

I hereby give notice that an ordinary meeting of the
Audit, Risk and Finance Committee

will be held on:

Date: Monday 12 June 2017

Time: 2.00 pm

Venue: Meeting Room, Mangawhai Club, Molesworth Drive, Mangawhai

Agenda

Membership

Chair: Richard Booth

Members: Councillor Del La Varis-Woodcock
Councillor Geange
Councillor Larsen
Councillor Wade
Councillor Wethey
Mayor Gent (Ex-Officio)

Staff and Associates:

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

Seán Mahoney
Democratic Services Manager

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Ordinary Meeting Audit and Risk Committee Monday 12 June 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/Commissioner 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 Confirmation of Minutes

2.1 Audit and Risk Committee minutes of 09 March 2017

Democratic Services Manager 1610.05/March 2017

Recommended

That the minutes of the Audit and Risk Committee meeting held 09 March 2017, be confirmed as a true and correct record.

Meeting:	Audit, Risk and Finance Committee
Date:	Thursday 09 March 2017
Time:	The meeting commenced at 2.00pm The meeting concluded at 4.13pm
Venue:	Meeting Room, Kaipara District Council Office, Unit 6, The Hub, 6 Molesworth Drive, Mangawhai
Status:	Unconfirmed

Minutes

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

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Minutes Audit and Risk Committee Thursday 09 March 2017
1 Opening

Councillor Del La Varis-Woodcock opened the meeting with a Karakia. Chair Richard Booth introduced the Committee members.

1.1 Present

Richard Booth (Chair), Councillors Del La Varis-Woodcock, Geange, Larsen and Mayor Gent (Ex-Officio).

In Attendance

Name	Designation	Item(s)
Graham Sibery	Chief Executive	All
Glennis Christie	General Manager Finance	All
Curt Martin	General Manager Infrastructure	All
Duncan McAulay	General Manager Strategy and Performance	All
Fran Mikulicic	General Manger Planning and Regulatory	All
Peter Marshall	General Manager Corporate Services	All
Sean Mahoney	Democratic Services Manager	All (Minute-taker)
Ric Groufsky	Financial Accountant	Items 1-2
Venessa Anich	General Manager Community	Items 1-2
Cr Peter Wethey	Deputy Mayor	All
Peter Gulliver	Deloitte	All
Stewart Henderson	Price Waterhouse Coopers	Items 1-2

Adjournments

Nil.

Absences

Nil.

1.2 Apologies

Apologies were received from Councillors Joyce-Paki and Wade.

Moved Gent/Geange

That the apologies of Councillors Joyce-Paki and Wade be received.

Carried
1.3 Confirmation of Agenda

The Committee confirmed the Agenda.

1.4 Conflict of Interest Declaration

Name	Conflict
Councillor Del La Varis-Woodcock	Waste Minimisation educator potential conflict of interest with service delivery issues.

2 Operational

2.1 Annual Plan 2017/2018 material - source documents

General Manager Finance 2304.15

Moved Geange/Gent

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Finance's report 'Annual Plan 2017/2018 material - source documents' 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;*
- 3 *Recommends to Council that the Uniform Annual General Charge be amended from \$748 to \$728 to manage the impact of rates movements across different ratepayer categories while remaining within current policy settings, and*
- 4 *Recommends to Council, at its meeting on 14 March 2017, that it considers and if it sees fit adopts draft source documents (as amended for the \$728 uniform annual general charge) for the Annual Plan 2017/2018 Consultation Document, as required by the Local Government Act 2002, as attached to the above-mentioned report i.e:*
 - *proposed statements of financial and capital performance;*
 - *proposed funding impact statements;*
 - *prospective financial statements;*
 - *proposed capital expenditure programme - summary;*
 - *proposed capital expenditure programme - detail;*
 - *proposed rates summary (uniform annual general charge \$748);*
 - *proposed rating sample properties;*
 - *illustrative rates summary (comparison of a uniform annual general charges of \$728 and \$708 compared with \$748);*
 - *proposed funding impact statement (rating tools); and*
 - *proposed funding impact statement (rating tools) - maps¹.*

Carried

¹ Attached as a hyperlink

2.2 Legal compliance - Awareness of Obligations October 2016

General Manager Finance 2304.15

Moved Del La Varis-Woodcock/Geange

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

Carried

2.3 Audit Action Plan Update

General Manager Finance 2304.15

A replacement page for Attachment 2 was tabled.

Moved Larsen/Geange

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Finance's report 'Audit Action Plan Update' dated 24 February 2017 and the tabled replacement page for Attachment 2 of the report; 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.*

Carried

2.4 Treasury Management

General Manager Finance 2304.15

Moved Larsen/Del La Varis-Woodcock

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

Carried

[Secretarial note: The Committee asked for an independent review of the Treasury Management Policy, and also that future reporting includes the total cost of funds and performance against benchmarking]

2.5 Bills in Parliament: Legislation Progress

General Manager Community and Brookfields Lawyers 2126.05

Moved Geange/Del La Varis-Woodcock

That the Audit, Risk and Finance 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.

Carried

2.6 Health and Safety Update January 2017

General Manager Corporate Services 2209.0

Moved Del La Varis-Woodcock/Geange

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Corporate Service's 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.*

Carried

2.7 Contracts Awarded under Chief Executive Delegation

General Manager Finance 2304.15

Moved Gent/Larsen

That the Audit, Risk and Finance Committee:

- 1 *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.*

Carried

3 Public Excluded Audit, Risk and Finance Committee minute Items 09 March 2017

The meeting went into Public Excluded session at 3.35pm.

Moved Gent/Geange

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

- Risk Register
- Contract Monitoring and Reporting Infrastructure
- Contract 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:
Risk Register	Section 7(2)(g) maintain legal professional privilege Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).	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.
Contract Monitoring and Reporting Infrastructure	Section 7(2)(g) maintain legal professional privilege Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).	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.
Contract Monitoring and Reporting Regulatory	Section 7(2)(g) maintain legal professional privilege Section 7(2)(i) enable any authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).	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.

Carried

3.1 Risk Register

General Manager Strategy and Performance 2304.15

Moved Geange/Del La Varis-Woodcock

That the Audit, Risk and Finance Committee receives the General Manager Strategy and Performance's Report 'Risk Register' and its Attachments 1-3, dated 09 March 2017 and the information contained therein.

Carried

3.2 Contract Monitoring and Reporting Infrastructure

General Manager Infrastructure 4107.01

Moved Booth/Gent

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Infrastructure's report 'Contract Monitoring and Reporting Infrastructure' dated 28 February 2017; and*
- 2 *Notes the comments and information provided in respect of the term contracts being reported on:*
 - *CON705 Parks, Reserves and Public Toilets;*
 - *CON682 Roding Network Maintenance;*
 - *CON789 3-Waters Operations and Maintenance;*
 - *CON706 Solid Waste; and*
 - *MCWWS Operating Deed.*

Carried

3.3 Contract Monitoring and Reporting Regulatory

General Manager Planning and Regulatory 4107.01

Moved Gent/Geange

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Planning and Regulatory's report 'Regulatory Contract Monitoring and Reporting' dated 27 February 2017; and*
- 2 *Notes the comments and information provided in respect of the term contract being reported on:*
 - *CON824 Animal Management and Compliance Services (Attachment 1 of the above-mentioned report).*

Carried

Moved Larsen/Geange

That the meeting returns to Open meeting.

Carried

Unconfirmed

4 Open Minutes Audit, Risk and Finance Committee 09 March 2017

The Committee moved back into open meeting at 4.12pm.

Moved Gent/Geange

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

Carried

4.1 Risk Register (agenda item 3.1)

General Manager Strategy and Performance 2304.15

Moved Geange/Del La Varis-Woodcock

That the Audit, Risk and Finance Committee receives the General Manager Strategy and Performance's Report 'Risk Register' and its Attachments 1-3, dated 09 March 2017 and the information contained therein.

Carried

4.2 Contract Monitoring and Reporting Infrastructure (agenda item 3.2)

General Manager Infrastructure 4107.01

Moved Booth/Gent

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Infrastructure's report 'Contract Monitoring and Reporting Infrastructure' dated 28 February 2017; and*
- 2 *Notes the comments and information provided in respect of the term contracts being reported on:*
 - *CON705 Parks, Reserves and Public Toilets;*
 - *CON682 Roading Network Maintenance;*
 - *CON789 3-Waters Operations and Maintenance;*
 - *CON706 Solid Waste; and*
 - *MCWWS Operating Deed.*

Carried

4.3 Contract Monitoring and Reporting Regulatory (agenda item 3.3)

General Manager Planning and Regulatory 4107.01

Moved Gent/Geange

That the Audit, Risk and Finance Committee:

- 1 *Receives the General Manager Planning and Regulatory's report 'Regulatory Contract Monitoring and Reporting' dated 27 February 2017; and*
- 2 *Notes the comments and information provided in respect of the term contract being reported on:*
 - *CON824 Animal Management and Compliance Services (Attachment 1 of the above-mentioned report).*

Carried

5 Closure

The meeting closed at 4.13pm

Confirmed

Chair

File number: 2302.21.06 **Approved for agenda**
Report to: Audit Risk and Finance Committee
Meeting date: 12 June 2017
Subject: Annual Plan 2017/2018 Financials
Date of report: 29 May 2017
From: Paul Cresswell, Financial and Corporate Planning Manager
Report purpose **Decision** **Information**
Assessment of significance **Significant** **Non-significant**

Summary

The Local Government Act 2002 requires Council to at all times have a Long Term Plan. In the years in which a Long Term Plan is not reviewed Council is required to adopt an Annual Plan. The Annual Plan for 2017/2018 is the third year of Council's Long Term Plan 2015/2025.

A consultation document was prepared and adopted by Council on 13 February 2017 for community consideration. Following the consultation period, Council considered the feedback received in May 2017 and confirmed that the rates increase would be 2.65%.

In finalising the Annual Plan financials, there have been a number of minor changes as a result of the second financial forecast which Council approved in May 2017. These changes are largely to do with the forecast revision to opening debt and cash and carryovers of capital expenditure into the 2017/2018 year.

These changes have been incorporated in the attached Annual Plan 2017/2018 financials (**Attachment 1**).

In accordance with Council direction, key parameters for the AP 2017/2018 are:

Rates: \$33m	
Rates increase: 2.65%	
Total revenue: \$54m	
Activity operating costs: \$46m	
Capital expenditure: \$20m	
Opening debt (forecast for 01 July 2017): \$62m	Opening cash (forecast for 01 July 2017):\$6m
Closing debt (projected for 30 June 2018): \$58m	Closing cash (projected for 30 June 2018):\$0.6m

It is appropriate that the Audit, Risk and Finance Committee has an opportunity to review the financial material prior to it being considered by Council later in June 2017.

Recommendation

That the Audit, Risk and Finance Committee receives the report 'Annual Plan 2017/2018 Financials' dated 29 May 2017.

Reason for the recommendation

The Audit, Risk and Finance Committee be provided with the financial information contained in the draft Annual Plan 2017/2018 for review prior to the Plan being considered for adoption by Council on 26 June 2017.

Reason for the report

To provide the Audit, Risk and Finance Committee with an opportunity to review the financial material for the Annual Plan 2017/2018 prior to Council consideration later in June 2017.

Background

The Local Government Act 2002 requires Council to at all times have a Long Term Plan (LTP). In the years in which a Long Term Plan is not reviewed Council is required to adopt an Annual Plan. The Annual Plan for 2017/2018 is the third year of Council's Long Term Plan 2015/2025.

The LTP 2015/2025 was prepared with information available to Council and staff prior to its commencement on 01 July 2015. The LTP 2015/2025 set out financial forecasts for 10 years and established the initial budgets for year 3, 2017/2018. With further information available, and to reflect updates in Council's finances, each year's Annual Plan process enables updated information to be included by way of revised financial forecasts. These financial forecasts are then incorporated into Annual Plans which are adopted by Council in June each year and form the financial budgets for the ensuing year.

Council has continued the strategic direction established in the LTP 2015/2025. Because of this, changes included in AP 2017/2018 are largely as a result of changes in external activity and retiming of Council's roading and other infrastructural programmes. The changes have not resulted in significant variance to the original forecasts established in the LTP.

Council has consulted with the community as part of the AP 2017/2018 process and, having considered feedback from that consultation, determined a reduction of the rating revenue increase set out in the LTP year 3 of 3.65% to 2.65% to be adopted in the AP 2017/2018.

Forecast 2, 2016/2017 (adopted by Council on 08 May 2017) identified ongoing revenue improvements in the Regulatory group along with improved camping fees in the Community Activities group. While a number of areas of Council's expenditure were forecast to be higher, these were offset by other areas with lower than expected costs resulting in reduced operating costs overall. Forecast 2 also included a number of capital projects which were approved to be deferred until 2017/2018. The ongoing impact of the Forecast 2 changes have been incorporated into the AP 2017/2018.

Changes that have been included in the AP 2017/2018:

- Carrying forward of \$1.271m of capital projects from 2016/2017;
- Increased income from developer contributions and activity revenues due to the higher levels of building activity;
- Reduction in financing costs resulting from faster than planned debt reduction;
- Increased subsidy income from NZTA reflecting increased roading activity planned for 2017/2018.

Issues

Final changes to the AP 2017/2018 financial material has been incorporated in **Attachment 1**.

Feedback from the community was sought and the responses were considered by Council at its meeting of 08 June 2017, In particular Council, having considered feedback commentary on the financial aspects of Council's operations, decided to reduce the rating level increase of 3.65% proposed in year 3 of the LTP 2015/2025 to 2.65%. The following table details key elements of the financial parameters considered.

Financial Parameters	2015/2025 LTP Yr 3: 2017/2018	Consultation Document 2017/2018	Annual Plan 2017/2018
Total land rates (000's)	\$29,865	\$29,432	\$29,432
Land rates increase	3.65%	2.65%	2.65%
Total revenue (000's)	\$49,818	\$53,661	\$53,979
Total operating expenditure (000's)	\$46,107	\$45,923	\$45,744
Total capital expenditure (000's)	\$13,830	\$18,858	\$20,128
Debt (000's)	\$70,675	\$61,622	\$58,295

Factors to consider

Community views

Members of the community have been provided with the opportunity to express their views in relation to Council's proposals for the 2017/2018 financial year via the feedback process. Feedback was considered by Council in May 2017.

Policy implications

N/A

Financial implications

The AP 2017/2018 financials includes details of Council's proposed budgets for the next year. They are in line with those set in the LTP 2015/2025. Direction has not changed significantly. Debt is decreasing faster than originally projected.

Legal/delegation implications

N/A

Assessment of significance

This is an information report and as such is not significant.

Attachment

- 2017/2018 Annual Plan Financial

Statement of Comprehensive Revenue and Expense

Whole of Council

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
Revenue			
Rates	32,288	33,514	33,421
Subsidies and grants	11,657	10,806	14,182
Activity Revenue	4,043	4,115	4,799
Contributions	1,190	925	1,188
Investments and other income	392	459	391
Total revenue	49,570	49,818	53,979
Expenses			
Activity costs	22,987	24,821	23,338
Employee benefits	8,614	6,986	9,466
Finance costs	3,440	4,166	3,169
Depreciation	9,600	10,137	9,771
Total expenses	44,640	46,110	45,744
Surplus/(deficit) for the period	4,930	3,708	8,235
Other comprehensive revenue and expense (Items that will not be reclassified subsequently to surplus or deficit)			
Gain/(loss) on revaluation	13,571	14,824	14,922
Total comprehensive revenue and expense for the period	18,501	18,532	23,157

Kaipara District Council
Targeted Rates for metered water supply

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017	2017-2018	2017-2018
	\$'000	\$'000	\$'000
Targeted Rates for metered water supply			
Water Supply	2,866	2,860	3,239
Total Targeted Rates for metered water supply	2,866	2,860	3,239

Statement of Changes in Net Assets/Equity

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
<i>Balance at 1 July</i>	554,861	548,223	581,013
Comprehensive revenue and expense			
Surplus/(deficit) for the period	4,930	3,708	8,235
Other comprehensive revenue and expense			
Surplus on Revaluation of Infrastructure	13,571	14,824	14,922
Total comprehensive revenue and expense	<u>18,501</u>	<u>18,532</u>	<u>23,157</u>
Balance at 30 June	<u><u>573,362</u></u>	<u><u>566,755</u></u>	<u><u>604,169</u></u>

Kaipara District Council
Statement of Financial Position

As at	Annual Plan	LTP	Annual Plan
30 June	2016-2017	2017-2018	2017-2018
	\$'000	\$'000	\$'000
Accumulated comprehensive revenue and expense	375,619	379,998	403,732
Asset revaluation reserves	210,459	199,583	212,860
Restricted reserves	5,692	5,618	5,673
Council created reserves	-18,408	-18,444	-18,096
Total net assets/equity	573,362	566,755	604,169
<i>represented by</i>			
Current assets			
Cash and cash equivalents	682	410	583
Trade and other receivables	7,410	8,100	8,448
Accrued revenue	1,946	2,700	1,875
Other financial assets	115	2	115
Non current assets held for sale	210	0	186
Total current assets	10,363	11,212	11,207
<i>less</i>			
Current liabilities			
Trade and other payables	9,386	7,883	9,886
Provisions - Current	188	7	139
Employee entitlements	413	430	449
Public debt	1,064	3,539	19,127
Total current liabilities	11,051	11,859	29,601
Working capital /(deficit)	-688	-647	-18,394
<i>plus</i>			
Non current assets			
Property, plant, equipment	643,649	638,142	668,138
Biological assets	2,786	2,557	3,644
Cash and cash equivalents - non current	560	0	688
Derivative financial assets	0	85	0
Other financial assets - non current	273	148	276
Total non current assets	647,268	640,932	672,746
<i>less</i>			
Non current liabilities			
Public debt	63,684	67,136	39,168
Derivative financial liabilities	5,243	2,648	6,448
Provisions - non current	4,292	3,746	4,567
Total non current liabilities	73,219	73,530	50,182
Net assets	573,362	566,755	604,169

Kaipara District Council
Prospective Statement of Cash Flows

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017	2017-2018	2017-2018
	\$'000	\$'000	\$'000
Operating Activities			
Cash provided from:			
Rates	32,288	33,514	33,421
Fees, Charges and Other	5,510	5,355	6,268
Grants and Subsidies	11,657	10,806	14,182
Interest Received	25	50	20
<i>sub total</i>	<u>49,481</u>	<u>49,725</u>	<u>53,890</u>
Cash applied to:			
Suppliers and Employees	31,552	31,810	32,696
Taxes (including the net effect of GST)	0	0	0
Interest Expense	3,440	4,166	3,167
<i>sub total</i>	<u>34,992</u>	<u>35,976</u>	<u>35,863</u>
Net Cash from/(to) Operating Activities	<u>14,489</u>	<u>13,749</u>	<u>18,027</u>
Investing Activities			
Cash provided from:			
Sale of Property, Plant and Equipment	150	150	150
<i>sub total</i>	<u>150</u>	<u>150</u>	<u>150</u>
Cash applied to:			
Property, Plant and Equipment Purchases	15,863	13,830	20,128
<i>sub total</i>	<u>15,863</u>	<u>13,830</u>	<u>20,128</u>
Net Cash from/(to) Investing Activities	<u>-15,713</u>	<u>-13,680</u>	<u>-19,978</u>
Financing Activities			
Loan Repayments (Net)	-213	-1,875	-3,832
Net Cash from/(to) Financing Activities	<u>-213</u>	<u>-1,875</u>	<u>-3,832</u>
Net Increase/(Decrease) in cash held	<u>-1,436</u>	<u>-1,806</u>	<u>-5,783</u>
Cash at 1 July	2,119	2,216	6,366
Cash at 30 June	682	410	583

Kaipara District Council
Funding Impact Statement
 Whole of Council

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
Operating funding			
Sources of operating funding			
General rates, uniform annual general charges, rate penalties	21,839	22,231	22,041
Targeted rates	10,449	11,283	11,380
Subsidies and grants for operating purposes	5,302	4,847	5,895
Fees and charges	4,043	4,115	4,799
Local authorities fuel tax, fines, infringement fees and other receipts	303	365	302
Total operating funding	41,936	42,841	44,416
Application of operating funding			
Payments to staff and suppliers	31,602	31,803	34,063
Finance costs	3,440	4,166	3,169
Other operating funding applications	0	0	0
Total applications of operating funding	35,042	35,969	37,232
Surplus (deficit) of operating funding	6,894	6,872	7,184

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
Capital funding			
Sources of capital funding			
Subsidies and grants for capital expenditure	6,355	5,959	8,287
Development and financial contributions	1,190	925	1,188
Increase (decrease) in debt	-565	-1,673	-3,832
Gross proceeds from sale of assets	150	150	150
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding	7,130	5,361	5,792
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,167	538	1,610
Capital expenditure			
- to improve the level of service	2,788	2,321	5,505
Capital expenditure			
- to replace existing assets	11,908	10,971	11,749
Increase (decrease) in reserves	-1,838	-1,597	-5,888
Increase (decrease) of investments	0	0	0
Total applications of capital funding	14,025	12,234	12,976
Surplus (deficit) of capital funding	-6,895	-6,872	-7,184
Funding Balance	0	0	0

Kaipara District Council
**Reconciliation of Funding Impact Statement
to Statement of Comprehensive Revenue and Expense**

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
Revenue			
Statement of Comprehensive Revenue and Expense			
	<i>Total revenue</i>	<i>49,570</i>	<i>49,818</i>
	<i>49,570</i>	<i>49,818</i>	<i>53,979</i>
Funding Impact Statement			
Total operating funding	41,936	42,841	44,416
Total sources of capital funding	7,545	6,884	9,475
add Provisions	89	94	89
	<i>Total revenue</i>	<i>49,570</i>	<i>49,818</i>
	<i>49,570</i>	<i>49,818</i>	<i>53,979</i>
Expenses			
Statement of Comprehensive Revenue and Expense			
	<i>Total expenses</i>	<i>44,640</i>	<i>46,110</i>
	<i>44,640</i>	<i>46,110</i>	<i>45,744</i>
Funding Impact Statement			
Total applications of operating funding	35,042	35,969	35,968
add Depreciation expense	9,600	10,137	9,771
add Provisions	-1	5	5
	<i>Total expenses</i>	<i>44,640</i>	<i>46,110</i>
	<i>44,640</i>	<i>46,110</i>	<i>45,744</i>

Kaipara District Council
Depreciation summary
 Whole of Council

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
by Groups of activities			
Community Activities	154	180	176
District Leadership	357	409	411
Emergency Management	0	0	0
Flood Protection and Control Works	102	108	105
Regulatory Management	14	15	14
Sewerage and the Treatment and Disposal of Sewage	1,302	1,403	1,325
Solid Waste	0	0	6
Stormwater Drainage	369	394	371
The Provision of Roads and Footpaths	6,175	6,425	6,233
Water Supply	1,126	1,203	1,130
<i>Total Groups of activities depreciation</i>	9,600	10,137	9,771

Prospective Statement of Financial Reserves

For period commencing:	Annual Plan	LTP	Annual Plan
1 July	2016-2017 \$'000	2017-2018 \$'000	2017-2018 \$'000
Accumulated Funds			
Opening Balance	375,793	380,143	413,098
Transfers In	7,656	7,702	30,410
Transfers Out	-7,829	-7,846	-21,043
Accumulated Funds	<u>375,619</u>	<u>379,998</u>	<u>403,732</u>
Asset Revaluation Reserves			
Opening Balance	196,888	184,759	227,782
Transfers In	13,571	14,824	14,922
Transfers Out	0	0	0
Asset Revaluation Reserves	<u>210,459</u>	<u>199,583</u>	<u>212,860</u>
Restricted Reserves			
Opening Balance	5,692	5,479	5,673
Transfers In	0	0	101
Transfers Out	0	139	-100
Restricted Reserves	<u>5,692</u>	<u>5,618</u>	<u>5,674</u>
Council Created Reserves			
Opening Balance	-18,448	-18,588	-16,965
Transfers In	5,807	6,106	6,375
Transfers Out	-5,767	-5,961	-7,506
Council Created Reserves	<u>-18,408</u>	<u>-18,444</u>	<u>-18,096</u>

Kaipara District Council
Statement of Reserves Funds

	Community Activities	Regulatory Management	Emergency Management	Flood Protection and Control Works	District Leadership	Solid Waste	The Provision of Roads and Footpaths	Sewerage and the Treatment and Disposal of Sewage	Stormwater Drainage	Water Supply	Total Reserves Funds
For period commencing:	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
1 July	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Council Created Reserves

Depreciation Reserve

<i>Opening balance</i>	55	0	26	29	11	0	2,052	718	190	768	3,849
Deposits	176	14	0	105	411	6	2,431	570	312	878	4,903
Withdrawals	-333	0	0	-20	-226	0	-2,431	-345	-293	-781	-4,428
Closing balance	-102	14	26	114	196	6	2,052	943	209	866	4,324

Development Contribution Reserve

<i>Opening balance</i>	0	0	0	0	0	0	74	-26,105	16	29	-25,987
Deposits	0	0	0	0	0	0	285	350	14	0	648
Withdrawals	0	0	0	0	0	0	-409	-521	-90	0	-1,020
Closing balance	0	0	0	0	0	0	-51	-26,277	-60	29	-26,359

Financial Contribution Reserve

<i>Opening balance</i>	4,321	0	0	0	0	0	576	0	0	0	4,897
Deposits	500	0	0	0	0	0	40	0	0	0	540
Withdrawals	-1,459	0	0	0	0	0	0	0	0	0	-1,459
Closing balance	3,362	0	0	0	0	0	616	0	0	0	3,978

Provision Expenditure Reserve

<i>Opening balance</i>	0	0	0	0	0	250	0	27	0	0	277
Deposits	0	0	0	0	0	250	0	34	0	0	284
Withdrawals	0	0	0	0	0	-600	0	0	0	0	-600
Closing balance	0	0	0	0	0	-100	0	61	0	0	-39

