-20	Dec-20
External debt	205,000	215,000	220,000
Swaps (fixed	205,000	205,000	205,000
Fixed %	100.0%	95.3%	93.2%
Unfixed debt	-	10,000	15,000

24 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%

25 The Council has been fully compliant for the three months ended 31 December 2020, as shown by the following chart. Note that maturities falling within 1 year are not included.



Counterparty Credit Risk

26 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.

27 The policy sets the gross counterparty 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

28 The Council was in full compliance with all counterparty credit limits for the three months ended 31 December 2020. The tables below show the Council's investments and risk management instruments holdings per counterparty for this period.

Term deposits

Counter party	Oct-2020		Nov-2020		Dec-2020		Comply
	$000	%	$000	%	$000	%	
NZ Registerd Bank 1	15,000	37.50%	15,000	30.00%	15,000	27.27%	✓
NZ Registerd Bank 2	20,000	50.00%	20,000	40.00%	20,000	36.36%	✓
NZ Registerd Bank 3	5,000	12.50%	15,000	30.00%	20,000	36.36%	✓
NZ Registerd Bank 4	-	0.00%	-	0.00%	-	0.00%	✓
	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	Oct-2020		Nov-2020		Dec-2020		Comply
	$000	%	$000	%	$000	%	
NZ Registerd Bank 1	50,000	24.39%	50,000	24.39%	50,000	24.39%	✓
NZ Registerd Bank 2	91,000	44.39%	91,000	44.39%	91,000	44.39%	✓
NZ Registerd Bank 3	64,000	31.22%	64,000	31.22%	64,000	31.22%	✓
	205,000	100%	205,000	100%	205,000	100%	

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

Specific Borrowing Limits

29 In managing debt, the Council is required to adhere to the specific borrowing limits. The Net External debt/Total operating Income limit was updated during the Policy review in August 2020 to align with the new interim LGFA borrowing covenants in response to COVID-19.

30 Excluding economic stimulus initiatives driven by central government, the Council remains committed to complying with its financial strategy limit of not exceeding 200% of total operating income for 2020/21.

31 The Council fully complied with these limits for the three months ended 31 December 2020 (or a period as otherwise specified) and the results are shown below:

Borrowing limit	Policy limit	2020/21
Net interest expense/Total Operating Income	<20%	8.4%
Liquidity ((total debt + total committed facilities + cash on hand) total debt)	>110%	139.7%
Net External Debt/Total Forecast Operating Income	<300%	178.4%

