

I hereby give notice that an ordinary meeting of the

Audit, Risk and Finance Committee

will be held on:

Date: Thursday 09 March 2017
Time: 2.00 pm
**Venue: Meeting Room, Kaipara District Council Office, Unit 6, The Hub,
6 Molesworth Drive, Mangawhai**

Agenda

Membership

Chair: Richard Booth
Members: Councillor Del La Varis-Woodcock
Councillor Geange
Councillor Joyce-Paki
Councillor Larsen
Councillor Wade
Mayor Gent (Ex-Officio)

Staff and Associates:

Chief Executive, General Manager Finance, Democratic Services Manager (minute-taker).

Seán Mahoney
Governance Services Manager

1610.05

A&R Agenda 09 MArch 2017 PEX

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Ordinary Meeting Audit and Risk Committee Thursday 09 March 2017

1 Opening

1.1 Present

1.2 Apologies

1.3 Confirmation of Agenda

The Committee to confirm the Agenda.

1.4 Conflict of Interest Declaration

Committee Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a Committee Member and any private or other external interest they might have. It is also considered best practice for those members to the Executive Team attending the meeting to also signal any conflicts that they may have with an item before the Committee.

2 Operational

File number: 2304.15 **Approved for agenda**

Report to: Audit, Risk and Finance Committee

Meeting date: **09 March 2017**

Subject: **Legal compliance - Awareness of Obligations October 2016**

Date of report: 28 February 2017

From: Glennis Christie, General Manager Finance

Report purpose **Decision** **Recommendation** **Information**

Assessment of significance **Significant** **Non-significant**

Summary

Council is obligated, and should, operate within legislative requirements. In addition there are industry standards applicable to Council activities. Council introduced a system requesting Level Three Managers and above to acknowledge their awareness and endeavour to meet the requirements of relevant Acts of Parliament, Regulations and Standards Applicable to their duties. A list of general Acts of New Zealand is appended to this report (**Appendix 1**).

Six monthly Level Three Managers and above are asked to read and sign an Awareness of Obligations and Endeavour to Meet Statement. In this statement, Managers are asked to verify that, to the best of their knowledge, they are complying and operating within legislative requirements. Staff undertook these statements in October 2016 and this is the first opportunity to report to the Audit, Risk and Finance Committee since completion. The second half year obligations are due to be undertaken in April 2017 and reported to the next Audit, Risk and Finance Committee meeting.

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Finance's report 'Awareness of Obligations October 2016' dated 28 February 2017 and the information contained therein.

Reason for the recommendation

It is appropriate that the Audit, Risk and Finance Committee is informed and receives continuing information relating to internal control measures undertaken by management.

Reason for the report

To report to the Audit, Risk and Finance Committee the internal control steps undertaken to ensure staff are aware of requirements and obligations as prescribed through Acts of Parliament, Regulations and Standards applicable for a local government environment.

Background

Council has introduced a system for requesting Level Three Managers and above to acknowledge their awareness and endeavour to meet the requirements of relevant Acts of Parliament, Regulations and Standards Applicable to their duties. Appendix 1 is the current Listing of Legislation that

Level Three Managers and above have acknowledged as being relevant to Council Activities.

This helps to ensure activities carried out on behalf of Council are done so by Managers aware of their obligations.

Routine confirmations are part of the internal control systems of Council and it is intended to provide the Audit, Risk and Finance Committee with updates on a regular basis.

While at first glance the requirements may seem onerous, Managers are all experienced in their areas of operation and used to undertaking their tasks while complying with all manner of legislation. This is the fourth cycle of statements that has been completed by Managers since the introduction of the compliance auditing.

Factors to consider

Community views

The community would expect a system of assurance to be in place so that Council was aware of and compliant with relevant legislation.

Policy implications

This is an information report outlining legislative compliance and has no impact on policy.

Financial implications

There are no financial implications as a result of this report.

Legal/delegations implications

This report is for information and does not trigger legal or delegation implications.

Options

The options available to the Audit, Risk and Finance Committee are:

Option 1: Accept report. The Committee could receive the information provided.

Option 2: Ask for additional information or further clarification. The Committee could ask for additional information or further clarification if required.

Assessment of options

Under Option 1 the Committee would receive the report. Under Option 2 the Committee may wish to leave the report lying and seek further information or clarification on a matter.

Assessment of significance

Receiving internal control information is a routine business practice issue and is not significant in terms of Council's Significance and Engagement Policy.

Recommended option

Option 1, receive the report.

Appendix

- **Appendix 1:** Listing of Legislation

Appendix 1

Kaipara District Council – Listing of Legislation

Public General Acts of New Zealand

There are many general Acts of Parliament that confer powers on the Kaipara District Council and regulate its functions, duties and responsibilities. The most significant of these are as follows:

Building Act 2004
 Building Research Levy Act 1969
 Burial and Cremation Act 1964
 Bylaws Act 1910
 Citizenship Act 1977
 Civil Defence Emergency Management Act 2002 (Lifelines)
 Climate Change Response Act 2002
 Construction Contracts Act 2002
 Consumer Guarantees Act 1993
 Copyright Act 1994
 Disputes Tribunal Act 1988
 Dog Control Act 1996
 Electoral Act 1993
 Electricity Act 1992
 Employment Relations Act 2000
 Energy Efficiency and Conservation Act 2000
 Fair Trading Act 1986
 Fencing Act 1978
 Fencing of Swimming Pools Act 1987
 Financial Reporting Act 2013
 Fire Services Act 1975
 Food Act 2014
 Forest and Rural Fires Act 1977
 Gambling Act 2003
 Gas Act 1992
 Goods and Services Tax Act 1985
 Hazardous Substances and New Organisms Act 1996
 Health Act 1956
 Health (Drinking Water) Amendment Act 2007 (an amendment of the Health Act 1956)
 Health and Safety at Work Act 2015
 Heritage New Zealand Pouhure Taonga Act 2014
 Holidays Act 2003
 Human Rights Act 1993
 Impounding Act 1955
 Income Tax Act 2007

Insolvency Act 2006
Kaipara District Council (Validation of Rates and Other Matters) Act 2013
KiwiSaver Act 2006
Land Drainage Act 1908
Land Transfer Act 1952
Land Transport Act 1998
Land Transport Management Act 2003
Land Transport (Road Safety and Other Matters) Amendment Act 2011
Litter Act 1979
Local Authorities (Members' Interests) Act 1968
Local Electoral Act 2001
Local Government Act 1974
Local Government Act 2002
Local Government Act 2002 Amendment Act 2012
Local Government (Financial Reporting and Prudence) Regulations 2014
Local Government Official Information and Meetings Act 1987
Local Government (Rating) Act 2002
Major Events Management Act 2007
Mangawai Lands Empowering Act 1966 (sic)
Minimum Wage Act 1983
Municipal Insurance Act 1960
New Zealand Library Association Act 1939
Parental Leave and Employment Protection Act 1987
Plumbers, Gasfitters, and Drainlayers Act 2006
Postal Services Act 1998
Privacy Act 1993
Property Law Act 2007
Protected Disclosures Act 2000
Public Audit Act 2001
Public Bodies Contracts Act 1959
Public Records Act 2005
Public Works Act 1981
Rates Rebate Act 1973
Rating Valuations Act 1998
Reserves Act 1977
Resource Management Act 1991
Resource Management Infringement Offences Regulations 1999
River Boards Act 1908
Sale and Supply of Alcohol Act 2012
Sale of Goods Act 1908
Soil Conservation and Rivers Control Act 1941

Smoke-free Environments Act 1990

Tax Administration Act 1994

Telecommunications Act 2001

Trespass Act 1980

Utilities Access Act 2010

Wages Protection Act 1983

Walking Access Act 2008

Waste Minimisation Act 2008

Wild Animal Control Act 1977

Wildlife Act 1953

File number: 2304.15 **Approved for agenda**
Report to: Audit, Risk and Finance Committee
Meeting date: **09 March 2017**
Subject: **Audit Action Plan Update**
Date of report: 24 February 2017
From: Glennis Christie, General Manager Finance

Report purpose **Decision** **Recommendation** **Information**
Assessment of significance **Significant** **Non-significant**

Summary

Under the Local Government Act 2002 Council is required to have its Annual Report and Long Term Plans (including Long Term Plan Amendments) audited.

Following completion of the audits, Council's auditors, Deloitte, produce a report to Council detailing findings from each review and highlighting areas for improvement:

- The Report to Council for the year ended 30 June 2014, dated 29 September 2014, was presented to the Audit and Risk Committee on 17 November 2014. The Constructive Report to Management for the year ended 30 June 2014 was received by the Audit and Risk Committee in February 2015. Recommendations from this have been incorporated into the Audit Action Schedule (**Attachment 1**).
- The Kaipara District Council Report to Council (that was available for the September 2015 Audit and Risk Committee meeting) and the Kaipara District Council Constructive Report to Management for the year ended 30 June 2015. Recommendations for this have also been incorporated into the Audit Action Schedule.
- In addition, Council initiated a fraud risk review that was completed 31 October 2014. A Key Risk Treatment Plan (**Attachment 2**) is included.
- Deloitte has completed the "Constructive Report to Management for the year ended 30 June 2016" (**Attachments 3**). The recommendations have been incorporated as a separate section in Attachment 1 and titled as "Annual Report 2015/2016 (Constructive Report to Management for the year ended 30 June 2016, dated 09 December 2016).

Progress is noted against the recommendations and presented to each Audit, Risk and Finance Committee meeting until the actions have been cleared.

Also attached is the Deloitte Planning Report for the year ended 30 June 2017 (**Attachment 4**) dated 24 February 2017. This report outlines the plan and areas of focus for the audit of the financial statements for Council year ended 30 June 2017.

Recommendation

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Finance's report 'Audit Action Plan Update' dated 24 February 2017; and*

2 *Receives the Deloitte Constructive Report to Management for the year ended 30 June 2016 dated 09 December 2016 and the Deloitte Planning Report for the year ended 30 June 2017 dated 24 February 2017.*

Reason for the recommendation

It is appropriate that the Audit, Risk and Finance Committee monitors progress in addressing actions identified by Council's auditors.

Reason for the report

To enable the Committee to review the updated External Audit Management Letter Action Schedule and Key Risk Treatment Plan and receive the new Constructive Report to Management for year end 30 June 2016 and the Planning report for the year ended 30 June 2017.

Background

Under the Local Government Act 2002 Council is required to have its Annual Report audited. This work was completed by Deloitte for the 2012/2013 to 2015/2016 years on behalf of the Auditor-General.

In addition to their formal audit opinion, which is included in the Annual Report, the auditors also produce a 'Report to the Council' and a 'Constructive Report to Management'. An Action Schedule has been created in order to track and action the outstanding issues identified by Deloitte.

Two reports formed the foundation of the current Audit Action Schedule (**Attachment 1**). These are:

- Constructive Report to Management for the year ended 30 June 2014, dated 23 November 2014 which was derived from the Annual Report 2013/2014, and
- Constructive Report to Management for the year ended 30 June 2015 dated 10 November 2015 for the Annual Report 2014/2015.

New information for Council is the Constructive Report to Management for the year ended 30 June 2016 dated 09 December 2017 (**Attachment 3**). From this report, Section A - "New points raised in current year" are listed as the items requiring action and as such, are incorporated in Attachment 1 – Audit Action schedule to be monitored by the Committee until completion.

Issues

External auditors summarise the overall findings from their audits, note the range of issues that Council faces or should consider (such as improvements that could be made to Council processes) and makes recommendations for action by Council.

The audit action schedules list the recommendations from the auditors, identifies the issues where it is considered that further follow-up action is warranted and notes progress against the recommendations until the action is complete.

These issues remain as a clear area of focus for Council and Staff.

Staff progressively work on the actions outlined in the audit action schedule as relative priorities and resources allow. Some actions have taken longer to progress than others however systems and improvements have been made to see these actions dwindle.

Attachment 2 is an action schedule for the recommendations that came out the fraud risk review that was completed 31 October 2014.

Internal audit

Council has commenced internal audit activities. Two audit are in progress: a development contribution review of the process and a cash handling review. The results will be reported through to the next Committee meeting and recommendations will be tracked in an action schedule.

The next areas for review later in the year are contract management and procurement.

Audit of the year ended 30 June 2017

Also for receipt by the Committee is the Planning Report by Council's auditors Deloitte (**Attachment 4**). The report outlines the audit scope and areas of focus for the audit of financial statements year ending 30 June 2017.

Next step

The Committee should satisfy itself that all of the necessary actions are provided for in the attached Action Schedules and that appropriate action is being taken to address these issues.

Attachments

- **Attachment 1:** Action Schedule identifying issues which require follow-up action
- **Attachment 2:** Key Risk Treatment Plan identifying issues from the fraud risk review which require follow-up action
- **Attachment 3:** Kaipara District Council – Constructive Report to Management for the year ended 30 June 2016 dated 09 December 2016.
- **Attachment 4:** Kaipara District Council – Planning Report for the year ended 30 June 2017

External Audit Management Letter Action Schedule
1. Annual Report 2013/2014 (Constructive Report to Management for the year ended 30 June 2014, dated 23 November 2014)

Item Description ¹	Action Required	Staff Resp ² .	Progress to Date	Completed
Fixed Assets Register (FAR) maintenance (A3)	<ul style="list-style-type: none"> Track individual assets within each asset class to enable a physical check to be completed on the fixed asset balance; Software should be separated out into intangible assets to ensure that the fixed asset and intangible balances reflect the appropriate accounting policies in the financial statements (NB: noted that not material). 	FSM	Reconciliation of land assets underway. The FAR will look to be incorporated into existing Council software. It is intended to have the FAR in place before the interim audit due May 2017.	
Property, plant and equipment (PPE) monitoring (B8)	On a monthly basis or at least on a quarterly basis the PPE balances should be updated for actual ³ <ul style="list-style-type: none"> operational expenditure; capital expenditure; and depreciation. 	FSM	Discussion with Council's auditor may see a shift in Deloitte's understanding. Council manages Capital Expenditure through the budgeting and monthly reporting system not the PPE.	
Repairs and Maintenance (R&M) Policy (B9)	Introduce an R&M Policy. ³	FSM	Policy completed.	Completed

¹ References are to the Deloitte "Constructive Report to Management for the year ended 30 June 2014" (received by the Audit and Risk Committee in February 2015)

² RM (Revenue Manager), FSM (Financial Services Manager), GMI (General Manager Infrastructure), GMF (General Manager Finance), GMCS (General Manager Corporate Services), GMS&P (General Manager Strategy & Performance), ISM (Information Services Manager), GMC (General Manager Community), HR (Human Resources), CSM (Customer Services Manager), EA (Executive Assistant)

³ First noted by Audit as part of the Annual Report for year ended 30 June 2013.

Item Description ¹	Action Required	Staff Resp ² .	Progress to Date	Completed
Reconciliations (B10)	Detailed reconciliations should be performed to ensure the general ledger does reconcile with the FAR on a regular basis i.e. monthly ⁴ . With respect to the underlying databases again these reconciliations should be done on a regular basis. We understand that the reconciliation may not be able to be done on an overall basis however sample checks should be completed to ensure the FAR information is consistent with the underlying databases and that all assets included in the revaluation report are consistent with the FAR and general ledger.	FSM	This matter is being addressed as part of the FAR system.	

Annual Report 2014/2015 (Constructive Report to Management for the year ended 30 June 2015 dated 10 November 2015)

Item Description ⁵	Action Required	Staff Resp ⁶ .	Progress to Date	Completed
Water and wastewater KPI testing (A6)	Either implement a function within the service request system for coding to specific issues or consistently applying these codes within the documentation of service requests.	GMS&P /EA	Query with Council software providers NCS about creation of codes for use in service request system.	

⁴ First noted by audit as part of the Annual Report for year ended 30 June 2013.

⁵ References are to the Deloitte "Constructive Report to Management for the year ended 30 June 2015" (received by the Audit and Risk Committee in December 2015)

⁶ FSM (Financial Services Manager), RM (Revenue Services Manager), GMCS (General Manager Corporate Services), GMI (General Manager Infrastructure), GMF (General Manager Finance), GMS&P (General Manager Strategy & Performance), ISM (Information Services Manager), GMC (General Manager Community), HR (Human Resources), CSM (Customer Services Manager), EA (Executive Assistant).

2. Annual Report 2015/2016 (Constructive Report to Management for the year ended 30 June 2016, dated 09 December 2016)

Item Description ⁷	Action Required	Staff Resp ⁸ .	Progress to Date	Completed
Process for collating data relating to non-financial performance measure is not centrally controlled (A1)	Centrally manage collated information and review quarterly.	GMS&P	To be addressed for the 2016/2017 year.	
Creditor Masterfile change reports are not reviewed on a timely basis (A2)	Review Masterfile change reports in a timely manner.	FCPM	Refund system now in place, reviewed and authorised weekly. Rest of Masterfile reviewed.	Completed
Fixed asset clerical errors (A3)	Recommend reconciliation and check depreciation rates.	FSM	System reviewed and errors corrected.	Completed
Not all fixed assets owned by Council were included in the fixed asset register (A4)	Reconciliation of Council-owned land sourced from the Rates database to fixed assets register.	FSM	Land reconciliation underway.	

⁷ References are to the Deloitte "Constructive Report to Management for the year ended 30 June 2015" (received by the Audit and Risk Committee in December 2015)

⁸ FSM (Financial Services Manager), RM (Revenue Services Manager), FCPM (Financial and Corporate Planning Manager), GMCS (General Manager Corporate Services), GMI (General Manager Infrastructure), GMF (General Manager Finance), GMS&P (General Manager Strategy & Performance), ISM (Information Services Manager), GMC (General Manager Community), HR (Human Resources), CSM (Customer Services Manager), EA (Executive Assistant), FA (Finance Administrator).

Item Description⁷	Action Required	Staff Resp⁸.	Progress to Date	Completed
HR Document Retention (A5)	Retain and file HR documents correctly.	GMCS		
Infrastructure asset information (A6)	Update Infrastructure Asset database to enable accurate and complete data to ensure recommended improvements are addressed.	GMI	Condition monitoring being accelerated where practicable	
NZTA Audit Report Findings (A7)	Consider and implement NZTA recommendations where appropriate.	GMI	Continuing process	
Prior year prepayment balances included in current year (A8)	Balance sheet reconciliations periodically reviewed.	FSM	Corrected	Complete
There is insufficient segregation of duties when journal entries are entered (A9)	Segregation of duties between preparation and input of journals. Entries then independently reviewed prior to being processed.	FSM	Segregation in place	Complete
KDC's calculation of their debt ratios within their liability management policy varies with Deloitte's calculation (A10)	Update debt ratio calculations as stipulated by liability policy.	GMF	Policy to be reviewed	
Holiday Pay (A11)	Monitor Holiday Pay calculations to ensure compliance with The Holidays Act 2003.	FA	Continuing review	

Item Description ⁷	Action Required	Staff Resp ⁸ .	Progress to Date	Completed
Maintenance of the Security Stock Register (A12)	Regular review of Security Stock Register.	FSM	Register reviewed regularly and these issues arose as part of transition to LGFA funding. LGFA transition complete	Complete

Counter Fraud Gap Analysis and Fraud Assessment report dated 31 October 2014
Key Risk Treatment Plan - Action Schedule

Key Risk ¹	Suggested treatments ²	Staff Resp ³	Progress to date	Completed
Fictitious invoicing by employee or third party	Introduce supplier set-up checklist.	FSM	The introduction of Electronic Purchase Orders will allow control of new suppliers. Draft Business Plan prepared.	
Fraudulent manipulation of bank payments	Consider implementing further banking security.	FSM	BNZ recently upgraded their Online Banking Security. Enhancements to be investigated.	
Suppliers invoicing for work not completed.	Consider implementing regular formal audit of ordered works.	GMI, GMF	For major Council contracts routine auditing is undertaken as part of authorising a monthly claim. The percentage of auditing varies within activity.	
	For some services use a limited number of approved suppliers only.	FSM	Council is awaiting the implementation of Electronic Purchase Orders to limit approved suppliers for use. Draft Business Plan prepared.	
	Audit yearly-spend over top 50 suppliers.	FSM	Follow-up review indicates second tier suppliers the high risk. To be reviewed by June 2017.	
Fraudulent manipulation of supplier bank accounts in NCS.	Audit current NCS access permissions and restrict to required roles.	GMCS	Latest software upgrade included a roles matrix to ensure only access to relevant data is available. Installed and ready for testing.	
	Segregate roles.	GMCS	To be commenced.	

¹ References are to the Deloitte "Counter Fraud Gap Analysis & Fraud Risk Assessment" dated 31 October 2014 (received by the Audit and Risk Committee in November 2014). Key risks were pulled together from the risk that were perceived as high and medium.

² Recommended by Deloitte.

³ FSM (Financial Services Manager), RM (Revenue Manager), GMI (General Manager Infrastructure), GMCS (General Manager Corporate Services), GMF (General Manager Finance)

Kaipara District Council
Constructive Report to Management
for the year ended 30 June 2016

9 December 2016

Graham Sibery
Chief Executive
Kaipara District Council
Private Bag 1001
Dargaville

Dear Graham

Constructive Report to Management for the year ended 30 June 2016

In accordance with our normal practice, we enclose our detailed comments on the points that were discussed with management at the conclusion of the audit which relate to certain internal controls and accounting practices which came to our attention during our audit of the financial statements of Kaipara District Council ("the Council") for the year ended 30 June 2016. The matters raised in this report have been discussed and agreed with management of the Council and their comments have been included. This report supplements the report to the Commissioners dated 12 September 2016 which concluded on the areas of focus addressed as part of the audit.

We remind you that our audit was not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those matters that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

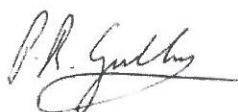
This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business dated 6 April 2016 and as required by New Zealand auditing standards. The audit of the financial statements does not relieve management or the Council of their responsibilities. The ultimate responsibility for the financial statements and the design, implementation and maintenance of an appropriate internal control system to prevent and detect and fraud rests with the Council.