Restricted Council Reserves

Restricted Reserve

<i>Opening balance</i>	0	0	0	0	5,673	0	0	0	0	0	5,673
Deposits	0	0	0	0	101	0	0	0	0	0	101
Withdrawals	0	0	0	0	-100	0	0	0	0	0	-100
Closing balance	0	0	0	0	5,674	0	0	0	0	0	5,674

Capital Expenditure Programme		2017-2018 \$'000
Community Activities		
Dargaville Halls		50
Building Renewal and Earthquake stabilisation		
Dargaville Parks & Reserves		240
Community Infrastructure - Dargaville		
Cycleway/Walkway - develop and implement strategy		
Dargaville Placemaking - additional costs		
District Parks & Reserves		230
Community Infrastructure - District		
Park Improvements (furniture/carpark/lighting/paths)		
Playgrounds New		
Playgrounds renewals		
District Public Toilet Amenities		180
Public Toilet - Jaycee Park		
Public Toilets renewals - Glinks Gully and Pahi		
Elderly Housing General		15
Elderly Housing Renewals		
Harding Park		100
Implement Reserve management Plan		
Kai Iwi Lakes - Camp Ground		150
Kai Iwi facilities		
Libraries		150
Library Book replacements		
Library redevelopment - digital growth		
Planning and Design - Library Re-development		
Mangawhai Parks & Reserves		530
Community Infrastructure - Mangawhai		
Mangawhai Community Park - implement Master Plan		
Mangawhai Heads to Alamar Cres Walkway		
Mangawhai Heads to Alamar Crescent walkway		
Taharoa Domain		190
Implement Reserve management Plan		
New tractor		
Public Toilets - Lake Waikare		
Community Activities Total		1,835

Capital Expenditure Programme		2017-2018 \$'000
District Leadership		
Chief Executive		100
Fleet Replacement		
Communications & Customer Services		21
Replaced equipment		
Council Offices - Dargaville		55
Civic buildings renewals		
Dargaville Offices equipment renewal		
Information Services		219
Contact Centre		
Data Warehouse and Management Reporting		
Electronic Document and Records Management 2017/2018		
GIS Shared Service		
Library Systems		
Magawhai server room and recabling		
Microsoft Azure Cloud Migration		
New Equipment 2017/2018		
NTA Development		
Replaced equipment		
Telephony Upgrade		
District Leadership Total		396

Capital Expenditure Programme		2017-2018 \$'000
Flood Protection and Control Works		
Land Drainage - District Wide		30
Floodgate Replacements		
Raupo Land Drainage Scheme		372
Floodgate 54 - Replacement		
Floodgate Replacement 2017/18 - PYRF		
Floodgate Replacement 2017/18 - Rates funded		
Replacement Murphy/Bowers stop bank		
Stop bank improvements		
Flood Protection and Control Works Total		402

Capital Expenditure Programme	2017-2018 \$'000
Sewerage and the Treatment and Disposal of Sewage	
Dargaville Wastewater Scheme	499
P1: AC 150mm Renewal - Victoria and Onslow Streets - 600m.	
P3: AC 150mm Renewal - Pirika; Haimona; Lorne Streets and Hokianga Road	
P8: AC 150mm Renewal - Gordan; Bowan; Churchill; Jervois; Onslow; Grey - 1500m	
P9a: AC 150mm Renewal - Montgomery; Huia; Tui - 1000m	
Pumpstaions Renewal - pumps; elect & mech	
Kaiwaka Wastewater Scheme	43
Environmental compliance	
Pond curtain	
Mangawhai Wastewater Scheme	540
Additional Capacity for Growth - Council Contribution	
Effluent Discharge Options	
Upgrade PS-VA	
Maungaturoto Wastewater Scheme	53
Environmental compliance	
Pumpstation Storage	
Reticulation renewal	
Sewerage and the Treatment and Disposal of Sewage Total	1,134

Capital Expenditure Programme		2017-2018 \$'000
Solid Waste		
<hr/>		
District Closed Landfills		600
Awakino Consent		
Hakaru Leachate Improvements		
Solid Waste Total		600
<hr/>		

Capital Expenditure Programme		2017-2018 \$'000
Stormwater Drainage		
Baylys Stormwater Scheme		20
Renewals		
Dargaville Stormwater Scheme		250
P3: Conc Pipe (no joint) Renewal - Haimona St - dia 225; 375; 425mm; length 600m		
Mangawhai Stormwater Scheme		140
Addition Cap Growth - Council Contribution 2017/2018		
All Asset Groups Renewal & consent related projects (renewal)		
Stormwater Drainage Total		410

The Provision of Roads and Footpaths	
Bridges and Structures	1,120
Bridges and Structures	
Bridges c/f from 2016/2017	
Kaikohe bridge no 89	
Settlement Road bridge no 249	
Emergency Works and Preventative Maintenance	320
Emergency Works (local share)	
Potential future sites (Storm damage)	
Footpaths and Berms	62
Paparoa Parking area to Wharf	
Road Works - Drainage	410
Various - Major Drainage	
Road Works - Minor Improvements	4,999
Bee Bush / Aropohue / Hoyle Intersection	
Bridge replacement c/f from 2016/2017	
Cames Road route treatment	
Collector Roads Safety Improvements	
Cove Road E&W Barrier kerb - West	
Cove Road E&W Guardrail - East	
Cove Road E&W signs and delineation - West	
Eveline St turning area improve drainage	
Garbolino Slip	
Guardrail replacements	
LED conversion of streetlights	
Mangawhai Rd seal widening associated with Rehab	
Mangawhai Rd slip #1 RP727-790	
Mangawhai Town Impvmts	
Molesworth Drive path Stage 1	
Opanaki Rd Slip (1) RP 1230	
Opanaki Rd Slip (2) RP 2208	
Opanaki Rd Slip (2) RP 4434-4460	
Opanaki Rd Slip (2) RP 8511	
Paparoa-Oakleigh Rd Corner Easing #1 RP6770	
Paparoa-Oakleigh Rd Corner Easing #2 RP3500	
Paparoa-Oakleigh Rd Corner Easing #3 RP4000	
Paparoa-Oakleigh Rd Corner Easing #4 RP5800	
Pouto Road sightrails; guardrails	
Primary Collectors Signage and Deliniation	
Settlement Road	
Tara Road f/p safety impvmt	
Tara Road flooding	
Tara Road flooding Invest	
Tinopai Road - seal widening	
Turkey Flat / Tatariki Spur Rd Intersection	
Waihue Rd pavement widening	
Waihue Rd Slip c/over from 16/17	
Road Works - Sealed	2,898
17/18 Pre-reseal catch up round	
Ararua Road	
Dunn Road 2017/18	
Mangawhai Rd RP700-1393	
Robertson Rd RP202-1057	
Tinopai Road	
Waihue Road (1) RP9330-10170	
Waihue Road (2) RP10596-10961	

Capital Expenditure Programme		2017-2018
		\$'000
Road Works - Sealed Resurfacing		1,164
Various Roads		
Various sites		
Road Works - Unsealed		2,125
Bickerstaffe Road		
Causer Road		
FR Avoca Road		
FR Waihue Road		
FR Waimata Road		
Gorge Road		
Oparakau Road		
Pouto Road section		
Testing Various Sites		
Tokatoka Road		
Roading Community Programmes and Road Safety		130
Road Safety Promotion (Roadsafe Northland)		
Roading Infrastructure - Unsubsidised		760
Removal of Dangerous trees		
Settlement Road - Seal Extension		
Settlement Road Seal Extension 2017/18		
TBA - Seal widening		
Traffic Services		190
Traffic Services		
The Provision of Roads and Footpaths Total		14,178

Capital Expenditure Programme		2017-2018 \$'000
Water Supply		
Dargaville Water Supply		937
Backwash Discharge WTP		
Baylys trunk main Stage 2: Replace 3km of balance 5km 150mm AC		
Compliance Drinking water standards (renewal)		
Gated weir across Kaihu River or Waitua Stream and Pipeline		
P5: AC 300mm Renewal - Beach Rd - 406m		
Take consent compliance		
Glinks Gully Water Supply		2
Water take consent compliance		
Mangawhai Water Supply		2
Water take consent compliance		
Maungatoroto Water Supply		193
Backwash Discharge WTP		
NZDWS compliance		
Water take consent compliance		
Ruawai Water Supply		42
NZDWS compliance		
Replace balance (4th Stage) of 2.3km retec of 100-150mm dia to meet fire flow		
Water Supply Total		1,175

File number: 2304.15 **Approved for agenda**

Report to: Audit, Risk and Finance Committee

Meeting date: 12 June 2017

Subject: Treasury Policy Review

Date of report: 29 May 2017

From: Glennis Christie, General Manager Finance

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

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

Summary

At the Audit, Risk and Finance Committee meeting held on 09 March 2017, the Committee requested that an independent review of Treasury Policy be undertaken. This review was undertaken by KPMG. Their report is set out in **Attachment 1**.

KPMG found the Policy to be generally fit for purpose and well structured, noting that the Policy is consistent with peer councils. There are a number of recommendations, which we propose to incorporate in the next review of the Treasury Policy which was scheduled as part of the Long Term Plan 2018/2028 process.

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Finance's report 'Treasury Policy Review' dated 29 May 2017 and Attachment 1, and the information contained therein.

Reason for the recommendation

It is appropriate that the Audit, Risk and Finance Committee receives the report and reviews the material contain therein.

- **Attachment 1:** Treasury Policy Review, KPMG, May 2017

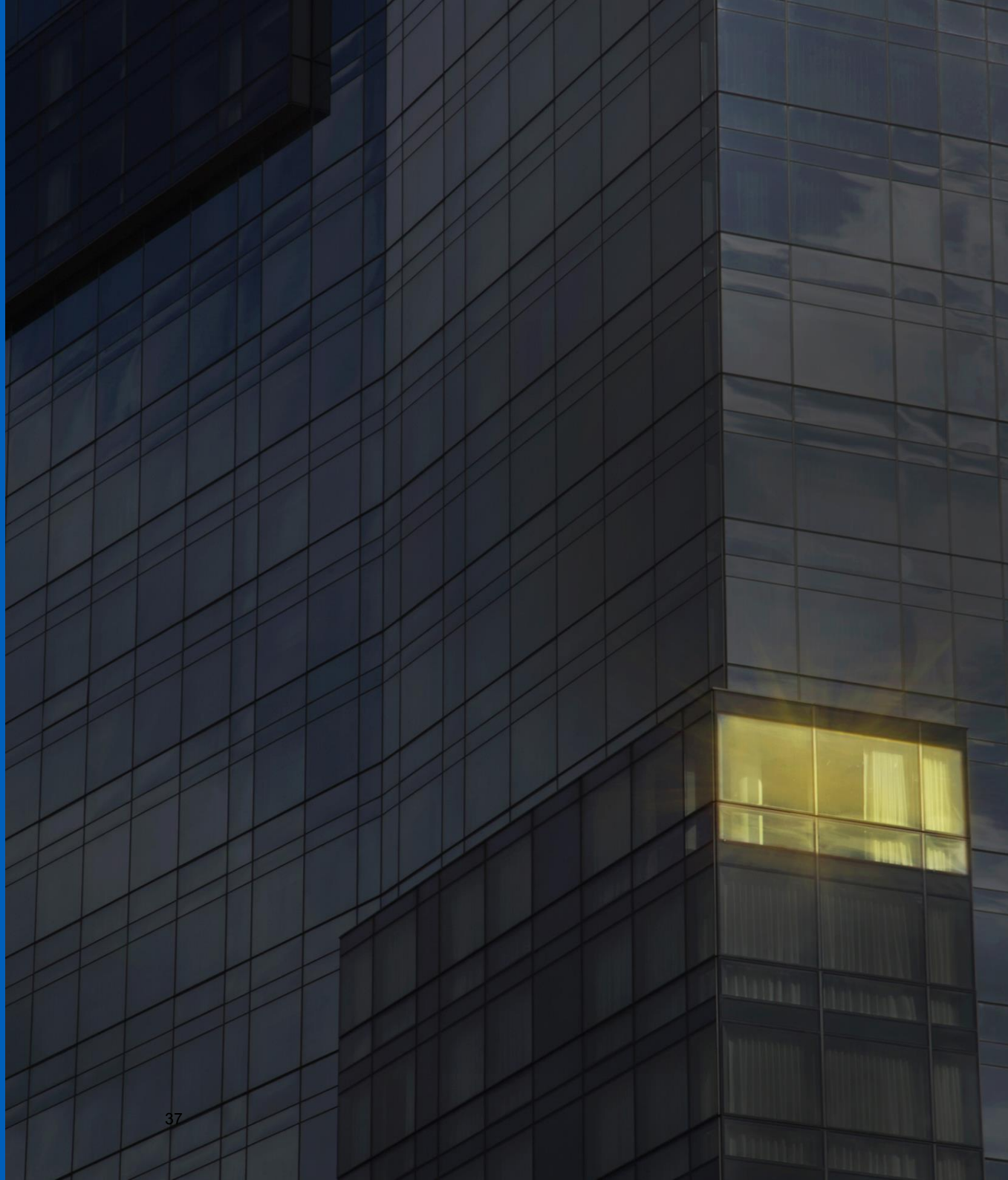


Treasury Policy Review

Kaipara District Council

May 2017

kpmg.com/nz



Executive summary

Executive summary

Background

Kaipara District Council ('KDC') exists to facilitate the "current and future needs" of the Kaipara District community, including the provision of good quality local infrastructure and local public services.

KDC's core financial risks are:

- interest rate risk on its NZD borrowings, split between funding provided through the Local Government Funding Agency ('LGFA') and bank borrowing. Funds are borrowed on a floating rate basis and swapped to fixed rates in alignment with the requirements defined in the Treasury Policy ('the Policy')
- Counterparty credit risk, arising from derivative instruments used in the management of interest rate risk and through investing activities
- Liquidity and Funding risk through its short term cash requirements and through the provision of council projects that require funding.

Scope of Review

The scope of our review as per the engagement letter dated 13 April 2017, as per phase 1 included;

1. Gain an understanding of the KDC business model via KDC Finance General Manager (GMF)/ review of relevant KDC documentation. This point should also consider KDC's size and position as a member of the Local Government Funding Agency (LGFA)
2. Given point 1 above, review of the contents of KDC's current treasury policy. Provide comment and recommendations on specific areas that KDC should address, considering the current business model and industry/market practice and membership of the LGFA. Where appropriate, consideration should also be given to the content of the Treasury Operations Schedule.

As agreed with you during the scoping of the engagement we have considered the Policy on a standalone basis only.

We have analysed KDC's Policy using our 'Six Pillar' treasury framework, with key findings summarised below. A detailed assessment is provided in the body of this report and this incorporates all of the Pillars.

Summary of Findings

We have found the Policy to be generally fit for purpose and well structured. The Policy is consistent with peer councils in New Zealand. However, there are instances where the risk management approaches adopted are complex and more consistent for with organisations with greater levels of debt.

Our key findings using the 'Six Pillar' framework are as follows:

Framework & Governance: KDC has both a Policy and a Treasury Operations Schedule ('the Schedule'). In order to remove overlaps the Schedule should be merged with the Policy.

Financial Risk Management: KDC would benefit from the introduction of a risk appetite statement that articulates the Council's appetite to assume risk. There is a clear trade-off between interest rate certainty for example and economic value, and this should be reflected in the Policy.

The approved product suite available in the Policy for managing interest rate risk is extensive and complex, given the level of borrowings are relatively small. The Policy should only include those instruments that the Council intends to use to manage risk in the immediate term to reduce complexity.

The approach to interest rate risk management is difficult to read and could be enhanced through some minor revisions, such as rephrasing the "Master Limit" as an "Overall Limit" and presenting the maturity profile banded minimum and maximum cover, as minimum/maximum 'Fixed Rate Percentages'.

Executive summary continued

The Policy presents counterparty credit limits, however it does not consider concentration risk associated with placing funds in a particular sector or industry. Concentration limits should be considered and included as a measure to prevent a build-up of exposure to a particular sector (i.e. registered banks).

Operations: It is recommended that KDC introduce appropriate wording in the Policy in order to present how an operational incident is to be escalated and to whom, this should be supported by an operational issues log.

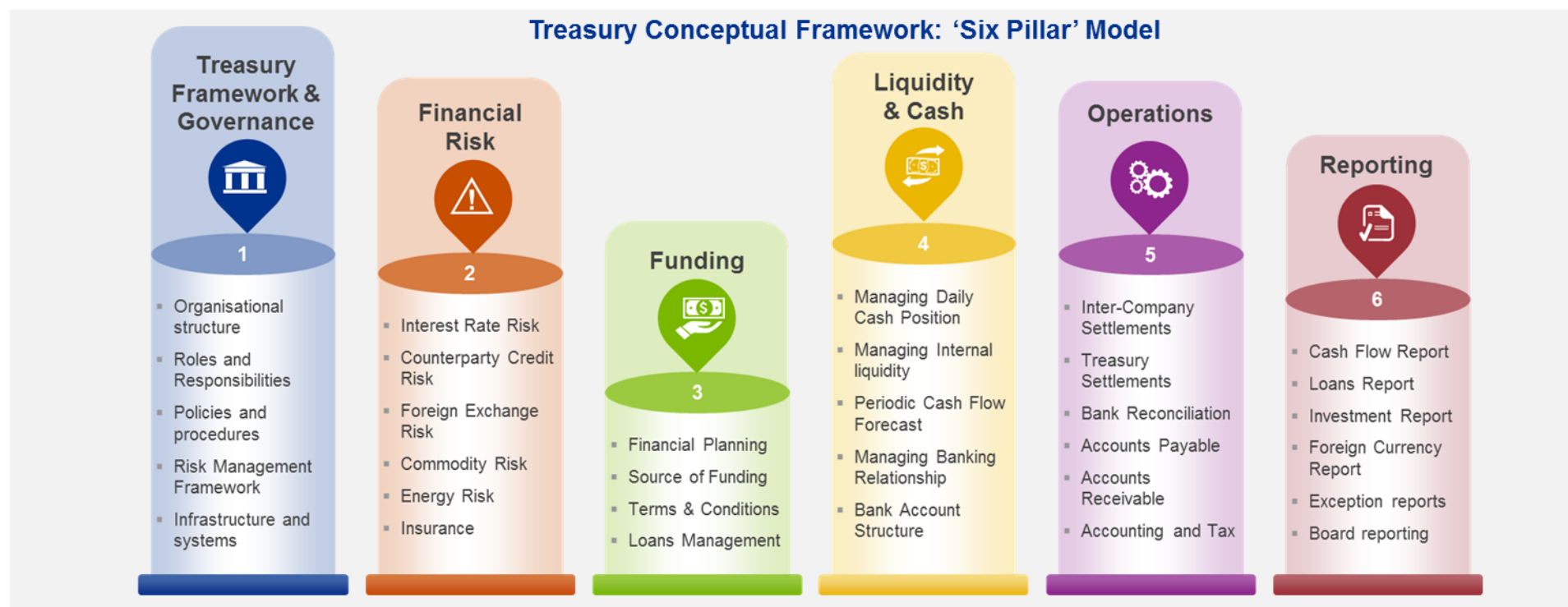
The 'Six Pillar' model and peer benchmarking

Explanation of 'Six Pillar' model

The 'Six Pillar' Treasury Model

The 'Six Pillar' Model shown below, was created to facilitate a holistic analysis, design, or transformation of treasury functions. This model covers all core treasury areas including people, process, technology, governance, funding, risk management and operations.

We have analysed NZ KDC's Treasury policy drawing upon the elements of this model and considered each Pillar of the model relative to KDC's Policy and provide a detailed assessment over the following pages.



Detailed assessment

Pillar 1.

Detailed assessment - treasury framework & governance



1. Treasury Framework & Governance

1.1 Organisation Structure

- Treasury activities and responsibilities as articulated in the Policy are allocated from the 'Council' down through the organisation and supported through KDC's treasury advisor's, PWC. KDC does not have a dedicated treasury function which is not uncommon given its treasury activity and the size of the organisation. This structure is commensurate with peers with a similar size operation.

1.2 Roles & Responsibilities

- The Policy presents management responsibilities through an organisational chart and clearly defines the roles and responsibilities of the Council and CEO. Delegated authorities are presented in a tabular format and clearly show how Treasury related activities are discharged through the organisation.
- The Policy does not describe the roles and responsibilities and delegation of authority to subordinate staff below the Council and the CEO. These delegations are described in the Treasury Operations Schedule ('the Schedule'). It is recommended from an efficiency and completeness perspective that the roles and responsibilities described in the Schedule are merged with the Policy.

1.3 Policies & Procedures

- The Policy is approved by the Council and dated which is consistent with good governance. The Policy makes provision for a formal review on a triennial basis, this is consistent with peers, however better practice would be to complete a formal review on a biennial basis.

- The Policy does not have a procedure as to how a Policy breach will be dealt with. It is our expectation that a breach or issue would be in the first instance escalated to the GMF and CEO and then reported to the Council at the next meeting.
- KDC has both a Treasury Policy and a Schedule. The Schedule was introduced to recognise the different governance and management roles and to allow flexibility, such that the CEO by way of his delegated authority, could make changes to the approach to treasury management without requiring the need for Council approval. The content of the Schedule is limited and in essence aside from the Cash Management content and Treasury Performance content, is duplicated in the Policy. The Schedule despite intention, in practice is also subject to Council approval. It is recommended that the Schedule where appropriate be incorporated into the Policy in order that KDC has a single document. We recommend that section 2.0 Cash Management be incorporated into the Policy under section 6.2 Liquidity risk/funding risk and 3.0 Measuring Treasury Performance incorporated within 6.0 Risk Management. KDC in making the revisions should consider that; the Policy should serve as a guideline in order to set direction in treasury risk management for KDC, whilst a procedure manual is a series of steps in order to achieve an end result.
- It is our observation that the Policy is consistent with acceptable practice, however it is overly complex given the level of debt and financial risks that KDC is exposed to (this is discussed further in the document). An effective Policy should be one that is both practical in terms of managing the risks that KDC is exposed to, yet simple enough in order to be easily understood by stakeholders, including the Council.

Pillar 1.

Detailed assessment – treasury framework & governance continued



1. Treasury Framework & Governance continued

1.4 Risk Management Framework

- As a local council, KDC is governed by the regulations set out under the Local Government Act 2002 ('the Act') and in particular with respect to the Treasury Policy adopted by KDC; sections 104, Liability management policy and sections 105 Investment policy.
- Consistent with Section 104, Liability management policy, the Policy includes sections that address:
 - a. interest rate exposure
 - b. liquidity
 - c. credit exposure
 - d. debt repayment.
- Consistent with Section 105, Investment policy, the Policy includes sections that address:
 - a. the mix of investments
 - b. the acquisition of new investments
 - c. an outline of the procedures by which investments are managed and reported on to the local authority
 - d. an outline of how risks associated with investments are assessed and managed.

Pillar 2. Detailed assessment - financial risk



2. Financial Risk Management

2.1 Interest Rate Risk Management

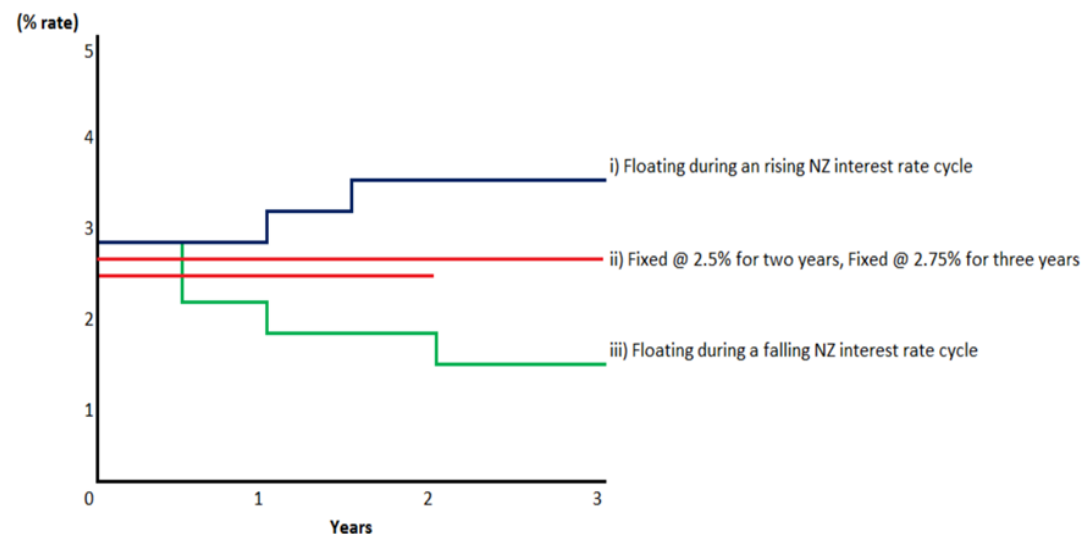
Risk Appetite Statement

- It is understood that the Interest Rate Risk management objective is to “reduce uncertainty” relating to interest rate movements through the fixing of investment returns or funding costs. The Policy states that certainty of funding costs is to be achieved through the active management of interest rate exposures.
- However, there is a trade-off between achieving interest rate certainty and increased economic value. Table 1 on the next slide shows the relationship between borrowing funds over a three year period under a fixed profile (achieved in two tranches) where interest rates remain constant over the life of the borrowing, verses borrowing under a floating profile where interest rates or the cost of borrowing, reset periodically (quarterly, for example).
- If KDC fix its cost of borrowing either directly or through interest rate swaps, it will gain certainty over the cost of finance for the duration of the instrument. However, during this period KDC may incur an unrealised or an opportunity loss if market interest rates fall, (KDC pay a fixed rate that is now higher than the market). Conversely, if interest rates rise KDC may incur an unrealised or opportunity gain as it pays a fixed rate that is now below market interest rates.