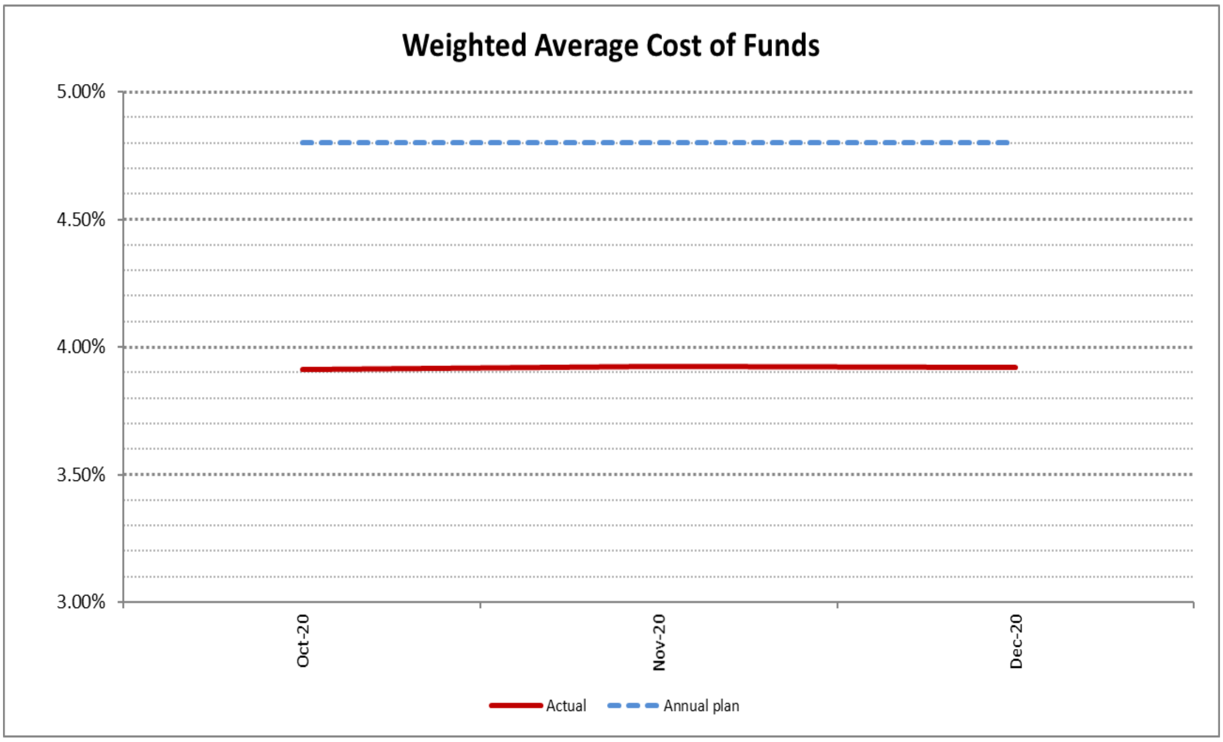
Risk Management Performance

32 The following table shows the Council's interest income and expense for the period ended 31 December 2020 together with the weighted average cost of borrowing (WACB), compared to year to date budget and full year forecast.

	December YTD Actual $000	YTD Budget $000	YTD Variance (Fav/UnFav) $000	Full year Forecast $000
Interest Expense	4,234	4,388	154	8,521
less: Interest Income	(590)	(694)	(103)	(1,027)
Net Interest Cost	3,644	3,694	51	7,494
Weighted Average Cost of Borrowings	3.92%	4.80%	0.88%	3.84%

33 The Council has been effective in its treasury management with its weighted average cost of funds being 0.88% lower than planned as at the 31 December 2020.

34 The following graph shows the cost of borrowing each month.



CONSIDERATIONS

Policy considerations

35 There are no policy considerations in addition to those already noted in this report.

Legal considerations

36 There are no legal considerations arising from this report.

Financial considerations

37 There are no financial considerations in addition to those already noted in this report.

Tāngata whenua considerations

38 There are no tāngata whenua considerations arising directly from this report.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

40 There are no publicity considerations arising from this report.

RECOMMENDATIONS

41 That the Audit and Risk Subcommittee notes the Council's full compliance with its Treasury Management Policy for the three months ended 31 December 2020.

APPENDICES

Nil

9 CONFIRMATION OF MINUTES

9.1 CONFIRMATION OF MINUTES

Author: **Jayne Nock, Executive Secretary to Group Manager Corporate Services**

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

RECOMMENDATIONS

That the minutes of the Audit and Risk Subcommittee meeting on 12 November 2020 be accepted as a true and accurate record of the meeting

APPENDICES

1. Draft Minutes of the Audit and Risk Subcommittee meeting 12 November 2020 ⇩

**MINUTES OF KAPITI COAST DISTRICT COUNCIL
AUDIT AND RISK SUB-COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, GROUND FLOOR, 175 RIMU ROAD, PARAPARAUMU
ON THURSDAY, 12 NOVEMBER 2020 AT 1.30PM**

PRESENT: Mr Bryan Jackson, Cr Angela Buswell, Mayor K Gurunathan, Deputy Mayor Janet Holborow, Cr Gwynn Compton, Mr Gary Simpson

IN ATTENDANCE: Wayne Maxwell, Mark de Haast, Sean Mallon, Janice McDougall, James Jefferson, Darryn Grant, Anelise Horn, Sharon Foss, Dianne Andrew, Tim Power, Jayne Nock, Cr Martin Halliday

APOLOGIES: Nil

LEAVE OF ABSENCE: Nil

COMMITTEE RESOLUTION 2020/28

Moved: Deputy Mayor Janet Holborow
Seconder: Cr Gwynn Compton

That the Audit and Risk Subcommittee meeting start at 1.30pm and adjourn at 1.31pm to allow Members to take a short break following the previous meeting finishing late.