We have prepared this report solely for the use of the Council and management and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit. If you would like to discuss any matters raised in this report please do not hesitate to contact us.

Yours sincerely

DELOITTE



Peter Gulliver
Partner

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A. New points raised in current year		
Observation	Recommendation	Management Response
<p>A.1 The process for collating data relating to non-financial performance measures is not centrally controlled</p> <p>Data relating to non-financial performance measures was not always readily available because the process for collating the information and documenting results in the SSP was not centrally controlled</p>	<p>We recommend that the process for collating this information is centrally managed by someone in the finance team, and that data is collated and reviewed quarterly. In addition, management may wish to consider the current measures to determine whether they are appropriate and sufficiently measurable. The appropriate time to do this would be in the planning process for the 2018-28 LTP.</p>	<p><i>We agree this needs to be improved and will review during the coming year</i></p>
<p>A.2 Creditor Masterfile change reports are not reviewed on a timely basis</p> <p>Creditor masterfile change reports from the month of January 2016 were not reviewed until a number of months after they had been run. This leaves a substantial period of time for any errors to continue occurring.</p>	<p>We recommend performing a regular, timely review of masterfile change reports</p>	<p><i>Previously rate refunds were processed in the system as creditors. Therefore every month there would be large quantity of changes to the creditor master file, which makes review difficult.</i></p> <p><i>Management recognised this as an issue and has made changes to the system whereby they purged creditors from the creditor master file and set up a separate account for refund creditors, which is reviewed every 2 weeks.</i></p> <p><i>Management has therefore taken steps to implement more frequent reviews</i></p>

A. New points raised in current year

Observation

Recommendation

Management Response

A.3 Fixed asset clerical errors

A number of clerical errors were identified in respect of fixed assets:

1. Revalued land under water supply per the fixed asset register (FAR) was not complete. Three pieces of land had not been included in the fixed assets balance.
2. Depreciation for infrastructure assets revalued more than 1 year prior to year-end was initially calculated incorrectly. This arose due to both:
 - a. Depreciation rates being incorrectly applied for FY13 revaluations; and
 - b. Applying depreciation against depreciated replacement cost (i.e. carrying amount) at the point of revaluation, rather than replacement cost.
3. Depreciation for roading assets held as at 1 July 2015 was incorrectly populated with the depreciation for assets held as at 1 July 2014

1. We recommend performing a reconciliation of revaluations per the revaluations report, and other independent land register databases, to the total figure to be included in the financial statements (as per the FAR) in order to ensure all land owned by Council has been recorded.
2. We recommend correcting depreciation rates and adjusting the fixed asset register so that it correctly calculates depreciation. Additionally, we would encourage management to identify and implement a review control to prevent recurrence of this issue.
3. We recommend performing a reconciliation of revaluations and depreciation per the revaluation reports to the total relevant figures to be included in the financial statements in order to ensure all items have been captured. Additionally, we would encourage management to identify and implement a review control to prevent recurrence of this issue.

The system has been reviewed to eliminate these problems.

A. New points raised in current year

Observation	Recommendation	Management Response
<p>A.4 Not all fixed assets owned by council were included in the fixed assets register</p>	<p>We recommend KDC performs a reconciliation of land they own per the rating database to the fixed assets register.</p>	<p><i>Under action – will be completed this financial year</i></p>
<p>A number of pieces of vacant land, including a piece of land disposed of in the current year, were not included within the fixed asset register.</p>		
<p>A.5 HR Document Retention</p>	<p>We recommend retaining HR documents and filing them in the correct location.</p>	<p><i>Systems will be reviewed to ensure compliance</i></p>
<p>Recent HR documents were not always properly filed and retained, leading to recent employee termination documents being misplaced. These documents were supposed to have been retained in the Human Resource Managers' office.</p>		
<p>A.6 Infrastructure asset information</p>	<p>We recommend updating infrastructure asset database information so that the information in the database is sufficiently accurate and complete, and ensuring the improvements recommended by MWH are addressed.</p>	<p><i>Council has one officer updating its asset data information for the 4-Waters Team (Water, Wastewater, Stormwater, Land Drainage) which is an ongoing process. It is recognized that this is a time-consuming process and it is expected to take some years to improve the asset data to bring it up to a satisfactory standard (the asset condition program is a six-year program). Some asset data will remain unknown until the assets are replaced e.g. install date where no construction plans can be identified, or it is impractical to excavate pipelines to confirm their diameters.</i></p>
<p>Information relating to infrastructure fixed assets, such as size and condition is incomplete in the asset databases. We note that Kaipara has begun a project to address this, however it has been included as a point for improvement in MWH's year-end valuation reports.</p>		

A. New points raised in current year

Observation	Recommendation	Management Response
A.7 NZTA Audit Report Findings		
<p>NZTA's audit report includes issues which are of relevance to the financial statements. This includes the quality of information within the RAMM database.</p>	<p>We recommend taking steps to consider and implement NZTA recommendations where appropriate.</p>	<p><i>Council has one officer updating its RAMM database, and ensuring the information input into RAMM by its maintenance contractor is up to standard. Some data will only be practicable to update as and when the assets are replaced. NZTA recommendations are implemented where appropriate.</i></p>
A.8 Prior year prepayment balances included in current year		
<p>A prior period prepayment amount was not updated from the prior year figure. This amount should have been realized in the financial year, and the existence of any prepayment reassessed at year end.</p>	<p>We recommend that balance sheet reconciliations are reviewed for aged items periodically.</p>	<p><i>Agreed – this is normally undertaken. Noted the value of the item was insignificant.</i></p>
A.9 There is insufficient segregation of duties when journal entries are entered		
<p>Those persons who are entering the journals are, at times, the same person who has prepared the journal. Furthermore there is no formal review of journals entered into the system.</p>	<p>We recommend segregating duties sufficiently so that persons who prepare journals are separate from those who enter them. We further recommend all journal entries are independently reviewed prior to being processed.</p>	<p><i>The process is structured so that different personnel prepare, post, and review journals. All journal vouchers are physically signed off.</i></p>
A.10 KDC's calculation of their debt ratios within their liability management policy varies with Deloitte's calculation		
	<p>KDC calculate the ratios for their Liability Management Policy through a PWC Model Workbook.</p>	<p><i>We understand the reasons for the difference. It is more appropriate to update the policy</i></p>
	<p>Deloitte's calculation of the same ratios result in slight variances as a result of differences in the definition of Liquid Investments (Cash), which are included in Deloitte's calculation and not included in KDC's calculation.</p>	
	<p>We recommend updating this calculation so that it follows the definitions and calculations stipulated by the liability policy.</p>	

A. New points raised in current year		
Observation	Recommendation	Management Response
A.11 Holiday pay	<p>The Holidays Act 2003 contains complex requirements for holiday pay calculation and include elements of interpretation. Issues can be encountered, in terms of complying with the act, when the payroll system is not set up correctly. A number of public sector issues have arisen in the current year.</p> <p>KDC uses MAGIQ to calculate the holiday pay accrual, and obtained a confirmation from MAGIQ that the system was compliant. Management have proactively checked a sample of three employees to determine that the holiday pay rate calculated by the system is correct.</p> <p>We recommend that management continue to monitor this matter to maintain compliance. Noting that small errors on an individual basis across such a population can have a significant impact as they accumulate, we also recommend a complete check of present and past balances in order to mitigate the risk of the accrual being understated.</p>	<p><i>We understand there is a wider ongoing risk and will continue to do checks of the NCS system.</i></p>
A.12 Maintenance of the Security Stock Register	<p>During our audit of the security stock register, we noted that a security first registered in March 2016 had not been added to the register by 30 June 2016. This has subsequently been prospectively updated by Computershare, who maintain the register, however we recommend that management review the register on a regular basis in order to determine that any required adjustments have been made within an appropriate timeframe.</p>	<p><i>Management do review the register and no issues have been noted other than those which arose as part of transition to LGFA funding.</i></p>

B. Points raised in prior year still open in current year

Observation	Recommendation	Management Response
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B.1 Fraud risk review

Our forensic team have completed a fraud risk review consisting of three parts:

- Fraud gap analysis
- Fraud risk assessment
- Analysis of relationships within master file data

We recommend the remaining points identified from the fraud risk review performed in the prior year be addressed and the recommendations implemented.

Work continues as time and priorities allow.

Deloitte has sighted the "Key Risk Treatment Plan- Action Schedule" which notes key risks identified from the fraud risk review (that were perceived by the Council as high and medium) as well as suggested treatments and progress to date.

We note that a number of the findings have been addressed and the recommendations have been implemented. There are however still some outstanding points that have not yet been addressed.

B.2 Property, plant and equipment (PPE) - monitoring

Included in the management reporting (Finance and Treasury Reports) is the PPE balance and comments with regards to these balances.

We noted the following during the audit:

- Operational and capital expenditure is only updated on an annual basis; and
- Depreciation is only estimated on a monthly basis with actual depreciation being recorded at year end.

We recommend on a monthly basis or at least on a quarterly basis the PPE balances are updated for actual

- operational expenditure
- capital expenditure; and
- depreciation

This process will ensure that the Council are presented with up-to-date information and the balances being included in the Finance and Treasury Reports more accurately reflect the actual PPE balances as at that date.

Management is in the process of designing a system to obtain a live fixed asset register.

B. Points raised in prior year still open in current year

Observation	Recommendation	Management Response
B.3 Repairs and maintenance policy		
<p>We did not note any formal policy in place at the Council for determining whether expenditure is of a capital nature or repairs and maintenance.</p> <p>Implementing such a policy helps to guide management as to how to treat expenditure especially with regards to infrastructure assets.</p>	<p>We understand the Council is likely to address repairs and maintenance in detail as part of the current updating of the asset management plans (AMP).</p> <p>An umbrella policy could be considered which lists the various classes of assets and notes either a policy for those assets or reference to the AMPs once they have been updated.</p> <p>This will link and provide guidance for management when completing our recommendation above with regards to regularly identifying and recording actual capital and operational expenditure.</p>	<p><i>A policy is currently being drafted in relation to this.</i></p>
B.4 Reconciliations		
<p>Our work highlighted the fact that there are no reconciliations completed between the underlying infrastructure databases (ie RAMMs, water asset database) and the fixed asset register (FAR).</p>	<p>We recommend implementing a process to reconcile land between the infrastructure databases and the fixed asset register.</p>	<p><i>Management is in the process of designing a system to obtain a live fixed asset register, which will be able to be used to reconcile these on a monthly basis. The intention is for RAMM to form the basis of the FAR.</i></p>
B.5 Fixed assets register (FAR) maintenance		
<p>Some fixed assets (mainly operational assets) are recorded as a class in total in the FAR and there is no record of the individual assets included within each class. This causes difficulty in identifying what physical asset the amounts relate to.</p> <p>In addition we noted that software is recorded within the office equipment asset class.</p>	<p>KDC are still in the process of updating the FAR and supporting databases to include the appropriate detail required to meet the organisation's needs.</p> <p>This is expected to be finalised in 2015/16.</p> <p>Deloitte has further noted that software had a Nil book value at balance date.</p>	<p><i>This is part of a Fixed Asset / Capitalisation project planned for 2016 - 2017</i></p>

B. Points raised in prior year still open in current year

Observation	Recommendation	Management Response
B.6 Review of user access and modification rights		
There is no evidence for user access reviews being performed. The implication for this is the potential for users to have excessive access rights.	We recommend performing user access reviews on a regular basis and retaining evidence to support the conclusion of these access reviews.	<i>Management will formalize the process in the current financial year</i>

C. Prior year points closed

Observation	Recommendation	Action Taken
C.1 Payroll Maintenance Reports		
Maintenance listing reports for the payroll system are not retained when no changes have occurred for the period.	We recommend retaining maintenance listings regardless of whether any changes have occurred for the period.	<i>These reports are now being kept and filed as evidence of the control performed.</i>
C.2 Legislative framework		
The Council currently has no formal policy and procedures in place to manage legislative compliance.	Deloitte noted that legislative compliance procedures have been formally introduced in the current year. There is still however no formal written policy and procedures which is recommended as best practice.	<i>A legislative compliance policy was adopted in April 2016.</i>
C.3 Annual Leave		
Deloitte sighted the leave accrual report at year end and noted a considerable decrease in leave days due to employees. There is however still 1 employee who had accrued a total of 50 days annual leave at balance date. It is considered best practice that employees are encouraged to take annual leave entitlement each year to ensure holiday pay escalation is minimised and to enhance internal controls by enforcing rotation of duties.	We acknowledge an improvement from the prior year but encourage KDC to continue with efforts towards decreasing outstanding leave balances accrued to staff.	<i>Collective Agreement entitles accumulations of up to 40 days so this constrains tight management. The only employee with large accumulation is being managed and will continue ongoing monitoring of significant accumulations.</i>

C. Prior year points closed

Observation

Recommendation

Action Taken

C.4 Water KPI Testing

The measure used for determining KPI performance for consent compliance was whether there had been abatement notices issued due to serious non-compliance, not whether there had been compliance with all parameters within the consent.

We believe that an average stakeholder reading the Annual Report would interpret compliance with resource consent to mean that all conditions of the consent are being complied with.

We recommend that a note be added to the water KPI section of the annual report stating that compliance is measured as no abatement notice being issued.

This has been corrected for the current year and a note has been added that this is measuring the number of abatement notices.

C.5 Water and Wastewater KPI Testing

We noted that, while identification codes have been set up to identify the categories that service requests relate to, this is not integrated into the system. This results in service requests not always being coded within the description. As this is used as input into the KPI testing a completeness issue arises.

We recommend either implementing a function within the service request system for coding to specific issues, or consistently applying these codes within the documentation of service requests.

Council has changed its method of measuring service requests. This information is now obtained from the contractor Downer.

C.6 Sundry debtors ageing

We noted some sundry debtors were aged more than 5 years with limited follow ups or actions taken to recover the debt. In particular for building and resource consents.

We acknowledge that management is now in the process of investigating and completing a file check on all debtors.

All sundry debtors aged up to 5 years were followed up, with those debts greater than 5 years old written off.

We recommend a more robust collection process is put in place to ensure all debtors are investigated and followed up on a timely basis.

A new process is now in place

C. Prior year points closed

Observation	Recommendation	Action Taken
C.7 KDC Payable to NRC		
<p>We noted during testing that the GL amount reflecting the payable due to NRC at year end did not match the confirmed balance.</p>	<p>We recommend that a detailed review of the payable balance to the NRC is performed including an assessment of penalties due and payable to the NRC as a result of overdue rates.</p>	<p><i>This relates to penalties imposed for prior year outstanding amounts. This has been paid in the current year.</i></p>
	<p>This total amount due and payable should then be communicated to the NRC.</p>	
C.8 Land Rate Penalty Review		
<p>When penalties are applied to land rates 'before' and 'after' reports are generated, but there is no independent review process in place to assess these for accuracy and reasonableness.</p>	<p>We recommend implementing a review process for the application of penalties.</p>	<p><i>This review is in place as the reports are checked for reasonableness and individual ratepayer accounts are checked.</i></p>
C.9 Balance sheet reconciliations		
<p>Deloitte has performed reconciliation testing and noted that regular reconciliations of all material balance sheet accounts have been performed.</p>	<p>We recommend that all balance sheet reconciliations are independently reviewed by a person more senior than the preparer of the reconciliations.</p>	<p><i>Completed. We noted that balance sheet reconciliations as performed monthly and reviewed on a tier basis.</i></p>
<p>We did however note in our testing that reconciliations prepared by the Financial Services Manager do not get independently reviewed.</p>	<p>We therefore recommend implementing a review process for reconciliations prepared by the Financial Services Manager.</p>	

C. Prior year points closed

Observation	Recommendation	Action Taken
<p>C.10 Water activity – meter readings</p> <p>During our review of the processes and controls around the water activity, we noted that meter readings are contracted out to Downer. Each reading is then manually input into the database by Council staff. There is no control in place to ensure that the information input in the database is complete and accurate.</p>	<p>We recommend that management investigate whether this process can be automated. In the meantime, Council should ensure a control is put in place for someone other than the person entering the information to complete a check of the readings entered into the database.</p> <p>This control will ensure that any human errors are identified on a timely basis and any subsequent billing is correct.</p>	<p><i>A process for automation is currently being investigated. In the meantime, the control is that each abnormal reading is highlighted at data input and checked before validating. Page totals are checked against the batch totals. Any discrepancies are cross checked with another team member. Any abnormal readings are checked with Downers to be re-read. Downers have been unable to automate the input of water readings to date.</i></p>



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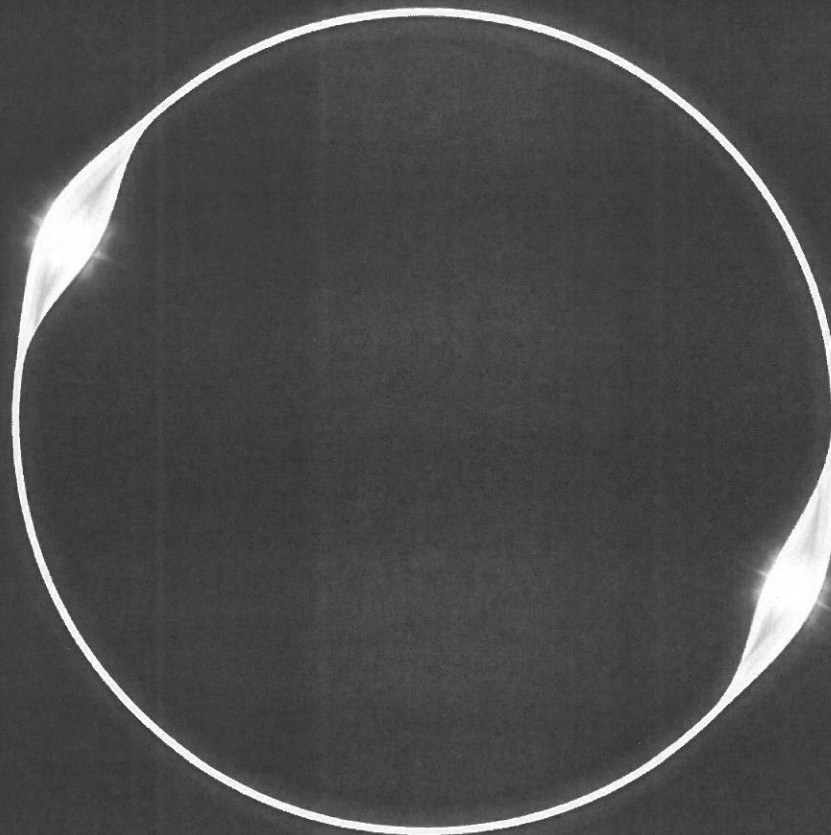
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Kaipara District Council
Planning Report
for the year ended 30 June 2017

24 February 2017

Greg Gent
Mayor, Kaipara District Council
Private Bag 1001
Dargaville

Dear Mr Gent

Planning Report for the year ended 30 June 2017

In accordance with our normal practice, we include in the attached report all planning matters arising from our audit of the financial statements of Kaipara District Council for the year ended 30 June 2017 which we consider appropriate for the attention of the Audit, Risk and Finance Committee ("the Committee").

We look forward to the Committee meeting on 9th March, when we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report, please do not hesitate to contact us.

This correspondence is part of our ongoing discussions as and as required by Office of the Auditor-General's (OAG) auditing standards. The ultimate responsibility for the preparation of the financial statements rests with the Council.

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We have prepared this report solely for the use of the Committee and it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit to date.

Yours faithfully



Peter Gulliver
Partner
for Deloitte Limited
On behalf of the Auditor-General

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Executive summary

Audit scope



Our key audit objective is to obtain reasonable assurance to enable us to form and express an opinion on the financial statements, performance information, and other requirements of schedule 10 of the Local Government Act 2002 (as amended) that are to be included in the Council's annual report for the year-ended 30 June 2017. The audit is to be completed in accordance with the terms of our contract with the Office of the Auditor-General (OAG), and our engagement letter with Council. We are currently liaising with the OAG in relation to a renewal of our contract which will cover the period 2017 – 2019. This will involve obtaining your agreement on audit fees for that period, after which we will put in place a letter of engagement with Council. As I will have completed six audits at the end of 2018 I am required to rotate off the engagement and will be replaced by another Deloitte partner for the 2019 year.

The annual Local Government audit brief issued by the OAG requires us to focus on additional matters as outlined in section 2.2; we are required to report to the OAG any issues identified in relation to the matters in this section.

Materiality levels are calculated on the basis of total expenses, in line with guidance issued by the OAG and relevant auditing standards. We anticipate materiality based on expected results for the year to be \$665,000 (PY:\$675,000). We will report to the Council on all unadjusted misstatements greater than \$30,000 (PY:\$30,000) and other misstatements where they are qualitatively material.

Areas of focus



The areas of focus, which we have identified as part of our overall audit strategy are:

1. Non-financial performance measures
2. Council funding
3. Development contributions
4. Revaluation of infrastructure assets
5. Rates

Additional sector wide areas of focus:

1. Water
2. Fraud
3. Performance, waste, and probity
4. Managing conflicts of interest and related party transactions
5. Legislative compliance and more specifically of rates
6. Financial prudence



Executive summary - continued

Internal controls



Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

Other communications



Various matters are communicated in accordance with the requirements of New Zealand auditing standards:

- Independence
- Professional fees/relationships
- Consideration of fraud
- Management override of controls
- Group considerations

Timetable



This year's indicative timetable is set out in section 5.

Our team



Our audit engagement team is detailed in section 6.

Appendices



Appendix A: Summary of prior year unadjusted and adjusted differences

1. Audit scope

Purpose of report

This report has been prepared for Kaipara District Council's Audit, Risk and Finance Committee ("Committee") and is part of our ongoing discussions as auditor as required by the OAG's Auditing Standards which incorporate the International Standards on Auditing (New Zealand). This report includes only those matters that have come to our attention as a result of performing our audit procedures to date and which we believe are appropriate to communicate to the Committee. The ultimate responsibility for the preparation of the financial statements rests with the Council.