- If KDC elects to borrow on a floating rate basis, (i.e. one where interest rates reset periodically), the interest rate is only known as far out as the next reset period (3m, 6m etc). For the most part, the cost of borrowing is uncertain. KDC will benefit as interest rates move lower and incur a higher cost of borrowing as interest rates rise. The extent to which KDC is prepared to accept fluctuations in its cost of debt should be reflected through the Council’s risk appetite, which in turn, is reflected in the Master Fixed/Floating Risk Control limit which requires a minimum of 60% and a maximum of 90% of a rolling forecasted net debt to be fixed. As at 31 Jan 2017, KDC had fixed 81% of its forecasted net debt. We observe that this approach is consistent with peer councils.

Fixed/Floating Cost of Borrowing - scenario analysis.

Table 1.



Pillar 2.

Detailed assessment – financial risk continued



2.1 Interest Rate Risk Management continued

- Which ever risk management approach is adopted (interest rate certainty v economic value), there is a need to ensure clear alignment between the Council’s appetite and risk management approach implemented by management. In order to align expectations better practice policies often contain a risk appetite statement. KDC does not clearly articulate it’s risk appetite via a risk appetite statement (see example in Appendix 1a)

Approved Instruments

- The policy presents under Interest Rate Risk, what is described as “Approved financial instruments”. The instruments include products under cash management and borrowings, Investments and Interest Rate risk management products. It is recommended that only those products that are directly intended to manage interest rate risk are included under “6.1 Interest rate risk”. This will ensure readers of the Policy are clear on the risk and tools available to manage that particular risk. Cash management and borrowings along with Investments should be moved to an appropriate section of the policy.
- It is observed that there is a comprehensive product suite available for KDC to deploy in managing interest rate risk. However we question the extent that these products are actually used or intended to be used. The council has a relatively small portfolio and as such the applicability of complex products should be reassessed and only those products that KDC practically deploy should be permitted by the Policy. To ensure that the Policy document is cohesive we recommend that KDC shift the approved instruments section in the Policy to the appendix.

2.2 Interest Rate Risk Control Limits

- KDC typically borrows on a floating rate basis and uses interest rate swaps to adjust the variable rate instrument to a fixed rate instrument. Consistent with accepted practice a ‘Fixed Rate’ is defined as an interest rate that re-fixes beyond a 12 months. Therefore any net borrowing that re-prices within a year is deemed as a floating instrument. The control limits are presented over two tables, the first provides for an overall-level, (described as a ‘Master Limit’), of net debt that must reprice beyond 1 year, i.e. net fixed rate debt, set at between 60%-90% of total borrowings.
- In the second table, KDC spreads the repricing or resetting of its interest rate risk across time. For example at least 15% and no more than 60% of net borrowings should reprice between one to three years. The bands and approach described within the Policy consistent with peer practice, however the narrative surrounding the application of the bands is confusing and in our view difficult for the reader to understand.
- In order to address the confusion, we recommend that the Policy be restructured such that instead of a “Master Limit” the control is rephrased as, “Overall Fixed Rate Exposure Limit”. In simple terms KDC wish to maintain an overall fixed rate profile of between 60%-90% and a prudent way to achieve this is through diversified maturities that are defined in the Policy. Additionally KDC should look to provide further clarity around the application of the overall limits. The defined percentages apply to a rolling 12 month projected net debt from 30 June to the following 30 June. The projections leverage the current council approved forecasts and plans and this process including time frame should be reflected in the Policy in order to provide greater clarity.

Pillar 2.

Detailed assessment – financial risk continued



2.21 Interest Rate Benchmarking

- The Fixed Rate Maturity Profile Limits are consistent with peers, however to remove confusion, the sub-limit headings in the table, should be re-phrased from “Minimum Cover” and “Maximum Cover” to “Minimum Fixed Rate Percentage” and “Maximum Fixed Rate Percentage” of Total Net Debt.
- Through the Schedule, KDC uses an interest rate benchmark to assess its interest rate risk management performance. The benchmark is not dissimilar to how peer organisations assess performance. However we question the applicability of the benchmark given the relatively modest level of debt that KDC has. We recommend that KDC reassess the applicability of the current benchmark as a means of assessing performance.

2.3 Foreign Exchange Risk [Policy ref 6.1.3 Interest rate risk control limits]

- KDC has indicated that it has only minimal exposure to FX risk. With exposures derived from occasional purchases of foreign currency denominated services, plant and equipment. The policy provides commentary covering the foreign currency exposure risk management process; noting that “Generally, all significant commitments for foreign exchange are hedged”.
- We believe that the current Treasury Policy whilst correct in looking to manage foreign currency exposures, requires enhancement in order to add greater structure, governance and practicality to the current approach.
- In line with industry better practice, the approach to FX risk management, should provide clear triggers for which it is mandatory to hedge foreign currency denominated exposures. The policy as it stands provides commentary only and at best allows the GMF a degree of discretion as to whether to hedge or not.

- The Policy does not articulate who is responsible for identifying the FX exposure and as such how the GMF is made aware of the exposure.
- The Policy makes provision for FX exposure to be hedged once expenditure is approved, it does not define who is responsible for the approval or the horizon over which the exposure should be hedged, if based upon a forecasted FX exposure.
- The Policy discusses FX risk under Interest rate risk control limits – this section should be moved out of Interest rate risk and either be included under it’s own section or included under Other Financial Risks.

Pillar 2.

Detailed assessment – financial risk continued



2.4 Counterparty Credit Risk Management

- KDC has an external ratings based counterparty management policy which limits exposure to a certain dollar value per counterparty/issuer. This methodology is in line with observed market practice.
- The actual limits defined within the policy are inconsistent with limits applied at peer organisations, particularly with respect to the quantum of the limit compared to respective credit rating. For example, considering investments, the Policy allows for \$15m per NZ Registered Bank with an A+/A-1 credit rating, whilst exposure to NZD Registered Supranationals with a higher rating of “AAA” rating are limited to \$10m.
- We recommend that the quantum of the limits be reassessed against the respective credit ratings.

Sector Limits

- KDC has introduced limits on investments per counterparty which we are in agreement with. Whilst current investment activity is immaterial, there is no consideration however of industry/sector concentration risk that KDC maybe exposed to should KDC’s level of investments rise to a material level. For example, the guidelines provided in the Counterparty Issuer Matrix, allow for Investments to be a maximum per counterparty of \$15m. This does not acknowledge the fact that (subject to the individual size of investments), the majority of any potential investment activity could be placed within the NZ banking sector. The recurrence of a market crisis similar to 2008 could significantly impact the value of such investments. It is recommended that KDC consider allocating thresholds to the maximum exposure that it may take to a given sector in order to prevent future concentration risk should investments escalate to a material level.

Pillar 3.

Detailed maturity assessment - funding



3. Funding

3.1 Debt ratio's and limits

- In order to manage debt levels, KDC has incorporated various management ratio's and associated limits. The ratios are broadly consistent with the requirements laid out by the LGFA however slightly tighter in some instances in order to reflect a conservative approach to risk management.

Financial Covenant	LGFA requirements	KDC
Net debt / total revenue	<175%	<170%
Net interest / total revenue	<20%	<15%
Net interest / Annual rates income	<25%	<20%
Liquidity	>110%	>110%

- We understand that the rationale of these tighter levels when compared to the LGFA guidelines beyond an conservative approach, is for KDC to work to limits that are practical given the relatively small size of debt levels and reflective of the councils prudent approach to risk management.

3.2 Sources of Funding

- The Policy allows for KDC to source funding from the LGFA. The LGFA's risk management guidelines require that, in order to minimize concentration risk that no more than the greater of NZD100 million or 33% of a "councils borrowings from the LGFA will mature in any 12 month period". Whilst KDC's current borrowings are below the threshold we recommend that this requirement be considered as a foot-note within the current policy.

Pillar 4.

Detailed assessment – liquidity and cash



4. Liquidity and Cash

4.1 Risk recognition

- The Policy articulates KDC’s liquidity and funding risks in a manner consistent with peers.

4.2 Liquidity/funding risk control limits.

- KDC have introduced a Liquidity buffer that is consistent with the LGFA guidelines that requires KDC maintain “External term loans and committed debt facilities together with available short term liquid investments” at 110% of existing external debt.
- In order to manage liquidity risk KDC has adopted maturity profiles of total committed funding and these are defined by control limits per period in order to limit the amount of committed funding that may mature over a respective time frame. The Policy defines these under “Minimum Cover” and “Maximum Cover”, from a practicality and readability perspective, these headings should be reworded as percentages against the “Term” of funding rather than “Cover”. In essence and as per good practice the Policy requires committed funding to be spread across maturity bands.
- It is noted that there is no provision for facilities to be renegotiated at a given time, for example, 6 months prior to maturity. It is recommended that KDC consider implementing a requirement to reassess facilities ahead of maturity.
- Products shown under section 6.1.2 Approved financial instruments under cash management and borrowing should be moved to this section (alternatively placed in an appendix), in addition the products should be reassessed to ensure that these are actually applicable as cash sources.

- The policy provides for control limits covering the level of loans and committed facilities maturing within defined time-bands. For example, in the near period 0 to 3 years no more than 15%-60% of funding may mature within this time band. It is our view that this approach is overly complex and KDC may wish to consider an alternative such as the introduction of a simple metric requiring no more than \$X million (subject to council approval) may mature in any given year.

4.3 Investments

- The table incorporated within the body of the risk management section of the Policy that references investments should be shifted to either an appendix section of the Policy or shown under section 5 (Investment Policy Limits), of the Policy. Additionally the product suite should be reassessed to ensure that the Investment products presented within the Policy are appropriate and consistent with Council appetite. Products such as short term bank deposits, bank certificates of deposit and treasury bills are included under investments, these products are typically described as cash management products rather than Investment products.
- It is observed that the Policy requires all “investment securities must be senior in ranking”, KDC should look to expand the wording to include “and conform with the defined credit ratings on page 20 of the Policy”.

Pillar 5.

Detailed assessment - operations



5. Operational Risk

5.1 Operational Reporting

- The Operational risk structure within the Policy is commensurate with better practice and makes clear provision for managing the key aspects of Operational Risk, including how operational risk relates to the activities of KDC and core controls to address such risks. We do however, observe that there is no reference to an escalation process in the event of an operational risk incident.
- Possible wording to address the point above, and to be included in the Policy
 - “the CEO & CFO are to be advised immediately and the Council is to be advised on a monthly basis of the number and nature of the breaches. Advice of breaches to the relevant party will outline what will be done to rectify the breach or will seek approval for the breach. Approval provided in the first instance by the CEO & GMF will ratified by the Council”.
- In order manage operational risk more effectively it is recommended that KDC introduce an issue log. The Policy should make clear reference to the escalation channel in the instance that a breach has occurred.

Pillar 6.

Detailed assessment - reporting



6. Reporting

- The Policy requires a comprehensive level of reporting that encompasses Operational, Council and Exception reporting. All three areas are consistent with better practice reporting carried out by peers with well established Treasury functions. The Policy however does not provide any narrative as to the objectives of management reporting and simply includes a list of reports, frequency, preparer and recipient.
 - KDC may wish to consider adding a narrative to the policy that articulates the purpose of management reporting. A possible structure is presented below.
- “ The objectives of management reports are as follows:
- Provide information on the financial exposures of the organisation and the management thereof
 - Monitor the performance of financial risk management
 - Enable management to make appropriate decisions with respect to the financial risk management activities and objectives of KDC in accordance with the approved Council Treasury Policy.
 - Provide positive assurance to the Council concerning compliance with Treasury Policies.”

Appendix 1

Detailed observations and recommendations

Appendix 1




Introduction

- In this Appendix, we have provided detailed observations and recommendations associated with this review. The observations/recommendations are in the same number order as the body of the report (i.e. they follow/cross reference to the 'six pillar' numbering sequence).
- In some instances, the observations and recommendations provide additional detail which will be useful to Operational Management but may not be overly relevant to Senior Management/the Council.
- Finally, each recommendation is rated high, medium or low. A high rating indicates that the recommendation is associated with an important facet of the treasury risk management function and needs to be dealt with sooner rather than later.

Appendix 1

Detailed observations and recommendations



Issues Log

Reference Number	Observation	Recommendation	Rating
1.2	The Policy does not describe the roles and responsibilities of lower tier staff accountable for the performance of treasury activities.	Merge the roles and responsibilities defined in the Schedule with the Policy under section 3.0	Low 
1.3	The Policy does not describe the steps that must be taken and by whom, in order to address a Policy breach.	Incorporate under section 3.0 Management Responsibilities, clear guidance as the process for dealing with a Policy breach or issue. A possible approach might include addressing who should be notified in the first instance, i.e issues are escalated to the GMF and CEO and then reported to the Council at the next meeting.	Low 
1.3	Consistent with 1.2, the Schedule overlaps with the Policy. Additional burden is placed upon the Council to approve both a schedule and a Policy. The Council should only be required to approve the general guidelines supporting treasury management activities and these should be reflected through the Policy.	Merge the overall Schedule with the Policy to the extent that the Schedule presents guidelines. 1.0 Management responsibilities as per 1.2. Section 2.0 Cash Management to section 6.0.	Low 

Appendix 1

Detailed observations and recommendations continued



Issues Log

Reference Number	Observation	Recommendation	Rating
2.1	With respect to the core financial risk that KDC is exposed to, namely interest rate risk, the Policy does not incorporate a risk appetite statement. A risk appetite statement reflects the Council's appetite to bear risk such that beyond a certain threshold KDC's corporate objectives may be compromised.	KDC should look to introduce a risk appetite statement that is reflective of the Council's position on risk taking. An appropriately worded statement will ensure that the outcomes from risk management activity are reflective of the Council's intention (see example Appendix 1a)	Low 
2.1	<p>The Policy references instruments related to cash management, borrowing and investments, that are not applicable to interest rate risk management. Only those recognised products that are used to manage interest rate risk should be included within this section of the Policy. (alternatively moved to the appendix)</p> <p>The Policy also provides for a comprehensive product suite in order to manage interest rate risk. A product suite of this nature and complexity is more aligned to entities with a greater quantum of risk and an ability to understand the particular nuances associated with a such products.</p>	<p>The instruments presented in the Policy under Cash management and borrowing and Investments should be moved to the appropriate sections of the policy. (alternatively the appendix)</p> <p>The available product suite, that includes complex products should be assessed against the risk management complexity and needs of the Council. Where there is no intention or appetite to utilise or deploy products such as Options-should be removed from the Policy. The Policy should only include those risk management products that the Council immediately intends to use.</p>	Low 

Appendix 1

Detailed observations and recommendations continued



Issues Log

Reference Number	Observation	Recommendation	Rating
2.2	The Policy includes interest rate risk control limits and these are presented as Master Limits and Fixed Rate Maturity Profile Limits. Whilst the limits are appropriate and consistent with peers the terminology used is confusing and creates an element of ambiguity for Policy readers and those not directly familiar with Treasury activities.	<p>The wording in the Policy that addresses the overall level of interest rate exposure that KDC is prepared to accept should be restructured such that instead of a “Master Limit” the control is rephrased as, “Overall Fixed Rate Exposure Limit”. Additionally, enhance the wording that addresses the 12 month projected net debt to include commentary on the period, that being 30 June to 30 June the following year.</p> <p>In addressing Fixed Rate Maturity Profile Limits, the wording in the Policy should be re-phrased from “Minimum Cover” and “Maximum Cover” to “Minimum Fixed Rate Percentage” and “Maximum Fixed Rate Percentage” of Total Net Debt.</p>	<p>Low</p> 
2.21	The benchmark used by KDC to assess interest rate performance is overly complex given the level of debt.	We recommend that KDC revisits the applicability of the benchmark. As a means of assessing performance KDC may wish to explore alternative models.	<p>Low</p> 

Appendix 1

Detailed observations and recommendations continued




Issues Log

Reference Number	Observation	Recommendation	Rating
2.3	<p>In considering foreign exchange risk, the Policy makes provision for the use of spot and forward contracts to manage risk. The Policy describes the level of FX risk as minimal however it does not place any thresholds over which the level of FX risk must be hedged. The absence of limits, potentially allows for one-off large exposures or a cumulative build-up to remain unhedged.</p> <p>The Policy does not recognise who has the responsibility for identifying FX exposures and the process for how the GMF is made aware of exposures.</p> <p>The Policy presents FX risk under interest rate risk.</p>	<p>The Policy should be updated to include clear triggers for which it is mandatory to hedge foreign currency denominated exposures and this should also encompass the time horizon for hedging.</p> <p>The Policy should clearly articulate who is responsible for identifying the FX exposure and the process for altering the GMF of exposures both current and forecasted.</p> <p>The Foreign currency section of the Policy should be moved out of Interest rate risk and either be included under it's own section or included under other financial risks.</p>	<p>Low</p> 
2.3	<p>The Policy provides for counterparty credit risk and sets exposure limits per counterparty/issuer. The limits are inconsistent with peers, particularly as regards the quantum of the limit relative to the counterparty credit rating. In some instances the Policy allows for a greater level of exposure to lesser counterparty credit ratings.</p> <p>The Policy makes no provision for concentration risk within a sector. For example whilst an investment with a single bank may be no more than NZD15m, there is no overall NZ registered bank limit.</p>	<p>A review should be conducted to assess the quantum of credit limits against the respective credit ratings. The review should ensure that the limits are both reflective of council appetite and appropriate for the credit rating relative to counterparties.</p> <p>The council should consider the introduction of sector or industry wide credit limits to manage potential concentration risk in the instance that investments escalate.</p>	<p>Low</p> 

Appendix 1

Detailed observations and recommendations continued



Issues Log

Reference Number	Observation	Recommendation	Rating
3.2	In conducting this review we have considered the requirements laid out in the LGFA's risk management guidelines. The LGFA requires that in order to minimise concentration risk, 'no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period'. Whilst KDC's current levels of borrowing are not of this magnitude this requirement should be considered with the Policy as a borrowing constraint.	In order for KDC to be consistent with the LGFA's risk management guidelines, it is recommended that KDC introduce the LGFA concentration risk constraint to the Policy.	Low 
4.2	In order to manage Liquidity risk the Policy introduces limits to the maturity profiles of committed funding. The limits are presented as "Minimum Cover" and "Maximum Cover" per time bucket. The terminology is confusing as it is our understanding that "Cover" refers to the "Term". The Policy makes no provision for facilities to be renegotiated ahead of maturity, for example, 6 months prior to maturity. This requirement is often reflected in better practice approaches to liquidity risk.	The headings in the maturity profile table should be rephrased to read "Minimum Term" and "Maximum Term". KDC to introduce a requirement that maturing committed funding facilities are renegotiated at a period of X months ahead of maturity.	Low 
4.3	The product suite provided under investments, references products that are typically described as cash management products such as bank deposits.	KDC should review the product suite of investment products to ensure coverage is fit for purpose and consistent with Council appetite.	Low 

Appendix 1

Detailed observations and recommendations continued

Issues Log

Reference Number	Observation	Recommendation	Rating
5.1	The Policy addresses operational risk, however it makes no reference to an escalation process in the event of an operational risk incident.	To manage operational risk KDC should consider introducing risk registers whereby in the event of an incident a log is kept of the incident, escalation channel and remedy. The Policy should make clear reference to the escalation channel in the instance that a breach has occurred.	Low 
6.0	The Policy whilst providing for an extensive suite of reporting requirements, could be enhanced to include the objectives of management reporting.	KDC may wish to consider adding a narrative to the policy that articulates the purpose of management reporting.	Low 

Appendix 1a

Risk appetite statement example

Appendix 1a

Risk appetite statement example

KDC through its activities, that support the current and future needs of the Kaipara district community, is exposed to the following core financial risks;

- Interest rate
- Counterparty credit
- Liquidity and funding and;
- Operational

KDC's overall risk appetite with respect to these risks has been set as low. Accordingly, this Policy requires actively executing risk management strategies to achieve a position which is in accordance with agreed limits as outlined in this Policy.

The Council recognise that there is a direct trade-off between interest rate certainty and economic value on its borrowing costs. In alignment with a low risk appetite the Council has a preference for certainty, therefore protecting its borrowing costs in a rising interest rate environment, The Council acknowledge that this approach limits the opportunity to participate in lower borrowing costs as the market falls. This conservative preference is reflected through the control limits within the Policy.

There are specific risks for which KDC has determined that it has zero risk appetite, given possible damage to either strategy or reputation. The strategic imperatives regarding these are;

- Business mandate: to conduct business activity within approved organisation mandates
- Ethical and corporate responsibilities; to conduct business activities ethically and with consideration to social responsibilities
- Prudential and Legislative: Actively comply and monitor compliance with relevant laws and regulatory requirements.

Appendix 2

Disclaimers and limitations

Appendix 2

Disclaimers and limitations

Inherent Limitations

This report is given subject to the written terms of KPMG's engagement. This report has been prepared as outlined in the Executive Summary of this presentation. This report constitutes neither an audit nor a comprehensive review of operations.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the presentation.

No reliance should be placed by KDC Ltd on additional oral remarks provided during the engagement, unless these are confirmed in writing by KPMG.

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The findings in this report have been formed on the above basis.

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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 May 2017**

Date of report: 29 May 2017

From: Glennis Christie, General Manager Finance

Report purpose **Decision** **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 requires Managers 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, Managers 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 May 2017.

New to the statement is the requirement for managers to list any gifts of corporate hospitality or gifts since the last statement.

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Finance's report 'Legal compliance - Awareness of Obligations May 2017' dated 29 May 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 managers 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 fifth cycle of statements that has been completed by Managers since the introduction of the compliance auditing.

New to the statement is the requirement for managers to list any corporate hospitality or gifts.

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: **12 June 2017**
Subject: **Audit Action Update**
Date of report: 29 May 2017
From: Glennis Christie, General Manager Finance
Report purpose **Decision** **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. These improvements are incorporated into the schedules attached and reviewed as part of the preparation for the Audit, Risk and Finance Committee meeting. Progress is noted against the recommendations and presented to each Audit, Risk and Finance Committee meeting until the actions have been cleared. Attached are:

- Audit Management Letter Action Schedule (**Attachment 1**) comprising the outstanding recommendation from previous Annual Report audits;
- Counter Fraud Gap Analysis and Fraud Assessment (**Attachment 2**) from the Deloitte Counter Fraud Gap Analysis and Fraud Risk Assessment dated 31 October and received by the Audit and Risk Committee November 2014.
- New for Audit, Risk and Finance Committee is the Internal Audit Action Schedule which is made up of outstanding recommendations from recent reviews of the Development Contribution and Cash handling processes (**Attachment 3**).
- Also for the Audit, Risk and Finance Committee's information is the Deloitte's:
 - Proposal to conduct the audit of Kaipara District Council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years, dated 30 March 2016 (**Attachment 4**);
 - Audit Engagement Letter for the 2017, 2018 and 2019 financial years, dated 09 May 2017 (**Attachment 5**);
 - Confirmation of Engagement – Limited Independent Assurance Report in respect of Kaipara District Council's Debenture Trust Deed dated 09 May 2017 (**Attachment 6**);
 - Confirmation of Engagement – Independent Auditor's Report Relating to Register of Stock dated 09 May 2017 (**Attachment 7**);
 - Independent Assurance Report in respect of Kaipara District Council's Debenture Trust Deed for the period ended 30 June 2016, received December 2016 (**Attachment 8**); and
 - Independent Auditor's Report Pursuant to clause 4.2 of the Trust Deed, dated 15 December 2016 (**Attachment 9**).

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Finance's report 'Audit Action Plan Update' dated 29 May 2017 and Attachments 1-9.

Reason for the recommendation

It is appropriate that the Audit, Risk and Finance Committee monitors progress in addressing actions identified by Council's auditors and receives communications in relation to the audits conducted.

Reason for the report

To enable the Committee to review the updated External Audit Management Letter Action Schedule and Key Risk Treatment Plan, the new Internal Audit Action Schedule and review communications received relating to the audits.

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.

Three 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;
- Constructive Report to Management for the year ended 30 June 2015 dated 10 November 2015 for the Annual Report 2014/2015; and
- Constructive Report to Management for the year ended 30 June 2016 dated 09 December 2016 for the Annual Report 2015/2016.

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 schedules 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.

Internal audit

Staff reported at the March 2017 meeting that internal audit activities had commenced.

In May 2017 a Development Contributions Process review was completed. The objectives of the review were to assess whether the documented development contribution processes are being followed, and whether or not the correct allocation was made to a sample of projects. The results were that processes were consistently being followed and that there were areas for improvement. The recommendations and action to date are set out in **Attachment 3** of this report.

Also in May 2017 a Cash Handling Process review was completed. The objectives of this review were to

- assess the design and operating effectiveness of cash handling processes and controls against good practices and according to KDC policies and procedures to ensure the completeness, accuracy, timely recording and banking of funds received at selected KDC sites;
- provide recommendations for improvement where control gaps or operating deficiencies are identified.

The review covered all areas of cash handling, found that the two customer service centre were generally in line with good practice and identified a number of opportunities across the organisation to strengthen a the design and operation of controls.

The recommendations and action to date are set out in **Attachment 3** of this report.

In addition, an internal audit in the form of reviewing Council creditors has been undertaken since the last Audit, Risk and Finance Committee meeting. This audit has seen the Financial Services Manager review Council's top 50 suppliers to ensure no instances of unexplained invoices have occurred. No indication of inappropriate payments were found.

The next internal audit, covering contract management framework and effectiveness, is due to commence in July 2017.