CARRIED

The meeting reconvened at 1.50pm.

1 WELCOME

The Chair welcomed everyone to the meeting.

2 COUNCIL BLESSING

The Chair read the Council blessing.

3 APOLOGIES

The Chair advised that Cr Angela Buswell would need to leave the meeting at 2.15pm.

4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

Nil

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

Nil

6 MEMBERS' BUSINESS

(a) Public Speaking Time Responses

Nil

(b) Leave of Absence

Nil

(c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

Nil

7 UPDATES

Nil

8 REPORTS

8.1 QUARTERLY TREASURY COMPLIANCE REPORT

The report was taken as read and Anelise Horn, Manager, Financial Accounting responded to Members' questions.

The Chair thanked staff for a good detailed report.

COMMITTEE RESOLUTION 2020/29

Moved: Cr Angela Buswell
Seconder: Deputy Mayor Janet Holborow

That the Audit and Risk Subcommittee notes the Council's full compliance with its Treasury Management Policy for the three months ended 30 September 2020.

CARRIED

8.2 RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE

The report was taken as read and Sharon Foss, Business Improvement Manager explained changes within the report and Members' questions were responded to.

It was suggested the 3-Waters Reform be presented as a separate risk with its own risk assessments and assumptions.

COMMITTEE RESOLUTION 2020/30

Moved: Cr Gwynn Compton
Seconder: Mayor K Gurunathan

That the Audit and Risk Subcommittee receives and notes this report, including Appendices 1 and 2 to this report.

CARRIED

Cr Angela Buswell left the meeting at 2.15pm.

8.3 HEALTH AND SAFETY QUARTERLY REPORT: 1 JULY 2020 - 30 SEPTEMBER 2020

Mark de Haast, Group Manager Corporate Services spoke on behalf of the Organisational Development Manager and responded to Members' questions.

It was advised that an online portal was near completion to enable Elected Members to log any health and safety events and full training would be given.

COMMITTEE RESOLUTION 2020/31

Moved: Deputy Mayor Janet Holborow
Seconder: Cr Gwynn Compton

That the Audit and Risk Sub Committee notes the Health and Safety Quarterly Report for the period 1 July 2020 – 30 September 2020 attached as Appendix One to this Report.

CARRIED

9 CONFIRMATION OF MINUTES

9.1 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION 2020/32

Moved: Cr Gwynn Compton
Seconder: Mr Gary Simpson

That the minutes of the Audit and Risk Subcommittee meeting on 24 September 2020 be accepted as a true and accurate record of the meeting.

CARRIED

10 PUBLIC EXCLUDED REPORTS

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION 2020/33

Moved: Mayor K Gurunathan
Seconder: Cr Gwynn Compton

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Confirmation of Public Excluded Minutes	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons 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 Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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
11.1 - Update on litigation status, statutory compliance issues and investigations	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons 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 Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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

CARRIED

The Audit and Risk Subcommittee meeting moved into a public excluded session at 2pm.

The Audit and Risk Subcommittee meeting moved out of a public excluded session at 2.31pm.

The Audit and Risk Subcommittee resolved their approval to release report 'Update on Litigation Status, Statutory Compliance Issues and Investigations' (excluding appendices) and the resolutions from the public excluded session.

COMMITTEE RESOLUTION 2020/34

Moved: Cr Gwynn Compton
Seconder: Mayor K Gurunathan

That the Audit and Risk Subcommittee:

note that there were compliance issues associated with the Building Act arising from the inability of council officers to undertake certain inspections during lockdown in the third and fourth quarters of 2019/20, as outlined in paragraph 10 of this report;

note the current status of Ombudsman and Privacy Commissioner investigations and litigation;

agree that this report and resolutions only be released from public excluded business; and

agree that appendices (1) and (2) of this report, be excluded from public release.

CARRIED

Appendices

1 Update on Litigation Status, Statutory Compliance Issues and Investigations Report

The Audit and Risk Subcommittee meeting closed at 2.31pm.

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CHAIRPERSON

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Confirmation of Public Excluded Minutes	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons 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 Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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
11.1 - Update on litigation status, statutory compliance issues, investigations	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making	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

	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 Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	