Responsibilities

We are responsible for conducting an audit of Council's financial statements, performance information, and other requirements of Schedule 10 of the Local Government Act 2002 for the year ended 30 June 2017 in accordance with the OAG's auditing standards. Our audit is performed pursuant to the requirements of the Local Government Act 2002, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Council. The audit of the financial statements does not relieve management or the Council of their responsibilities.

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

For the 2017 financial statements, we have used the total expenditure per the 2016-17 Annual Plan as the benchmark for our quantitative materiality assessment as this benchmark is deemed to be a key driver of value, is a critical component of the financial statements and is a focus for users of those statements.

We have applied 1.5% to this benchmark to determine a planning materiality of \$665,000 (PY: \$675,000). This percentage takes into account our knowledge of the Council, our assessment of audit risks and the reporting requirements for the financial statements. We will update our materiality assessment once actual total expenditure for the 2017 year is determined.

The extent of our procedures is not based on materiality alone but also on the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.



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2.1 Areas of focus

Audit risk

Our audit scope and approach emphasises careful planning and risk assessment to respond promptly to the risk of material misstatement, including engagement risk, significant risk and fraud risk factors. This approach helps to minimise year-end surprises and enhances the effectiveness of our audit.

Rather than treating all business activities as if they present equal risk, our procedures are designed to focus more attention on significant risk areas.

The following tables summarise our preliminary assessment of:

- the significant risks of material misstatement for our audit whether due to fraud or error; and
- other matters of significance which have not been identified as significant audit risks.

We continually update our risk assessment as we perform our audit procedures, so our areas of audit focus may change. We will report to you on any significant changes to our assessment as part of our final report to the Council.

These areas of audit focus were identified as a result of:

- the ongoing risk assessment process undertaken to date in planning the audit;
- our understanding of the risks faced by Kaipara District Council;
- the significant risks and uncertainties previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements were completed.

Based on our initial assessment, we will concentrate specific audit effort on the areas detailed below.

2.1 Areas of focus

Audit risk and proposed audit response

Area of focus	Audit response
<p>Non-financial performance measures</p> <p>The Non-Financial Performance Measures Rules 2013 came into force on 30 July 2014. Local authorities were required to incorporate the performance measures in the development of their 2015-2025 LTPs and report against them for the first time in the 2015/16 annual reports.</p> <p>As highlighted in the constructive letter to management, during the 2016 audit we identified issues relating to the availability and quality of the non-financial performance data. We also recommended that the measures be reconsidered as part of the 2018-28 Long Term Plan.</p> <p>Consequently, we have identified a risk that the performance reported against these measures in the annual report is not accurate or does not adequately reflect the Council's activities.</p>	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • Reviewing the controls around the collection, reporting, and management of the non-financial performance information. • Performing detailed testing on a sample of material performance measures by tracing to supporting evidence. • Working with management to identify specific areas in which the current performance measures could be improved in the next Long Term Plan.

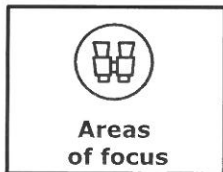
Area of focus	Audit response
<p>Council Funding</p> <p>Council anticipates \$65m of public debt on the balance sheet at 30 June 2017. Following Council's acceptance into the Local Government Funding Authority (LGFA) regime during the previous financial year, a refinancing programme has been in place to move all public debt to the LGFA. The debt at year-end is therefore expected to consist largely of bonds, supplemented with a small number of short term debt instruments.</p> <p>The LGFA facilitated borrowings are subject to certain reporting and covenant requirements. There is a risk that tests for compliance with covenants do not accurately reflect Council's performance against those covenants, and that reporting requirements are not met.</p>	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • Reviewing any updates to documentation relating to Council's membership of the LGFA, including relevant deeds, stock confirmations, and guarantees and indemnities; • Reviewing disclosures in the financial statements to determine their adequacy with regards to debt funding (including the current vs non current classification of debt) and membership of the LGFA; • Determining compliance with reporting requirements and covenants relating to LGFA debt instruments; and • Completing the trustee reporting as required for the trust deed signed with regards to the LGFA (this will be completed under a separate audit engagement)



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2.1 Areas of focus - continued

Audit risk and proposed audit response

Area of focus	Audit response
<p>Development Contributions</p> <p>There is a risk that development contributions may be misstated if they are calculated incorrectly or revenue is recognised incorrectly.</p>	<p>We plan to test a sample of development contributions for accuracy, and to review of the recognition policy and practice against relevant accounting standards.</p>
Area of focus	Audit response
<p>Revaluation of Infrastructure Assets</p> <p>The Council accounts for revaluations of infrastructural assets on a class of asset basis. The asset classes include roads, land under roads, water reticulation, wastewater reticulation, stormwater systems and flood protection assets. Land associated with the wastewater system (particularly at Mangawhai) is also treated as a separate class of infrastructure asset.</p> <p>Management have adopted a rotation basis for revaluing the asset classes so the valuations are not all completed in the one year. The infrastructure assets to be revalued for the 2016/17 financial year are the roading assets, wastewater, and land associated with wastewater.</p> <p>Consistent with the 2015/16 year, Council plans to engage independent third party valuation experts to undertake the valuation of these assets, as well as determine (on a desk top basis) whether there has been any material movement in the fair value of the infrastructure assets not subject to a full valuation in 2017.</p> <p>There is a risk that revaluations are not appropriate because of faulty assumptions and/or data, and that revaluation movements are not adequately reflected in the financial statements.</p>	<p>In order to address this risk, we plan to:</p> <ul style="list-style-type: none"> • Obtain the independent valuations of the relevant infrastructure asset classes; • Obtain representations directly from the independent valuers confirming their valuation methodology; • Review the key underlying assumptions used by the independent valuers to determine whether these assumptions were reasonable and in line with NZ generally accepted accounting practice (NZ GAAP); • Hold various discussions with the valuers as appropriate; and • Determine whether the revaluation transactions are correctly accounted for and disclosed in the financial statements in compliance with NZ GAAP; • Obtain representations from management’s experts as to impairment indicators and material fluctuations in value of assets not revalued in the current year.

2.1 Areas of focus - continued

Audit risk and proposed audit response

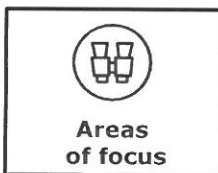
Area of focus	Audit response
<p>Rates</p> <p>Over recent years there have been a number of issues within the Local Government sector arising from rates not being set in accordance with the Local Government (Rating) Act 2002 (LGRA). Compliance with the detail of the LGRA is vital: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to continue to ensure that the requirements of the LGRA are adhered to and that there is consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the respective LTP or Annual Plan (AP).</p> <p>For completeness we note that the Council is joined with Northland Regional Council (NRC) in an action brought by the Mangawhai Ratepayer and Residents Association, which challenges the legal basis of rates collected by the Council on behalf of NRC, along with other aspects of the rate-setting process.</p> <p>An interim judgement on 15 September 2016 upheld the MRRA's complaint in respect of the legality of rates collected on behalf of NRC, though not in respect of the other aspects of the rate-setting process.</p> <p>There is a risk that the impact of this issue on the Council is not adequately reflected and disclosed in the financial statements.</p>	<p>As part of our audit we plan to:</p> <ul style="list-style-type: none"> • Test the controls around the rates setting process at Council; • Complete a 'rates questionnaire' compiled by the OAG, (similar to that completed in the prior year), to assist us in determining if rates have been set correctly by the Council; • Review the meeting minutes recording the adoption of the rates resolution, determining whether the rates are in accordance with the revenue and financing policy as well as reviewing any other information available with regard to rates; • We have reviewed the interim judgment on the MRRA complaint, and noted that the judge has yet to indicate the remedy for the issues raised in the judgment. We have also discussed this matter previously with management and the OAG and concluded there is unlikely to be any material impact on KDC as the legal issues raised relate to the validity of the Regional Council's rates. Notwithstanding this conclusion we will keep up to date with the legal proceedings to determine if the conclusion in relation to KDC changes. <p>We note that we are not legal experts and we recommend Council continue to have their legal advisor review the documentation supporting the setting of rates to confirm legislative compliance.</p>



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2.2 Other areas of focus

OAG and other audit brief requirements and proposed response

Area of focus	Audit response
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Water

The topic of water will feature as part of the OAG's multi-themed work programme in 2017/18. This will be relevant in the context of a District Council audit given Council's role in managing water, wastewater, stormwater and flood protection infrastructure assets.

Whilst the work programme for 2017 has not been finalised it may require audit teams to collect information on Council's approach to managing water as a resource. This could include decision making processes around the competing uses of water across the spectrum of cultural, economic, social and environmental aspects. Relevant topics may include providing safe and reliable drinking water, improving the quality of rivers, lakes, and other water bodies, dealing with competing demands for limited resource, the effects of climate change, and managing the coastal and marine environment.

Area of focus	Audit response
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Fraud

The primary responsibility for the prevention and detection of fraud rests with management and the Council, including designing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Throughout the financial year we remain alert for issues that indicate fraud. Any concerns will be raised with management for clarification in the first instance. The Council should be aware that Deloitte is required to inform the OAG immediately any fraud is discovered.

Specifically our work will involve:

- Formal inquiries of the Council, management and others within the entity regarding the risks of fraud within the Council including the processes in place to mitigate those risks;
- Documenting systems and internal controls used by the Council to prevent and detect fraud. In this area we will raise any weaknesses with management and the Council as applicable;
- Remaining alert for the existence of any confidentiality clauses in employment contracts that may prevent disclosure of information and thus reduce the level of transparency of spending of public monies; and
- Reviewing the current fraud policy to ensure it follows OAG guidance and ensure management and employees are aware of the fraud policy and its content



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2.2 Other areas of focus - continued

OAG and other audit brief requirements and proposed response

Area of focus	Audit response
<p>Performance, waste and probity</p> <p>Ensuring that Parliament’s expectations are met with respect to use of rate payer funds is a key feature of any audit in the public sector.</p>	<p>Our audit approach will include a specific programme of work, as in previous years, covering the following aspects:</p> <ul style="list-style-type: none"> • Confirming Council has the appropriate policy framework for areas such as delegated authorities, fraud, conflicts of interest etc. • Testing certain areas of sensitive expenditure to ensure spending is appropriate and authorised in accordance with policy and best practice. • Reviewing areas such as credit card expenditure, fuel card expenditure, and mobile phone expenditure.
Area of focus	Audit response
<p>Managing conflicts of interest and related party transactions</p> <p>Councils are required to ensure that there are appropriate procedures in place to identify and manage conflicts of interest and that related party disclosures in the financial statements are complete.</p>	<p>Our audit procedures on related party disclosures include searching public records for potential related party relationships (such as the Companies Office website). We also ensure any entries in the interests register were individually assessed, and those which met the definition of a related party transaction during the year are disclosed in the Annual Report. This includes remuneration disclosures relating to the Councillors and key management personnel.</p>



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2.2 Other areas of focus - continued

OAG and other audit brief requirements and proposed response

Area of focus	Audit response
---------------	----------------

Legislative compliance and more specifically legality of rates

The Council is subject to significant regulatory and legislative compliance requirements. The Council needs to have adequate systems in place to monitor compliance with legislation along with any changes occurring in the applicable legislation.

Our audit procedures will look at Council’s processes for ensuring legislative compliance. Including specifically testing compliance with legislation that materially impacts on the financial statements. This includes the Local Government Act 2002 and the Local Government (Rating) Act 2002. In particular extensive work is completed on the rates setting process, as outlined in the Areas of Focus section above.

Area of focus	Audit response
---------------	----------------

Financial prudence

Councils are required to include appropriate benchmarking reporting in the Annual Report as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

Our audit procedures will include review of the disclosures and recomputing key ratios to determine whether Council is in compliance with these regulations.

3. Internal controls

Objective

Our audit approach requires us to obtain an understanding of an entity’s internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

Obtaining an understanding of internal control relevant to the audit

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

We plan to perform audit procedures on the following areas of internal control:

- Understanding the control environment, including understanding IT processes and controls
- Testing the design and implementation of key controls

Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.

4. Other communications

The following matters are communicated in accordance with the requirements of the auditing standards:

Independence

We confirm that we have maintained our independence in accordance with the independence requirements of the OAG and *Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners* issued by the NZ Auditing and Assurance Standards Board and, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff are not compromised.

Professional fees/ Relationships

In performing our audit of Kaipara District Council for the year ending 30 June 2017 no relationships or other matters exist between the firm, network firms and the Council that, in our professional judgement, may reasonably be thought to bear on independence.

Audit fees for the year ending 2017 will be determined shortly as part of the process of agreeing a new three-year contract with Council and the OAG.

Management override of controls

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- having understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, test the appropriateness of a sample of such entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments;
- a review of accounting estimates for biases that could result in material misstatement due to fraud, including whether the judgements and decisions made in making the estimates included in the financial statements, even if individually reasonable, indicate a possible bias on the part of management. We will also perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements; and
- obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.



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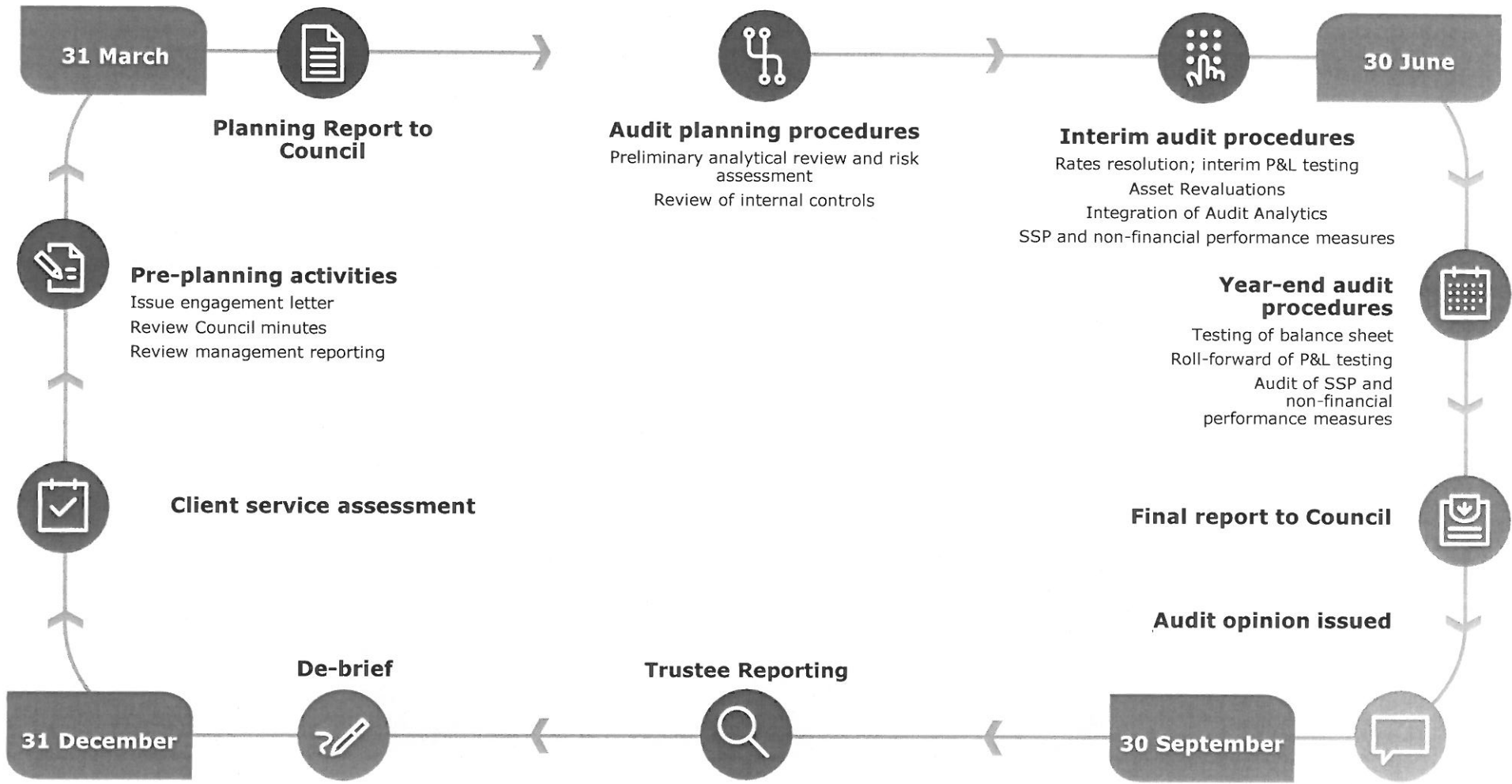
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5. Timetable

Set out below is the approximate expected timing of our reporting and communication with the Audit and Risk Committee.



6. Our team

We set out below our audit engagement team. To the fullest extent possible, we manage our audit on a basis that mirrors Council's management structure.



7. Appendices

Appendix A: Summary of prior year differences



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Appendix A: Summary of prior year unadjusted and adjusted differences

Unadjusted differences

The following uncorrected misstatements were identified during the course of the prior year audit.

Prior Year unadjusted misstatements identified	Assets Dr/(Cr) (\$ '000)	Liabilities Dr/(Cr) (\$ '000)	Equity Dr/(Cr) (\$ '000)	Profit or loss Dr/(Cr) (\$ '000)
Disposal of land which had not previously been recorded in PPE	155 (155)		(155)	155
Total	-	-	(155)	155

Adjusted differences

The following misstatements were identified during the course of the prior year audit and adjusted in the financial statements. The table below shows the impact of adjusted differences in surplus or deficit, other comprehensive revenue or expense, and total comprehensive revenue and expense.

Misstatements identified and corrected	Surplus or (Deficit) (\$ '000)	Other comprehensive revenue or (expense) (\$ '000)	Total comprehensive revenue and (expense) (\$ '000)
Amounts recorded in first draft of financial statements	10,843	14,916	25,759
Adjustments to QV valuation of land under water supply		600	600
Depreciation in respect of roading assets	(317)	317	-
Depreciation in respect of infrastructure assets last revalued more than one year prior to balance date	(310)	(89)	(399)
Completeness of revalued land under water supply		105	105
Reversal of gains posted on ETS/NZLG	(435)		(435)
Reversal of overstated interest accrual	200		200
Amounts recorded in final version of financial statements	9,981	15,849	25,830



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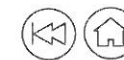
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File number: 2304.15 **Approved for agenda**

Report to: Audit, Risk and Finance Committee

Meeting date: **03 March 2017**

Subject: **Treasury Management**

Date of report: 24 February 2017

From: Glennis Christie, General Manager Finance

Report purpose **Decision** **Recommendation** **Information**

Assessment of significance **Significant** **Non-significant**

Summary

Council undertakes Treasury management activities in accordance with its Treasury Policy and Treasury Operations schedule and with the active assistance of its Treasury advisors, PwC. In addition to the treasury reporting that is part of the Chief Executive's monthly report it is intended to provide the Audit, Risk and Finance Committee (the Committee) with more detailed operational Treasury reporting at each meeting.

Tools and techniques that are used to manage debt are:

- Cash flow forecasting, undertaken in-house (using an excel spreadsheet);
- Treasury worksheet, managed jointly by Council staff and PwC (using an excel tool provided by PwC) to monitor Council's debt management position at a given point;
- Active advice and information from Council's Treasury advisors, PwC.

Council's interest rate position is 81% of the portfolio fixed. There are no out of policy positions to report.

Council acceded to the Local Government Funding Agency (LGFA) on 24 March 2016. Since that time Council has progressively refinanced debt; a total of \$43 million of the original \$53 million Mangawhai Community Wastewater Scheme loan has now been refinanced. The balance is funded on a short term basis as necessary.

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Finance's report 'Treasury Management' dated 24 February 2017.

Reason for the recommendation

It is appropriate that the Audit, Risk and Finance Committee is informed and receives information relating to Treasury management activities and can monitor positions and strategy.

Reason for the report

To provide the Audit, Risk and Finance Committee detailed Treasury operations and management information and to provide an opportunity to discuss ongoing strategy.

Background

Council's first industry standard Treasury management policies were adopted in December 2011. Council reviewed and adopted the updated Treasury management policies on 03 August 2016.

Council's first appointed specialist Treasury advisors, APRM (now PwC), in 2011 and this service continues.

Routine Treasury reporting is part of the Chief Executive's monthly report. It is intended to provide the Committee with more detailed operational Treasury reporting at each meeting.

Treasury operations and management

Treasury operations and management are undertaken jointly by in-house staff and with Council's advisors, PwC.

Tools and techniques that are used to manage debt are:

- Cash flow forecasting, undertaken in-house (using an excel spreadsheet). This projects the timing of actual cash movements over the course of the year;
- Treasury worksheet, managed jointly by Council staff and PwC (using an excel tool provided by PwC) to monitor Council's debt management position at a given point. This tool records all loans and swaps that have been entered into and monitors the position against policy limits. It is used to project future position as well as current and is used as a vehicle to scenario model. The tool generates a one page Council report which indicates whether or not we are within Policy and parameters (**Attachment 1**), one page summaries of Council's funding and liquidity risk position (**Attachment 2**) and Council's interest rate risk position (**Attachment 3**).
- Active advice and information from PwC in the form of a monthly telephone conference to discuss the current position in relation to the market and strategies going forward, ad hoc meetings or telephone conversations as required, general market bulletins and other material that is more specific to Kaipara District Council as required. General bulletins from PwC are supplemented by market material from banks. **Attachment 4** is an example of a general bulletin.

In addition excel tools have been provided to calculate the cost of funds for budgeting and forecasting purposes (undertaken jointly). A benchmark tool is also being developed and populated.

Treasury policy positions

There are no out of policy positions to report.

Treasury strategy

Council's long time strategy has been to join the Local Government Funding Agency (LGFA) in order to access funding and pricing enjoyed by its peers. On 24 March 2016, Council acceded to LGFA. Council has progressively refinanced a total of \$43 million debt: \$20 million on 11 March 2016, \$15 million on 16 May 2016 and further \$8 million on 29 August 2016. This was used to refinance part of the Mangawhai Community Wastewater Scheme debt. The balance is funded on a short term basis as necessary.