Communications from Deloitte (external auditors)

1. *Proposal to conduct the audit of Kaipara District Council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years, dated 30 March 2016 (Attachment 4)*. This document sets out information relating to the audits of the 2017, 2018 and 2019 financial years, including the statutory basis for the audits, fees and how they are set and key members of the audit team. As Peter Gulliver has already completed four years (of a maximum of six), it is proposed that he is appointed for two more years and thereafter Bryce Henderson is appointed.
2. *Audit Engagement Letter for the 2017, 2018 and 2019 financial years, dated 09 May 2017 (Attachment 5)*. This letter sets out the terms of the audit engagement and the respective responsibilities of Council and the Appointed Auditor, Peter Gulliver, for the financial statements and performance information.
3. *Confirmation of Engagement – Limited Independent Assurance Report in respect of Kaipara District Council's Debenture Trust Deed dated, 09 May 2017 (Attachment 6)*. This letter sets out the tripartite agreement for an audit in accordance with the debenture Trust Deed (which in turn

governs our debt obligations). The parties to the agreement are Deloitte, as independent auditor, Kaipara District Council, as borrower, and Corporate Trust Limited as Trustee. The letter sets out each party's responsibilities. Under the Deed, Council is required to adhere to the full requirements of the Trust Deed, including the continuing covenants and reporting covenants. These include a reporting certificate which sets out information about stock issued and outstanding against the Trust Deed and compliance of procedures including certain financial ratios and borrowing limits. In addition, an independent auditor's report is required to be sent to the Trustee that to reviews status and compliance of certain aspects set out in the Trust Deed. (**Attachment 8** is the report for the year ended June 2016 for the Audit, Risk and Finance's information).

4. *Confirmation of Engagement – Independent Auditor's Report Relating to Register of Stock dated 09 May 2017 (Attachment 7)*. Council is also responsible for keeping a stock register and ensuring that it is audit. Again, there are three parties to the engagement: Deloitte, Council and Corporate Trust Limited. (**Attachment 9** is the report for the year ended June 2016 for the Audit, Risk and Finance's information).
5. *Independent Assurance Report in respect of Kaipara District Council's Debenture Trust Deed for the period ended 30 June 2016, received December 2016 (Attachment 8)*. This is the Independent Limited Assurance Report provided for the year end 30 June 2016. An unqualified conclusion was received and there were no recommended improvements.
6. *Independent Auditor's Report Pursuant to clause 4.2 of the Trust Deed, dated 15 December 2016 (Attachment 9)*. This is the Independent Limited Assurance Report provided for the year end 30 June 2016. The opinion was that Council had complied in all material respects for the stated period. There were no recommended improvements.

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:** Internal audit Action Schedule
- **Attachment 4:**
- **Attachment 5:**
- **Attachment 6:**
- **Attachment 7:**
- **Attachment 8:**
- **Attachment 9:**

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 commence the FAR prior to year-end and complete by Aug/Sept 2017.	
Property, plant and equipment (PPE) monitoring (B8)	<p>On a monthly basis or at least on a quarterly basis the PPE balances should be updated for actual ³</p> <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.	
Reconciliations (B10)	<p>Detailed reconciliations should be performed to ensure the general ledger does reconcile with the FAR on a regular basis i.e. monthly⁴. With respect to the underlying databases again these reconciliations should be done on a regular basis. We understand that the</p>	FSM	This matter is being addressed as part of the FAR system.	

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.

⁴ 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
	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.			

2. 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	Software provider has replied that other Councils have implemented a similar function. Scope and cost of this function to be advised by service provider.	

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).

3. 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	Centralised measures will be addressed as part of the LTP 2018.	
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.	
HR Document Retention (A5)	Retain and file HR documents correctly.	GMCS	Auditing undertaken on random HR files to check information filed correctly	Completed
Infrastructure asset information (A6)	Update Infrastructure Asset database to enable accurate and complete data to ensure recommended improvements are addressed.	GMI	Condition monitoring being progressed and accelerated where	

⁷ References are to the Deloitte "Constructive Report to Management for the year ended 30 June 2016" (received by the Audit, Risk and Finance Committee in March 2016)

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 Description ⁷	Action Required	Staff Resp ⁸ .	Progress to Date	Completed
			practicable.	
NZTA Audit Report Findings (A7)	Consider and implement NZTA recommendations where appropriate.	GMI	Ongoing	
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 under review.	
Holiday Pay (A11)	Monitor Holiday Pay calculations to ensure compliance with The Holidays Act 2003.	FSM	Last checked February 2017. Will monitor for the balance of the financial year.	Completed

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. Project commenced and training underway	
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.	Completed
	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. Project commenced and training underway	
	Audit yearly-spend over top 50 suppliers.	FSM	Follow-up review indicates second tier suppliers the high risk. Suppliers reviewed in May 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	One instance of this found and remedied	Completed

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)

Internal Audit Action Schedule
1. Development Contribution Process Review (May 2017)

Item Description ¹	Action Required	Staff Resp ² .	Progress to Date	Completed
Development Contribution processes	Clarify the date from which development contributions can be charged, inform the building control team and update the process flowchart	GMF/ GMS&P	Agreed – project plan to be developed to action plan for all recommendations. Training scheduled.	
	Provide formal guidance to staff on the 'cut-off' criteria for commercial development contributions.	GMF/ GMS&P	As above	
	Training a) Undertake frequent training for all staff involved in assessing development contributions and ensure that the training material is available to all development contribution staff for future reference and for informal training. b) Implement a standard checklist to ensure that there is a standardised approach to assessing a development contribution and ensuring that all aspects have been considered. c) Remind staff assessing development contributions where to source the relevant rates from the policy.	GMF/ GMS&P	Formal session planned once a year. Needs to be supplemented with “champions” in specialised areas to manage continuity with changing personnel.	

¹ References are to the Price Waterhouse Cooper “Development Contribution Processes Review” (received by the Audit and Risk Committee in June 2017)

² 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), GMP&R (General Manager Planning & Regulatory) ISM (Information Services Manager), GMC (General Manager Community), HR (Human Resources), CSM (Customer Services Manager), EA (Executive Assistant), FA (Finance Administrator).

Item Description ¹	Action Required	Staff Resp ² .	Progress to Date	Completed
	Reinforce the accountabilities of teams that are involved in development contribution processes to ensure there is clarity on roles and responsibilities, particularly across invoicing and collection processes.	GMF	Invoice and collect processes in place and being rolled out. Recovery processes require input from source department.	Completed
	Introduce independent review processes of development contribution assessments and calculations to ensure accuracy, validity, alignment with policy and relevant documentation is updated.	GMP&R	To be reviewed.	
	Clarify: a) Who is responsible for remissions, postponements, reconsiderations and objections so that staff know who to contact. b) Escalation points to enable staff to escalate queries regarding development contributions.	GMF/ GMS&P	To be included as part of the training.	
Allocation of Development Contributions	Consider updating the list of development contribution projects along with their funding allocations annually and use this as the basis for allocation of development contributions spent as part of the annual reporting.	GMF/ GMI	To be reviewed and updated for, or as part of, LTP18.	
	a) Resolve the \$29,000 balance of Water Supply development contributions collected. b) Investigate and resolve the balance of \$12,000 under District Leadership in the development contribution reserve.	FSM	Balances will be reviewed and corrective action taken.	

2. Cash Handling Process Review (May/June 2017)

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
Kai Iwi Lake Recommendations	1 If it is practical setup a separate bank account for Kai Iwi Lakes and provide camp staff with view access. Alternatively, send a daily listing of all deposits for Kai Iwi Lakes to campground staff.	F&CPM	Agree – in progress.	
	2 Install signage of all charges at the campground office.	P&CM	Signs installed – complete.	Completed
	3 Investigate whether Seekom can record sundry sales (using the extras option) or implement an alternative solution.	P&CM	Integration is being investigated with a view to implement later in the year.	
	4 Investigate the possibility of using the booking/receipting system output as the Car card.	P&CM	Being investigated. The necessary equipment will be purchased and an automated solution implemented before the summer high season.	
	5 Consider the use of mobile eftpos/tablet to enable receipting at Promenade Point.	P&CM	Agree – in progress.	
	6 Investigate why deposits/payments for bookings beyond year end cannot be made and if feasible enable this functionality.	P&CM	It is preferred to have a commencement date to bookings for each summer so that all campers have an opportunity to book sites.	Completed
	7 Investigate whether the credit card surcharge fees can be automatically calculated by the eftpos terminal.	FSM	This has been actioned – complete.	Completed
	8 Implement a point of contact for Kai Iwi Campground staff to resolve receipting issues over their busy period.	F&CPM	Not anticipated to be a requirement when Kai Iwi staff are provided read only access to bank account.	Completed
	9 Voided/cancelled sales should be recorded through Seekom and reviewed by Finance.	F&CPM	Administration access to Seekom for Finance staff to be actioned.	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
	10 Reduce the need for Kai Iwi Lakes Campgrounds staff to handle cash by: <ul style="list-style-type: none"> • promoting payment through the Seekom by credit card/internet banking • placing sundry items on the Seekom system as extras and include in the overall bill. 	F&CPM P&CM	Management will transition to a cash-less regime for safety reasons before the next summer season. This will require the following actions; <ul style="list-style-type: none"> • Signs erected “ No cash held on premises”; • Website updated to advise “No cash payments accepted”; • Purchase of Vend (POS) system; • Install mobile eftpos; • Update procedures. 	
	11 Investigate the feasibility, operational and cost-effectiveness of installing a barrier arm at Kai Iwi Lakes Campgrounds.	P&CM	Initial investigations suggest significant changes to the entrance will be required. Further work will be undertaken.	
	12 Implement a regular reconciliation of bookings versus payments received for Kai Iwi Lakes Campgrounds.	F&CPM	Agree. Finance access to Seekom to be enabled.	
	13. Management should investigate the options of implementing segregation of duties across the sites, and where this is not possible ensure that monitoring controls such as reconciliations are in place.	F&CPM	Agree. The system administrator will be a Finance function and the user function will be Kai Iwi staff.	
	14 Investigate the options for linking the eftpos terminal directly to receipting system.	P&CM	Agree if Seekom functionality allows.	
	15 Restrict campground staff access to the functionality required to perform their job and restrict system administration rights to appropriate personnel.	F&CPM	Agree. Train finance staff in the use of Seekom administration. This step	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
			will also assist in enabling backup support for Kai Iwi staff.	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
General Recommendations	1 Update cash handling policies and procedures and communicate to all relevant staff.	GMCS	Existing procedures to be reviewed and rewritten in order to implement new consistent daily procedure for Mangawhai and Dargaville Customer Service staff and to include cash floats as part of start of day procedures.	
	2 Keep policies and procedures up to date through review on a periodic basis.	GMCS	Procedures now have review dates included in their process.	
	3 All cashier staff receive periodic formal training on cash handling procedures and training is provided to new starters.	CSM	To be included as part of initiation process.	
	4 Management should periodically monitor procedures at different locations (e.g. spot checks) to ensure compliance with policy and inform management on areas that staff may need training on.	F&CPM	A process will be investigated to implement.	
	5 Implement an exit checklist for departing employees to ensure that all Council property (access cards/keys etcetera) are returned by the employee.	GMCS	Human Resources to update their exit/transfer process.	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
Customer Service Centre Recommendations	1 Periodically review users with access to cash handling system roles.	CSM	Notify IT of staff to add and remove access in real time. Arrange automated reporting monthly a listing of 'any' current users within the Customer Service Centre assigned NCS Cash Handling Access 'Roles'.	
	2 Investigate restricting the "assign users access" ability within the Cash Administration role to the Customer Services Manager only.	FSM	Finance to advise on access restrictions within Cash Administration to approved staff.	
	3 Implement a requirement for cashiers to verify and document cash floats as part of start of day procedures.	CSM	Existing procedures to be reviewed and rewritten in order to implement new consistent daily procedure for Mangawhai and Dargaville Customer Service staff to document cash floats as part of start of day procedures.	
	4 Implement an independent spot count of floats.	CSM	Agree. To be implemented.	
	5 Investigate the options for linking the eftpos terminal directly to NCS.	CSM	The matter will be taken up with IT.	
	6 As part of cashier training, staff need to be aware to count monies received in front of customer and/or keep monies out of cash drawer until change has been given.	CSM	The revised procedures will include instruction to count money in front of customer and keep out of cash drawer until change given.	
	7 Escalation thresholds for variances need to be documented in procedures and included as part of training.	CSM	Develop escalation threshold for the Customer Service staff at Mangawhai and Dargaville Office for variance	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
			reporting. Document procedures for reporting and investigation.	
	8 Implement thresholds for the collection of cash received and make sure staff are familiar with them. The threshold should be set within the security company pickup cash limit.	GMCS	Completed. Security staff are arranged for major banking days.	Completed
	9 Introduce a requirement for the Mangawhai staff to obtain a signature from the security guard before monies are collected.	CSM	The security company in Mangawhai use electronic scanners as part of their tracking system. The security company in Dargaville remain on a paper-based system. No further action is anticipated.	Completed
	10 Ensure appropriate approval is in place for adjustments such as refunds, cancellations and voided transactions.	CSM	Individual cashier codes to be set up. All cancellations and voided transactions are reviewed and approved by a third party.	
	11 Reconciliations need to compare system records or receipts against bankings in order to be effective.	F&CPM	The current reconciliation process will be reviewed.	
	12 Documentation of investigation of variances needs to be kept for future reference and analysis of trends.	CSM	Agreed. Will be incorporated into 7 above.	
	13 Ensure timely review of NCS monthly reconciliations.	FSM	Reconciliations are now dated. Completed.	Completed
	14 Lock cash drawers when staff are away from the cashier desk.	CSM	Customer Service staff to lock cash drawers when staff are away from the desk.	

Item Description	Action Required	Staff Resp.	Progress to Date	Completed
Library Recommendations	1 Implement a requirement for independent review of the cash up process at the Library.	LM	Complete. Value banked is generally less than \$50. There is a camera viewing the cash-up process and always someone else in the area doing the balance of the closing process.	Completed
	2 Ensure the new NCS library management system is configured to automatically calculate the change required and display this for the cashier.	LM	This will be included in any system requirement request.	

30 March 2017

Graham Sibery
Chief Executive
Kaipara District Council
Private Bag 1001
Dargaville

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

Dear Graham

Proposal to conduct the audit of Kaipara District Council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next two years. At the conclusion of the 2018 audit I will have completed the maximum six year period as appointed auditor and therefore rotation is required. The Auditor General proposes to appoint Bryce Henderson from Deloitte in Auckland as the appointed auditor for the 2019 year.

As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2017, 2018 and 2019. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2017, 2018 and 2019 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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

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

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

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

3 Entities covered by this proposal

This proposal covers the audit of Kaipara District Council.

4 Key members of the audit team

Appointed Auditor 2017 and 2018	<i>Peter Gulliver</i>
Appointed Auditor 2019	<i>Bryce Henderson</i>
Quality Control Reviewer 2017	<i>Bruno Dente</i>
Quality Control Reviewer 2018 and 2019	<i>Brett Tomkins</i>
Audit Manager	<i>Richard Olney</i>

Peter Gulliver and Bruno Dente are only able to act as appointed auditor and quality control reviewer respectively for the years ending 30 June 2017 and 2018 in order to comply with rotation requirements. However to ensure the appointed auditor and quality control reviewer are both not changed in the same year the Auditor General is proposing that Brett Tomkins assume the role of quality control reviewer in 2018 and 2019 and that Bryce Henderson fulfil the appointed auditor role for 2019. We will ensure appropriate transition activities occur in the 2018 audit to facilitate these changes.

5 Estimated audit hours

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

Audit team member	2016 budget	2016 actual	2017	2018	2019
Appointed Auditor	63	77	60	60	60
Review Partner	10	6	15	15	15
Audit Manager	125	112	115	115	115
Other CA qualified staff	177	222	220	220	220
Non CA qualified staff	330	725	560	560	560
Other specialists:					
* Technical accounting		3			
* IT specialists	5	5	10	10	10
Total audit hours	710	1,150	980	980	980

5.1 Reasons for changes in audit hours

The 2016 budget hours were set in 2013 as part of the proposal for the 2014-2016 years. With hindsight and as evidenced by our actual hours incurred over that 3 year period this estimate has proven to be significantly understated. The reasons are many and varied and included increased expectations and work around rates, attendance at audit committee meetings (including preparation and travel), the impact of the Financial Reporting and Prudence Regulations, annual revaluation of infrastructure assets, and the impact of entering into the LGFA for funding, including establishment of a trust. Many of these matters were not anticipated at the start of the audit relationship.

Accordingly we have based the 2017 budgeted hours off the actual hours incurred in 2016. We also note that other than the impact of the Financial Reporting and Prudence Regulations we are not seeking to increase the fee to reflect the fact our actual audit hours consistently exceed the budget set over 3 years ago.

We anticipate a reduction in hours between the 2016 actual hours and the 2017 budgeted hours. This reflects a reduction in time dealing with historic rating and litigation matters, continued improvements in Council's management and execution of non-financial reporting, along with further marginal efficiencies arising from our debrief of the 2016 audit with management.

We note that we have absorbed the additional hours incurred during 2016, other than seeking a \$9,000 additional fee for issues encountered in the audit of the non financial performance measures. This approach has also been applied in the earlier years of our appointment as we have invested in the relationship and the transition of KDC through the period of governance by Commissioners. With the historic issues now largely resolved we expect our actual hours to be closer to the budget.

Finally we note that the cost of the additional work that is required as a result of the disclosures stipulated by amendments to the Local Government Act 2002, and the Local Government (Financial Reporting and Prudence) Regulations 2014 since the previous fee was set were absorbed by us, although the time is reflected in the 2016 actual hours in the table above. This time continues to form part of the 2017-2019 budgeted hours, although you will see in section 6 we are seeking to recover a portion of this cost going forward.

6 Proposed audit fees

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

Structure of audit fees	2016 budget	2016 actual	2017	2018	2019
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	142,200	142,200	149,000	152,000	155,000
Additional audit fee		9,000			
OAG overhead charge	10,050	10,050	10,350	10,660	10,990
Total audit fee (excluding disbursements)	152,250	161,250	159,350	162,660	165,990
Estimated Disbursements	15,000	19,372	16,000	16,300	16,600
Total billable audit fees and charges	167,250	180,622	175,350	178,960	182,590
GST	25,088	27,093	26,303	26,844	27,389
Total (including GST)	192,338	207,715	201,653	205,804	209,979

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

6.1 Reasons for changes in audit fees

The main changes in cost components for future audits are:

Reasons for increased or decreased audit fees compared to previous period budgeted fees.	2017	2018	2019
Approximate 2% inflationary movement (reflecting wage inflation)	2,800	3,000	3,000
Changes to Local Government Act and Regulations*	4,000		
Total increase (decrease) in audit fees	6,800	3,000	3,000

**We note that the cost of the additional work that is required as a result of the disclosures stipulated by amendments to the Local Government Act 2002, and the Local Government (Financial Reporting and Prudence) Regulations 2014 since the previous fee was set were absorbed by us. This is part of the reason why our historical actual hours have exceeded the budgeted hours as shown in section 5. Accordingly, it is appropriate to now factor in a small additional fee for this work.*

7 Assumptions relating to our audit fee

Our proposed audit fees are based on the following assumptions that:

- You will provide to us in a timely manner the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statement of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit. In particular, data and information relating to non-financial performance measures will be subject to Council's internal quality review processes before it is audited by us, and the process managed so as to facilitate the timely delivery of relevant information for audit testing.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues with you and the OAG at the time.

8 What the OAG overhead charge provides

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

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

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;

- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

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

9 Certifications required by the Auditor-General

We certify that:

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

10 Conclusion

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

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

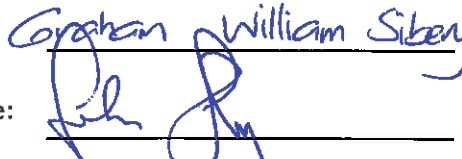
Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated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

Yours sincerely



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

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

Full name: Graham William Sibey Position: Chief Executive
Authorised signature:  Date: 6/4/2017
Entity name: Kaipara District Council

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Peter Gulliver
Private Bag 115033
Auckland



Deloitte
Deloitte Centre
80 Queen Street
Auckland 0622

Private Bag 115033
Shortland Street
Auckland 1140
New Zealand

Tel: +64 9 303 0700
Fax: +64 9 303 0701
www.deloitte.co.nz

9 May 2017

Graham Sibery
Chief Executive,
Kaipara District Council
Private Bag 1001
Dargaville

Dear Graham

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all "public entities", including Kaipara District Council under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Kaipara District Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2017 to 30 June 2019. As noted in the audit proposal I will be your Appointed Auditor for 2017 and 2018, and Bryce Henderson will assume this role for 2019.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council's financial statements and performance information; and
- to report on other matters relevant to the Council's financial and other management systems that come to our attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).

We will carry out the audit in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand) (the Auditing Standards). They require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Kaipara District Council's financial statements and performance information are free from material misstatements.

Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- having such internal control as you determine is necessary to enable you to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error; and

- providing us with:
 - access to all information of which the Kaipara District Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other matters;
 - additional information that we may request from the Kaipara District Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information in accordance with the applied criteria;
- to make the audited financial statements and summary performance information available to the intended users of that information without undue difficulty; and
- to include our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on them.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the Kaipara District Council with delegated authority to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. We assume that members of the Council are familiar with those responsibilities and, where necessary, have obtained advice about them.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements and performance information of Kaipara District Council:

- comply with generally accepted accounting practice; and
- presents fairly, in all material respects its position and performance.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies

and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we consider internal control relevant to the Council's preparation of the financial statements and performance information, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

Please note that the audit does not relieve the Council of its responsibilities. The Auditor-General expects members of the Council to be familiar with those responsibilities and, where necessary, to have obtained advice about them.

However, we will communicate to you in writing any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we have identified during the audit.

During the audit, the audit team will maintain an alertness for issues of:

- effectiveness and efficiency – in particular, how the Council have carried out their activities;
- non-compliance with laws, regulations, and contractual requirements;
- waste – in particular, whether the Council obtained and applied the resources of the Council in an economical manner, and whether any resources are being wasted;
- a lack of probity – in particular, whether the Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- a lack of financial prudence.

Our independence

It is essential that the audit team and Deloitte Limited remain both economically and attitudinally independent of Kaipara District Council (including management and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any such other engagements must be the subject of a separate written arrangement between the Council and myself or Deloitte Limited.

Reporting

We will issue an audit report that will be attached to the financial statements and performance information. This report contains an opinion that provides readers with reasonable assurance on whether the financial statements and performance information have been prepared in accordance with legal requirements, are free from material misstatements, and comply with financial reporting standards. It may also contain comment on matters such as compliance with statutory obligations, and other matters that we consider may be of interest to the readers of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the financial statements and performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council (for example, internal control weaknesses, probity matters, or compliance with statutory obligations).

Please note that the Auditor-General may publically refer to matters that are identified in the annual audit in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued.

Annex 2 contains some additional "other" responsibilities for the audit.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

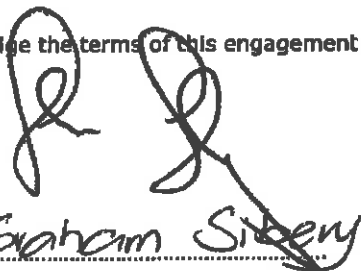
Yours faithfully



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

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:



Name:

Title: Chief Executive Date: 23/5/17

Annex 1 – Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are required by legislation to prepare financial statements and, where appropriate, other accountability statements that comply with generally accepted accounting practice in New Zealand and that present fairly, in all material respects the activities of the public entity during the year, and its financial position at the end of the year.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General, and to form an opinion on whether the public entity's financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice in New Zealand and presents fairly, in all material respects the position and performance of the public entity.</p> <p>We will also read other accompanying information to the financial statements and performance information to identify whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> - the appropriateness of accounting policies used and whether they have been consistently applied; - the reasonableness of the significant accounting estimates and judgements made by those charged with governance; - the appropriateness of the content and measures in any non-financial accountability statements; - the adequacy of the disclosures in the financial statements and performance information; and - the overall presentation of the financial statements and performance information.

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
	<p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> - the adoption of the going concern assumption is appropriate; - all material transactions have been recorded and are reflected in the financial statements and performance information; - all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and - uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities for the accounting records	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> - correctly record and explain the transactions of the public entity; - enable you to monitor the resources, activities, and entities under its control; - enable the public entity's financial position to be determined with reasonable accuracy at any time; - enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and - are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities for accounting and internal control systems	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and, where applicable, performance information.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>

Responsibilities for preventing and detecting fraud and error	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>The responsibility for the prevention and detection of fraud and error rests with you through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Kalpara District Council with delegated authority have a reasonable basis that suspected fraud has occurred, regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> - assess the effectiveness of internal control systems and procedures for preventing and detecting fraud and error; and - report to you the significant weaknesses in internal control systems and procedures for monitoring the prevention and detection of fraud and error that come to our notice and that we consider could be relevant to you. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

Responsibilities for compliance with laws and regulations	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will assess whether you have systems, policies, and procedures to ensure compliance with those legislative, regulatory, and contractual requirements that are relevant to the audit. We will either perform specific audit tests to assess whether you have complied with statutory requirements that are relevant to the audit or will maintain an awareness for possible non-compliance that may be relevant to the audit.</p> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws, regulations, and contractual requirements that we consider may be relevant.</p>

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity.</p> <p>The Auditor-General, on receiving a report from us, may, at their discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

Responsibilities for conflicts of interest and related parties	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. We will check that you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities for publishing the audited financial statements on a website	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If you intend to publish or reproduce the financial statements and performance information, together with the audit report, on a website, you must, before publication, provide us with a draft version of the documents to read and must obtain our approval to include the audit report with the information you intend publishing on the website.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes and accounting policies as well as any other accountability statements.</p> <p>If you intend to post any new material not previously read by us, you must advise us before posting the new material.</p>	<p>We will perform procedures to satisfy ourselves that the information you intend including on your website is consistent with the audited financial statements and performance information, and that the audit report will not be inappropriately associated with any information that has not been audited.</p> <p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p> <p>We will review the material on initial posting, and on notification from you that new material has been posted on the website. We do not carry out ongoing monitoring of the material on your website.</p>

Annex 2 – Other responsibilities

To meet the reporting deadlines, we are dependent on receiving the public entity's financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice and present fairly, in all material respects the activities and position of the public entity, and are supported by proper accounting records and complete evidential documentation.

We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.

The work papers that we produce in carrying out the audit are the property of the Auditor-General. Workpapers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

The Auditor-General and Audit Service Providers take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

9 May 2017

The Council
Kaipara District Council
Private Bag 1001
Dargaville

The Board of Directors
C/o John Quarterman
Covenant Trustee Services Limited
PO Box 4243
Auckland 1140

Dear Councilors and Board Members

Confirmation of Engagement – Limited Independent Assurance Report in respect of Kaipara District Council's Debenture Trust Deed

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising from your request to provide a report (the 'Report') under clause 10.2.6 (a) of the Debenture Trust Deed between Covenant Trustee Services Limited, (the 'Trustee') and Kaipara District Council dated 13 September 2013 (the 'Trust Deed').

The purpose of this letter is to confirm the terms of our Limited Independent Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

Scope of the Engagement

The Auditor-General is the auditor of Kaipara District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me Peter Gulliver of Deloitte Limited to carry out the audit of the annual financial statements ('Statutory Audit Engagement') of Kaipara District Council.

The objective of the Statutory Audit Engagement, which is the subject of a separate letter of engagement with Kaipara District Council dated 9 May 2017 (enclosed), is to report our opinion on those annual financial statements on behalf of the Auditor-General.

As auditors appointed for the Statutory Audit Engagement, we are not responsible for:

- The preparation of the financial statements of Kaipara District Council;
- Any Reporting Certificate(s) issued to the Trustee by Kaipara District Council;
- Kaipara District Council's compliance with the Trust Deed; or
- The obligations of the Trustee, as defined in the Trust Deed, or the Trustee's execution of those responsibilities in accordance with the Trust Deed.

The procedures performed when carrying out the Statutory Audit Engagement of the Kaipara District Council (the 'Council') are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of the Statutory Audit Engagement of Kaipara District Council for the year ending 30 June 2017.

For the purpose of providing our Report, (other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed"), we will not perform any further procedures beyond those required to complete the Statutory Audit Engagement of Kalpara District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time Council's Reporting Certificate for the year ended 30 June 2017 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Scope of the Council's Responsibilities

Kalpara District Council is required to provide a copy of the annual report, which includes the audited financial statements of the Council and our audit opinion, to the Trustee under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Scope of the Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of the Limited Independent Assurance Report and the audited financial statements of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority ('FMA') issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Scope of the Auditor's Responsibilities under the Trust Deed

We will conduct our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reporting Certificate for the year ended 30 June 2017 has not been prepared in accordance with the requirements of clause 10.2.4 of the Trust Deed.

We will report to you on the following specific matters under clause 10.2.6(a) of the Trust Deed:

- From our perusal of the Reporting Certificate dated 30 June 2017 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2017 with Computershare Investor Services, and counterparties including the Local Government Funding Agency.

We will recalculate the Council's reported statutory financial ratios as at 30 June 2017 in the Reporting Certificate. Our procedures will be limited to recalculating the ratios.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Whether in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the Statutory Audit Engagement.

- As at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

We will report to you on the following matters under clause 10.2.6(a) of the Trust Deed:

- Whether the Council has maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2 of the Trust Deed.

Our procedures will be limited to auditing the Register for the year ended 30 June 2017. The audit of the Register is a separate engagement.

- As at 30 June 2017:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Independent Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

Timetable

Our work will be completed concurrently with the Statutory Audit Engagement. We will complete our Report as soon as possible once the Council has signed the annual financial statements and provided us with the Reporting Certificate given on behalf of the Council pursuant to clause 10.2.4 of the Trust Deed.

Restriction on Use and Distribution of our Report

Our Report will be addressed to The Council and the Trustee for the sole purpose of meeting the requirements of clause 10.2.6(a) of the Trust Deed.

Our Report is not to be used for any other purpose, copied or made available (In whole or In part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

Fees

The fee will be payable by the Council for this Limited Independent Assurance Engagement. The total fee is estimated to be \$3,750 (PY: \$3,200).

Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully

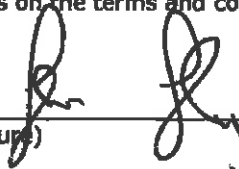


Peter Gulliver
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

Enclosures Engagement Letter – Statutory Audit

Council Acceptance

Kaipara District Council confirms and accepts the engagement of Deloitte Limited to provide the services on the terms and conditions set out in this engagement letter.



(Signature)

Graham Sibery

(Name)

Chief Executive.

(Position)

Trustee Acceptance

Covenant Trustee Services Limited as Trustee for Kaipara District Council confirms and accepts the engagement of Deloitte Limited to provide the services on the terms and conditions set out in this engagement letter.

Covenant Trustee Services Limited has entered into this letter of engagement in its capacity as Trustee of Kaipara District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of the Council available to it from time to time in that capacity.

(Signature)

(Name)

(Position)

Appendix A: Indicative Report



Limited Independent Assurance Report

To the Kaipara District Council and to Corporate Trustee Services Limited In respect of the Kaipara District Council's Debenture Trust Deed for the year ended 30 June 2017

The Auditor-General is the auditor of Kaipara District Council (the 'Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte Limited, to carry out the audit of the annual financial statements of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Deloitte Limited, as referred to in the Debenture Trust Deed dated 13 September 2013 (the 'Trust Deed').

Council's Responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements of the Council and our audit opinion, to Corporate Trust Limited (trading as Foundation Corporate Trust) ('Trustee') under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Limited Independent Assurance Report ('Report') and the audited financial statements of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority ('FMA') issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

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This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2017 has not been prepared in accordance with the requirements of clause 10.2.4 of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements of the Council are not designed to assess whether The Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements of the Council for the year ended 30 June 2017 ('Statutory Audit Engagement').

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete the Statutory Audit Engagement of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2017 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated *[insert date]* given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of stock in the Reporting Certificate dated *[insert date]* with counterparties.

The Council reported on statutory ratios at 30 June 2017 in the Reporting Certificate. Our procedures were limited to recalculating the ratios.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Report, as at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

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The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2 of the Trust Deed.

Our procedures were limited to auditing the Register for the year ended 30 June 2017. The audit of the Register was a separate engagement.

- Report as at 30 June 2017:
 - o the amount of Stock and how much is Security Stock and Bearer Stock; and
 - o the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with counterparties. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our statutory audit report on the Council's financial statements. We explain the scope of our statutory audit engagement in our audit report on the Council's financial statements and performance information for the year ended 30 June 2017.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated *[insert date]* pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated *[insert date]* attached).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on *[date]* and our conclusion is expressed as at that date.



The Register and Stock

We issued the Council with an audit report about the Register for the year ended 30 June 2017 on [date]. (A copy of the audit report about the Register is attached).

Based on the work described in this Report, as at 30 June 2017 the following balances are given:

o	Total stock of	\$xxxx
This is comprised of:		
o	Security stock of	\$xxxx
o	Bearer stock of	\$xxxx
o	Other stock of	\$xxxx
o	Security stock (Local Government Funding Agency stock) of	\$xxxx

Based on the work described in this Report, as at 30 June 2017 the following balances are given:

o	Total Principal Money owing and secured under the stock of	\$xxxx
This is comprised of:		
o	Security stock of	\$xxxx
o	Bearer Stock of	\$xxxx
o	Other stock of	\$xxxx
o	Security stock (Local Government Funding Agency stock) of	\$xxxx

The Council is a one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2017 the Local Government Funding Agency has reported that it has issued bonds in the amount of \$xxxx.

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the Independence and ethical requirements of Professional and Ethical Standard 1 (Revised) Issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) Issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, our audit of the Register, and our audit of the Council's annual financial statements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.

Peter Gulliver
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand



Deloitte
Deloitte Centre
80 Queen Street
Auckland 0622

Private Bag 115033
Shortland Street
Auckland 1140
New Zealand

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Fax: +64 9 303 0701
www.deloitte.co.nz

9 May 2017

The Council
Kaipara District Council
Private Bag 1001
Dargaville

Dear Councilors

Confirmation of Engagement – Independent Auditor’s Report Relating to Register of Stock

We are pleased to confirm our acceptance of the reasonable assurance engagement you wish us to perform in connection with the audit of the compliance of Kaipara District Council (the ‘Council’) with clause 4.2 of the Debenture Trust Deed between Corporate Trust Limited (now known as Covenant Trustee Services Limited), (the ‘Trustee’) and the Council dated 13 September 2013 (the ‘Trust Deed’) for the year ending 30 June 2017 in relation to the register of stock (the ‘Register’).

The purpose of this letter is to confirm the terms of our engagement and the nature of, and limitations to, the services that we will provide.

1. Engagement Team

Peter Gulliver will be the Partner and Richard Olney the Manager responsible for this engagement. It will be the responsibility of Peter to ensure that the Council receives quality service. Peter will, as he considers necessary, call on other individuals with specialised knowledge, either in this office or elsewhere in our firm, to assist in the performance of our services.

2. General Scope of Our Responsibilities

The purpose of this engagement is to provide reasonable assurance that the Council has complied, in all material respects, with the requirements of clause 4.2 of the Trust Deed in relation to the maintenance of the register of stock (the ‘Register’) for the period 1 July 2016 to 30 June 2017. The scope of our engagement is limited to the matters set out in this letter. So that we are able to assist you effectively, please ensure that you are satisfied that the scope of our engagement and the Services we will provide are sufficient for your needs. If you wish to discuss this with us further please let us know.

We will conduct our engagement in accordance with Standard on Assurance Engagements (SAE) 3100: *Compliance Engagements* (‘SAE 3100’) issued by the External Reporting Board (‘the XRB’) that requires us to comply with ethical requirements and plan our engagement so as to provide reasonable assurance that the Council has complied, in all material respects, with the requirements of clause 4.2 of the Trust Deed regarding the maintenance of the Register. The procedures we will perform are described in more detail in section 4 below.

We will comply with the independence and other ethical requirements of the Auditor-General, which incorporate the Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In addition, PES 1 requires that we inform the Council whenever a breach of a provision in the Code is identified. The communication to the Council will take place as soon as possible for significant breaches. Insignificant breaches will be communicated annually, unless the Council specify alternative timing for the reporting of less significant breaches. We are also required to communicate to you matters relating to conflicts of interest.

Our firm also applies AG PES 3: *Auditor General's Statement on Quality Control*, which incorporates Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We expect that the form of our reasonable assurance report will be based on the requirements of SAE 3100 and will be substantially in the format outlined in Appendix A.

3. Scope of Work

Our engagement will include such procedures as we consider necessary in the circumstances, including, but not limited to examining, on a test basis, evidence relevant to ascertaining whether the Register is properly maintained in accordance with clause 4.2 of the Trust Deed. Our procedures will include assessing compliance with:

- clause 4.2.1 of the Trust Deed with respect to the details to be recorded in the Register;
- clause 4.2.2 of the Trust Deed in relation to Security Stock;
- clause 4.2.3 of the Trust Deed in relation to changes of details of the Stockholder; and
- clause 4.2.4 of the Trust Deed in relation to replacement of stock certificates.

Our work will primarily involve inspection of the Register, confirming particulars with the Registrar, who we understand to be Computershare, and confirming balances and details with counterparties.

Our procedures will include considering internal controls relevant to maintaining the Register. This assessment is in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the controls operated by the Council.

4. Our Report

Our reasonable assurance report ('our report') and any other reports or advice which we provide to you as a result of our engagement may be used only by you for the purpose outlined above and otherwise, in the manner described in the Terms.

Our report will be prepared solely for your exclusive use and solely for the purpose of meeting the requirements of clause 4.2 of the Trust Deed. We agree that a copy of our report may be provided to the Trustee for their information in connection with this purpose but, we do not accept any duty, liability or responsibility to the Trustee in relation to our report. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with our report or engagement including without limitation, liability for negligence in relation to the opinion expressed in our report.

5. General Scope of Your Responsibilities

The Council is responsible for ensuring compliance with clause 4.2 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal control relevant to maintaining the Register in compliance with clause 4.2 of the Trust Deed.

The Council's responsibilities also include:

- providing us with all of the financial records/related information required for us to complete this engagement even if such information has been given to us previously in the course of a different engagement;
- providing us with unrestricted access to persons within the Council from whom we determine it necessary to obtain information and procuring the necessary access to persons from the Registrar to complete our procedures;
- remaining solely responsible for all aspects of your business and taking all decisions relating to the compliance with the Act and the Regulations;
- establishing and maintaining an effective system of internal control over its operations and financial reporting, including, without limitation, systems designed to ensure achievement of its control objectives and its compliance with applicable laws and regulations;
- ensuring the accuracy and completeness of the Register;
- identifying and complying with, and assisting Deloitte Limited to maintain its independence and comply with, all applicable laws and regulations and all professional standards that relate to the services.

As part of our engagement we will request from the Council written confirmation concerning representations made to us in connection with the engagement.

We look forward to the full co-operation of your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our assurance engagement.

6. Inherent Limitations

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period from 1 July 2016 to 30 June 2017 and the procedures performed in respect of the Council's compliance with clause 4.2 of the Trust Deed are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with clause 4.2 of the Trust Deed.

7. Confidentiality

Where Deloitte Limited or a Member Firm (as defined in the Terms) is also your auditor, nothing in this Contract will prevent Deloitte Limited or the Member Firm from using information provided by you to Deloitte Limited or a Member Firm to enable Deloitte Limited or the Member Firm to comply with its professional obligations as auditors.

8. Distribution of our Report

It is agreed that the Council will not publish or reproduce our report in any form (i.e. printed) or electronically (for example on an internet website) except as permitted in Section 5.

9. Fees

We estimate our fee for this engagement to be \$1,750 (PY: \$1,500).

This estimate is exclusive of GST and out-of-pocket disbursements and relates to the issuance of our reasonable assurance opinion. It has been prepared on the assumptions that there will be no significant problems encountered which require additional time or procedures. Any additional time incurred, if these assumptions are not met, or alternatively, any reduction in costs from efficiencies made, will be passed on in our final fee.

10. Master Terms of Business

All services are provided subject to the terms and limitations set out in this letter (including any appendices) and the attached Master Terms of Business. In case of any conflict between this letter and the Terms, this engagement letter shall prevail. Please read the Master Terms of Business carefully, as they form an important part of our contract with you.

Deloitte Limited is the Deloitte entity entering into this engagement with you and is the "Deloitte Service Provider" for the purposes of the Master Terms of Business.

11. Agreement

If you have any questions about this letter or the attached Terms, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter and the accompanying Terms by signing below and returning a copy to us.

Yours faithfully

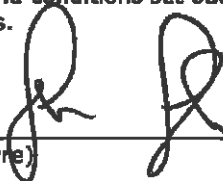


Peter Gulliver
Partner
for Deloitte Limited

Enclosure: Master Terms of Business

Client Acceptance

The Council confirms and accepts the engagement of Deloitte Limited to provide the Services on the terms and conditions set out in this engagement letter dated 9 May 2017 and the Master Terms of Business.



(Signature)

Graham Sibery

(Name)

Chief Executive.

(Position)



9 May 2017
Kaipara District Council

Appendix A: Example Reasonable Assurance Engagement Report



**Independent Auditor's Report
To the Councillors of Kaipara District Council**

Report Pursuant to Clause 4.2 of The Trust Deed

We have audited the compliance of the Council with clause 4.2 of the Debenture Trust Deed between Corporate Trust Limited (now known as Covenant Trustee Services Limited), (the 'Trustee') and the Council dated 13 September 2013 (the 'Trust Deed') for the period from 1 July 2016 to 30 June 2017 in relation to the Council's maintenance of the register of stock (the 'Register').

Council's Responsibility

The Council is responsible for maintaining the Register in accordance with clause 4.2 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal control relevant to the compliance with section 4.2 of the Trust Deed.

Auditor's Responsibility

Our responsibility is to express an opinion on the Council's maintenance of the Register in accordance with clause 4.2 of the Trust Deed, in all material respects. Our engagement has been conducted in accordance with Standard on Assurance Engagements 3100: *Compliance Engagements* ('SAE 3100') issued by the External Reporting Board, to provide reasonable assurance that the Council has maintained the Register in compliance with clause 4.2 of the Trust Deed.

Our procedures include examining, on a test basis, evidence relevant to ascertaining whether the Register has been properly maintained in accordance with clause 4.2 of the Trust Deed. They included considering internal controls relevant to maintaining the Register. This assessment is in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the controls operated by the Council. These procedures have been undertaken to form an opinion as to whether the Council has complied with clause 4.2 of the Trust Deed for the period 1 July 2016 to 30 June 2017 pertaining to the maintenance of the Register.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent Limitations

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period from 1 July 2016 to 30 June 2017 and the procedures performed in respect of the Council's compliance with clause 4.2 of the Trust Deed are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with clause 4.2 of the Trust Deed. The opinion expressed in this report has been formed on the above basis.

Independence and quality control

When carrying out the engagement we followed the independence and other ethical requirements of the Auditor-General, which incorporate the Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement, the audit of the financial statements of the Council, and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed we have no relationship with or interests in the Council.

When carrying out the engagement we followed AG PES 3: *Auditor General's Statement on Quality Control*, which incorporates Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Deloitte.

Use of Report

This report is provided solely for your exclusive use and solely for the purpose of meeting the requirements of clause 4.2 of the Trust Deed. We understand that a copy of this report has been requested by the Trustee pursuant to clause 4.2.8 of the Trust Deed. We agree that a copy of our report may be provided to the Trustee for their information in connection with this purpose but, we do not accept any duty, liability or responsibility to the Trustee in relation to our report. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with our report or engagement including without limitation, liability for negligence in relation to the opinion expressed in our report.

Opinion

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

In our opinion, the Council has complied, in all material respects, with the requirements of clause 4.2 of the Trust Deed for the period 1 July 2016 to 30 June 2017 pertaining to the maintenance of the Register.

Peter Gulliver
for Deloitte Limited
Date
Auckland, New Zealand

Deloitte.

Master Terms of Business

1. **This Agreement**
 - 1.1 This Agreement sets out the terms on which we will provide Services to you. We will treat you as having accepted this Agreement if you continue to instruct us after you receive it.
2. **Our Services**
 - 2.1 We will provide the Services described in the Letter. We will use all reasonable efforts to complete the Services within any agreed time frame but time frames are not legally binding.
 - 2.2 Except as expressly agreed in writing before providing a particular Service, the Services do not include:
 - (a) financial reporting;
 - (b) advice regarding the financial accounting treatment of any transaction;
 - (c) any opinion on the achievability of prospective financial information;
 - (d) legal advice or legal due diligence services; or
 - (e) detection of fraud or misrepresentation (and accordingly we do not accept responsibility for detecting fraud or misrepresentation whether by directors, management, staff or external parties).
 - 2.3 We will use reasonable efforts to ensure that our Representatives named in the Letter provide the Services. However, we may replace or reassign any Representative at any time with a Representative of similar skill.
3. **About Deloitte**
 - 3.1 We are a Member Firm of DTTL. You acknowledge that:
 - (a) each Member Firm is a separate and independent legal entity;
 - (b) the Services are provided to you by us and not by any other Member Firm, (even if we use other Member Firms to help us to provide the Services in accordance with clause 3.2 below); and
 - (c) no Member Firm is liable for any other Member Firm's acts or omissions, except as expressly set out in clause 3.2 below.
 - 3.2 Sometimes we may use other Member Firms to help us to provide the Services and Representatives from those Member Firms may be in contact with you directly for that purpose. If we use other Member Firms, we alone will be responsible for any work undertaken by those other Member Firms.
 - 3.3 To the extent permitted by law, you agree that:
 - (a) no other Member Firm or any of our Representatives will have any liability to you (whether in contract, tort (including negligence) or otherwise) under or in connection with this Agreement and/or the Services; and
 - (b) you will not bring any claim, demand or proceedings under or in connection with this Agreement and/or the Services against any other Member Firm or any of our Representatives.
4. **Our Work**
 - 4.1 Our Work is for your exclusive use and must be used by you only for the Purpose. Unless we give our consent:
 - (a) our Work must not be used for any other Purpose or made available to anyone else, except your Professional Advisers;
 - (b) our Work may not be relied on by anyone other than you; and
 - (c) you must not name us or refer to us, our Work or Services in any written materials, other than to your Professional Advisers, in any publicly filed documents or as required by law.
 - 4.2 If you provide a copy of any Work to any of your Professional Advisers, or any other person with our consent, you must ensure that they are aware of and comply with the limits placed on the use and disclosure of our Work (including that they may not rely on the Work) and treat our Work as confidential.
 - 4.3 You acknowledge that use of or reliance on our Work by a person other than you may expose us, our Representatives and Member Firms to a claim from a person with whom we have no relationship or whose interests we have not considered in providing the Services. You will indemnify us, our Representatives and/or Member Firms against any Loss we, our Representatives and/or Member Firms suffer or incur as a result of any distribution to, use of and/or reliance on, any Work by a third party.
 - 4.4 The signed copy of our Report is the definitive version of our advice, subject to any qualifications in that version. You may not rely on any other Work or oral comments or advice. We do not undertake to update any Report after we have issued the final Report to you.
 - 4.5 To comply with our professional standards we must retain as our own property our Work, together with copies of all Information provided to us in the course of us performing the Services. In the absence of other statutory or regulatory requirements or instructions from you, it is our normal practice to destroy correspondence and other papers that are more than seven years old.
 - 4.6 We take our ethical obligations seriously. We have internal anti-bribery and corruption policies that outline the requirements applicable to our operations under anti-bribery and corruption laws, including but not limited to applicable New Zealand laws, the United States Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act 2010.
5. **Our Fees**
 - 5.1 The Fees and the basis on which they are calculated are set out in the Letter. Any estimate of the Fees for the Services will be based upon our assessment of the work involved, taking account of any assumptions set out in the Letter. Unless we have agreed otherwise in the Letter, our Fees may be adjusted if the Services prove more complex or time consuming than expected. We may also change the Fees where:
 - (a) an Unexpected Event occurs; or

- (b) there is a change in the scope of the Services we provide to you (including as a result of an Unexpected Event); or
 - (c) you do not accept this Agreement within three months of the date of the Letter.
- 5.2 You agree to pay us:**
- (a) the Fees for the Services plus GST (if applicable);
 - (b) any expenses we incur in providing the Services to you, such as travel costs. We will charge these expenses to you at cost and tell you about them beforehand if they are anything other than incidental; and
 - (c) all costs and expenses (including internal time costs) we suffer or incur if we are required to provide Information about you or the Services to comply with (or challenge) any statutory obligation, court order or compulsory process.
- 5.3 Fee estimates are indicative only and are not legally binding.**
- 5.4 We will generally invoice you monthly in arrears. You agree to pay any undisputed portions of our invoice within 21 days of the date of the invoice even if there is a dispute between us about that invoice or another invoice. Where amounts remain due and unpaid we may charge you related collection costs (including legal fees) and interest at an annual rate of 2% over the Official Cash Rate of the Reserve Bank of New Zealand ruling on the date payment is due.**
- 5.5 We may suspend or terminate our Services or withhold any Information or any Work if you do not pay our Invoices on time.**
- 6. What You Agree To Do**
- 6.1 You are responsible for:**
- (a) determining that the Services described in the Letter are adequate for your particular purposes and needs;
 - (b) providing us with all reasonable and necessary assistance so that we can provide the Services to you, such as timely and reasonable access to your premises, facilities, networks, Information and Representatives;
 - (c) designating one or more competent Representatives who possess suitable skill, knowledge, and/or experience to oversee the Services;
 - (d) making timely decisions in connection with the Services;
 - (e) providing us with accurate and complete Information;
 - (f) providing us with all Information that is relevant to the Services, even if the same Information has been given to us previously during another engagement;
 - (g) updating any Information where there has been a material change to that Information;
 - (h) operating and managing all accounting, internal control or management information systems (unless you expressly engage us to do so in writing); and
 - (i) any other responsibilities you agree to, including those set out in the Letter.
- 6.2 You acknowledge that:**
- (a) our ability to provide the Services depends on you meeting your responsibilities under this Agreement; and
 - (b) we will rely on your Information, the decisions you make and any approvals you give.
- 6.3 Should you wish any of our Representatives to attend your board meetings and contribute in an advisory role, you agree that doing so does not in any way entitle our Representatives acting in the capacity of a director. Your board and management remain solely responsible for all aspects of governance, oversight and all decisions in relation to your business.**
- 7. Our Responsibility To You**
- 7.1 To the extent permitted by law, our total liability to you under or in connection with this Agreement (whether in contract, tort (including negligence) or otherwise) is limited to five times the amount of the Fees paid in respect of the Services. In the case of continuous Services provided by us, "the Fees" means the fees charged by us for the relevant Services in the twelve months preceding the occurrence of the event, act or omission giving rise to the claim.**
- 7.2 The limit of liability set out above applies to all Addressees as a group. You agree not to dispute the limit if you are unable to agree on how it will be allocated between you.**
- 7.3 We will only be liable to you for the proportion of the legally payable amounts that we have caused. We will not be liable for any Loss to the extent it is caused by an Unexpected Event.**
- 7.4 We will not be liable for any Consequential Loss.**
- 7.5 If you are not satisfied with our Services, you will provide us with the opportunity to re-perform them or resolve the issues that have arisen before taking any further action.**
- 7.6 Any claim against us must be brought within 12 months of the occurrence of the event, act or omission giving rise to the claim.**
- 8. Conflict Of Interest**
- 8.1 We have relationships with many clients. If, after this Agreement starts, we identify circumstances that could cause us to have a conflict of interest, we will evaluate the potential conflict and, depending on the circumstances, apply appropriate safeguards to manage it. However, you acknowledge that we may need to terminate this Agreement if we are unable to resolve or manage a conflict of interest satisfactorily.**
- 9. Termination**
- 9.1 Either of us may terminate this Agreement:**
- (a) at any time by giving the other written notice; or
 - (b) immediately if the other becomes insolvent or otherwise ceases to carry on business or commits any material breach of this Agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.
- 9.2 If this Agreement is terminated, you agree to pay us the Fees for any work we have done, and any other agreed amounts or expenses we have incurred, up to the date of termination. You also**