Treasury policy

Attached for the Committee's information is Council's Treasury Policy (**Attachment 5**) and the Treasury Operations Schedule (**Attachment 6**). These documents guide Council operations, set out policy parameters that must be complied with and specify delegations in regards to Treasury operations.

This policy and the associated schedule represent industry standards for treasury management. The policy incorporates the Liability Management and Investment Policies required by sections 104 and 105 of the Local Government Act 2002.

Factors to consider

Community views

The community would expect industry standard Treasury management practices.

Policy implications

This report is in line with Policy.

Financial implications

There are no financial implications as a result of this report.

Legal/delegations implications

This report is for information and does not trigger legal or delegation implications.

Options

The options available to the Committee are:

Option A: Accept the report. Under this option the Committee would receive the information.

Option B: Ask for additional information or further clarification. Under this option the Committee could ask for additional information or further clarification.

Assessment of options

These options are not necessarily mutually exclusive, however Option A is more immediate.

Assessment of significance

Receiving Treasury information is a routine business practice issue and is not significant in terms of Council's Significance and Engagement Policy.

Recommended option

Option A, receive the report.

Attachments

- **Attachment 1:** Council's Policy Position report at 31 January 2017
- **Attachment 2:** Funding and liquidity risk position at 31 January 2017
- **Attachment 3:** Interest rate risk position at 31 January 2017
- **Attachment 4:** Strategy and Tactics New Zealand Interest Rates at 31 January 2017
- **Attachment 5:** Treasury Policy
- **Attachment 6:** Treasury Operations Schedule

Kaipara District Council Interest Rate Position			
12 Month Forecast Core Debt:	64.2	31-Jan-17	
Policy Limits	60% - 90%		
Overall Fixed:Floating Mix	81.01%		
Policy Compliance	Y		
Fixed Rate Maturity Profile:			
Years	1 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	0% - 60%
Actual Hedging	29%	27%	44%
Policy Compliance	Y	Y	Y
Liquidity Ratio:			
	110%		
Actual	132.05%		
Policy Compliance	Y		
Funding Maturity Profile:			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	10% - 40%
Actual Hedging	48%	34%	18%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding	3.18 Years		
Fixed Rate Portfolio (swaps and fixed rate loans)	4.83 Years		
Weighted average fixed rate on current borrower swaps*:			
Swap Portfolio	4.43%	* Note: non-active forward starts are not included.	
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and investments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)	\$	20,000,000	
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)	\$	15,000,000	
Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)	\$	30,000,000	
	Credit Exposure	Credit Exposure	Compliance
	(Swaps)	(Investments)	
	(\$m)	(\$m)	
WPC	0.00	0.00	Y
ANZ	2.15	0.00	Y
ASB	0.00	0.00	Y
BNZ	6.53	0.00	Y
Kiwibank	0.00	0.00	Y
CBA	0.00	0.00	Y

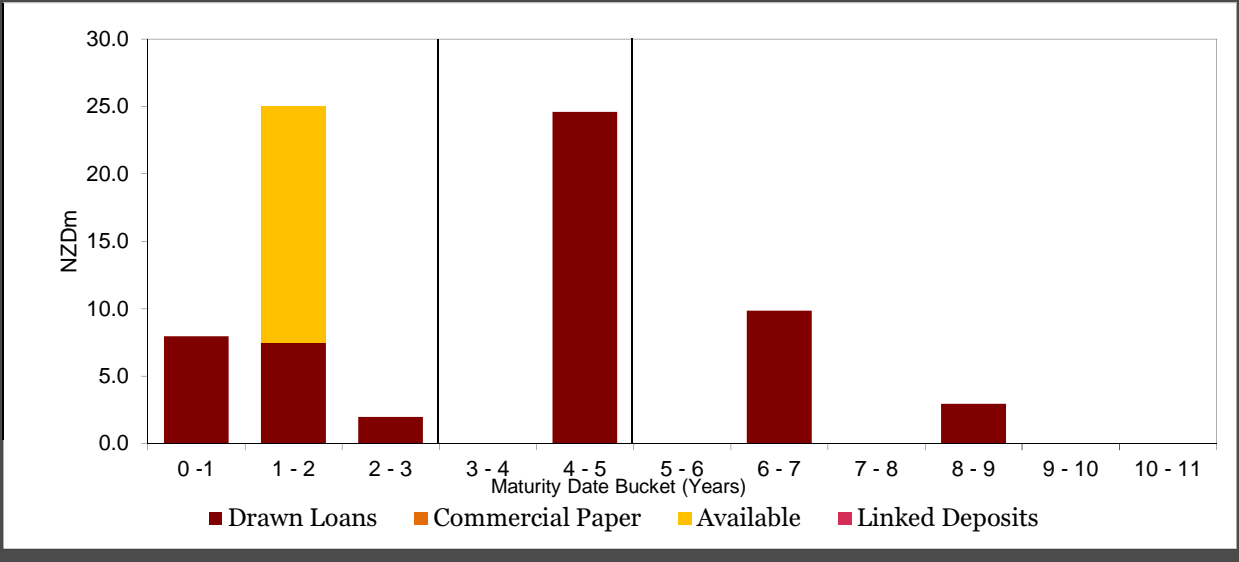
31-Jan-17

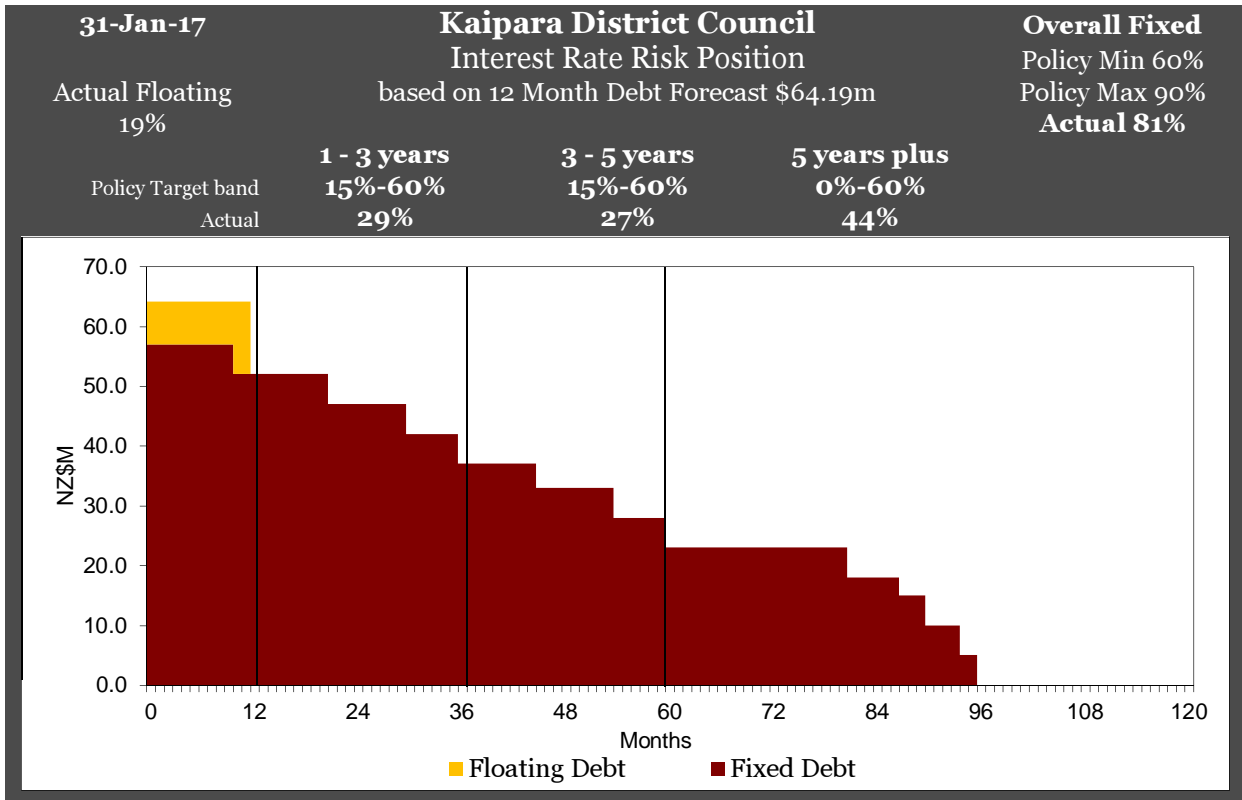
Kaipara District Council Funding & Liquidity Risk Position

Committed Loan/Stock/Facilities/Investments \$72.3m
 Current External Debt \$54.8m
 Current Net Debt \$54.8m

Policy Liquidity Ratio $\geq 110\%$
 Actual Liquidity Ratio 132%

	0 - 3 years	3 - 5 years	5 years plus
Policy Target Band	15%-60%	15%-60%	10%-40%
Actual	48%	34%	18%





Interest Rate Risk Position

The interest rate risk position visually represents the Council's interest rate position within approved interest rate control limits as set out in the treasury policy document. The chart takes a snapshot of the risk position as at the reporting date.

The brown part of the graph shows the amount of debt which is fixed - (this includes fixed rate bonds together with payer swaps) meaning debt which gets repriced in one years time or later. The top of the red area represents the forecast debt in a year's time. The yellow area therefore illustrates the amount of debt deemed floating rate and will include any forecast debt that has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the red area.

The key areas of focus are;

Fixed Rate Percentage Limit: (wholesale interest rate certainty)

The fixed rate percentage calculation is the total amount of fixed rate debt/interest rate hedges over the 12 month forecast net debt

Fixed Rate Maturity Limits: (spreading of wholesale interest rate maturity risks)

Fixed rate repricing maturity dates are spread based on defined maturity band limits, 1 - 3 years, 3 - 5 years and 5 - 10 years. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduces the risk of maturity concentrations.

Monthly markets & hedging report New Zealand interest rates

Kaipara District Council



The report is an end of month report for October 2016. It is a historical summary report for that month and reconfirms our recommendations given over that month. It does not provide new recommendations.

31 January 2017

**Borrower hedging
recommendations**

**NZ short-term interest rate
summary and outlook**

**NZ long-term interest rate
summary and outlook**

Rate table

	90d	2yr	5yr	10yr
31 January 2017	2.00	2.44	3.08	3.58
1 month ago	2.00	2.46	3.05	3.49
1 year ago	2.71	2.63	2.95	3.40

NZ general borrower hedging recommendations

- **Fixed-Floating Master Limit;** Mid points of fixed rate policy.
- **1 to 3 years sub-limit;** Balance in 1-3 year maturity sublimits using purchased borrower caps, collar options and purchased borrower swaptions.
- **3 to 5 years sub-limit;** Midpoints of policy in 3-5 year maturity sublimits using purchased borrower caps, collar options and purchased borrower swaptions.
- **5 to 10 years sub-limit;** Midpoints of policy in 5-10 year maturity sublimits, including new hedging with "ear-marked" purchased borrower swaptions.

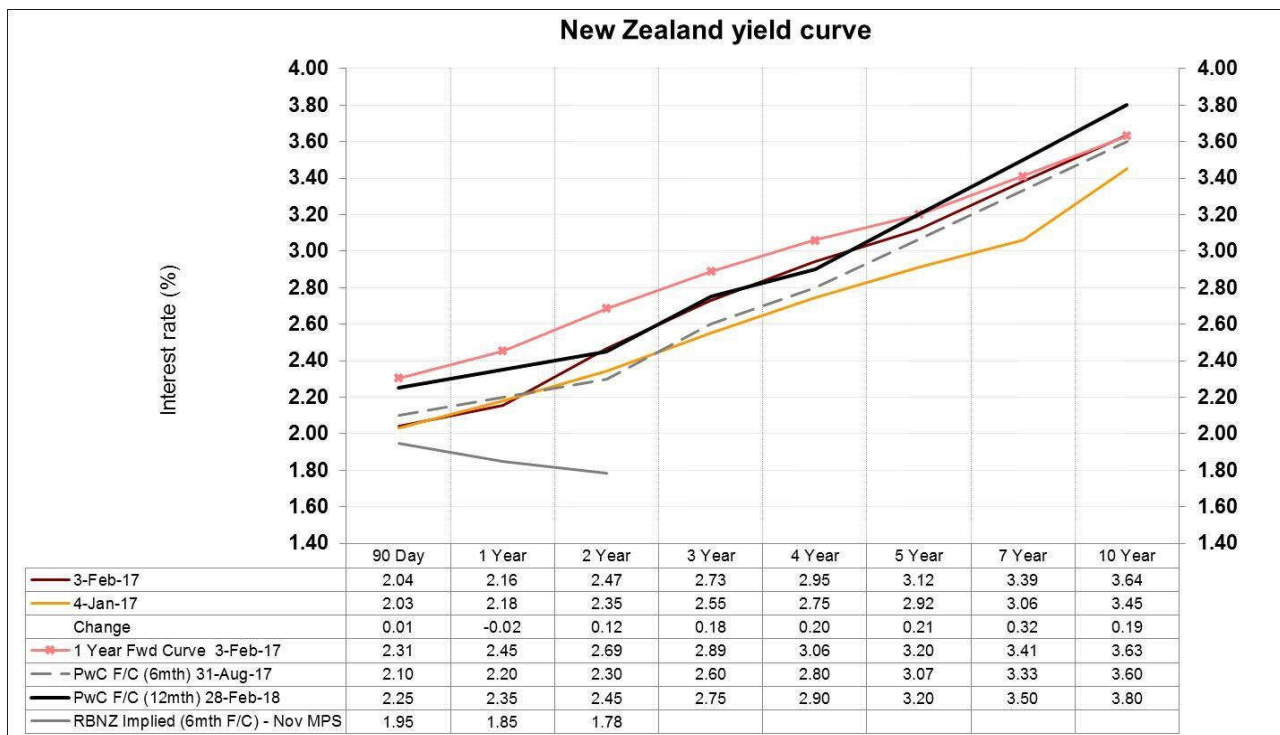
NZ specific borrower hedging recommendations for Kaipara District Council

- 15/12: Recommend use of LGFA CP programme and back-to-back bank term deposit placement to provide Council with funding cost benefit.

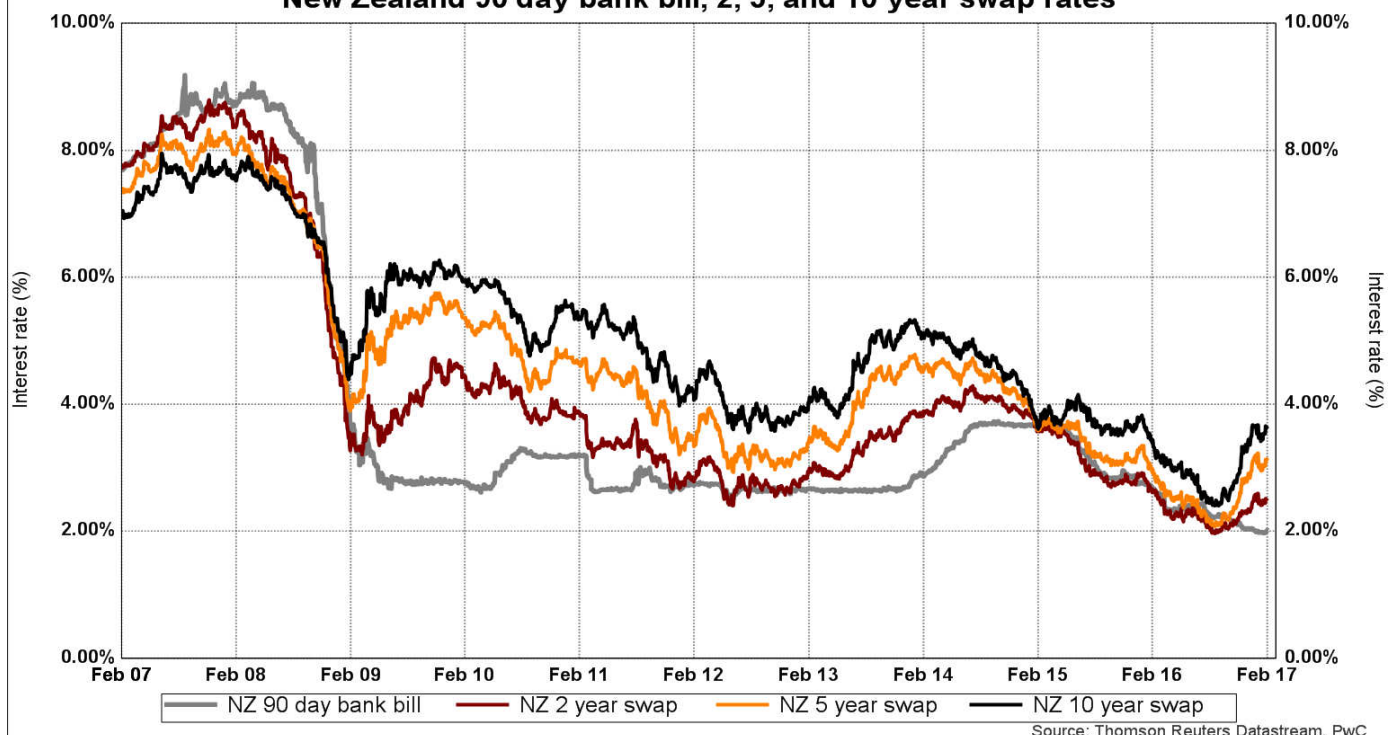
NZ interest rate summary

Please find the links to the NZ Interest Rate reports over the month below:

- [January-31-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)
- [January-23-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)
- [January-16-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)



New Zealand 90 day bank bill, 2, 5, and 10 year swap rates



Likely trading range next month

NZ 90 day bank bills	2.15 per cent. – 2.40 per cent.	Bias: →
NZ 3 year swap rate	2.25 per cent. – 2.60 per cent.	Bias: →
NZ 10 year swap rate	3.00 per cent. – 3.40 per cent.	Bias: →
US 10 year government bonds	1.80 per cent. – 2.25 per cent.	Bias: →

Likely trading range next six months

NZ 90 day bank bills	1.90 per cent. – 2.40 per cent.	Bias: →
NZ 3 year swap rate	2.20 per cent. – 2.75 per cent.	Bias: →
NZ 10 year swap rate	2.80 per cent. – 3.60 per cent.	Bias: → / ↑
US 10 year government bonds	1.75 per cent. – 2.40 per cent.	Bias: → / ↑

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Treasury Policy

**Incorporating the Liability Management
and Investment Policies as required by
sections 104 and 105 of the
Local Government Act 2002**

Council Approved: 03 August 2016



Kaipara te Orangakui

**KAIPARA
DISTRICT**

Two Oceans Two Harbours

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1.0 INTRODUCTION

1.1 Policy purpose

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Kaipara District Council (“Kaipara”). The formalisation of such policies and procedures will enable treasury risks within Kaipara to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within Kaipara continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry “best practices” for a Council the size and type of Kaipara.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Treasury Policy and treasury management function to recognise, measure, control, manage and report on Kaipara’s financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operation of a pro-active treasury function in an environment of control and compliance.
- The robustness of the policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to Kaipara in achieving strategic objectives relating to ratepayers.

It is intended that the policy be distributed to all personnel involved in any aspect of the Kaipara’s financial management. In this respect, all staff must be completely familiar with their responsibilities under the policy at all times.

2.0 SCOPE AND OBJECTIVES

2.1 Scope

- This document identifies the policy and procedures of Kaipara in respect of treasury management activities.
- The policy has not been prepared to cover other aspects of Kaipara's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Kaipara cover these matters.
- Planning tools and mechanisms are also outside of the scope of this policy.

2.1 Objectives

The objective of this Treasury Policy is to control and manage costs and investment returns that can influence operational budgets and public equity. Specifically:-

Statutory objectives

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- Kaipara is governed by the following relevant legislation; the Local Government Act 2002, in particular Part 6 including sections 101,102, 103, 104, 105,112 to 116.
- All projected borrowings are to be approved by Council as part of the Annual Plan process or the long term planning process (LTP) or resolution of Council before the borrowing is affected.
- All legal documentation in respect to borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- Hire Purchase, Deferred Purchase, Trade Credit - for the purposes of sub-paragraph (c)(ii)(B) of the definition of "borrowing" in section 112 of the LGA 2002, "borrowing" does not include:
 - Debt incurred in connection with hire purchase of goods, the deferred purchase of goods or services, or the giving of credit for the purchase of goods or services, if the goods or services are obtained in the ordinary course of Council's performance of its lawful functions, on terms and conditions available generally to parties of equivalent credit-worthiness, for amounts not exceeding in aggregate \$250,000 ; or
 - The deferred purchase of goods or services or the giving of credit for the purchase of goods or services through the mechanism of contract retentions held for periods less than 365 days.
- Other - Instruments not specifically referred to in this policy may only be used with specific Council approval.

- The Council routinely defers payment following completion of construction or other large scale engineering contracts in accordance with standard industry practices. Although this practice may mean that these deferred payments fall within the definition of borrowing for the purposes of the Act and this policy, these contractual arrangements create very little risk for the Council. There is no interest exposure on these payments; the credit-worthiness of the contracting party is not relevant; and the deferred period is sufficiently long that no impact on liquidity is anticipated, as payments can be programmed in advance through the annual plan process or standard cash flow procedures. Therefore, the Council will enter into these contracts in accordance with its standard procurement procedures, and deferred payment conditions will not require any additional approval by the Council.

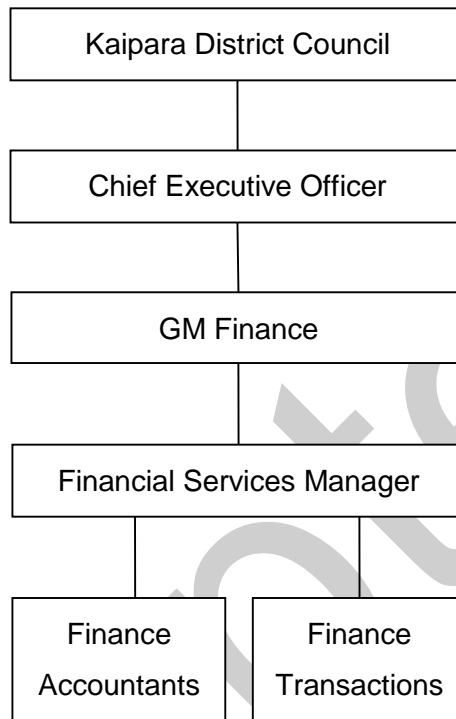
General objectives

- To manage investments to optimise returns in the long term whilst balancing risk and return considerations.
- Minimise Council's costs and risks in the management of its borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Treasury Policy so as to protect Council's financial assets and costs.
- Arrange and structure long term funding for Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Monitor Council's return on investments.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, investors and investment counterparties.

3.0 MANAGEMENT RESPONSIBILITIES

3.1 Overview of management structure

The following diagram illustrates those positions or functions that have treasury responsibilities.



3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable, given the underlying objectives of Kaipara.

The Council is responsible for approving the Treasury Policy. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of Kaipara through the 10 year Long Term Plan (LTP) and the adopted annual plan.
- Approving new debt through the adoption of the Annual Plan, specific Council resolution and approval of this policy.
- Approving the Treasury Policy incorporating the following delegated authorities:
 - Borrowing, investment and dealing limits and the respective authority levels delegated to the CEO.
 - Counterparties and credit limits.

- Risk management methodologies and benchmarks.
- Guidelines for the use of financial instruments.
- Receive a triennial review report on the policy.
- Evaluating and approving amendments to policy.
- Approving budgets and high level performance reporting
- Approve opening and closing of bank accounts
- Delegate authority to the CEO and other officers.

The Council should also ensure that:-

- It receives regular information from management on risk exposure and financial instrument usage in a form, that is understood, and that enables it to make informed judgements as to the level of risk undertaken.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner.
- Submissions are received from management requesting approval for one-off transactions falling outside policy guidelines.

3.3 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer.

In respect of treasury management activities, the Chief Executive Officer's responsibilities include:-

- Ensuring the Treasury policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approve new counterparties and counterparty limits.
- Approve new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approve interest rate strategy.
- Receive advice of breaches of Treasury Policy and significant treasury events from the General Manager of Finance or Financial Services Manager.
- Approve all amendments to Council records arising from checks to counterparty confirmations.
- Delegate treasury operation responsibilities to management through the Treasury Management Operations Schedule.

3.4 Delegation of authority and authority limits

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:-

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing Policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments other than financial investments	The Council	Unlimited
Approval for charging assets as security over borrowing	The Council	Unlimited
Appoint Debenture Trustee	The Council	N/A
Overall day-to-day risk management	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Overall day-to-day risk management
Re-financing existing debt	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Re-financing existing debt
Approving transactions outside policy	The Council	Unlimited
Adjust net debt or net investment interest rate risk profile	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Per risk control limits
Managing funding and investment maturities in accordance with Council approved risk control limits	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Per risk control limits

Activity	Delegated Authority	Limit
Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management) excludes roll-overs on floating rate investments and interest rate roll-overs on swaps	The Council CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO) Finance Accountants Team (delegated by CEO)	Unlimited \$50 million \$25 million \$10 million \$5 million
Authorising lists of signatories	CEO (delegated by Council)	Unlimited
Opening/closing bank accounts	The Council	Unlimited
Triennial review of policy	GMF FSM	N/A
Ensuring compliance with policy	CEO GMF FSM Finance Accountants Team	N/A

All management delegated limits are authorised by the CEO.

4.0 LIABILITY MANAGEMENT POLICY

Council's liabilities comprise borrowings and various other liabilities. Council maintains borrowings in order to:

- Fund working capital requirements and short term funding gaps.
- Raise specific debt associated with projects and capital expenditures.
- Fund assets whose useful lives extend over several generations of ratepayers.

4.1 Debt ratios and limits

Debt will be managed within the following macro limits.

Ratio	KDC Policy Limits
Net debt as a percentage of total revenue	<170%
Net Interest as a percentage of total revenue	<15%
Net Interest as a percentage of annual rates income (debt secured under debenture)	<20%
Liquidity (External term debt + committed loan facilities + available liquid short-term financial investments to existing external debt)	>110%

- Total Revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net debt is defined as total debt less liquid short-term financial assets and investments.
- Liquidity is defined as external term debt plus committed loan facilities plus available liquid short-term financial investments divided by existing external debt.
- Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Disaster recovery requirements are to be met through the liquidity ratio.

4.2 Asset management plans

In approving new debt the Council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP.

4.3 Borrowing mechanisms

Kaipara is able to borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, accessing the short and long-term wholesale and retail capital markets directly or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the GMF takes into account the following:-

- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's outlook on future interest rate movements as well as its own.
- Ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/tax/risk limitation compared to the terms and conditions Kaipara could achieve in its own right.
- Legal documentation and financial covenants together with credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at similar terms to those from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA and financial institutions/brokers.

Council has the ability to pre-fund up to 18 months of forecast debt requirements including re-financings.

4.4 Security

Council's borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. The utilisation of special funds and reserve funds and internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.

Under the Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act, excluding any rates collected by Council on behalf of any other local authority.

The security offered by Council ranks equally or 'Pari Passu' with other lenders.

Council offers deemed rates as security for general borrowing programs. From time to time, with prior Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:-

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Deed.

4.5 Debt repayment

The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

The Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

4.6 Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Financial arrangements include:

- Advances to community organisations.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ\$1 million in aggregate.

4.7 Internal borrowing of special and general reserve funds

Given that Council may require funding for capital expenditure over the remaining life of the existing special and general reserve funds, where such funds are deemed necessary they should be used for internal borrowing purposes when external borrowing is required. Accordingly Council maintains its funds in short term maturities emphasising counterparty credit worthiness and liquidity. The interest rate yield achieved on the funds therefore is a secondary objective.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such, instead, Council will manage these funds using available borrowing facilities.

No interest is payable unless Council so directs or there is an agreement in place.

4.8 New Zealand Local Government Funding Agency Limited investment

Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:-

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example, Borrower Notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

adopted

5.0 INVESTMENT POLICY AND LIMITS

5.1 General policy

Council is currently a net borrower and is likely to remain so for the foreseeable future. Council should internally borrow from special reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt. Investments are maintained to meet specified business reasons.

Such reasons can be:-

- For strategic purposes consistent with Council's Long Term Plan.
- To reduce the current ratepayer burden.
- The retention of vested land.
- Holding short term investments for working capital and liquidity requirements.
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans, to implement strategic initiatives, or to support inter-generational allocations.
- Provide funding through the provision of committed bank facilities in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets.
- Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves.
- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that low risk investments generally mean lower returns.

Council should internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved credit worthy counterparties are acceptable.

5.2 Investment mix

Council may maintain investments in the following assets from time to time:-

- Equity investments, including investments held in CCO/CCTO and other shareholdings.
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development.
- Forestry investments
- Financial investments

5.2.1 Equity investments

Equity investments, including investments held in CCO/CCTO and other shareholdings. Council maintains equity investments and other minor shareholdings.

Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.

Dividends received from CCO's and unlisted companies not controlled by Council are recognised when they are received in the consolidated revenue account.

Any purchase or disposition of equity investments requires Council approval and any profit or loss arising from the sale of these investments is to be recognised in the Statement of Financial Performance.

Any purchase or disposition of equity investments will be reported to the next meeting of Council.

Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then included in the relevant consolidated capital account.

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant sub-committee as applicable, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

5.2.2 Property investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments on a regular basis.

All income, including rentals and ground rent from property investments is included in the consolidated revenue account.

5.2.3 Forestry

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

All income from forestry is included in the consolidated revenue account.

Any disposition of these investments requires Council approval. The proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant consolidated capital account.

5.2.4 Financial investments

Financial investment objectives

- Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 6.3. Credit ratings are monitored and reported quarterly to Council.
- Council may invest in approved financial instruments as set out in section 6.1.2. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
- Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:
 - Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
 - Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds and other funds where interest may be credited to the particular fund.
 - Internal borrowing will be used wherever possible to avoid external borrowing
- Council's net investment interest rate profile will be managed within the parameters outlined in section 6.0

Special funds, sinking funds, reserve and endowment funds

Liquid assets are not required to be held against special funds and reserve funds. Instead Council will internally borrow or utilise these funds where ever possible.

Sinking Funds will no longer be maintained by Council.

No interest is payable on internal borrowing to/from reserves, unless otherwise directed by Council or in accordance with the fund agreements.

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust. If the Trusts investment policy is not specified then this policy should apply.

5.2.5 New Zealand Local Government Funding Agency Limited investment

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:-

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. Notwithstanding the Counterparty Credit Risk Limits (set out in Section 6.3 of this policy), Council may invest in financial instruments issued by the LGFA up to a maximum of \$5 million (i.e. borrower notes). If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

Proceeds from share sales will go to repay existing debt, unless Council specifically directs that the funds be put to another use.

adopted

6.0 RISK MANAGEMENT

The definition and recognition of interest rate, liquidity, funding, investment, counterparty credit, market, operational and legal risk of Council will be as detailed below and applies to both the Liability Management policy and Investment policy.

6.1 Interest rate risk

6.1.1 Risk recognition

Interest rate risk is the risk that investment returns or funding costs (due to adverse movements in market interest rates) will materially exceed or fall short of projections included in the LTP and Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of investment returns or funding costs. Certainty around funding costs is to be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved financial instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Approved financial instruments are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Uncommitted money market facilities Loan stock/bond issuance <ul style="list-style-type: none"> • Floating Rate Note (FRN) • Fixed Rate Note (MTN) Commercial paper (CP) /Bills / Promissory notes Finance Leases
Investments	Short term bank deposits Bank certificates of deposit (RCDs) Treasury bills NZ Government, LGFA, Local Authority stock or State Owned Enterprise (SOE) bonds and FRNs (senior) Corporate bonds (senior) Corporate Floating Rate Notes (senior) Promissory notes/Commercial paper (senior) Corporate/SOE/Other Local Authority Bonds NZLGFA Borrower Notes

Category	Instrument
Interest rate risk management	Forward rate agreements (“FRAs”) on: <ul style="list-style-type: none"> • Bank bills • Government bonds Interest rate swaps including: <ul style="list-style-type: none"> • Forward start swaps and collars (start date <24 months, unless linked to existing maturing swaps and collars) • Amortising swaps (whereby notional principal amount reduces) • Swap extensions and shortenings Interest rate options on: <ul style="list-style-type: none"> • Bank bills (purchased caps and one for one collars) • Government bonds • Interest rate swaptions (purchased swaptions and one for one collars only)

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.

All investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:-

- Structured debt where issuing entities are not a primary borrower/ issuer.
- Subordinated debt, junior debt, perpetual notes and hybrid notes such as convertibles.

6.1.3 Interest rate risk control limits

Net debt/borrowings

Council debt/borrowings should be within the following fixed/floating interest rate risk control limit:

Master Fixed / Floating Risk Control Limits	
Minimum Fixed Rate	Maximum Fixed Rate
60%	90%

“Fixed Rate” is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

“Floating Rate” is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management (signed off by the CEO, or equivalent). Net debt is the amount of total debt net of liquid short-term financial assets/investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the policy minimums and maximums.

The fixed rate amount at any point in time should be within the following maturity bands:

Fixed Rate Maturity Profile Limit		
Period	Minimum Cover	Maximum Cover
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	0%	60%

- The above interest rate risk control limits apply when external debt exceeds \$25 million.
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond 12 years must be approved by Council.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- Forward start period on swaps and collar strategies to be no more than 24 months, unless it extends the maturity of an existing swap.

Sinking funds, special and general reserve funds

Given that Council may require funding for capital expenditure cash shortfalls over the remaining life of the existing special and general reserve funds, where such funds are deemed necessary they should be used for internal borrowing purposes when external borrowing is required. Accordingly, Council maintains its funds in short term maturities emphasising counterparty credit worthiness and liquidity. The interest rate yield achieved on the funds therefore is a secondary objective.

This will negate counterparty credit risk and any interest rate repricing risk that occurs when Council borrows at a higher rate compared to the investment rate achieved by Special/Reserve Funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such, instead, Council will manage these funds using internal borrowing facilities.

Foreign currency

Kaipara has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts can be used by Kaipara.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

Council does not hold investments denominated in foreign currency.

All foreign currency hedging must be approved by the GMF.

6.2 Liquidity risk/funding risk

6.2.1 Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:-

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

6.2.2 Liquidity/funding risk control limits

- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.
- External term loans and committed debt facilities together with available short-term liquid investments must be maintained at an amount exceeding 110% of existing total external debt.
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings.
- The CEO has the discretionary authority to re-finance existing debt on more favourable terms. Such action is to be reported and ratified by the Council at the earliest opportunity.

- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system and apply when external debt exceeds \$25 million:-

Period	Minimum Cover	Maximum Cover
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

A maturity schedule outside these limits will require specific Council approval.

6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A+ and above or short term rating of A-1 or above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long term / short term credit rating – stated and possible	Investments maximum per counterparty (\$m)	Interest rate risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	none	Unlimited
Local Government Funding Agency	N/A	Unlimited	none	Unlimited
NZD Registered Supranationals	AAA	10.0	none	10.0
State Owned Enterprises	A+ / A-1	5.0	none	5.0
NZ Registered Bank	A+ / A-1	15.0	20.0	30.0
Corporate Bonds/ CP	A+ / A-1	2.0	none	2.0
Local Government Stock/ Bonds/FRN/ CP	A+ / A-1 (if rated)	10.0	none	10.0

This summary list will be expanded on a counterparty named basis which will be authorised by the CEO.

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Notional × Weighting 100%. (Unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange – Transactional principal amount x the square root of the Maturity (years) x 15%

Each transaction should be entered into a treasury spread sheet and a quarterly report prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits are kept in a spread sheet by management and updated on a day to day basis. Credit ratings should be reviewed by the FSM on an on-going basis and in the event of material credit downgrades; this should be immediately reported to the GMF and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

Investments are normally held to maturity date. Where investments are liquidated before legal maturity date, approval is obtained from the CEO, who also approves guidelines for a minimum acceptable sale price. The GMF evaluates quotes based on these instructions and proceeds with the transaction.

Local Government Funding Agency

Borrower Notes. On occasion when Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of “Borrower Notes”. A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market the instrument is traded in and re-priced from.

6.4 Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:-

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this policy.

6.4.1 Dealing authorities and limits

Transactions will only be executed by those persons and within limits approved by the Council.

6.4.2 Segregation of duties

As there are a small number of people involved in borrowing and investment activity, adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting is not strictly achievable. The risk will be minimised by the following process:-

- The GMF reports directly to the CEO.
- There is a documented approval process for borrowing, interest rate and investment activity.
- Any execution activities undertaken by the GMF will be checked by the Financial Services Manager and the Finance Accountants Team (Finance Accountant (FA) and Assistant Accountant (AA)) will be checked by the Finance Transactions Team (Finance Officer and Finance Administrator) and any irregularities reported to the GMF and CEO.
- In the absence of the Financial Services Manager, the Financial Services Manager's deal execution delegated authority moves to the Revenue Manager

6.4.3 Procedures

All treasury instruments should be recorded and diarised within a treasury spread sheet, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be done immediately following execution/confirmation. Details of procedures including templates of deal tickets should be compiled in a treasury procedures manual separate to this policy.

Procedures should include:-

- Regular management reporting.
- Regular risk assessment, including review of procedures and controls as directed by the Council or appropriate sub-committee of Council.
- Organisational, systems, procedural and reconciliation controls to ensure:
 - All borrowing, interest rate and investment activity is bona fide and properly authorised.
 - Checks are in place to ensure Council accounts and records are updated promptly, accurately and completely.
 - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.

Organisational controls

- The GMF or equivalent has responsibility for establishing appropriate structures, procedures and controls to support borrowing, interest rate and investment activity.
- All borrowing, investment, cash management and interest rate risk management activity is undertaken in accordance with approved delegations authorised by the Council.

Cheque/electronic banking signatories

- Positions approved by the CEO as per register.
- Dual signatures are required for all cheques and electronic transfers.
- Cheques must be in the name of the counterparty crossed “Not Negotiable, Account Payee Only”, via the Council bank account.

Authorised personnel

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

Recording of deals

- All deals are recorded on properly formatted deal tickets by the Finance Accountants Team and approved as required by the FSM, GMF or CEO. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spread sheets) are maintained by the FSM and updated promptly following completion of transaction.

Confirmations

- All inward letter confirmations including registry confirmations are received and checked by the Finance Transactions Team against completed deal tickets and the treasury spread sheet records to ensure accuracy.
- All deliverable securities are held in the Council's safe.
- Deals, once confirmed, are filed (deal ticket and attached confirmation) by the Finance Transactions Team in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records are signed off by the FSM, GMF or CEO.

Settlement

- The majority of borrowing, interest rate and investment payments are settled by direct debit authority.
- For electronic payments, batches are set up electronically. These batches are checked by the FSM to ensure settlement details are correct. Payment details are authorised by two approved signatories as per Council registers.

Reconciliations

- Bank reconciliations are performed monthly by the Finance Transactions Team and checked and approved by the FSM. Any unresolved un-reconciled items arising during bank statement reconciliation which require amendment to the Council's records are signed off by the GMF.
- A monthly reconciliation of the treasury spread sheet to the general ledger is carried out by the FSM and reviewed by the GMF.
- Interest income from the treasury spread sheet is reconciled to bank statements by the AA or FA.

6.5 Legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Kaipara may be exposed to such risks with Council unable to enforce its rights due to deficient or inaccurate documentation.

Kaipara will seek to minimise this risk by adopting policy regarding:-

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

6.5.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

Council's internal/appointed legal counsel must sign off on all documentation for new loan borrowings, re-financings and investment structures.

6.5.2 Financial covenants and other obligations

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6.6 Specific Council Approval

Any activity outside the limits set in section 6 will require specific Council approval.

7.0 REPORTING

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments must be taken into account.

7.1 Treasury reporting

7.1.1 Reporting

The following reports are produced:

Report Name	Frequency	Prepared By	Recipient
Daily Cash Position Treasury Spread sheet	Daily	AA/FA	FSM
Treasury Exceptions Report	Daily	FSM	GMF
Treasury Report <ul style="list-style-type: none"> • Policy limit compliance • Borrowing limits • Funding and Interest Position • Funding facility • New treasury transactions • Cost of funds vs. budget • Cash flow forecast report • Liquidity risk position • Counterparty credit • Treasury performance Debt maturity profile • Treasury investments 	Monthly Quarterly	AA/FA	FSM/GMF
Quarterly Treasury Strategy Paper	Quarterly	GMF	Council
Statement of Public Debt	Monthly	FSM	Council
Revaluation of financial instruments	At least Annually	FSM	Council

7.2 Accounting treatment of financial instruments

Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense.



KAIPARA DISTRICT COUNCIL

Treasury Operations Schedule

Approved

Council Approved: 22 February 2016

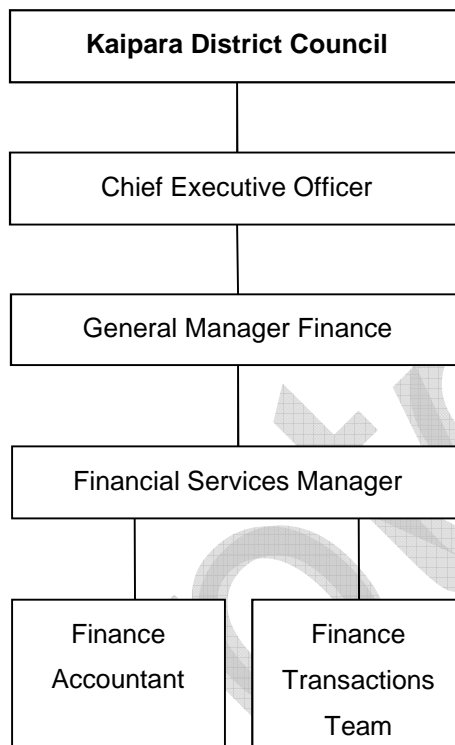


Kaipara te Oranga
KAIPARA
DISTRICT
Two Oceans Two Harbours

1.0 MANAGEMENT RESPONSIBILITIES

1.1. Overview of management structure

The following diagram illustrates those positions or functions that have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following section:-



1.2. Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable, given the underlying objectives of Kaipara.

The Council is responsible for approving the Treasury Policy. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of Kaipara through the 10 year Long Term Plan (LTP) and the adopted annual plan.
- Approving new debt through the adoption of the Annual Plan, specific Council resolution and approval of this policy.
- Approving the Treasury Policy incorporating the following delegated authorities:
 - Borrowing, investment and dealing limits and the respective authority levels delegated to the CEO, GMF and other management.
 - Counterparties and credit limits.

- Risk management methodologies and benchmarks.
- Guidelines for the use of financial instruments.
- Receive a triennial review report on the policy.
- Evaluating and approving amendments to policy.
- Approving budgets and high level performance reporting
- Approve opening and closing of bank accounts
- Delegate authority to the CEO and other officers.

The Council should also ensure that:-

- It receives regular information from management on risk exposure and financial instrument usage in a form, that is understood, and that enables it to make informed judgements as to the level of risk undertaken.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner.
- Submissions are received from management requesting approval for one-off transactions falling outside policy guidelines.

1.3. Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer.

In respect of treasury management activities, the Chief Executive Officer's responsibilities include:-

- Ensuring the Treasury policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approve new counterparties and counterparty limits.
- Approve new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approve interest rate strategy.
- Receive advice of breaches of Treasury Policy and significant treasury events from the General Manager of Finance or Financial Services Manager.
- Approve all amendments to Council records arising from checks to counterparty confirmations.

1.4. General Manager of Finance (GMF)

The GMF's responsibilities are as follows:-

- Management responsibility for borrowing and investment activities.
- Recommend policy changes to the Council for approval.
- Approve treasury transactions in accordance with delegated authority.
- Authorise the use of approved interest rate risk management instruments within discretionary authority.