- agree to pay us any costs or expenses payable pursuant to clause 5.2(c), whether before or after the date of termination.
- 9.3 Any provision of this Agreement that is expressly or by implication intended to survive termination will survive, including clause 3, *About Deloitte*; clause 4, *Our Work*; clause 5, *Our Fees*; clause 9.2, *Termination*, clause 11, *Confidentiality*; clause 13, *Intellectual Property*; clause 15, *Dispute Resolution* and clause 17, *General*.
10. **Tax Services**
- 10.1 Where we provide Tax Advice to you in written form on a confidential basis that written Tax Advice may qualify as a 'tax advice document' that is not required to be disclosed to the Inland Revenue in terms of the Tax Administration Act 1994. We do not place any limitations on your disclosure of such Tax Advice. However if you choose to disclose such Tax Advice your rights to claim non-disclosure may be forfeited.
- 10.2 Under the applicable tax legislation, it is the taxpayer who has the ultimate responsibility for the correctness of the tax returns. For this reason you agree that:
- the responsibility for the accuracy and completeness of the return(s) remains with you. An authorised representative will be required to review and sign the return(s) prior to filing with Inland Revenue;
 - the preparation by us of the return(s) does not result in the expression of an audit or review opinion or provide any other form of assurance on the respective return(s); and
 - no reference will be made by us to further source documentation or invoices to substantiate the information supplied by you.
- 10.3 The Services are not binding on any government, tax or other regulatory authority or the courts of any jurisdiction. We do not guarantee that any government, tax or other regulatory authority or court will agree with the Tax Advice provided to you in connection with the Services. The Services will be performed taking into account relevant tax legislation in force at the time the Services are provided to you. Any changes in the applicable tax legislation after the Services have been provided to you may affect the validity or correctness of the Tax Advice provided. We are under no responsibility to inform you of any such changes.
11. **Confidentiality**
- 11.1 Each of us agrees to protect and keep confidential any Confidential Information that is given to us by the other.
- 11.2 We will only use or disclose your Confidential Information to provide the Services to you and we may also disclose your Confidential Information:
- to other Member Firms and our Representatives who will only use and disclose it to provide the Services to you;
 - as required by law, DTTL's quality review processes or our professional obligations;
 - to our own professional advisers, service providers and insurers on a confidential basis; or
 - to anyone else, on a confidential basis, where you agree first that we may do so.
- 11.3 You agree that we may aggregate your Information and use and disclose that Information in de-identified form as part of research and advice, including benchmarking services.
- 11.4 Subject to clauses 4.5, 5.5 and 12.1, we will return your Confidential Information, or destroy it, at any time at your request.
12. **Personal Information and Electronic Communication**
- 12.1 We will collect, store and disclose any Personal Information provided to us in connection with the Services in accordance with the Privacy Act 1993. Please refer to our [Privacy Policy](#) for details of your rights to access and request correction of any Personal Information that we hold about you.
- 12.2 If you provide us with any Personal Information of a third party, you confirm that you have collected that Personal Information in accordance with the Privacy Act 1993 and the Individual concerned has:
- authorised the disclosure to and use of their Personal Information by us for the purpose for which you disclose it to us; and
 - has been informed of their right to access and request correction of their Personal Information.
- 12.3 You authorise us to communicate with you and others electronically. If you have any doubts about the authenticity of any communication or document purportedly sent by us, please contact us immediately.
13. **Intellectual Property**
- 13.1 Unless we agree otherwise, we will retain ownership of the Intellectual Property in our Work and, other than Reports, we have no obligation to provide our Work to you or any other person.
- 13.2 Subject to payment of our Fees and other charges, we give you a royalty-free, perpetual, world-wide licence to use and reproduce any Reports for the Purpose.
- 13.3 You agree we can use your logos and marks on our Work, unless you tell us otherwise.
14. **Health and safety**
- 14.1 You agree to comply with the Health and Safety at Work Act 2015 and all regulations, rules, standards, approved codes of practice and any other applicable law relating to health and safety.
- 14.2 You agree to identify and advise us and our Representatives of all hazards which arise in your workplace and which may present a risk to Representatives while providing the Services. You agree to manage those risks, so far as is reasonably practicable, by either eliminating or mitigating those risks.
- 14.3 You agree to notify WorkSafe New Zealand and us of any notifiable event (as defined in the Act) arising out of the conduct of your business which concerns any Representative.
- 14.4 We agree to consult, co-operate and co-ordinate activities where we share health and safety duties in relation to the same matters.

15. **Dispute Resolution**
- 15.1 Each of us agrees to use reasonable endeavours to resolve any dispute that arises in connection with this Agreement by mediation before bringing a legal claim or starting legal proceedings against the other. Nothing in this clause 15, *Dispute Resolution*, prevents either of us from taking immediate steps to seek interlocutory, equitable or other urgent relief before a New Zealand court.
16. **Entire Agreement**
- 16.1 This Agreement is the entire agreement between us. It supersedes all prior communications, negotiations, representations, undertakings, arrangements and agreements, either oral or written between us. Any changes to this Agreement must be agreed to in writing by both of us.
- 16.2 For the purposes of section 5D of the Fair Trading Act 1986 (FTA), we both acknowledge and agree that we are contracting out of sections 9, 12A and 13 of the FTA in respect of all matters covered by this Agreement.
- 16.3 To the extent permitted by law, we exclude all warranties, representations, conditions and terms, either express or implied, in relation to the Services.
17. **General**
- 17.1 Neither of us may transfer, subcontract, assign or novate this Agreement without the prior written consent of the other. However, we may transfer, subcontract, assign or novate our rights and/or obligations under this Agreement to any entity in Deloitte New Zealand and we may subcontract to any Member Firm in accordance with clause 3.2.
- 17.2 Each of us agrees that, during the term of this Agreement and for a period of six months after it ends, neither of us will directly or indirectly solicit for employment a Representative of the other. However, both of us may advertise or recruit generally in the media.
- 17.3 We are engaged as an independent contractor. Neither of us is an agent or representative of or has the authority to bind the other. This Agreement is not intended to constitute a partnership, agency, employment, joint venture or fiduciary relationship between us.
- 17.4 If any of the terms of this Agreement are not legally enforceable then that term or the relevant part of it will either be amended, where possible, to make it enforceable or ignored, but in all other respects this Agreement will have full effect.
- 17.5 A waiver by one of us of a breach by the other party of any term of this Agreement does not operate as a waiver of another term or a continuing breach by the other of the same or any other term of this Agreement.
- 17.6 Where this Agreement refers to our Representatives or Member Firms, it is intended to confer a benefit on each Representative and Member Firm, enforceable by them, in terms of the Contracts (Privity) Act 1982 and the law of any relevant jurisdiction.
- 17.7 Each of us will, within a reasonable time of being requested by the other, do all things and execute all documents that are reasonably necessary to give full effect to this Agreement.
- 17.8 This Agreement is governed by the laws of New Zealand and each party submits to the exclusive jurisdiction of the courts of New Zealand.
18. **Definitions**
- 18.1 In this Agreement the following words have the meanings set out below:
- Addressee** means each person to whom the Letter is addressed.
- Agreement** means the Letter and the Terms.
- Annexure** means a schedule or document which is annexed to the Letter and identified as a schedule, annexure or attachment to the Letter.
- Confidential Information** means any information designated as confidential or which might reasonably be expected, based on its content or circumstances of disclosure, to be confidential, including:
- (a) the terms of this Agreement and the details of the Services and any Work; and
 - (b) trade secrets and information or material which is proprietary to a party,
- but excludes any information that:
- (a) is independently acquired or developed without the benefit or use of the other party's confidential information; and
 - (b) is disclosed with the other party's prior written consent, including in accordance with this Agreement.
- Consequential Loss** means any:
- (a) loss of profits, revenue, anticipated savings or business opportunity;
 - (b) damage to goodwill;
 - (c) loss or corruption of data or systems; and
 - (d) Loss which is indirect, consequential, special, punitive, exemplary or incidental,
- arising under or in connection with this Agreement and/or the provision of the Services.
- Deloitte New Zealand** means the New Zealand partnership that is a Member Firm of Deloitte and each of the entities under the New Zealand partnership's ultimate control and any of their respective predecessors, successors or assignees.
- Deloitte Service Provider** means the Deloitte New Zealand entity entering into the Agreement as identified in the Letter.
- DTTL** means Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee.
- Existing Material** means any methodologies, technologies or other proprietary information either in existence at or prior to the date of this Agreement or developed by us independently of the Services.
- Fees** means the fees for the Services as stated in, or calculated in accordance with, the Letter.
- GST** means tax imposed by the *Goods and Services Tax Act 1985*.
- Information** means any information, documents, materials, facts, instructions or Confidential Information provided to us by you or your Representatives or anyone else at your request.

Intellectual Property means all Industrial and Intellectual property rights throughout the world, whether or not registered or capable of registration, including copyright, trade marks, designs, programming codes, trade secrets, know-how and circuit layouts in our Work.

Letter means the engagement letter between us to which the Master Terms of Business are attached, including any replacement or supplementary engagement letter.

Loss means any losses, liabilities, claims, compensation, penalties, fines, damages, costs or expenses (including internal time costs, interest and taxes where applicable), however caused or arising under or in connection with this Agreement and/or the provision of the Services (whether in contract, tort (including negligence) or otherwise).

Member Firm means DTTL, and any partnership or entity that is a member of the DTTL network operating under the name "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related name, and each of DTTL's and such partnership's or entity's controlled entities, predecessors, successors, assignees, partners, principals, members, owners, directors, employees and agents, including Deloitte New Zealand.

Personal Information has the meaning given to it in the Privacy Act 1993.

Privacy Policy means our privacy policy available at <http://www2.deloitte.com/nz/en/legal/privacy.html>

Professional Advisers means your professional advisers, such as your accountant or auditor, who are assisting you in relation to the Services but excludes any investor, agent, intermediary, underwriter, syndicate participant, lender or other financial institution or anyone who may provide you with any credit enhancement or credit rating.

Purpose has the meaning given to it in the Letter or our Work, or where both are silent on this, the purpose for which we provide our Work to you.

Report has the meaning given to it in the Letter, or where the Letter does not set out a specific report, means any final form documents, reports or deliverables we provide to you as a result of the Services or this Agreement.

Representative means:

- (a) any officer, employee, consultant, agent, contractor or subcontractor of either of us, who is involved in the Services or other activities to which this Agreement relates; and
- (b) in the case of a Deloitte Service Provider, includes any partner, officer, employee, consultant, agent, contractor or subcontractor of a Member Firm who is involved in the Services or other activities to which this Agreement relates in accordance with clause 3.2.

Services means the services described in the Letter and any other services unless we have otherwise agreed in writing.

Tax Advice means any advice, whether written or oral, relating to tax, tax structuring or tax treatment provided by us as a result of the Services.

Terms means these Master Terms of Business.

Unexpected Event means any occurrence, failure or delay under or in connection with this Agreement that is caused or contributed to by an act, omission or event that is beyond our reasonable control, including any:

- (a) act, omission or breach of this Agreement by you;
- (b) failure of, problem with, or unauthorised access to, the technology infrastructure or environment used by us or our service providers including software defects or errors; and
- (c) interference, interception or corruption of an electronic communication.

us means the Deloitte Service Provider or both you and the Deloitte Service Provider, as the context requires.

we and **our** means the Deloitte Service Provider.

Work means any work provided to you and/or created in the course of providing the Services (in any form, whether in final or draft and whether prepared alone or in conjunction with you or any other person), including Existing Material, Reports, e-mails, notes and working papers.

you and **your** means each Addressee and where applicable, each Addressee's Representatives or Professional Advisers.

18.2 In this Agreement, a reference to:

- (a) a party includes its successors and permitted assigns;
- (b) "including" shall be construed as "including, without limitation";
- (c) our consent shall mean our prior written consent (including by e-mail), with any conditions that we may impose, at our absolute discretion;
- (d) agreement between the parties, means express agreement in writing (including by e-mail);
- (e) the singular includes the plural and vice versa;
- (f) the word person includes an entity, a firm, a body corporate, an unincorporated association or an authority;
- (g) a statute includes amendments to that statute and any statute to the extent passed in substitution for that statute; and
- (h) dollars or \$ means New Zealand dollars.

18.3 If there is any conflict between these Terms and any other part of this Agreement, the following order of priority will apply: (i) the Letter; (ii) the Annexure; and (iii) the Terms.

19. Your Feedback

- 19.1 We value your feedback. We aim to obtain a regular assessment of our performance and we will always be pleased to hear any suggestions as to how our service can be improved. If you wish to make a complaint, please contact your usual Deloitte contact or, alternatively, Andrew Button, Risk Leader, c/o Deloitte, Private Bag 115-033, Auckland, 1140, New Zealand or abutton@deloitte.co.nz

Effective from 6th December 2016

Independent Limited Assurance Report

To the Kaipara District Council and to Corporate Trust Limited in respect of the Kaipara District Council's Debenture Trust Deed for the period ended 30 June 2016

The Auditor-General is the auditor of the Kaipara District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte to carry out the audit of the annual financial statements of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Limited Assurance Engagement, using the staff and resources of Deloitte, as referred to in the Debenture Trust Deed dated 13 September 2013 (the Trust Deed).

Council's Responsibilities

The Council is required to provide a copy of the annual report which includes the audited financial statements of the Council and our audit opinion to Corporate Trust Limited (trading as Covenant Trustee Services Limited) (Trustee) under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting covenants.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Independent Limited Assurance Report (Report) and the audited financial statements of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors". This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Our Responsibilities

We conducted our Independent Limited Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A

copy of this standard is available on the External Reporting Board's website. A Limited Assurance Engagement is not an audit.

This standard requires that we comply with ethical requirements and plan and perform our Independent Limited Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2016 has not been prepared in accordance with the requirements of clause 10.2.4 of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificates the Council issued to the Trustee.

The scope of this engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements of the Council for the year ended 30 June 2016 ("Statutory Audit Engagement").

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete the Statutory Audit Engagement of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2016 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Fourth Schedule Reporting Certificate dated 27 October 2016 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of stock in the Reporting Certificate dated 27 October 2016 with counterparties.

The Council reported on certain statutory financial ratios at 30 June 2016 in the Reporting Certificate. Our procedures have been limited to recalculating the ratios.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Report, whether in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Report, as at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council or the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.
- The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.
 - Our procedures were limited to auditing the Register for the period 1 July 2015 to 5 December 2016
- Report:
 - as at 30 June 2016, the amount of Stock and how much is Security Stock and Bearer Stock; and
 - as at 30 June 2016, the Principal Money owing or secured under the Stock distinguishing between Security Stock and Other Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with the counterparties. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Independent Limited Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our statutory audit report on the Council's financial statements. For a better understanding of the scope of our Statutory Audit Engagement, on behalf of the Auditor-General, of the Council's financial position, financial performance and cash flows for the year ended 30 June 2016, this report should be read in conjunction with Council's audited financial statements for that period.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Fourth Schedule Reporting Certificate dated 27 October 2016 pursuant to clause 10.2.4 are materially incorrect (Fourth Schedule Reporting Certificate attached).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Independent Limited Assurance Engagement was completed on 15 December 2016 and our conclusion is expressed as at that date.

The Register and Stock

We issued the Council with an audit report about the Register for the period 1 July 2015 to 5 December 2016 on 15 December 2016.

Based on the work described in this report, as at 30 June 2016 the following balances are given:

Total stock of	\$6,584,729,600.03
<i>This is comprised of:</i>	
Security stock of	\$6,584,729,600.03
Bearer stock of	\$nil
Other stock of	\$nil

Based on the work described in this report, as at 30 June 2016 the following balances are given:

Total Principal Money owing and secured under the stock of	\$64,961,420
<i>This is comprised of:</i>	
Security stock of	\$64,961,420
Bearer Stock of	\$nil
Other stock of	\$nil

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

We draw your attention to the fact that the Council has settled a claim against the Auditor-General in relation to previous audits of the Council by her service provider Audit New Zealand. In December 2012, the Auditor-General appointed Peter Gulliver of Deloitte to carry out audits of the Council on her behalf to reduce any independence threat to an acceptable level.

Other than this engagement, the audit of the Register, and the audit of the Council's annual financial statements, we have no relationship with or interests in the Council, or the Trustee.



Peter Gulliver
Deloitte

On behalf of the Auditor-General
Auckland, New Zealand

**FOURTH SCHEDULE
REPORTING CERTIFICATE**

I, Graham Sibery the Chief Executive of Kaipara District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated **13 September 2013 (the Trust Deed)**:

1. Since the date of the Trust Deed:

- (a) all interest due on the Stock has been paid;
- (b) all Stock which has fallen due for repayment has been repaid;
- (c) No Enforcement Event has occurred and remains unremedied.

2. As at the end of the financial year of the Council the total amount of Stock issued and outstanding under the Trust Deed (showing separately any relevant 'Total Facility' amounts) is as follows:

(i)	Debenture Stock of:	\$ Nil
	<i>Included in the figure reported at 2(i) is:</i>	
	Commercial Paper of:	\$ Nil
(ii)	Security Stock : Amount Issued	\$ 6,584,729,600
	Principal Outstanding	\$ 64,961,420
(iii)	Bearer Stock of:	\$ Nil

3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.

4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.

6. Since the date of the Trust Deed the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.
7. As at 30 June 2016:
- (a) the financial ratios and borrowing limits set out in the policies of the Council referred to in sections 102(2)(b) and 102(2)(c) of the Act were those described in the schedule to this Reporting Certificate as "Statutory Financial Ratios"; and
 - (b) the Council was in compliance with the financial ratios and borrowing limits referred to in paragraph [7](a) above.

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Terms used, but not defined, in this Certificate have the meaning given to them in the Trust Deed.

Dated:



 Chief Executive
 Kaipara District Council

15 December 2016

Kaipara District Council
Private Bag 1001
Dargaville

Dear Councillors

Independent Auditor's Report Pursuant to Clause 4.2 of The Trust Deed

The Auditor-General is the auditor of Kaipara District Council (the "Council") pursuant to the Public Audit Act 2001 and has appointed me under section 32 of the Public Audit Act 2001 to carry out the annual audit of the Council. Because of this existing appointment we have audited the compliance of the Council with clause 4.2 of the Debenture Trust Deed between Corporate Trust Limited (now known as Covenant Trustee Services Limited), (the "Trustee") and the Council dated 13 September 2013 (the "Trust Deed") for the period from 1 July 2015 to 5 December 2016 in relation to the register of stock (the "Register").

Council's Responsibility

The Council is responsible for ensuring that the Register is maintained in accordance with clause 4.2 of the Trust Deed and for such internal controls as the Council determine is necessary to enable the proper maintenance of the Register.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the Register has been maintained in accordance with clause 4.2 of the Trust Deed, in all material respects. Our engagement has been conducted in accordance with Standard on Assurance Engagements 3100: *Compliance Engagements ("SAE 3100")* issued by the External Reporting Board, to provide reasonable assurance that the Council has complied with clause 4.2 of the Trust Deed.

Our procedures include examining, on a test basis, evidence relevant to ascertaining whether the Register has been properly maintained in accordance with clause 4.2 of the Trust Deed. They include considering internal controls relevant to maintaining the Register. This assessment is in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the controls operated by the Council. These procedures have been undertaken to form an opinion as to whether the Council has complied with clause 4.2 of the Trust Deed for the period 1 July 2015 to 5 December 2016.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent Limitations

Because of the inherent limitations of internal control, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period from 1 July 2015 to 5 December 2016 and the procedures performed in respect of the Council's compliance with clause 4.2 of the Trust Deed are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with clause 4.2 of the Trust Deed. The opinion expressed in this report has been formed on the above basis.

Independence and quality control

When carrying out the engagement we followed the independence and other ethical requirements of the Auditor-General, which incorporate the Professional and Ethical Standard 1 (Revised): *Code of Ethics for*

Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We draw your attention to the fact that the Council has settled a claim against the Auditor-General in relation to previous audits of the Council by her service provider Audit New Zealand. In December 2012, the Auditor-General appointed Peter Gulliver of Deloitte to carry out audits of the Council on her behalf to reduce any independence threat to an acceptable level.

Other than this engagement, the audit of the annual report of the Council, and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed we have no relationship with or interests in the Council.

When carrying out the engagement we followed AG PES3: *Auditor General's Statement on Quality Control*, which incorporates Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

This report is provided solely for your exclusive use and solely for the purpose of meeting the requirements of clause 4.2 of the Trust Deed. We understand that a copy of this report has been requested by the Trustee pursuant to clause 4.2.8 of the Trust Deed. We agree that a copy of our report may be provided to the Trustee for their information in connection with this purpose but, we do not accept any duty, liability or responsibility to the Trustee in relation to our report. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with our report or engagement including without limitation, liability for negligence in relation to the opinion expressed in our report.

Opinion

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

In our opinion, the Council has complied, in all material respects, with the requirements of clause 4.2 of the Trust Deed for the period 1 July 2015 to 5 December 2016.

Yours faithfully



Peter Gulliver

Deloitte

On behalf of the Auditor-General
Auckland, New Zealand

File number: 2304.15
Report to: Audit, Risk and Finance Committee
Meeting date: 12 June 2017
Subject: Treasury Management
Date of report: 1 June 2017
From: Rick Groufsky, Financial Services Manager

Approved for agenda

Report purpose **Decision** **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.

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 89% 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 (MCWWS) loan has now been refinanced. The balance is funded on a short term basis as necessary with both LGFA and banks.

The Audit, Risk and Finance Committee receives a treasury management report at each routine meeting; from May 2017, treasury reporting is also a standard part of the Chief Executive's monthly report on Finances.

Recommendation

That the Audit, Risk and Finance Committee receives the Financial Services Manager's report 'Treasury Management' dated 1 June 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.

From May 2017, routine treasury reporting is a standard part of the Chief Executive's monthly report on Finances.

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 has been developed and populated.

A separate item on this agenda is a review of the Treasury Policy by KPMG.

Treasury policy positions

There are no out of policy positions to report.

At May month end the all-up cost of borrowing was 5.51%.

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 (MCWWS) debt. The balance is funded on a short term basis as necessary with both LGFA and Banks.

More recent activity:

On 23rd May short term stock (commercial paper) was rolled over until November 2017. Further short

term stock will be issued in June for cash requirements.

Routine negotiations are underway with Banks to extend the facilities. The preferred outcome will be an “evergreen” facility which will allow for annual renewals in order to have the loan expiry always further than one year in the future.

Debt in the Annual Plan was projected to reduce to \$64.7 million. The operating surpluses, property sales and development contributions for MCWWS will allow a further reduction of \$2.6 million bringing the forecast year end debt balance to \$62.1 million. This is the draft annual plan 2017-2018 position.

The accelerated debt reduction is forecast to continue for the 2016/2017 forecast year as well as the proposed Annual Plan 2017/2018 year. This acceleration of debt required approval by Council (obtained at May 2017 Council meeting) for a temporary suspension of the Master Fixed / Floating Risk Control Limits. The matter is to be reviewed no later than 31 October 2107.