- Recommend authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Propose new funding requirements to the CEO for consideration and submission to the Council.
- Review and make recommendations on all aspects of the Treasury Risk Management Policy to the CEO, including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments.
- Conduct a review, at least triennially, of the Treasury Policy, treasury procedures and counterparty limits.
- Manage the long-term financial position of Council as outlined in the LTP.
- Ensure management procedures and policies are implemented in accordance with this Treasury Policy. Monitor and review the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs.
- Oversee relationships with financial institutions/brokers.
- Negotiate borrowing facilities.

1.5. Financial Services Manager (FSM)

Responsibilities are as follows:-

- Approve treasury transactions in accordance with delegated authority.
- Monitor and review the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs.
- Monitor treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Ongoing risk assessment of borrowing and investment activity including procedures and controls.
- Design, analyse, evaluate, test and implement risk management strategies to position the Councils net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Ensure all financial instruments are valued and accounted for correctly in accordance with current best practice standards. Investigate financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to the GMF as appropriate.
- Prepare treasury reports.
- Update credit standing of approved counterparty credit list on a quarterly basis.
- Check compliance against limits and prepare report on an exceptions basis.
- Forecast future cash requirements (working capital). Manage the operation of all bank accounts.

1.6. Finance Accountants Team (Finance Accountant (FA) and Assistant Accountant (AA))

Responsibilities are as follows:-

- Co-ordinate the compilation of cash flow forecasts and cash management with Financial Services Manager.
- Monitor all treasury exposures daily.
- Execute treasury transactions in accordance with set limits.
- Complete deal tickets for treasury transactions.
- Update treasury system/spread sheets for all new, re-negotiated and maturing transactions.
- Monitor credit ratings of approved counterparties.
- Account for all treasury transactions in accordance with legislation and generally accepted accounting principles, Council's accounting and funding and financial policies.
- Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA swap documents.

1.7. Revenue Manager (RM)

Responsibilities are as follows:-

- Assumes the responsibilities of the FSM in his or her absence including deal execution and administrative aspects of bank counterparty agreements and documentation.

1.8. Finance Transactions Team (Finance Officer and Finance Administrator)

Responsibilities are as follows:-

- Check all treasury deal confirmations against deal documentation and report any irregularities immediately to the GMF or CEO.
- Reconcile monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Review treasury spreadsheet reconciliation to general ledger.

1.9. Delegation of authority and authority limits

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:-

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing Policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments other than financial investments	The Council	Unlimited
Approval for charging assets as security over borrowing	The Council	Unlimited
Appoint Debenture Trustee	The Council	N/A
Overall day-to-day risk management	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Overall day-to-day risk management
Re-financing existing debt	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Re-financing existing debt
Approving transactions outside policy	The Council	Unlimited
Adjust net debt or net investment interest rate risk profile	CEO (delegated by Council) GMF (delegated by CEO) FSM (delegated by CEO)	Per risk control limits
Managing funding and investment maturities in accordance with Council approved risk control limits	CEO (delegated by Council) GMF (delegated by Council) FSM (delegated by Council)	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management)	The Council CEO (delegated by Council) GMF (delegated by CEO)	Unlimited \$50 million \$25 million

Activity	Delegated Authority	Limit
excludes roll-overs on floating rate investments and interest rate roll-overs on swaps	FSM (delegated by CEO) Finance Accountants Team	\$10 million \$5 million
Authorising lists of signatories	CEO (delegated by Council)	Unlimited
Opening/closing bank accounts	The Council	Unlimited
Triennial review of policy	GMF FSM	N/A
Ensuring compliance with policy	CEO GMF FSM Finance Accountants Team	N/A

All management delegated limits are authorised by the CEO

approved

2.0 CASH MANAGEMENT

The Finance Accountants Team has the responsibility to carry out the day-to-day cash and short-term debt management activities. All cash inflows and outflows pass through bank accounts controlled by the finance function.

- The Finance Accountants Team will calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis. These cash flow forecasts determine Council's borrowing requirements and surpluses for investment.
- On a daily basis, electronically download all Council bank account information.
- Co-ordinate Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters.
- Undertake short term borrowing functions as required, minimising overdraft costs.
- Ensuring efficient cash management through improvement to accurate forecasting using spreadsheet modelling.
- Minimise fees and bank/Government charges by optimising bank account/facility structures.
- Match future cash flows to smooth overall timeline.
- Provide reports detailing actual cash flows during the month compared with those budgeted.
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- Cash is invested for a term of no more than 3 months and in approved instruments and counterparties.

3.0 MEASURING TREASURY PERFORMANCE

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis.

3.1 Operational performance

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines are to be met, including reporting deadlines.

3.2 Management of debt and interest rate risk

The actual funding cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted interest cost.

Since senior management is granted discretion by the Council to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within existing policy. Note: in this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy.

Given current fixed/floating risk control limits and fixed rate maturity profile limits as defined in Section 5.1.3 of the Treasury Policy, the market benchmark (composite) indicator rate will be calculated as follows:

Composite Benchmark Indicator Rate	
Weighting	Rate
20%	Average 90-day bank bill bid-rate for the reporting month
16%	5 year interest rate swap bid-rate, end of reporting month
16%	5 year interest rate swap bid-rate, 1 year ago
16%	5 year interest rate swap bid-rate, 2 years ago
16%	5 year interest rate swap bid-rate, 3 years ago
16%	5 year interest rate swap bid-rate, 4 years ago
100%	

The micro-benchmark rate used to measure performance is the aggregate of the composite benchmark indicator rate calculated above and the margin that applies to existing funding facilities.

Accordingly, the actual weighted average interest rate for the financial year to date (that incorporates all issuance margins and derivative settlements) must be compared against the micro-benchmark rate on a monthly basis, with historical comparison reported graphically over the previous 12 months.

approved

File number: 2126.05 **Approved for agenda**
Report to: Audit and Risk Committee
Meeting date: 09 March 2017
Subject: **Bills in Parliament: Legislation Progress**
Date of report: 28 February 2017
From: Venessa Anich, General Manager Community / Linda O'Reilly, Brookfields Lawyers
Report purpose **Decision.** **Recommendation** **Information**
Assessment of significance **Significant** **Non-significant**

Summary

New Zealand Parliament is currently considering a number of Bills that may impact on the business of local government. This report provides a Summary (**Appendix 1**) of these Bills to ensure that Council is well prepared when Bills are enacted and/or submitted to the Select Committee responsible for commenting on a Bill.

Only those Bills that have been introduced as of 22 September 2016 are included in this report, they are:

Bills gaining Royal Assent (i.e. now enacted)

- Building (Pools) Amendment Bill
- Charities Amendment Bill
- Civil Defence Emergency Management Amendment Act 2016
- Civil Defence Emergency Management Amendment Bill
- Compensation for Live Organ Donors Bill
- Evidence Amendment Bill
- Geographical Indications (Wine and Spirits) Registration Amendment Bill
- Local Government (Rating) Amendment Bill
- Sale and Supply of Alcohol (Display of Low-alcohol Beverages and Other Remedial Matters) Amendment Bill
- Taxation (Business Tax, Exchange of Information and Remedial Matters) Bill
- Trans-Pacific Partnership Agreement Amendment Bill
- Trans-Tasman Proceedings Amendment Bill

Bills Introduced since last report

- Broadcasting (Election Programmes and Election Advertising) Amendment Bill
- Electronic Interactions Reform Bill
- Energy Innovation (Electric Vehicles and other matters) Amendment Bill
- Health (Fluoridation of Drinking Water) Amendment Bill
- Land Transport Amendment Bill
- Regulatory Systems (Building and Housing) Amendment Bill
- Regulatory Systems (Workplace Relations) Amendment Bill

Other Bills before Parliament

- Fire and Emergency New Zealand Bill
- Food Safety Law Reform Bill

- Land Transfer Bill
- Taxation (Annual Rates for 2016-2017, Closely Held Companies, and Remedial Matters) Bill
- Te Ture Whenua Maori Bill

Members Bill – newly introduced

- Domestic Violence – Victims' Protection Bill
- Employment Relations (Allowing Higher Earners to Contract Out of Personal Grievance Provisions) Amendment Bill
- Land Transport (Vehicle User Safety) Amendment Bill

Recommendation

That the Audit and Risk Committee receives the combined General Manager Community's and Brookfields Lawyers' report 'Bills in Parliament: Legislation Progress' dated 28 February 2017, and the information contained therein.

Reason for the recommendation

Council needs to be aware of proposed Bills that may impact on local government and Kaipara District Council.

Reason for the report

This report is to make the Audit, Risk and Finance Committee aware of current Bills that are progressing through Parliament that are relevant to Council, to enable them to consider the potential impact they may have and consider whether there is a need for further action, such as the lodging of a submission. It also provides information on consultation being undertaken by Government and other agencies that may result in legislative change or have an impact on Council.

Background

Council operates in what can be described as a dynamic environment where changes are always happening. In order for Council to respond to proposed changes it firstly needs to be aware of any proposals. This will allow Council to respond appropriately when required. If Council is not aware of proposed changes then it would be unable to respond when required.

It will also allow Council the time to put in place any changes and prepare for any budgetary implications it may have where possible.

Issues

Changes in legislation have the potential to affect how Council undertakes and manages its functions. Issues that can arise out of any change include affordability, resourcing and having people aware of changing processes and changing criteria required for decisions.

There are some proposed legislation changes that have not been introduced to Parliament yet and therefore may not feature in the information provided. The information is obtained from the Parliament website which is updated every two to four weeks, therefore changes may have occurred between the period between the Audit, Risk and Finance Committee Agenda closing and the Audit, Risk and Finance Committee sitting.

Factors to consider

Community views

Other than the Bills to which Assent has been given, information provided in the appended legislation progress worksheet (**Appendix 1**), is not yet law and therefore is not binding on Council. As such community views are not required as a result of presenting this information.

Enacting legislation is a full public process, with the community able to provide their views to Parliament through submissions to the appropriate Select Committee.

Policy implications

Some of the information provided may impact on Council policy if/when Bills come into law. There are certain times within the Parliament process in which Council can express its views on a proposal. The information provided may trigger the need for Council to respond by, for example, lodging a submission to the appropriate Select Committee. Once a Bill has been passed into law it is important that staff identify the implications of the changes made for Council and develop an Action Plan to ensure that any necessary changes, for example, to Council processes, are made.

Financial implications

The information does not pose any financial implications merely to highlight potential impacts when Bills come into law. It is at the point where a Bill comes into law that it may have financial implications for Council.

Legal/delegation implications

This Agenda item is for information only and has no legal implications. While this does not affect any Council delegations, the Audit, Risk and Finance Committee may decide at any time that it is prudent for Council to submit on a proposal.

Appendices

Legislation Progress Spreadsheet (Appendix 1)

Appendix 1:
Progress of Legislation

Bills gaining Royal Assent				
Title	Overview	Impacts on Council? (Low – Medium – High)	Date of Assent	Manager Responsible
Building (Pools) Amendment Bill	<p>The main aim of this Bill is to amend the Building Act 2004 and repeal the Fencing of Swimming Pools Act to reduce the compliance burden currently imposed on pool owners and territorial authorities in relation to residential pools while maintaining child safety. The main changes include:</p> <p>(a) Small heated pools – the term “small heated pool” is defined as a spa pool or a hot tub that has surface area of five square metres or less and is designed for therapeutic or recreational use. The Bill also provides that the requirement that every residential pool that is filled or partly filled with water must have physical barriers that restrict access to the pool by unsupervised children only applies in the case of a small heated pool when the pool is not in use.</p> <p>(b) Territorial authorities may now grant waivers or modifications in relation to the means of restricting access to residential pools but only if the chief executive is satisfied that the waiver or modification would not significantly increase danger to children under five.</p> <p>(c) Inspections of residential pools are now required every</p>	<p>Medium: This directly affects Council in its regulatory role in relation to spa's and swimming pools. Territorial authorities are required to inspect residential pools every three years to determine if the requirements of the Building Act are being complied with. The Bill provides territorial authorities may not prescribe requirements in relation to means of restricting access to pools that are additional to or more restrictive than those prescribed in</p>	<p>Assent: 28/10/16</p>	

	three years (instead of five years in the Bill as introduced).	the Building Act 2004 and brings the regulation of pools entirely under the Building Act.		
Charities Amendment Bill	<p>The aim of this Bill is to amend the Charities Act 2005 (the Act):</p> <p>(a) To provide that a person cannot be an officer of a charitable entity if they have been convicted of a tax evasion or similar offence under the Tax Administration Act 1994; and</p> <p>(b) To provide that an application for registration as a charitable entity can be treated as withdrawn if an applicant does not respond to a request for information or other notice from the chief executive under Section 18 of the Act within the required timeframe.</p>	<p>Low: Local authorities are required under the LGA'02 to develop relationships with various communities, which may include charities. This legislation does not directly affect the Council but in dealing with non-profit organisations or charities it is important that the Council remain up to date with legislative change.</p>	Assent 13/02/17	
Civil Defence Emergency Management Amendment Bill	<p>The amendments to the Act provide a mandate for roles and responsibilities that apply for the duration of the recovery from an emergency, strengthen emergency planning, ensure a seamless transition from the response to an emergency to the initial recovery period and create a permanent legislative authority to allow for Crown funding of response and recovery of costs.</p>	<p>Medium: Civil Defence Management happens at both a central and local government level, therefore Council needs to remain updated on legislation changes in order to effectively respond/manage</p>	Assent: 15/11/16	

Civil Defence Emergency Management Amendment Act 2016	<p>This Bill amends the recently enacted Civil Defence Emergency Management Amendment Act 2016, bringing forward the commencement date of most provisions of the Act to allow them to be used to support recovery from the Hurunui/Kaikōura earthquake sequence, as well as providing transitional provisions and allowing owners of structures to be directed to obtain an assessment of the effect of an emergency on those structures.</p>	<p>emergencies.</p>	<p>Assent: 29/11/16</p>	
Compensation for Live Organ Donors Bill	<p>The purpose of this Bill is to provide financial assistance to people who, for altruistic reasons, donate kidney or liver tissue for transplanting purposes and who forgo income from employment during their convalescence.</p>	<p>Low: Council as an employer should be informed about legislation concerning employees and special leave requirements.</p>	<p>Assent: 5/12/16</p>	
Evidence Amendment Bill	<p>The Bill makes a number of minor and technical amendments recommended by the Law Commission, following its 2013 review of the Evidence Act 2006.</p>	<p>Low: Council should be aware/informed on changes/amendments to evidence in relation to hearings or any other legal matters concerning Council business.</p>	<p>Assent: 22/9/16</p>	
Geographical Indications (Wine and Spirits) Registration Amendment Bill	<p>The aim of this Bill is to amend the Geographical Indications (Wine and Spirits) Registration Act 2006 (the Act), which has never been brought into force, to deal with “identified issues” within the Act that “should be addressed” by amendments before the Act is brought</p>	<p>Low: Council should remain updated on any legislation relating to alcohol.</p>	<p>Assent: 25/11/16</p>	

	<p>into force. The changes include:</p> <p>(a) Renewal periods for the registration of a geographical indication;</p> <p>(b) Extends the right of a person who has been using a term, in trade, continuously since a specified time to a person that has acquired such right after the specified time and continues to use the term; and</p> <p>(c) The Registrar may alter a geographical indication only if the alteration is necessary, will not substantially alter the character of the geographical indication and is not likely to mislead the public.</p>			
Local Government (Rating) Amendment Bill	<p>This Bill was formerly part of the Judicature Modernisation Bill as reported from the Justice and Electoral Committee. The committee of the whole House has further amended and divided the Bill. Section 70 (a rating unit may be sold or leased) is amended so that the registrar may now charge the fee, and require the fee to be paid, before the work required of the Registrar in effecting the sale or lease is begun.</p>	<p>Low: As a landlord, Council should be informed about legislative change in respect of the sale of land, leases, unit titles and dealings with the registrar and Courts in respect of the payment of fees.</p>	<p>Assent: 17/10/16</p>	
Sale and Supply of Alcohol (Display of Low-alcohol Beverages and Other Remedial Matters) Amendment Bill	<p>This Bill provides for the mechanisms to correct certain minor technical issues that have emerged with the Act. The Bill does not affect the original policy intent or amend any substantive issues.</p> <p>The first change addresses how non-alcoholic and low-alcohol</p>	<p>Low: There is no direct impact on Council but the District Licensing Committee should be across any legislative</p>	<p>Assent: 12/12/16</p>	

	<p>beer and wine are displayed in supermarkets and grocery stores.</p> <p>The second change is in respect of the definition of "company". Under the previous legislation companies were explicitly included under the category of those who could hold an alcohol licence. This was not carried over in the same way to the new Act. The oversight has not caused any problems but it is important to make clear that companies can continue to hold licences as they always have done.</p>	<p>amendments relating to the sale and supply of alcohol in determining whether to issue an application for a liquor licence.</p>		
<p>Taxation (Business Tax, Exchange of Information and Remedial Matters) Bill</p>	<p>The aim of this Bill is to amend several taxing statutes for various purposes including simplifying processes, reducing compliance costs for smaller businesses and to tighten foreign trust disclosure rules.</p>	<p>Medium: The main aim of the Bill is to amend the tax statutes for various purposes including simplify the processes and compliance costs for businesses.</p> <p>Accordingly, Council (as a business) should be informed and updated on any legislative changes.</p>	<p>Third reading: 14/02/17</p>	
<p>Trans-Pacific Partnership Agreement Amendment Bill</p>	<p>The aim of the Bill is to amend New Zealand law as part of the implementation of the free trade agreement named the Trans-Pacific Partnership (TPP) Agreement between New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, the United States, and Viet Nam, signed at Auckland on 04 February 2016 (the Agreement). The Bill is intended to align New Zealand's domestic law with certain obligations in the Agreement, and thereby enable</p>	<p>High: The TPP Agreement has a significant effect on local government. These include but are not limited to:</p> <ul style="list-style-type: none"> - Local government will be required to comply 	<p>Assent: 21/11/16</p>	

	<p>New Zealand to ratify it.</p>	<p>with certain rules and restrictions in the same way central government does;</p> <ul style="list-style-type: none">- Policymaking and planning decisions, bylaws and regulations, property development, zoning, utilities and resource management rules and decisions are all activities that may be affected.		
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Bills Introduced				
Title	Overview	Impacts on Council? (Low – Medium – High)	Current Status	Manager Responsible
Broadcasting (Election Programmes and Election Advertising) Amendment Bill	<p>The aim of the Bill is to amend the Broadcasting Act 1989 (the Act) in relation to election programmes on television and radio.</p> <p>The Bill emphasises that the Bill retains existing provisions whereby parties are allocated different amounts of public funding, which are their spending limits for broadcasting election programmes on television and radio, by providing that there is no limit to the amount of money that a party or group of related parties may spend “subject to the expenditure limitations prescribed by or under the Electoral Act 1993 (Part 1, Clause 4, substituting part 6 of the Act, amending New Section 80A(2))”.</p>	<p>Low: Council ought to be aware of any changes and updates in respect of election programmes and advertising. Note that the Bill relates to Parliamentary general and by elections only.</p>	<p>Second Reading: 14/12/17</p> <p>Committee of the Whole House</p>	