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 May 2017
- **Attachment 2:** Funding and liquidity risk position at 31 May 2017

- **Attachment 3:** Interest rate risk position at 31 May 2017
- **Attachment 4:** Strategy and Tactics New Zealand Interest Rates at 28 April 2017

Kaipara District Council Interest Rate Position			
12 Month Forecast Core Debt:	61.0	31-May-17	
Policy Limits	60% - 90%		
Overall Fixed:Floating Mix	85.19%		
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	150.46%		
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	2.9 Years		
Fixed Rate Portfolio (swaps and fixed rate loans)	4.5 Years		
Weighted average margin		0.51%	
Weighted average Commitment/Line Fee		0.12%	
Weighted average fixed rate (swaps & term loans/bonds)		4.43%	
All up cost of borrowing (On Drawn Debt)		5.51%	
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 (Swaps) (\$m)	Credit Exposure (Investments) (\$m)	Compliance
WPC	0.00	0.00	Y
ANZ	1.95	0.00	Y
ASB	0.00	0.00	Y
BNZ	6.20	0.00	Y
Kiwibank	0.00	0.00	Y
CBA	0.00	0.00	Y

31-May-17

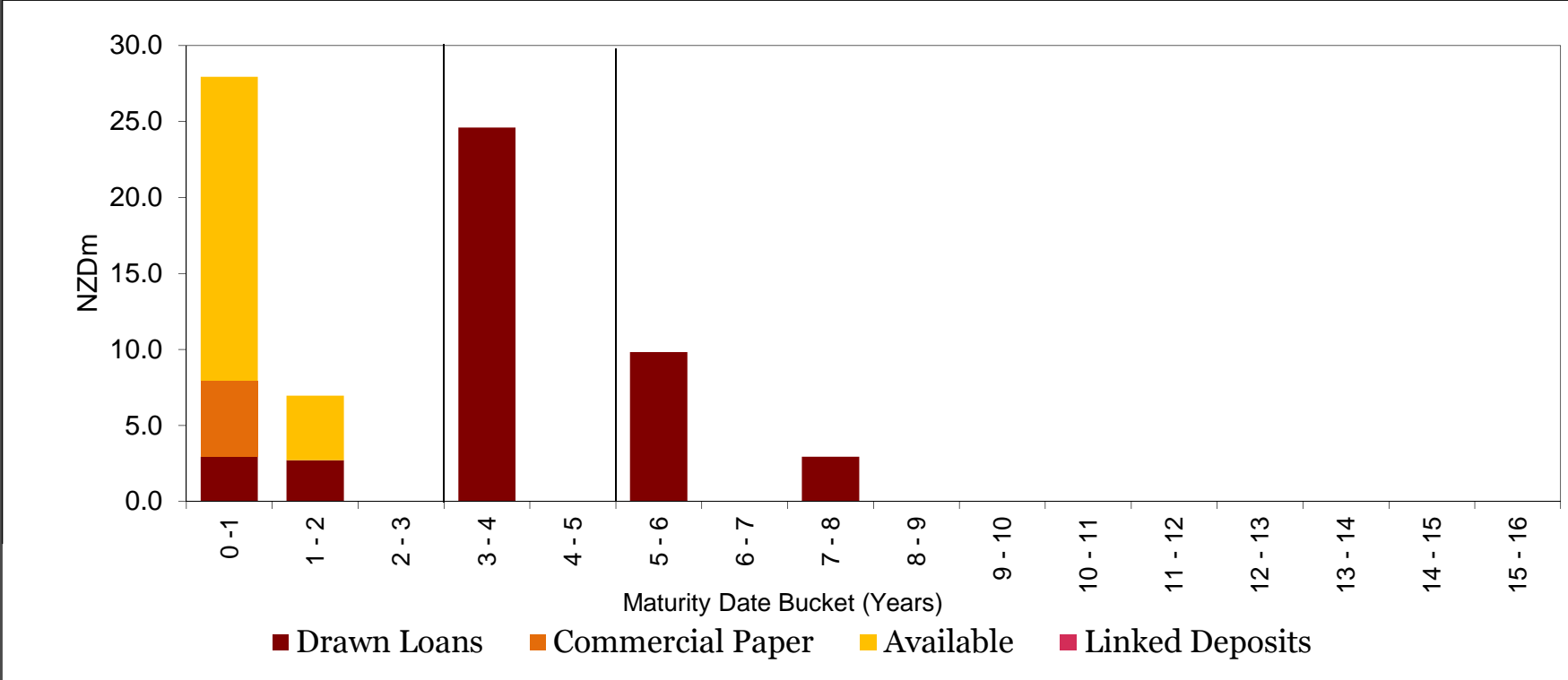
Kaipara District Council

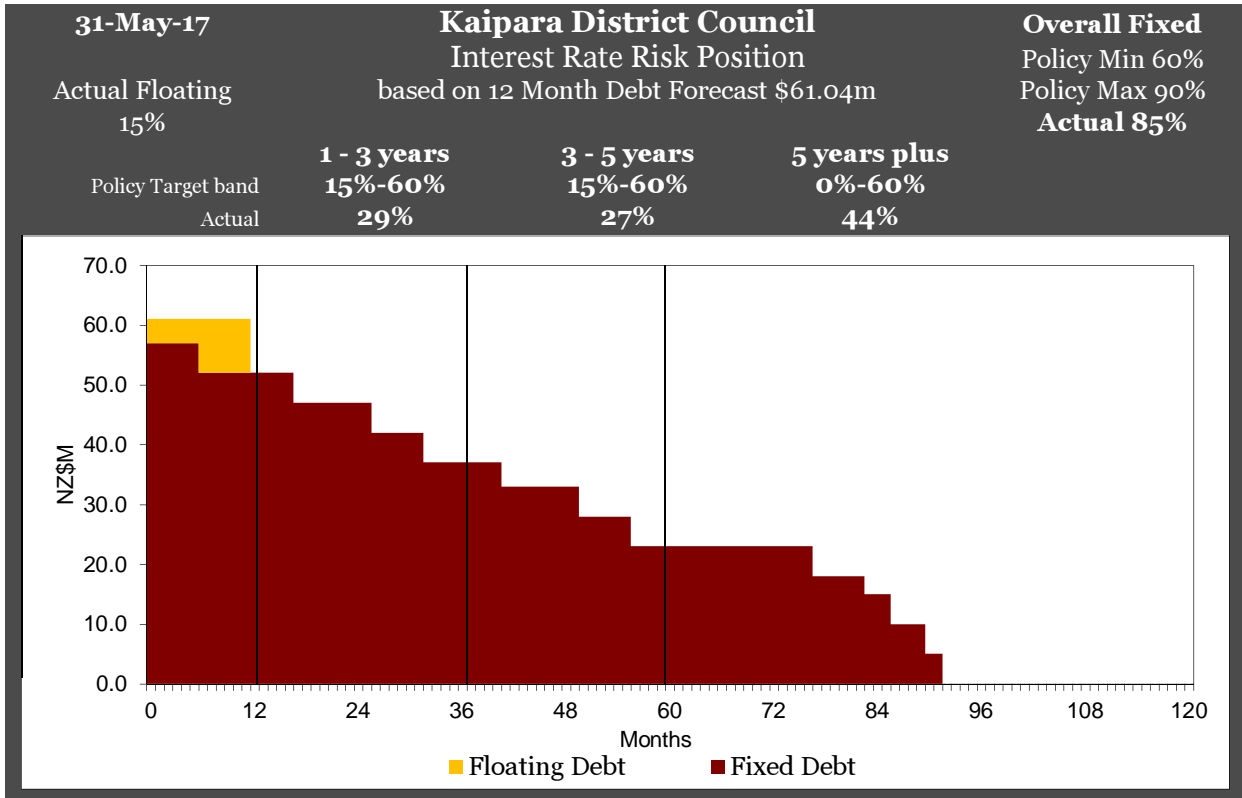
Funding & Liquidity Risk Position

Committed Loan/Stock/Facilities/Investments \$72.3m
 Current External Debt \$48.1m
 Current Net Debt \$48.1m

Policy Liquidity Ratio $\geq 110\%$
 Actual Liquidity Ratio 150%

Policy Target Band	0 - 3 years	3 - 5 years	5 years plus
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 April 2017. It is a historical summary report for that month and reconfirms our recommendations given over that month. It does not provide new recommendations.

28 April 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
28 April 2017	2.01	2.31	2.89	3.38
1 month ago	2.03	2.32	2.91	3.45
1 year ago	2.42	2.25	2.51	2.98

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. Target a strike rate of 4.00% and below to maintain policy midpoints through forward starting borrower swaps. Any increase in hedging levels should be done with "ear-marked" purchased borrower swaptions and out of the money borrower caps.
-

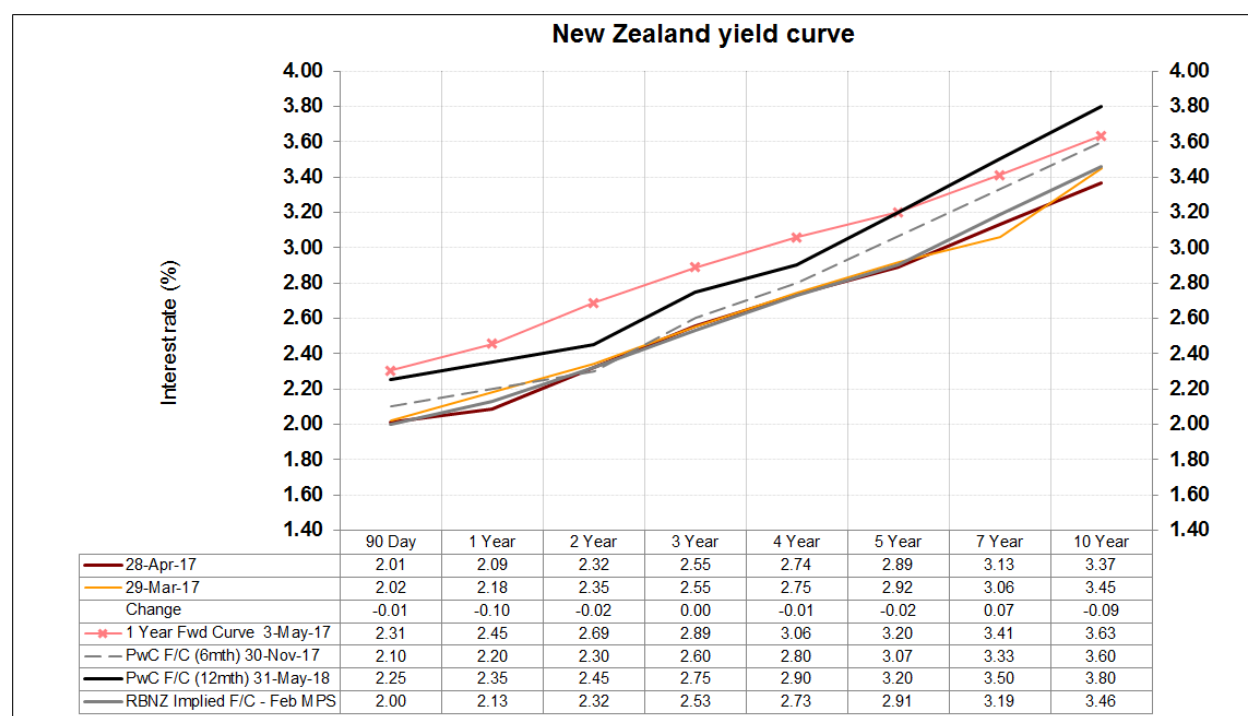
NZ specific borrower hedging recommendations for Kaipara District Council

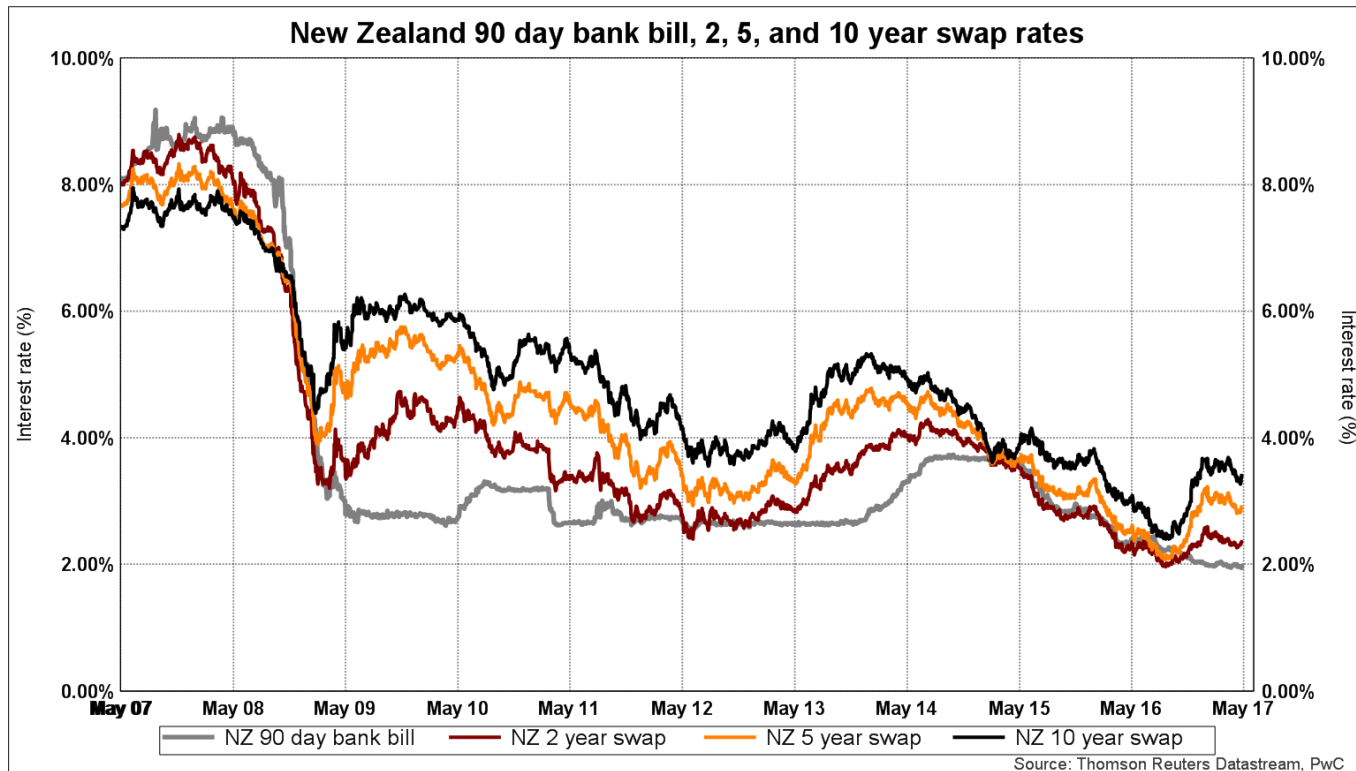
- 21/4: Refer to funding strategy with recommendation to reduce ANZ facility headroom, extend facility maturity and prefund upcoming LGFA December 2017 FRN maturity.

NZ interest rate summary

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

- [April 3-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)
- [April 10-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory-1.pdf](#)
- [April 18-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)
- [April 24-NZ-Interest-Rate-report-by-PwC-Treasury-Advisory.pdf](#)





Likely trading range next month

NZ 90 day bank bills	2.00 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	2.20 per cent. – 2.60 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	2.20 per cent. – 2.60 per cent.	Bias: → / ↑

Get in touch



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File number: 2126.05
Report to: Audit and Risk Committee
Meeting date: 12 June 2017
Subject: **Bills in Parliament: Legislation Progress**
Date of report: 30 May 2017
From: Venessa Anich, General Manager Community
 Linda O'Reilly, Brookfields Lawyers

Approved for agenda

Report purpose **Decision** **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 20 February 2017 are included in this report, they are:

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

- Broadcasting (Election Programmes and Election Advertising) Amendment Bill
- Electoral Amendment Bill
- Fire and Emergency New Zealand Bill
- Regulatory Systems (Building and Housing) Amendment Bill
- Regulatory Systems (Commercial Matters) Amendment Bill
- Regulatory Systems (Workplace Relations) Amendment Bill
- Resource Legislation Amendment Bill
- Taxation (Annual Rates for 2016-2017, Closely Held Companies, and Remedial Matters) Bill
- Taxation (Business Tax, Exchange of Information, and Remedial Matters) Bill
- Telecommunications (Property Access and Other Matters) Amendment Bill

Bills Introduced since last report

- Conservation (Infringement System) Bill
- Dairy Industry Restructuring Amendment Bill
- Family and Whanau Violence Legislation Bill
- Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill

Other Bills before Parliament

- Electronic Interactions Reform Bill
- Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill
- Food Safety Law Reform Bill
- Health and Safety Reform Bill
- Health (Fluoridation of Drinking Water) Amendment Bill

- Judicature Modernisation Bill
- Land Transfer Bill
- Land Transport Amendment Bill
- Te Ture Whenua Maori Bill

Members Bill – newly introduced

- Domestic Violence – Victims' Protection Bill
- Electoral (Registration by Special Vote) Amendment Bill
- Employment Relations (Allowing Higher Earners to Contract Out of Personal Grievance Provisions) Bill
- Friendly Societies and Credit Unions (Regulatory Improvements) Amendment Bill
- Land Transport (Vehicle User Safety) Amendment Bill

Recommendation

That the Audit, Risk and Finance Committee receives the General Manager Community's and Brookfield Lawyer's report 'Bills in Parliament: Legislation Progress' dated 30 May 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 and Risk 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. All relevant Bills are listed in the summary above, but only those having direct impact on local government are expanded upon in the appended schedule.

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 the 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.

Appendix

Legislation Progress Spreadsheet (Apx 1

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Appendix 1: Progress of Legislation

Bills gaining Royal Assent				
Title	Overview	Impacts on Council? (Low – Medium – High)	Date of Assent	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> <ul style="list-style-type: none"> (a) Local Advisory Committees – there must be an Advisory Committee for every local area; (b) Local Planning by FENZ (Fire and Emergency New Zealand) for each local area including policies and procedures for fire control; (c) The board of 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; (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>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>Assent: 11/05/2017</p>	

Regulatory Systems (Building and Housing) Amendment Bill	<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 and regulator the Council needs to be aware of legislative change in respect of housing, unit titles, assignments of interests and easements, and covenants.</p>	<p>Assent: 30/03/2017</p>	
Regulatory Systems (Workplace Relations) Amendment Bill	<p>This is an omnibus Bill and one of a package of three that contain amendments to legislation administered by MBIE. The aim of this Bill is to make amendments to legislation administered by MBIE 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>Medium: As an employer and business the Council needs 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>Assent: 30/03/2017</p>	

	<p>The main amendments are to the:</p> <p>(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</p> <p>(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>			
<p>Resource Legislation Amendment Bill</p>	<p>This Bill amends the Resource Management Act 1991 (RMA), Reserves Act 1977, Public Works Act 1981, Conservation Act 1987, Environmental Protection Authority Act 2011 and Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012. The explanatory note to the Bill states that its aim is to “create a resource management system that achieves the sustainable management of natural and physical resources in an efficient and equitable way”. Some of the changes to the RMA take immediate effect. Other changes have transitional periods specified in the Bill (the majority of changes to the resource consent process come into force six months after enactment, on 18 October 2017).</p> <p>The significant changes in the Bill are:</p> <p>(a) Requiring councils to follow national planning templates that will improve the consistency and reduce the complexity of plans. This will substantially reduce the volume of planning documents across the country because most provisions will be standardised;</p>	<p>High: This Bill has wide-reaching consequences for councils nationwide. The Council must keep up to date with the various changes as they come into force.</p>	<p>Assent: 18/04/2017</p>	

	<p>(b) Faster and more flexible planning processes. The Bill provides three different tracks by which a council can produce a plan: the existing track that now has tighter timelines, a new collaborative track, and a streamlined track;</p> <p>(c) Reduced requirements for consents. The Bill eliminates the need for many minor consents by giving councils discretion to not require them, by introducing a new 10-day fast-track for simple consents and by removing requirements for consents where they are already required under other Acts;</p> <p>(d) Making the costs for RMA processes more transparent for users by requiring councils to fix the fees for processing certain consent applications, a fixed remuneration for hearing panels and a fixed fee for hearings. The Bill also removes the ability for a council to charge a financial contribution under the RMA. This clarifies that the costs of servicing new growth are to be met through development contributions under the Local Government Act 2002; and</p> <p>(e) Stronger national direction around requiring provision for growth like housing, and provision for national regulations to address issues like dairy stock in river and other regulations to limit the extent of RMA application.</p> <p>The Bill amends the Public Works Act 1981 by extending the powers of the Minister for Land, increasing the level of additional compensation for acquiring land that includes the home of a landowner and for a landowner that does not have a home on the land.</p>			
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Taxation (Annual Rates for 2016-17, Closely Held Companies, and Remedial Matters) Bill	<p>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.</p>	<p>Medium: As a business organisation, Council should be updated with any tax requirements and amendments.</p> <p>Specifically in relation to the tax for Council-controlled organisations.</p>	<p>Assent: 30/03/2017</p>	
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Bills Introduced				
Title	Overview	Impacts on Council? (Low – Medium – High)	Current Status	Manager Responsible
Conservation (Infringement System) Bill	<p>This Bill is an omnibus Bill to amend a number of conservation-related acts. The Bill looks to introduce an infringement system to be provided to central and local government agencies, to deal with less serious offending in relation to public resources.</p> <p>The objectives of this Bill are a response to problems that have arisen in implementing the current compliance system. The objectives are to:</p> <ul style="list-style-type: none"> (a) improve the effectiveness of conservation compliance and law enforcement, to better protect conservation; (b) ensure that penalties for offences are commensurate with the seriousness of the offence; (c) ensure that people do not risk criminal convictions if they commit minor offences; (d) make the treatment of offences consistent with those in similar regimes, such as fisheries; (e) remove unnecessary costs to the Court system; and (f) contribute to the Government's objectives of improving Government interaction with New Zealanders and delivering better public services for less cost. 	<p>High: It is important for the Council to be up to date with its ability to prosecute for non-compliance with the conservation-related legislation.</p> <p>Of particular relevance for Council is that in relation to local authority administered reserves, this Bill provides for consistency between how compliance on reserves (administered under the Reserves Act 1977) could be managed compared to compliance on comparable public lands held under the Local Government Act 2002.</p>	<p>Introduced: 22/02/2017</p> <p>First Reading</p>	

Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill	<p>This omnibus Bill contains taxation amendments aimed at modernising and improving the settings for the administration of the tax system, and at improving the current tax settings within a broad-base, low rate framework.</p> <p>The policy proposals in this Bill fall into two categories:</p> <p>(a) The first is aimed at modernising and improving the settings for the administration of the tax system as part of the Government's programme of transforming the revenue system through business process and technology change. This includes measures relating to employment and investment income information, the electronic filing threshold for goods and services tax (GST), amendments to the pay as your earn (PAYE) rules, and amendments to penalty interest rules.</p> <p>(b) The second is aimed at improving the current tax settings within a broad-base, low rate (BBLR) framework. Under this framework, the tax treatment of alternative forms of income and expenditure is intended to be as even as possible. This ensures that overall tax rates can be kept low, while also minimising the biases that taxation introduces into economic decisions.</p>	<p>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>	<p>First Reading: 24/05/2017</p> <p>Select Committee</p>	
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Other Bills before Parliament				
Title	Overview	Impacts on Council?(Low - Medium - High)	Current Status	Manager Responsible
Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill	<p>The broad policy of this omnibus 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>The Bill encourages the uptake of electric vehicles by extending the road user charge exemption and clarifying that a road controlling authority may use its bylaw-making powers so that electric vehicles can access bus and high-occupancy lanes. It also expands the purposes for which the existing electricity efficiency levy, gas levy, and petroleum or engine fuel monitoring levy can be used to enable the Energy Efficiency and Conservation Authority to use all three levies.</p>	<p>High: Local Government New Zealand (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>Select Committee: 9/05/2017</p> <p>Second Reading</p>	
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</p>	<p>Medium: As a monitoring authority tasked with ensuring compliance with the</p>	<p>Select Committee: 19/12/2016</p>	

	<p>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>Food Act 2014, issuing food licences and food grades, Council should remain updated with amendments to the Food Act.</p>	<p>Second Reading</p>	
<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: 6/12/2016</p> <p>Select Committee</p>	
<p>Land Transfer Bill</p>	<p>The aim of this Bill is to replace the Land Transfer Act 1952, the Land</p>	<p>Medium: Council should be</p>	<p>Second</p>	



	<p>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>	<p>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>	<p>Reading: 12/10/2016</p> <p>Committee of the Whole House</p>	
<p>Land Transport Amendment (No 2) 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>Second reading: 24/05/2017</p> <p>Committee of whole house</p>	

Members Bills				
Title	Overview	Impacts on Council? (Low - Medium - High)	Current Status	Manager Responsible
Domestic Violence – Victims’ Protection Bill	<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 the aim of enhancing legal protections for victims of domestic violence. The amendments of more relevance to the 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 the Council to remain up to date with legislative change in relation to leave, health and safety and working arrangements to ensure that the Council is aware of its responsibilities and liabilities.</p>	<p>First Reading: 8/03/2017</p> <p>Select Committee</p>	
Electoral (Registration by Special Vote) Amendment Bill	<p>This Bill amends the Electoral Act 1993 to allow unregistered voters to register by completing a special vote and to ensure that their votes are counted.</p> <p>For various reasons an elector may choose to complete a special vote, which involves submitting their details and signing a statutory</p>	<p>Medium: As an elected body, it is important for Council to be aware of the changes to the enrolment and voting</p>	<p>Introduced: 13/04/2017</p> <p>First Reading</p>	

	<p>declaration in front of a witness, unaware that they are not enrolled to vote. In this case, the elector will receive a letter from the Electoral Commission advising them that their vote did not count, and requesting that they now enrol by submitting the same details they provided when they cast their special vote. Not only has their vote been disallowed, but an opportunity to engage the elector in the political process has been lost. The elector must also duplicate paperwork necessary for their enrolment.</p> <p>With both enrolment and voting now being delivered by a single agency and because both forms require similar details from the elector, the Commission suggests legislative change that enables a special vote to be treated as an application to enrol or update details. This will also serve to streamline the enrolment and voting process during the advance voting period.</p>	<p>process.</p>		
<p>Employment Relations (Allowing Higher Earners to Contract Out of Personal Grievance Provisions) Bill</p>	<p>The aim of this Bill is to amend the Employment Relations Act 2000 “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 he or she has a personal grievance may pursue that grievance under the Act.</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</p>	<p>Medium: As an employer Council ought to be informed on legislative change in relation to remuneration and rights of both Council (as an employer) and the employee in relation to personal grievances, disputes and enforcement.</p>	<p>First Reading: 22/03/2017</p> <p>Select Committee</p>	

	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.			
Land Transport (Vehicle User Safety) Amendment Bill	The explanatory note to the Bill identifies the washing of vehicle windows as a long-running problem in parts of New Zealand, where motor vehicle users have been subjected to intimidation and safety hazards by groups of people soliciting money in exchange for washing car windows. The Bill proposes using the existing infringement regime established under the Land Transport Act 1998, which is well-known to the New Zealand Police, by amending that Act, 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.	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.	First Reading: 12/04/2017 Select Committee	

File number: 2209.0 **Approved for agenda**
Report to: Audit, Risk and Finance Committee
Meeting date: 12 June 2017
Subject: Health and Safety Update May 2017
Date of report: 29 May 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 January 2017, 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 January 2017 to 29 May 2017 (excluding contractor reporting during May). (**Attachment 1**)

Internally, there was no lost time for injury related incidents or accidents in this period. A small number of minor incidents and accidents were reported.

Council contractors have reported higher non-major incidents and accidents, reflecting their continued work to encourage reporting. In each instance remedial actions were taken to prevent future accidents.

Auditing the health and safety practices of Council contractors continued to be an area of focus. Please find attached (**Attachment 2**) audit reporting for fixed and mobile works that have been conducted during the reporting period.

Note that there have been a total of 58 audits undertaken over the five month period which demonstrates a level of momentum in the audit programme. Forty-nine of those audits were of mobile operations (e.g. roading) and nine were on fixed facilities. A number of issues were found ranging from minor to significant and line managers are being reminded to follow up on these issues to ensure that they are remedied.

Other initiatives underway are:

- Training on managing violent customers;
- Active health and safety staff communication via the intranet and briefings;
- Staff engagement through health and safety representatives and an active committee;
- Defensive driver training for staff who drive frequently;
- Site safe training for Building Control Officers has been booked for early June;
- Office safety training for all staff;
- Contractor accreditation processes updated;
- Development of an asbestos management plan; and
- Working collaboratively with other Northland councils to share information and learnings.