<p>Electronic Interactions Reform Bill</p>	<p>The main aim of this Bill is to amend several statutes to enable digital interactions between individuals, businesses, and government agencies. The main changes include but are not limited to:</p> <ul style="list-style-type: none"> (a) Births, Deaths, Marriages, and Relationships Registration Act 1995 – The Bill provides that an applicant for registration of a name change may provide a statement that is verified electronically as an alternative to the provision of a statutory declaration; (b) Civil Union Act 2004 – Applications to get married in NZ and for approval as an organisation that may solemnise marriages may be made electronically; and (c) Electronic Identity Verification Act 2012 - The Bill provides for an individual to view the record of usage history for his or her electronic identity photograph. The Bill also provides that a person who has access to an individual's electronic identity photograph may supply, with the individual's consent, the most recent photograph of the individual to a participating agency for one of the specified purposes 	<p>Low: This legislation does not affect Council directly but is very relevant in respect of Council's wider interests and knowledge about the move toward electronic filing, service and verification of official / original documents.</p>	<p>First Reading: 13/10/16 Select Committee:</p>	
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<p>Energy Innovation (Electric Vehicles and other matters) Amendment Bill</p>	<p>This is an omnibus Bill amending the Electricity Industry Act 2010, the Energy (Fuels, Levies, and References) Act 1989, the Land Transport Act 1998, and the Road User Charges Act 2012. The broad policy of this Bill is to encourage energy innovation, such as emerging energy technologies and increased variation in energy-related business models, so that New Zealand has the ability to respond to its environmental and energy objectives</p>	<p>High: LGNZ made a submission on this Bill. Many councils are actively encouraging the uptake of electronic vehicles and consider it important that the legislative frameworks are clear and adaptive to changing circumstances. It is important that Council remains updated on topics and issues affecting local authorities around the country. Of particular importance are the amendments to the Electricity Industry Act 2012 and the Land Transport Act 1998 (road controlling authorities may make certain bylaws).</p>	<p>First Reading: 8/11/16 Select Committee</p>	
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<p>Health (Fluoridation of Drinking Water) Amendment Bill</p>	<p>This Bill amends Part 2A of the Health Act 1956 by inserting a power for DHBs to make decisions and give directions about the fluoridation of local government drinking water supplies in their areas.</p>	<p>High: LGNZ made a submission on the Bill seeking the removal of the responsibility for making decisions on fluoridation in drinking water from the territorial authorities and seeks national leadership in relation to this. It is important that Council maintains a watching brief on progression of the Bill in relation to its powers and responsibilities in respect of this matter.</p>	<p>First Reading: 6/12/16</p> <p>Select Committee</p>	
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<p>Regulatory Systems (Workplace Relations) Amendment Bill</p>	<p>The aim of this Bill, which is an omnibus Bill, is to make amendments to legislation administered by the Ministry of Business, Innovation, and Employment (the Ministry) in the workplace relations and safety areas to “maintain the effectiveness and efficiency” of the relevant regulatory systems “and so reduce the chance of regulatory failure”. In particular, the Bill is intended to improve legislation by ensuring that:</p> <ul style="list-style-type: none"> (a) Statutory provisions are clarified and updated to give effect to the purpose of the Act; (b) Duplication, errors, gaps and inconsistencies are addressed and corrected; (c) Unnecessary compliance costs and costs of doing business is removed. <p>The Main amendments are to the:</p> <ul style="list-style-type: none"> (a) Employment Relations Act 2000 in respect of circumstances in which a person is involved in a breach of employment standards where the breach is committed by a company, partnership, or sole trader; and (b) Parental Leave and Employment Protection Act 1987 in respect of a primary carer of a preterm baby who elects to forgo some or all of their entitlement to preterm baby payments and instead return to work in between the birth of the baby and starting their period of parental leave. 	<p>Medium: As an employer and business Council ought to be aware of any legislative changes that could effect its dealings with other businesses and employees in relation to breach of employment standards and parental leave payments.</p>	<p>First Reading: 18/10/16</p> <p>Select Committee</p>	
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<p>Land Transport Amendment Bill</p>	<p>This Bill will strengthen the legislation relating to *mandatory alcohol interlocks, strengthen the framework for managing public transport fare evasion, create more effective deterrents to reduce the incidence of fleeing drivers, make changes to heavy vehicle regulation, change the regulatory framework for small passenger services, and make a range of minor amendments to ensure that the Land Transport Act 1998 is clear and operating as intended.</p> <p>*Alcohol interlock sentences: This has been available since September 2012 for repeat drink drivers with two or more offences within five years. Under the alcohol interlock sentence, an offender must hold an alcohol interlock licence, which restricts the holder to driving vehicles with an interlock fitted. An alcohol interlock is an electronic device that prevents the use of a vehicle if alcohol is detected in a breath sample. The driver breathes into the alcohol interlock before starting the vehicles. The alcohol interlock analyses the breath sample and if alcohol is detected the vehicle will not start.</p>	<p>Medium: This Bill does not directly impact Council, however Council as a local roading authority ought to be aware of legislative change in relation to roads and transport.</p>	<p>First Reading: 15/9/16</p> <p>Select Committee</p>	
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<p>Regulatory Systems (Building and Housing) Amendment Bill</p>	<p>This is an omnibus Bill and one of a package of three that contain amendments to legislation administered by MBIE.</p> <p>The aim of this Bill is to make amendments to legislation administered by the Ministry of Business, Innovation, and Employment (the Ministry) in the building and housing areas to “maintain the effectiveness and efficiency” of the relevant regulatory systems“ and so reduce the chance of regulatory failure. The main changes are to the Unit Titles Act 2010 – The Bill provides that where an estate or interest in land in a unit title development is acquired under the Public Works Act 1981, the Unit Titles Act requires a new unit plan or an amendment to the unit plan. The Bill also makes amendments to the assignment of interests; distribution of proceeds received by a body corporate as a result of a sale and extends the power of a body corporate in respect of easements and covenants over common property.</p>	<p>Medium: As a property owner Council ought to be across legislative change in respect of housing, unit titles, assignments of interests and easements, and covenants.</p>	<p>First Reading: 18/10/16</p>	
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Other Bills before Parliament				
Title	Overview	Impacts on Council?(Low - Medium - High)	Current Status	Manager Responsible
Fire and Emergency New Zealand Bill	<p>This Bill repeals the two Acts governing fire services, the Fire Service Act 1975 and the Forest and Rural Fires Act 1977, to give effect to a single, unified fire services organisation for New Zealand. The Bill also provides for but is not limited to the following:</p> <p>(a) Local advisory Committees – there must be an advisory Committee for every local area;</p> <p>(b) Local Planning by FENZ (Fire and Emergency New Zealand) for each local area including policies and procedures for fire control;</p> <p>(c) The Board of the FENZ may by written notice, authorise that a person to perform or exercise a function, duty or power under the Bill and regulations made under it;</p> <p>(d) The main function of FENZ is to promote fire safety which includes “providing guidance on the safe use of fire as a land management tool”; and</p> <p>(e) The Bill provides that an authorised person may require a person to provide their full name, address and any other relevant information necessary for an authorised person to issue an infringement notice and creates an offence for failing to provide new information requested by an authorised person.</p>	<p>Medium: Local government supported the reform to modernise New Zealand's fire services. Local government has also been a key player in delivering and funding rural fire services. Councils across New Zealand will be working closely with the new fire and emergency service to assist with the transition.</p> <p>However, from 2017 local government will no longer operate or separately fund rural fire services.</p>	<p>Second Reading 15/02/17</p> <p>Committee of the Whole House</p>	

Other Bills before Parliament				
Title	Overview	Impacts on Council?(Low - Medium - High)	Current Status	Manager Responsible
Food Safety Law Reform Bill	<p>The Bill makes improvements and enhancements to three Acts governing the food safety system, improving their alignment, operation and design so as to better protect human health, and maintain and strengthen New Zealand's reputation as a supplier of safe and suitable food both domestically and internationally.</p> <p>The main amendments include:</p> <p>(a) In respect of a new regulation-making provisions introduced by the Bill, required consultation is to be carried out before any regulations are made; and</p> <p>(b) The requirement to consult on notices that supplement regulations is removed. However, it provides that consultation is required before the Director General makes any notices to supplement any of the regulations set out in section 163(2) as amended by this Bill.</p>	<p>Medium: As a monitoring authority tasked with ensuring compliance with the Food Act 2014, issuing food licences and food grades, the Council should remain updated with amendments to the Food Act.</p>	<p>Select Committee: 19/12/16</p> <p>Second Reading</p>	

Other Bills before Parliament				
Title	Overview	Impacts on Council?(Low - Medium - High)	Current Status	Manager Responsible
Land Transfer Bill	<p>The aim of this Bill is to replace the Land Transfer Act 1952, the Land Transfer Amendment Act 1963 and the Land Transfer (Computer Registration and Electronic Lodgement) Amendment Act 2002 and to create a new updated statute relating to NZ's land transfer system.</p> <p>The provisions are intended to deal with malfeasance by one owner against another of the same land. The main changes include the Court's power to cancel a land registration if it is satisfied that it would be manifestly unjust for a person to remain the registered owner of the estate or interest even when forgery or dishonest conduct exists.</p>	Medium: Council should be informed about legislation relating to the sale and purchase of land and dealings in land, as this is an area of local interest and involvement.	<p>Second Reading: 12/10/16</p> <p>Committee of the Whole House</p>	
Te Ture Whenua Maori Bill	<p>The aim of the Bill is to "restate and reform the law relating to Maori land." Maori land is land, which has the status of Maori freehold land.</p> <p>The Bill is needed to reflect the dual kaupapa expressed by the NZ Maori Council and reflects a policy shift to more clearly support land utilisation as determined by the owners themselves.</p>	Low: As a landowner, any legislative amendments and legal requirements in relation to Maori landholdings are relevant to Council.	<p>First Reading: 11/5/16</p> <p>Select Committee</p>	
Taxation (Annual Rates for 2016-17, Closely Held Companies, and Remedial Matters) Bill	This omnibus Bill sets out the annual rates of income tax for the 2016/2017 tax year, and makes changes relating to closely held companies, non-residents withholding tax for related party and branch lending, goods and services tax and land tainting and council controlled organisations.	Medium: As a business organisation, Council should be updated with any tax requirements and amendments. Specifically in relation to the tax for Council controlled organisations.	<p>Select Committee: 24/11/16</p>	

Members Bills				
Title	Overview	Impacts on Council? (Low - Medium - High)	Current Status	Manager Responsible
Domestic Violence - Victims Protection Bill 2016	<p>This Bill amends the Domestic Violence Act 1995, Employment Relations Act 2000, Health and Safety at Work Act 2015, Holidays Act 2003, and Human Rights Act 1993 with a view to enhancing legal protections for victims of domestic violence. The amendments of more relevance to Council's purposes include:</p> <p>(a) Employment Relations Act 2000 – the Bill provides that employees who are victims of domestic violence may request a variation of their working arrangements. The employer may must answer the request as soon as possible and no later than three months after receiving it;</p> <p>(b) Health and Safety at Work Act 2015 – the definition of “hazard” is replaced so that a person conducting a business or undertaking must in taking all practicable steps to ensure that workers are not exposed to hazards, include the hazard of a worker suffering domestic violence; and</p> <p>(c) Holidays Act 2003 – The Bill provides that a victim of domestic violence has a minimum entitlement to 10 days paid leave for the purpose of dealing with the effects of being a victim of domestic violence.</p>	<p>Medium: As an employer, it is important for Council to remain up to date with legislative change in relation to leave, health and safety and working arrangements to ensure that Council is aware of its responsibilities and liabilities.</p>	<p>Introduction: 1/12/16</p>	
Employment Relations (Allowing Higher Earners to Contract Out of Personal Grievance Provisions) Bill	<p>The aim of this Bill is to amend the Employment Relations Act 2000 (the Act) “to allow employees with an annual gross salary over \$150,000 to contract out of the personal grievance provisions. Under s102 an employee who believes that they has a personal grievance may pursue that grievance under the Act.</p>	<p>Medium: As an employer Council ought to be informed on legislative change in relation to remuneration</p>	<p>Introduction: 8/12/16</p>	

	<p>The Bill provides that:</p> <p>(a) Where an employee who is a party to an individual employment contract has contracted out of Part 9 (personal grievances and disputes) of the Act, s102 does not apply to them and they may not pursue a personal grievance; and</p> <p>(b) When an employee is negotiating with an employer to make an individual employment agreement and that individual employment agreement provides for an annual gross salary greater than \$150,000 the employee and employer may agree to include a term in the agreement excluding the application of Part 9 of the Act</p>	<p>and rights of both Council (as an employer) and the employee in relation to personal grievances, disputes and enforcement.</p>		
<p>Land Transport (Vehicle Use Safety) Amendment Bill 2016</p>	<p>The aim of this Bill is to amend the Land Transport Act 1998 (the Act) and two sets of regulations, the Land Transport (Road User) Rule 2004, and the Land Transport (Offences and Penalties) Regulations 1999, “to put in place an enforcement regime against window washing.” The explanatory note to the Bill states “some local authorities have attempted to stop this practice of car window washing by way of bylaw. However, the legislation enabling a local authority to create bylaws does not generally allow a local authority to make offences against a bylaw an infringement offence”</p>	<p>Medium: By making the washing of vehicles in a way that is unsafe, intimidating, or causing nuisance an infringement offence, enforcement authorities will have greater ability to stop and penalise individuals for such behaviour.</p>	<p>Introduction: 8/12/16</p>	

File number: 2209.0 **Approved for agenda**
Report to: Audit, Risk and Finance Committee
Meeting date: 09 March 2017
Subject: Health and Safety Update January 2017
Date of report: 27 February 2017
From: Peter Marshall, General Manager Corporate Services

Report purpose Decision Recommendation Information
Assessment of significance Significant Non-significant

Summary

This report summarises the Health and Safety incidents and activities since 01 July 2016, and updates the Audit, Risk and Finance Committee on developments in Council's health and safety systems.

Please find attached accident and incident reporting for the period 01 July 2016 to 31 January 2017. **(Attachment 1)**

Internally, Council staff have reported three days lost time for injury related incidents in this period. Additionally a small number of minor incidents were reported.

Council contractors have reported minor muscle injuries and abrasions from manual handling. A number of contractor incidents were reported and remedial actions taken to prevent future accidents.

Council officers continue the development of health and safety systems to reduce health and safety risk across Council activities. One of the key areas of focus has been on auditing the health and safety practices of Council contractors. Please find attached **(Attachment 2)** audit reporting for fixed and mobile works that have been conducted during the reporting period.

Note that there has been a total of 21 audits undertaken over a four month period that includes the Christmas break which demonstrates a level of momentum in the audit programme. Of the 21 audits, six found significant areas for improvement and line managers are being reminded to follow up on these issues to ensure that they are remediated.

Other initiatives underway are:

- Policies and training on managing violent customers;
- Active health and safety staff communication via the intranet and briefings;
- Policies and new technology to support staff working alone;
- Staff engagement through health and safety representatives and an active committee; and
- Consideration of a drug and alcohol policy and testing programme.

Proposed recommendation:

That the Audit and Risk Committee:

- 1 *Receives the General Manager Corporate Services report 'Health and Safety Update January 2017' dated 27 February 2017; and*

- 2 *Believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with s79 of the Act determines that it does not require further information prior to making a decision on this matter; and*
- 3 *Notes the update on health and safety performance; and*
- 4 *Notes the update on the development of Council health and safety systems.*

Reason for the recommendation

To update the Committee on Council's Health and Safety performance and on the development of Council health and safety systems.

Reason for the report

To update the Committee on Council's health and safety performance and on the development of Council health and safety systems.

Background

Introduction

This report is designed to provide the Audit, Risk and Finance Committee with an update on Council's health and safety performance since July 2016 and updates the Audit, Risk and Finance Committee on developments in Council's health and safety systems.

Accidents and Incidents

A number of contractor incidents were reported which did not result in accidents. These were mainly related to road traffic, equipment failure, unsecured loads and staff failing to follow safe working procedures. Incidents reported by staff were trips, poor water quality in Mangawhai and witnessing of a traffic accident.

The six contractor accidents during the period were for two dog bite incidents, a shoulder strain, a cut arm, a twisted leg and a twisted ankle. The three staff accidents were for back pain, back strain and an allergic reaction when using a weed eater. Additionally a volunteer suffered back strain and there were two visitor accidents at Kai Iwi Lakes – an injured neck and a near drowning.

Audits

The 21 audits completed so far have picked up on some basic failings both at Council's fixed facilities and in the mobile works undertaken. No immediately life threatening situations have been discovered that would merit Council requiring cessation of work. Some notable common failings have been administrative compliance such as staff training records and hazard reporting documents. It is noted that the smaller contractors are scoring less than the larger national companies. Managers will be following up on areas for improvement.

Future actions to improve auditing results include circulating the audit results between teams, running briefing workshops to moderate the results and refine observation ability, circulating hazard alerts on accident and incident trends, and updating all contractors on audit requirements and common failings.

It is also intended to extend the audit process in future to include annual property audits of all Council-owned or controlled buildings. These audits would cover asbestos, electrical safety, hot water temperature, firefighting provision etcetera.

Violent Customers

The draft Violent Customer Policy is currently available for staff comment and will be considered by the Health and Safety Committee at its next meeting. The policy includes provision for each team to review the potential for customer violence in their work area and develop safe work practices. We are currently working with a provider of customer conflict awareness training which will be attended by all customer service and library staff. A separate training session will be held for field officers.

Lone Workers

A draft Lone Worker Policy has been developed and the technology to be included in the policy is currently being considered by the Executive Team. Once finalised the policy will be considered by the Health and Safety Committee.

Drugs and Alcohol

The draft Drug and Alcohol Policy has been reviewed by the Health and Safety Committee and some minor changes recommended. The policy enables drug and alcohol testing in safety-sensitive areas or roles, after an incident or near miss where someone could have been injured or if an employee's actions, appearance or behaviour suggest they may be under the influence of alcohol or drugs. Once the recommended amendments have been finalised the draft policy will be submitted to the Executive Team for approval.

Health and Safety Communication

A health and safety briefing was presented at the all staff meeting on 24 February 2017. Health and safety communications continue to be broadcast via the Intranet as well as all employee emails.

Health and Safety Committee

The Health and Safety Committee meets every eight weeks and consists of 16 members made up of six trained health and safety representatives, nine department representatives and a management representative. The Committee reviews incident and accident reports, employee suggestions, draft policies and perceived or actual risks. As appropriate, recommendations are sent to the executive team for consideration.

Attachments:

- 1 Accident and incident reporting for the period 01 July 2016 to 31 January 2017
- 2 Audit reporting for fixed and mobile works

Report Audit and Risk 6 Month to 31/1/2017

Staff		Public		High Risk Contractors												Medium Risk				Low						
				Downer		Broadspectrum		Kaipara Refuse		Fulton Hogan		Trility		Forestry Management		Other High Risk		Recreational Services		Armourguard (E.N.I)		Other Medium Risk		Others Low Risk		
KDC Staff	KDC. Public	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	
																										January
December	0	0	0	0	n/a	n/a	3	0	3	0	0	0	0	0	n/a	n/a	0	0	2	0	0	0	0	0	0	0
November	0	0	2	0	n/a	n/a	4	1	2	2	0	0	0	0	n/a	n/a	0	0	0	0	0	0	0	0	0	0
October	3	1	0	0	0	0	3	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
August	2	0	0	1	0	0	0	0	1	1	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0
July	0	1	0	0	0	0	0	0	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	5	6	2	4	0	0	11	2	9	6	0	0	0	0	0	0	0	0	5	1	1	0	0	0	0	0
	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A

Key. I = Incidents A = Accidents

Observations on Data

It is noted that reporting levels are increasing as the period progresses, this should be taken as an increase in safety maturity.

Similarly the contractor showing the most injuries and incidents are evidencing a good open reporting system.

January has the most accidents for KDC Public this is linked to the high use of the lakes campground during the month.

Accident Details

Date	Type	Company Name	Details of Accident	Improvement to system
26/01/2017	Accident	KDC Staff Mangawhai	Mangawhai staff member "burnt" finger on sandwich press/mini oven. No medical treatment.	Sandwich press now removed from kitchen.
24/01/2017	Accident	KDC Staff NTA Whangarei	Staff member scalded on wrists by spilled microwaved hot food at Roding Alliance kitchen. Injury required first aid. Resulted in burns and blisters.	Staff member was using thin paper towel rather than a thick cloth for carrying food from microwave. Roding Alliance Manger will advise if any safety improvements are possible in the kitchen.
18/01/2017	Accident	KDC Staff Mangawhai	Mangawhai staff member caught hip on fridge handle door whilst trying to let people out of kitchen. Received small cut to hip and bruise. Treated with first aid.	Door to kitchen has been removed to improve flow. Staff have been advised to make sure they are using the correct kitchen for their area (3 available). Request for main kitchen/staff rest area upgrade with management.
13/01/2017	Accident	Kaipara Refuse	Staff member tripped on loose wire. Required minor first aid treatment.	Need to keep work areas tidy stressed to staff.
13/01/2017	Accident	KDC Public Pahi Beach Holiday Park	Girl fell out of the fig tree while climbing. Rescue helicopter attended.	System for handling accidents is working well.
7/01/2017	Accident	KDC Public Kai Iwi Lakes	Man was rescued after getting into trouble in the water. CPR was administered and the man was taken to hospital in a moderate condition.	System for handling incidents at the lake has found to be sound. Procedure for dealing with helicopter at the campground is working well.
6/01/2017	Accident	KDC Public Kai Iwi Lakes	Visitor hurt neck whilst wakeboarding. Treated at scene and taken by helicopter to Whangarei Hospital for observation.	System for handling incidents at the lake has found to be sound. Procedure for dealing with helicopter at the campground is working well.

Date	Type	Company Name	Details of Accident	Improvement to system
10/11/2016	Accident	Kaipara Refuse	Twisted ankle. Required visit to doctor and 7 days off work.	Contractor found no deficiency in their system.
4/11/2016	Accident	Kaipara Refuse	Staff member bitten by dog at transfer station.	Minor injury was only necessary to treat with first aid.
8/11/2016	Accident	Broadspectrum	Staff member walking to truck when strong gust of wind blew him off balance on sloping ground causing him to twist right lower leg. Initially only felt some discomfort.	Reported incident to supervisor and taken for medical assessment resulting in work restriction - no truck driving and avoid walking on uneven ground.
20/10/2016	Accident	KDC Staff (campground)	A staff member suffered discomfort to eyes and throat after using a weedeater. Treated with eye drops.	Eye protection and mask now being worn in this work.
5/10/2016	Accident	Kaipara Refuse	Contractor suffered small cut to inside arm received whilst loading loose rubbish from Waihue cage site. Given first aid.	None given by contractor.
28/09/2016	Accident	Recreational Services	(Liverpool Street, Dargaville) Contractor approached a dog in the road that was presumed dead. Dog got up and bit the worker. Worker retreated to truck and called police. Received small puncture wound and bruising to arm. Police pepper-sprayed dog.	Staff made more aware of this hazard and to show more caution when approaching.
16/09/2016	Accident	KDC Staff (campground)	Worker strained back and was treated with acupuncture.	Awaiting report.
3/08/2016	Accident	KDC Volunteer	Back strain from lifting roller door at Paparoa Library. No loss time reported. Taking pain killers and has appointment to see GP.	Door is to be repaired by end of October.
1/08/2016	Accident	Kaipara Refuse	Worker strained shoulder lifting heavy rubbish bag. Worker given rest.	None given by contractor.
5/07/2016	Injury KDC Staff	Dargaville Staff	Staff member experienced back pain whilst sitting down at work. Visited doctor and was recorded as strained back. Was given sick note for 5 days including weekend. Now using back support.	Possibly age related but it has to be noted that a large part of the work that we ask staff to do is sedentary and therefore bad for health. Some initiatives to encourage more movement in the working day will benefit all. Raised at H&S committee meeting 10/8/16.
4/07/2016	Accident	Kaipara Refuse	Runner bitten by dog. Bruising to skin.	Dog reported to animal control.

Incident Details

Date	Type	Company Name	Details of Incident	Improvement
26/01/2017	Incident Contractors	Recreational Services	Contractor was driving along Moir Street, Mangawhai when a vehicle pulled out of Insley St causing the contractor to break and swerve out of the way. Two other more minor driving incidents were reported from this same company in January.	In all the reported driving incidents staff were found to be driving responsibly.
22/01/2017	Incident Contractors	Armourguard	Contractor was shoulder-barged out of the way whilst issuing an infringement notice for parking at Mangawhai Heads.	Investigation found that the contractor had not followed the correct procedure and was not wearing full uniform when issuing the notice. This may have led to confusion to the member of the public. As a result contractor did not refer the incident to police.
18/01/2017	Incident Contractors	Kaipara Refuse Ltd	Verbal and physical abuse to staff member by member of public.	Trespass notice issued to member of public.
16/01/2017	Incident Contractors	Broadspectrum	Manager arrived at site and observed two staff members placing out road cones while standing unsecured on rear chassis of flat deck ute which was being driven at slow speed along road site.	Manager discussed actions with staff told them "that it was never acceptable to undertake a task in an unsafe manner and that we would rather a job took twice as long but was done correctly". Reminded them of the mandatory safety rules and SOP for moving vehicle and harnessed work. Companywide safety alert issued and circulated to wider contractor community.
9/01/2017	Incident Contractors	Broadspectrum	Employee was leaving office down rear steps when he grabbed hold of timber veranda post and got a splinter in his thumb.	First aid treatment only. Handrail rectified.
20/12/2016	Incident Contractors	Recreational Services	Contractors were digging holes with an auger. Operator of digger reversed near staff member who was dropping post in to the holes. Near miss.	Separation between moving machinery and workers was not being sufficiently maintained. Staff have been reminded of the need to keep to the safe distance discipline.
16/12/2016	Incident Contractors	Broadspectrum	Mobile operation patching truck stopped in lane on rural road with "pass with care" sign displayed was overtaken by campervan at slow speed which contacted bumper of truck. No damage to vehicles.	Checked vehicles ok to continue. Advised supervisor, who reminded driver to ensure holiday traffic on backroads allowed plenty of passing visibility.
15/12/2016	Incident Contractors	Recreational Services	Operator found that locker on the side of the UTE had come open when driving, a hammer was lost from the vehicle but was found back up the road. Catches are found to be vibrating loose on rough roads.	Design fault in the choice of latches has been noted. Latches are being changed for alternative design that will not shake loose and open. Risk to rest of fleet being assessed.

Date	Type	Company Name	Details of Incident	Improvement
15/12/2016	Incident Contractors	Broadspectrum	Supervisor travelling to depot behind another vehicle towing a trailer when a piece of plywood came off trailer landing on road in front of ute.	Able to avoid plywood which left the roadway, other vehicle unaware and carried on.
15/12/2016	Incident Contractors	Kaipara Refuse Ltd	Contractors truck observed by member of public to be speeding	Driver reminded of the implications of speeding and of safety on the roads.
14/12/2016	Incident Contractors	Kaipara Refuse Ltd	Member of public at transfer station tossed bag of rubbish into bin and overbalanced nearly falling into bin – safety barrier stopped this happening	Staff are ensuring that safety barrier in place at all times.
12/12/2016	Incident Contractors	Broadspectrum	WATERS - ute parked in r.o.w. entrance when another vehicle entered on a bad angle and connected their rear wheel with front tyre of BRS ute.	Checked for damage to both vehicles and found safe to proceed.
7/12/2016	Incident Contractors	Recreational Services	Operator was unloading digger on ground with a slight incline. The brakes on the digger failed to hold fully and the digger was noticed slipping. Machine was stopped from moving further without incident.	Movement of the digger was very minor so full investigation was not required. Good learning from incident staff informed of the need to only unload machinery on flat ground.
6/12/2016	Incident Contractors	Kaipara Refuse Ltd	Truck crossed road to stop to pick up rubbish bags on a corner—car coming other way had to stop to avoid accident.	Contractor has changed the route so truck can pick up on that side of the road thus eliminating the need to cross traffic.
30/11/2016	Incident Contractors	Broadspectrum	Staff member operating hired excavator under overhead powerline when top ram contacted line.	Stopped and checked powerline not damaged, checked excavator which appeared okay to continue to close job off as late in day 6.30pm. Reported incident to manager 7.30am next morning, rechecked excavator and found damage to ram oil seal. Operator taken for post incident testing which proved negative. Full report due from contractor.
23/11/2016	Incident Contractors	Broadspectrum	Truck driver doing prestart check has found birds had been building nest under front grill while truck parked.	Driver cleared nest material as a fire hazard. Notified supervisor and suggested informing other plant operators to check also.
22/11/2016	Incident Public	Mangawhai library	Customer fell on the ramp when entering the library. Other customers helped her and she said she was alright.	Manager has made arrangements to extend the ramp to double its present width. This should remedy the situation.
21/11/2016	Incident Contractors	Broadspectrum	Staff member reversed BRS ute towards drain to park, however misjudged distance and rear wheels became stuck.	Towed ute out with compliant stop, checked found no damage, safe to continue.
15/11/2016	Incident Contractors	Kaipara Refuse Ltd	Truck backed into car and broke the taillight of the car.	The contractor has reported that all vehicles are fitted with reversing cameras and this case appears to be driver inattention.

Date	Type	Company Name	Details of Incident	Improvement
12/11/2016	Incident Public	Paparoa Library	Member banged head on door grille.	Grille has now been raised.
11/11/2016	Incident Contractors	Kaipara Refuse Ltd	Object thrown at truck from passing car.	Driver of car was given a caution by staff (his passenger who threw the object ran off).
3/11/2016	Incident Contractors	Broadspectrum	Road maintenance grader parked at intersection found to have been siphoned of diesel overnight.	Notified supervisor but no action possible as no evidence of offender. Discussed with supervisor, safe parking and no safer alternative was available for overnight in isolated area. Had not filled grader previous night as precaution. Known area for theft.
1/11/2016	Incident Contractors	Broadspectrum	Subcontractor truck and trailer delivering aggregate to stabilising site for road build-up when lifted trailer hoist too high before tripping, causing trailer front wheels to raise off roadway.	Immediately stopped then moved slowly forward able to lower trailer hoist and wheels safely. Stopped and checked trips, no damage, able to continue.
26/10/2016	Incident Contractors	Broadspectrum	Truck raising hoist when ram broke causing tray to drop breaking hydraulic hoses and causing oil spill.	Driver called supervisor for spill kit to clean up oil from unsealed roadway. Mechanic travelled to site and assessed damage and repair.
25/10/2016	Incident KDC Staff	KDC Staff (campground)	Staff member tripped over brick whilst weedeating.	now checking area more thoroughly prior to working.
21/10/2016	Incident Contractors	Broadspectrum	Patrol truck on unsealed roadway, filling potholes with aggregate shovelled off tray, stopped to fill pothole when was found a shovel had fallen off tray while driving.	None given by contractor. KDC H&S co-ordinator will issue an alert to all contractors regarding the security of loads whilst driving. We will request that this is followed up by raising at contractor toolbox talks. Safety alert issued by KDC 10/11/16.
20/10/2016	Incident Contractors	Broadspectrum	Staff member painting fire hydrant marking on roadway with road marking paint noted fumes causing discomfort after period of use.	Stopped work type. Assessed hazard and in future put in controls of working for shorter periods and standing downwind of completed site until fumes disperse.
13/10/2016	Incident Contractors	Broadspectrum	Truck driver confronted by car "boy racer" sliding around corner on gravel road toward truck. Had to take evasive action, slowed and stopped.	Continues to report all these events.
7/10/2016	Incident KDC Staff	Mangawhai Offices	The potable water supply to the offices at Mangawhai were tested and found to be contaminated with E coli bacteria.	All staff have been notified. The water supply has been labelled as unsafe. A benchtop billy that can be loaded with bottled water has been provided. Drinking water is being provided for staff use. This event puts increased strain on the small staff canteen.
6/10/2016	Incident KDC Staff	Roading Alliance	Staff member came across vehicle accident, member of the public had rolled off road and sustained head injuries. Staff member helped another motorist to render first aid until professional help arrived. No first aid kit in the KDC vehicle so staff member used wet wipes.	Recently new staff member and vehicle, first aid kit not yet provided. Now ordered. In addition it will be necessary to provide some clean-up provision in all KDC vehicles as they constitute a place of work. Regular staff vehicle checks will become policy when the new KDC motor vehicle policy comes into force.

Date	Type	Company Name	Details of Incident	Improvement
16/09/2016	Incident Contractors	Recreational Services	Mangawhai resident believes that a stone thrown up by a mower caused a stone chip to his windscreen.	Contractor was following the correct procedure for mowing. Issue raised at HSE talk and included how to deal with accusations from public.
24/08/2016	Incident Contractors	Recreational Services	Driver jacked-knifed trailer after breaking too hard approaching a junction.	No details.
24/08/2016	Incident Contractors	Recreational Services	Driver failed to secure tools on deck of truck and lost them whilst traveling. Tools had fallen in front of a following vehicle that then drove over them, same driver returned tools to contractor.	Issue of securing loads to be raised at next HSE meeting.
16/08/2016	Incident KDC Staff	Mangawhai Staff	Staff member jarred neck whilst walking up stairs. Report put this down to inattention.	Reminder about stairs, walking with paperwork, walking whilst using mobile phones etcetera to be included in safety update newsletter.
1/08/2016	Incident Contractors	Kaipara Refuse Ltd	Bin slipped off rollers when being transferred to trailer. Bin lifted back on with digger.	No details.
1/08/2016	Incident KDC Staff	Dargaville Office	Staff member slipped on stairs but managed to grab the railing before falling. No injury.	Stairs in good condition if a little narrow, handrail present and signage advising use of the handrail. Although not a factor on this occasion we do have many staff carrying large amounts of paperwork up and down stairs with no hands free. A request to only carry one arm full of paperwork will be included in monthly health and safety update.
12/07/2016	Incident Contractors	Kaipara Refuse Ltd	Concrete retaining slab slipped off mounts in bunker at the transfer station.	Slab has been assessed by builder and repairs arranged.
12/07/2016	Incident Contractors	Kaipara Refuse Ltd	Member of the public dropped off a container of a substance at gate that he claimed was "2-4-5T" (a hazardous weed killer now banned in NZ) at the transfer station. He drove off before any details could be taken. The container was treated as such and moved to hazardous waste shed for later collection/disposal by a dedicated company.	Staff to be more aware and attempt to get vehicle registration plates. Possibility of getting a camera set up around gate area and record registration plates.

Fixed Facilities Audits 2017

Audits Scores

Department	Facilities Name	Undertaking	Frequency	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Regulatory	Whangarei Dog Pound	Office and dog pound	Yearly		100										
Waters	Dargaville/ Baylys	Fresh Water Treatment	6 monthly		Due						Due				
Waters	Maungaturoto	Fresh Water Treatment	6 monthly			Due						Due			
Waters	Ruawai	Fresh Water Treatment	6 monthly				Due						Due		
Waters	Glinks Gully	Fresh Water Treatment	6 monthly					Due						Due	
Waters	Glinks Gully	Wastewater	6 monthly						Due						Due
Waters	Kaiwaka	Wastewater	6 monthly							Due					
Waters	Maungaturoto	Wastewater	6 monthly								Due				
Waters	Te Kopuru	Wastewater	6 monthly			Due						Due			
Waters	Dargaville	Wastewater	Quarterly		96			Due			Due			Due	
Waters	Mangawhai	Wastewater	Quarterly				Due			Due			Due		
Solid Waste	Awakino Transfer Station	Waste Transfer Station	Quarterly	85			Due			Due			Due		
Solid Waste	Hakaru Transfer Station	Waste Transfer Station	Quarterly		50			Due			Due			Due	

Fixed Facilities Audit Summaries 2017 Onward

Date	Department	Location	Contractor	Score	Summary
20/02/2017	Regulatory	Whangarei	Armourguard	100	Council works jointly with Whangarei District Council to run a dog pound in Whangarei using Armourguard as the contractor. The contractor's representative was familiar with the necessary administrative documents and could access elements of their system easily when required. The facilities for staff were in good order and a system for high risk work well addressed. No failings were found.
20/02/2017	Solid Waste	Hakaru Waste Transfer	Northland Waste	50	Hakaru transfer station is a small public waste tipping site serving the Mangawhai community. Good practice was found in the prevention of falls around site but, the site had failings in administrative paperwork, operation and staff facilities.
14/02/2017	Waters	Dargaville WTP	BroadSpectrum	96	Well run site with minor failings were found with provision for dealing with chemical leak. Wash-down shower obstructed and no wind sock to help determine any chemical wind drift direction.
26/01/2017	Solid Waste	Awakino Rd	Kaipara Refuse	85	Site was being well run and was coping well with increased vehicle traffic. Failings were found in electrical tagging of leads and equipment in use, staff training records and omissions from the site signage.
2/11/2016	Waters	Mangawhai WWTP	Trility	79	The operation of the site was found to be in general good order with no areas needing immediate action on the day. Good practice was found in the tidiness of the site and precautions around the height risks at the facility. Failings were found in the accessibility of hazard management data, access to essential safety equipment, and the certification of the truck mounted crane (Hiab).

All Mobile Works Audits Summary

Dept	Date	Contractors Name	Task	Location	%	comments
February						
W	20/02/2017	United Civil	Water main	Baylys Coast Road	77	Contractor had failings in having the necessary paperwork on site at the time and expired first aid kit.
p	14/02/2017	Recreation Services	Sanding toilet block	Alamar Cres, Mangawhai Heads	100	Site well restricted from public access, clean and tidy.
R	8/02/2017	BroadSpectrum	Site Visibility	Houto Rd	100	Good site, have asked that 1st aid kits have expiry date marked.
January						
R	31/01/2017	BroadSpectrum	W.T. Pip Rap'	Bald rock Rd	94	Quiet reversing beeper on digger, failure to have site documentation immediately to hand. Additionally recommended workers have toilet on site, currently driving to Kaiwaka.
R	26/01/2017	BroadSpectrum	Rehab	Mangawhai Rd	97	One packed of wound pads were expired in 1st aid kit (8/2016)
R	24/01/2017	BroadSpectrum	culvert Replacement	Black Swamp Road	100	good well run site.
P	24/01/2017	Recreation Services	Installing Bollards	Memorial Park	86	Tidy site but no system for checking hired plant, generic plant check list recommended. No hazard list for work to show hazards and controls specific to work. Driver was not in possession of wheels tracks rollers licence as the work is next to the road corridor it is desirable that this proof of competence is held.
R	16/01/2017	BroadSpectrum	Water Tabling	Parore West Road	100	Tidy operation
R	12/01/2017	BroadSpectrum	wet, grade ,roll	Settlement Rd	100	Tidy site
W	12/01/2017	United Civil	Thrusting	Baylys Beach Road	96	Good compliance but first aid kit was labled as being out of date. Contractor to investigate
December						
P	22/12/2016	Recreation Services	Mowing	Basset Street	95	Work was found to be conducted in general good order other than the provision for first aid during the work. The distance of the mowing work from the vehicle renders the first aid kit inaccessible in certain scenarios. Contractor is raising this at future staff meeting for input.
R	16/12/2016	BroadSpectrum	Water tabling	Valley Road	100	Contractors following company long long (full overalls) policy despite hot weather
R	16/12/2016	BroadSpectrum	Water tabling	Valley Road	100	Contractors following company long long (full overalls) policy despite hot weather.
P	15/12/2016	Recreation Services	Garden Watering	Band Rotunda	95	All operation was found to be conducted correctly but contractor had no evidence of site safety inspection prior to start.
R	8/12/2016	BroadSpectrum	Footpath replacement	Ruawai	100	Good well-run site by contractor.
November						
P	30/11/2016	Recreation Services	Grave digging / funeral.	Dargaville Cemetery	89	The site was found to be in good order only shortcomings discovered were failing to have an emergency plan for possible scenarios on the site and failure to display machinery warning labels in a language that the operator could read.
October						
SW	28/10/2016	Kaipara Refuse	Waste transfer	Dargaville	85	Failings in provision for site visitor induction and the assessment of risk in the hazard register.

File number: 2304.15 **Approved for agenda**

Report to: Audit Risk and Finance

Meeting date: **09 March 2017**

Subject: **Contracts Awarded under Chief Executive Delegation**

Date of report: 28 February 2017

From: Glennis Christie, General Manager Finance

Report purpose **Decision** **Recommendation** **Information**

Assessment of significance **Significant** **Non-significant**

Summary

Every Council has Officer Delegations. The purpose of such delegations is to ensure that Council can function effectively and with authority to carry out set duties or complete actions assigned with responsibility for the outcome.

At its 28 October 2014 Council meeting, Council adopted an updated set of Delegations. The purpose of the update was to specify what the Chief Executive is 'allowed to do' rather than the wider ranging more empowering approach to setting delegations. In either case, actions outside of the Chief Executive's delegations need to be approved by Council.

One of the Chief Executive delegations is "Subject to expenditure being budgeted for in the Long Term Plan, Annual Plan or approved forecast financial statements, compliance with the Procurement Policy and any other applicable policies or procedures, and the reporting of all expenditure more than \$100,000 approved by the Chief Executive under delegated authority to the next meeting of the appropriate Committee".

This report details all contracts signed under Chief Executive Delegation over \$100,000 since October 2016, **Attachment 1** is the table to contracts signed. **Attachment 2** is the full wording of the Chief Executive Financial Delegation – signing of Contracts.

Contracts that are not covered by Chief Executive delegation are presented to a full Council meeting for award.

Recommendation

- 1 *That Audit Risk and Finance Committee receives the General Manager Finance's report 'Contracts Awarded under Chief Executive Delegation' dated 28 February 2017; and*
- 2 *Believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with the provision of s79 of the Act determines that it does not require further information prior to making a decision on this matter; and*
- 3 *Receives for information on Council contracts that have been awarded and signed under the Chief Executive delegation since October 2016.*

Reason for the recommendation

To advise the Committee of the contracts that have been signed by the Chief Executive under his delegation.

Reason for the report

To report to Council as set out in the approved register the contracts signed under Chief Executive delegation.

Background

Council needs an effective set of delegations to act efficiently and effectively. The delegations need to balance the respective responsibilities and obligations of the governing and operational branches of Council and be in accordance with the applicable legislation. These delegations are reviewed periodically when required. As part of good practise and transparency Council should be advised of what the Chief Executive has signed under delegation since the Council election. It is deemed appropriate that reporting to the Audit, Risk and Finance Committee is the forum to table this information and this is the first meeting since the election to advise.

The contracts that have been signed are noted as **Attachment 1** of this report – Contracts signed under Chief Executive Delegation – October 2016 to February 2017.

Issues

Not reporting this to the Committee is contrary to what has been adopted for the Chief Executive delegations.

Factors to consider
Community views

The community would expect Council to have an explicit delegations regime in place and for officers to be held accountable for their actions.

Policy implications

There are no policy implications in receiving this report.

Financial implications

There are no financial implications with receiving this report. All contracts can only be signed by the Chief Executive if expenditure has been budgeted for in the Long Term Plan, Annual Plan or approved forecast financial statements. Contracts must be in compliance with the Procurement Policy and any other applicable policies or procedures.

The responsibility is with the individual department seeking the Chief Executive signature to display that all criteria has been met prior to execution of contract under delegation.

Legal/delegation implications

The legal/delegation implications are the same as outlined above.

Options

The options are

Option A: Receive the report.

Option B: Ask for further information.

Assessment of options

Option A, if the Committee is comfortable that there is enough information provided, then receive the report.

Option B, if the Committee feels that there is some information missing then ask the officers to come back with further information at the next Audit, Risk and Finance Committee meeting.

Assessment of significance

The resolution is not one of significance.

Recommended option

The recommended option is **Option A**.

Next step

Nil

Attachments

- Attachment 1 – Contracts signed under Delegation – October 2016 to February 2017

Contracts signed under Chief Executive Delegation – October 2016 to February 2017

Award Date	Contract Number	Name	Area	Tenders Received	Awarded to	Amount	Type of Contract
October 2016	819	MCWWS Feasibility Investigation and Resource Consent Variation	Mangawhai	3	Opus International Consultants Ltd	\$135,506	Operational
November 2016	845	Mangawhai Water Treatment Plant Upgrade	Mangawhai	2	Filtec	\$150,000	Capital
November 2016	847	MCWWS Irrigation Extension	Mangawhai	1	WaterForce	\$256,106	Capital

Chief Executive Financial Delegation – signing of contracts

Subject to expenditure being budgeted for in the Long Term Plan, Annual Plan or approved forecast financial statements, compliance with the Procurement Policy and any other applicable policies or procedures, and the reporting of all expenditure more than \$100,000 approved by the Chief Executive under delegated authority to the next meeting of the appropriate Committee:

- Capital expenditure on roading: authority to commit Council to financial transactions (or projects consisting of multiple transactions) relating to capital expenditure for new assets up to \$500,000 and capital expenditure for the renewal of assets up to \$1,000,000. This includes authority to vary or terminate such transactions.
- Capital expenditure on assets classes other than roading: authority to commit Council to financial transactions (or projects consisting of multiple transactions) relating to capital expenditure for new assets up to \$250,000 and capital expenditure for the renewal of assets up to \$500,000. This includes authority to vary or terminate such transactions.
- Operational expenditure: authority to commit Council to financial transactions (or projects consisting of multiple transactions) relating to goods, services, guarantees, indemnities and the disposal of assets up to \$250,000 in any one year for operational expenditure matters. This includes authority to vary or terminate such transactions.

3 Public Excluded Audit, Risk & Finance Committee Agenda Items 09 March 2017

Recommended

That the public be excluded from the following part of the proceedings of this meeting, namely

- *Risk Register*
- *Contract Monitoring and Reporting Infrastructure*
- *Contracting Monitoring and Reporting Regulatory*

The general subject matter of each matter to be considered while the public is excluded, the reasons 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	Ground(s) under Section 48 (1) for the passing this resolution:
<i>Risk Register</i>	<p><i>Section 7(2)(g) maintain legal professional privilege</i></p> <p><i>Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).</i></p>	<i>Section 48(1)(a) That the public conduct of the whole or 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.</i>
<i>Contract Monitoring and Reporting Infrastructure</i>	<p><i>Section 7(2)(g) maintain legal professional privilege</i></p> <p><i>Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).</i></p>	<i>Section 48(1)(a) That the public conduct of the whole or 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.</i>
<i>Contract Monitoring and Reporting Regulatory</i>	<p><i>Section 7(2)(g) maintain legal professional privilege</i></p> <p><i>Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).</i></p>	<i>Section 48(1)(a) That the public conduct of the whole or 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.</i>

Recommended

That the meeting returns to Open meeting.

4 Open Agenda Audit, Risk and Finance Committee: 09 March 2017

Recommended

That the public be re-admitted to the meeting and resolutions made whilst in Public Excluded, be confirmed in Open meeting.

5 Closure

**Kaipara District Council
Dargaville**