Proposed recommendation:

That the Audit and Risk Committee:

- 1 *Receives the General Manager Corporate Services report 'Health and Safety Update May 2017' dated 29 May 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 January 2017 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. The 24 contractor incidents during the four month period to 30 April were for minor traffic events not resulting in injury (12), machinery failure (5), customer conflict (2), not following correct safety procedures (2), minor abrasions (1), dog attack (1) and intrusion (1). The five incidents reported by staff related to vehicle problems, customer conflict and a personal appliance causing burnout of a wall socket. The only incident involving a member of the public was a child who tripped in the library.

Council contractors have reported nine accidents involving trips and falls (2), abrasions (1), muscle strain (2) fractured fingers (1), minor traffic accidents (2) and equipment damage (1). The ten staff accidents were for abrasions (1), suspected OOS (1), burns (2), minor traffic accidents (2), back pain (1) and trips (3). None of these accidents required more than minor first aid treatment. Three members of the public were involved in accidents in Council parks and reserves – a neck injury whilst wakeboarding, a near drowning and a fall from a tree.

Council has already received a provisional report from a contractor for a relatively major accident in May. This accident was sustained by a contractor working in a Council forest and involved an excavator rolling onto its side. Fortunately there were no injuries. A full investigation and root cause analysis will be undertaken and we have asked the contractor to notify WorkSafe.

Audits

The 58 audits completed during the period produced results of 76% green (score of above 89%) 17% orange (score of 75% – 89%) and 7% red (score below 75%). There were no life threatening situations that required immediate cessation of work. Notable common failings continue to be administrative compliance such as staff training records and hazard reporting documents. We will endeavour to remedy this through stronger communication of requirements prior to commencement of contract work, the new requirement for prequalification through SiteWise and the SiteWise training workshop which contractors have been invited to attend.

The audit of a subcontractor working under a main contractor produced a very low score, which identified the need to communicate with our contractors about their requirement to pre-qualify subcontractors prior to commencement of work.

We are currently in the process of identifying all Council buildings, which include numerous outbuildings such as public toilets, for inclusion in annual property audits.

Violent Customer Training

Fearfree, a provider of customer conflict awareness training, ran half-day workshops in both the Dargaville and Mangawhai offices which were attended by all customer service and library staff as well as other customer facing employees. Separate full-day workshops were also held in Dargaville and Mangawhai for field officers.

Health and Safety Communication

Health and safety communications continue to be broadcast via the Intranet as well as all employee emails. The most recent communication related to heavy lifting.

Health and Safety Committee

The Health and Safety Committee meets every eight weeks and consists of 14 members made up of seven trained health and safety representatives, five department representatives, a health and safety advisor 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.

Defensive Driver Training

Over the next 12 months all frequent drivers will attend an advanced driving course with National Advanced Drivers School. The objective of the course is to help develop an avoidance attitude, backed up with good practical skills by placing them in emergency situations in a controlled environment at safe speeds. Nine employees have already completed the course, with a further six booked for June and July.

Office Safety Training

Active Intervention Management Ltd conducted education seminars in Dargaville, Mangawhai and Whangarei in May. The objective of the seminars was to help staff recognise and manage office safety hazards, reduce the risk of injury, and learn how to avoid discomfort, pain and injury by doing stretches and setting up their workstation correctly.

Site Safe Training

In June our building inspectors will attend a four-hour entry level course through Site Safe designed to ensure everyone on site understands their health and safety responsibilities. This course introduces key topics including how to keep yourself safe, understanding and controlling risk, as well as basic hazards and legal requirements.

Contractor Accreditation Process

The Council contractor accreditation process has been updated to include SiteWise Health and Safety Prequalification for all contractors undertaking medium to high risk work. SiteWise is a prequalification system that grades a contractor's health and safety capability and publishes that grade in a database that can be viewed by Council.

Council will use SiteWise to make better-informed contractor selections, making the tendering process simpler and more efficient for everyone involved. We will also support the growth and development of our contractors in health and safety and do all that we can to help them achieve the highest standards. To this end, we have arranged a free workshop for contractors in early June to help them meet our requirements for health and safety policies and practices.

Asbestos Management Plan

Council is in the early stages of developing an Asbestos Management Plan which must be completed by 01 April 2018. We are currently obtaining quotes for a non-invasive survey of all Council buildings in an attempt to identify the presence of any friable asbestos.

Northland Health and Safety Alliance Working Group

The Health & Safety Officers/Managers from each of the four Northland Councils (Far North District Council, Whangarei District Council, Kaipara District Council and Northland Regional Council) meet monthly to discuss incidents of note, share learnings and work collaboratively where it makes sense to do so. Opportunities for further joint initiatives have been identified, including combined training opportunities, policy discussions, sharing of information and provision of support for each other.

Attachments:

- 1 Accident and incident reporting for the period 01 January 2017 to 30 April 2017
- 2 Audit reporting for fixed and mobile works for the period 01 January 2017 to 30 April 2017

H&S Report to Council 1st 5 Months 2017. Accidents / Incidents

	Staff		Public		High Risk Contractors										Medium Risk				Low							
	KDC Staff		KDC. Public		Downer	Broadspectrum	Kaipara Refuse	Fulton Hogan	Trility	Forestry Management	Other High Risk	Recreational Services	Armourguard (E.N.L)	Other Medium Risk	Low Risk Contractors											
	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A	I	A						
May	1	2	0	0	0	0	0	0	0	0	0	0	0	0	n/a	1	0	0	0	0	0	0	0	0	0	0
April	1	1	0	0	0	0	7	2	1	0	0	0	0	0	n/a	n/a	0	0	0	0	0	0	0	0	0	0
March	0	2	0	0	0	0	3	1	1	1	0	0	0	0	n/a	n/a	0	0	0	1	0	0	0	0	0	0
February	2	1	0	0	n/a	n/a	4	2	1	1	1	0	0	0	n/a	n/a	1	0	2	0	0	0	0	0	0	0
January	0	4	1	3	n/a	n/a	1	0	1	1	0	0	0	0	n/a	n/a	0	0	1	0	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 (near misses) A = Accidents

Notes

Staff appear to be more inclined to report issues than in the previous year. All issues have been of a relatively minor nature.

The influx of visitors to Council-run campgrounds resulted in higher numbers of accidents and incidents reported in January.

Contractors are more confident with reporting their accidents and incidents and good reporting levels continue.

Accident Details

Date	Type	Company Name	Details of Accident	Improvement to system
10/05/2017	Accident (Equipment damage only)	Northland Forest Managers	Contractor was using an excavator for tree thinning. Worker used the machine for clearing a small side slope of debris. As they drove across the slope the excavator slid sideways on the debris. The right-hand side of the machine dug in to the ground causing the machine to tip over onto its right hand side. Operator was uninjured but taken for drug test.	Contractor is conducting a full investigation. Contractor has been advised of the probable need to inform as notifiable incident to WorkSafe and relay confirmation of report to Council.
4/05/2017	Accident (minor injury)	KDC Staff Dargaville Offices	Staff member came down from step ladder and slipped on metal rail of the movable archiving system. Twisted foot and fell hitting upper arm on the shelving, then landed on wrist. Suffered strain and bruising	Staff member blamed them self for trying to get down from ladder to quickly. A review of the ladders used has been recommended.
1/05/2017	Accident (minor injury)	KDC Staff Mangawhai	Staff member slipped on carpet and fell hitting a desk suffered suspected pulled muscles in back and groin. Staff member has been asked to visit their GP if pain continues.	No defect was found in either the carpet or the footwear of the staff member. It appears that it was just momentary inattention.
13/04/2017	Accident (equipment damage only)	Broadspectrum (Construction)	While setting up site to TMP, ute was pulled up suddenly, and sign stands in canopy fell striking and breaking canopy rear window. Cleared broken glass, secured canopy latch.	Reported to supervisor and taken for post-incident drug and alcohol test which proved negative.
10/04/2017	Accident (non- injury)	KDC Staff (Driving)	Staff member had a peacock fly up and hit windscreen. No harm to staff member, peacock was killed by the impact with windscreen and ladders/roof rack.	Staff member took the recommended action, having the good sense not to swerve. Staff made aware of the incident.
7/04/2017	Accident (equipment damage only)	Broadspectrum (Road Maintenance)	Manager was attempting to find culvert outlet in long vegetation and fell into concealed outlet, causing minor cut to hand from thorn bush and tweaked right hamstring muscle. Checked self over, fit to continue.	Reported fall to office.
28/03/2017	Accident (non-injury)	Kaipara Refuse	Digger operator hit barriers at Dargaville transfer station and bent barriers. Accident happened during opening hours.	No failure of the system was discovered, accident attributed to operator error. Operator interviewed regarding accident and reminded to be more aware of the barriers.

Date	Type	Company Name	Details of Accident	Improvement to system
21/03/2017	Accident (non- Injury)	KDC Staff at NRC Office	Staff member tripped heading upstairs at NRC Offices Whangarei. Whilst trying to catch balance their hand hit the wall bending the fingers back.	Staff member reported as own "clumsiness". It is not believed that there is any failing in the design of the stairs. NRC's H&S Specialist was advised.
16/03/2017	Accident (Long term discomfort)	KDC Staff (Driving)	Staff member experiencing back pain after long hours of driving for road inspections. Has pre existing back complaint and has used an improvised back support.	Recommended stretches and exercise on a regular basis during the day. Department is considering trialling a lumbar support.
14/03/2016	Accident (Professional medical treatment)	Broadspectrum (Road Maintenance)	Contractor working with road stabilising crew attempting to start pump motor with the pull cord when he hit his hand against a roller parked close by. He sustained two fractured fingers and is in a hand splint on restricted duties.	All staff have been alerted to the incident and the need to keep work areas tidy and orderly with work areas clear of other obstructions.
13/03/2017	Accident (Muscle strain)	Recreational Services	Contractor sustained minor back strain when building steps in a bush location. Strain was found to be slight and the contractor worked light duties for the remainder of the week.	Worker was found to have been working correctly and had warmed up as was recommended. Worker has had lower back problems in the past. Issue raised at next health and safety meeting.
24/02/2017	Accident (Non Injury)	KDC Staff (whilst driving)	Staff member clipped vehicle wing mirror whilst reversing into parking space. Cracked plastic around mirror. Staff member was relying solely on the reversing camera without checking the extremities in mirrors.	Individual is more conscious of the need to use mirrors in addition to the camera.
20/02/2017	Accident (First Aid)	Kaipara Refuse	Runner twisted ankle on loose gravel. Runner has ankle support strapping to reduce the risk of re-injury.	Ways of lessening these slip / trip lower leg injuries is being investigated by contractor.
8/02/2017	Accident (Non Injury)	Broadspectrum	BRS staff member in ute was disestablishing road site including speed signage at end of day on low volume rural road. He drove forward then saw fast approaching truck around bend and braked however could not avoid frontal impact with rear wheel area of truck. No injuries to drivers, no damage to truck, however BRS ute sustained frontal impact damage/	Supervisor travelled to scene and took ute driver for post incident drug and alcohol testing which proved negative. No improvement to system recommended.

Date	Type	Company Name	Details of Accident	Improvement to system
2/02/2017	Accident (First Aid)	Broadspectrum	Waters contracted staff member removing hydraulic hose from tilt bucket on excavator when applied extra effort to detach causing it to release forcefully under pressure jamming finger against sharp edge resulting in cut to finger tip and finger nail. First aid kit used onsite, assessed as not needing further medical treatment.	Reported to Waters Contract Manager who advised all the staff working on contract that gloves which are supplied must be worn when changing excavator buckets.
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 Roothing 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. Roothing Alliance Manger will advise if any safety improvements are possible in the kitchen.
19/01/2017	Accident	KDC Staff NTA Whangarei	Staff member experienced pain in wrist and elbow whilst using computer mouse. Possible occupational overuse syndrome.	Staff member has started to use the other hand (left). Consideration is being given to ergonomic assessments of Council staff at the NTA. Ergonomic vertical style mice are available to staff on request.
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.

Incident Details

Date	Type	Company Name	Details of Incident	Any Improvements to System
1/05/2017	Incident KDC Staff	Mangawhai Offices	Three members of staff were threatened by angry customer. Customer used the word "kill" in their communication with one staff member. Customer is believed to have become aggravated at the time taken to respond for information on his building consent.	No failure was found on the part of the department. The quality of the customers application was found to be the issue. Violent customer policy and procedures pending.
26/04/2017	Incident KDC Staff	Mangawhai Offices	Staff member had there personal phone charger "burn out" when plugging in to Council wall socket. Socket was suspected of being at fault, labelled and all staff informed. Electrician checked and confirmed that the fault must have been with the charger. Label removed.	This is presently counted as an isolated incident with a personal rather than a Council issued charger.
20/04/2017	Incident Contractors	Broadspectrum (Waters)	Contractor using trailered waterblaster on pipe blockage when control handle broke off in operators hand. Used multigrips tool as replacement for lever to complete job. Returned plant to depot and reported breakage for repair.	Unpredictable equipment failure.
19/04/2017	Incident Contractors	Broadspectrum (Waters)	Contractor informed by police that two intruders were seen entering the Dargaville Water treatment plant compound which is gated and locked. Staff member went to site, liaised with police to check security of grounds, buildings and chemical storage. Found no damage. Client - KDC notified.	None possible.
14/04/2017	Incident Contractors	Broadspectrum (Road Construction)	Plant check of trailered excavator found quick hitch bucket pin clip was missing and pin had moved and bent. Contractor was able to repair to complete callout job and reported for later pin assessment	Staff reminded to report any damage sustained on items being returned to depot.
12/04/2017	Incident Contractors	Broadspectrum (Waters)	Contractor entered chamber to read water flow meter without first following confined space procedure.	Compliance failure was pointed out to waters staff on site and Branch Manager notified.
10/04/2017	Incident Contractors	Kaipara Refuse Ltd	Member of the public complained that a rubbish truck that was driving slowly had pulled over to pick up rubbish without indicating.	Drivers reminded that indicators should be used along with the constant flashing lights.
10/04/2017	Incident Contractors	Broadspectrum (Road Maintenance)	Transporter delivered a loader from site to the depot. When driving loader down transporter ramp the engine stopped as it was low on diesel. Driver restarted loader and drove off ramp and immediately parked it for refuelling.	Supervisor notified.
6/04/2017	Incident Contractors	Broadspectrum (Waters)	Contractor reading meters climbed over boundary fence into section as the gate was locked, when a dog was seen approaching from the house. As he was quickly leaving the property, the dog rushed at him and attempted to bite his leg. Checked by manager, he was okay to continue duties.	Staff made aware of the need to show caution around accessing properties.
3/04/2017	Incident Contractors	Broadspectrum (Branch general)	Contractors vehicle seen leaving depot towing trailer with trailer plug dragging on road. Immediately called up driver who stopped, was told of fault and was able to rectify before any damage done.	Need to do final check before driving stressed to staff.

Date	Type	Company Name	Details of Incident	Any Improvements to System
28/02/2017	Incident Contractors	Broadspectrum (Waters Contract)	Excavator working to repair waterline struck a Telecom cable which had been located as per emergency works requirement. Notified supervisor and cable repair organised.	No dangerous voltages involved. Staff reminded of the common inaccuracy of cable locations.
24/03/2017	Incident Contractors	Broadspectrum (Road Maintenance)	Contractors patching unsealed road potholes using aggregate from truck. Approaching van came around a tight corner, lost control and crashed against bank. Staff checked van driver was okay - no injury. Helped get van back on road and it drove away.	Reported incident to supervisor who immediately travelled to site and checked site was safe and compliant, no issues found.
16/03/2017	Incident Contractors	Kaipara Refuse Ltd	Rubbish truck runner was found to be jumping from truck before it had stopped moving. Runner was cautioned.	Runners and drivers reminded of the need to observe correct procedures.
9/03/2017	Incident Contractors	Broadspectrum (Roading Capital Projects)	Contractors had laid string line on the road surface as passing vehicles approached. The first motorist driving through the roadworks braked suddenly and was rear ended by the following car. First driver stated they were frightened by the string line on the road surface	Roading construction site covered by a TMP and speed restriction. No improvement to system given by contractor.
26/02/2017	Incident KDC Staff	KDC Staff (campground)	Angry man visited the campsite looking for night watch contractor. Contractor was off site but was informed. Later that day (9:30 PM) the same man and 3 others visited site asking for the contractor in an aggressive manner. Two days later at about 7:30 PM 4 men were found banging on contractors caravan door yelling for him to come out. Staff member informed them that the contractor was not on site.	Contractor has now completed his contract and moved off site. Police informed of this occurrence. Permanent campground staff are to take the conflict avoidance training being arranged for frontline council staff.
24/02/2017	Incident KDC Staff	Dargaville Office	KDC pool vehicles was discovered with expired WOF. Risk of driving a vehicle that is not road legal and may be unsafe mechanically.	Automatic alerts that WOF is near expiry. Monthly vehicle checks of the pool vehicles are now in place.
24/02/2017	Incident Contractors	Recreational Services	Worker had near miss when a vehicle failed to give way correctly and worker had to stop suddenly. Following vehicle nearly hit the rear of the contractor's vehicle.	Workers actions were correct, they were driving with enough care to stop when necessary. No improvement to system possible.
20/02/2017	Incident Contractors	Broadspectrum	Road site set up with temp traffic lights under TMP (Mangawhai Rd) when vehicle drove through ignoring lights on red. Workers attempted to manually signal to driver to stop however he carried on through. No danger to staff on site and no plant operation affected.	Improvement not easy due to the irrational behaviour of motoring public. Staff are more aware of these events and the need for caution on all roading sites.
20/02/2017	Incident Contractors	Fulton Hogan Ltd	Due to poor weather road was left for a protracted period after resealing and sweeping but prior to new road markings being painted. STMS audit found failings in signage and alerted contractor.	Contractor is investigating why signage was not inspected at the recommended intervals.
20/02/2017	Incident Contractors	Broadspectrum	Road stabilising crew working under manual traffic controlled TMP (Baldrock Road) when a vehicle drove around traffic controller on STOP and continued through the site.	Improvement not easy due to the irrational behaviour of motoring public. Staff are more aware of these events and the need for caution on all roading sites.

Date	Type	Company Name	Details of Incident	Any Improvements to System
19/02/2017	Incident Contractors	Data Collection Ltd	Contractor undertaking survey of the road compaction had two separate incidents of cars speeding past them whilst the road was under temporary traffic management. A complaint was made to the contracted STMS (Site Traffic Management Supervisor). The contracted STMS gave a response that was not in accord with good practice for traffic management.	Data Collection Ltd has engaged another traffic management company. They will submit a new traffic management plan, contractor will keep KDC management informed of the progress.
16/02/2017	Incident Contractors	Broadspectrum	Patrol truck driver using truck mounted hoist to lift a plate compactor when lifting strop broke causing compactor to drop to ground. Notified supervisor and tagged out truck mounted hoist for assessment.	Truck mounted hoist being inspected to ascertain the cause.
14/02/2017	Incident Contractors	Broadspectrum	Trailer came off ute tow ball while turning in depot. Worker informed manager who inspected tow bar connection and attempted to physically repeat disengagement but could not.	Manager discussed with driver ensuring correct tow ball engagement procedure. Trailer to workshop to assess.
9/02/2017	Incident Contractors	Recreational Services	Worker was weed-eating and disturbed wasps nest in ground at Arapohue Cemetery. Stung quite badly (about 17 times). He retreated to his truck. Worker took the rest of the day off and treated himself with antihistamines.	Nest has now been destroyed. Locating wasps nest is always difficult when working. Staff alerted and all showing caution.
7/02/2017	Incident Contractors	Kaipara Refuse Ltd	Member of the public backed trailer into barrier arms at Dargaville transfer station breaking post off and causing one barrier arm to swing around and hit the rear window of a car parked beside him.	Stronger barrier has now been installed.
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.
23/01/2017	Incident Public	Dargaville Public Library	Child tripped on join in carpet	Join has now been taped down.
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.

Fixed Facilities Audits 1st 5 Months 2017

Audits Scores

Department	Facilities Name	Undertaking	Frequency	Jan	Feb	March	April	May
Regulatory	Whangarei Dog Pound	Office and dog pound	Yearly		100			
Waters	Maungaturoto	Fresh Water Treatment	6 monthly		82			
Waters	Dargaville/ Baylys	Fresh Water Treatment	6 monthly		96			
Waters	Ruawai	Fresh Water Treatment	6 monthly				86	
Waters	Glinks Gully	Fresh Water Treatment	6 monthly					
Waters	Glinks Gully	Wastewater	6 monthly					Due
Waters	Kaiwaka	Wastewater	6 monthly					
Waters	Maungaturoto	Wastewater	6 monthly					
Waters	Te Kopuru	Wastewater	6 monthly					
Waters	Dargaville	Wastewater	6 monthly				93	
Waters	Mangawhai	Wastewater	Quarterly			100		
Solid Waste	Awakino Transfer Station	Waste Transfer Station	Quarterly	85			78	
Solid Waste	Hakaru Transfer Station	Waste Transfer Station	Quarterly		50			Due

Fixed Facilities Audit Detail 1st 5 Months 2017

Date	Department	Location	Contractor	Score	Summary
May 17 ▼					
					Details not available at date of report compilation
April 17 ▼					
26/04/2017	Solid Waste	Awakino Transfer Station	Kaipara Refuse	78	Generally well run but issues with signage at the entrance and a safety barrier still to be resolved.
5/04/2017	Waters	Ruawai FWTP	BroadSpectrum	86	Generally well run but a few failings such as tagging of electrical items and expired first aid provisions.
3/04/2017	Waters	Dargaville WWTP	BroadSpectrum	93	Well run operation. The only failing discovered was signage at the entrance.
March 17 ▼					
8/03/2017	Waters	Mangawhai WWTP	Trility	100	Detailed audit focusing on Personal Protective Equipment (PPE) found no discrepancies.
February 17 ▼					
23/02/2017	Waters	Maungaturoto	BroadSpectrum	82	Some inadequacies were discovered in labelling of the chlorine room, slip risk on the wooden stairs, damage to the security fence and condition of the wind sock.
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 FWTP	BroadSpectrum	96	Well run site with minor failings were found with provision for dealing with chemical leak. Wash-down shower obstructed and no windsock to help determine any chemical wind drift direction.
January 17 ▼					
26/01/2017	Solid Waste	Awakino Road	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.

Mobile Works Audits Summary First 5 Months 2017

Dept.	Date	Contractor's Name	Task	Location	%	comments
MAY 2017 ▼						
O	25/05/2017	Plumbing and Heating Ltd	Roof wash and minor repairs	KDC Offices Dargaville	55	The work consists of cleaning roof with detergent wash. Access is via a trailer mounted mobile elevated work platform MEWP (cherry picker). The work was found to have a number of omissions in the necessary safety compliance documentation for work at this height and involving an MEWP.
R	24/05/2017	BroadSpectrum	Grading Operations	Babylon Coast Road	88	One man grading operation but no first aid kit and missing signage TW1 (Men at Work).
P	24/05/2017	Recreation Services	Topping up cushion fall	Ruawai Playground	91	Tidy worksite. No hazard list onsite or assessed and recorded. First aid kit fully stocked but some items not in date.
R	23/05/2017	BroadSpectrum	Site Benching	Opanake Road	100	Good tidy site. One licence and STMS qualification confirmed.
R	23/05/2017	BroadSpectrum	Footpath preparation	Liverpool Street Dargaville	97	Well run operation only a minor failing of not having paperwork ready at start of audit.
R	18/05/2017	BroadSpectrum	Culvert Replacement	Batley Road	100	Five workers on site. 3 staff operating machinery had licences confirmed.
R	15/05/2017	BroadSpectrum	WT for HM site	Arcadia Road	100	Good site confirmation of licences from 2 contractors.
R	11/05/2017	BroadSpectrum	Water tabling	Omana Road	100	Good compliant operation
R	10/05/2017	BroadSpectrum	Heavy Metalling	Houto Road	100	5 workers present on site. Well run and up to our requirements
W	2/05/2017	Downers	Water mains pipe laying	Montgomery Avenue	95	A good generally tidy operation with only minor non compliance in spill provision and the condition of a home owners driveway.
W	2/05/2017	Interflow	Drainage Lateral Sealing	Parore Street	88	Failings with truck labelling, CSE tripod, harness condition and restraint of compressor unions. High viz vests showing a little too much contamination for work on a roading site. (see expanded report for detail)
Average Score May ►					92	
April 2017 ▼						
P	28/04/2017	Recreation Services	Mowing	Old Mt Wesley Cemetery	100	No issues mower in good condition and serviced.
P	28/04/2017	Recreation Services	Installing new concrete berms	Mt Wesley cemetery	100	Site neat and tidy, plenty of room for pedestrians to get around site. Discussion with contractors to ensure site is left in a safe manner when todays work completed.
R	27/04/2017	Shane Cullen Contracting	Vehicle crossing	Cames Road Mangawhai	40	Smaller contractor unfamiliar with the requirements of the audit, many failings with administrative paperwork, emergency planning, expired fire extinguisher and first aid kit.
R	27/04/2017	BroadSpectrum	Heavy Metal Build Up	Avoca Road	97	Well run site licences confirmed for 5 workers. Water was the only provision to clean up after tasks, no soap.
R	27/04/2017	BroadSpectrum	Footpath Replacement	Gorge Road	100	Really good site.
R	27/04/2017	BroadSpectrum	Site Benching	Opanake Road	97	Generally good but no provision for workers to clean up after tasks.
SW	26/04/2017	Kaipara Refuse	Kerbside Collection	Dargaville	95	Good operation conforming to all requirements other than having a documented hazard register on-board.
R	18/04/2017	BroadSpectrum	Slip Repair	Bull Road	100	Good site licences confirmed for 2 operators.
R	13/04/2017	Rintoul Civil	Rock Spalls Retaining Walls	Arapohue Road	93	Good site but spill kit not on site and first aid kits have no expiry information.
R	11/04/2017	BroadSpectrum	Water Tabling	Omana Road	100	Well run site with no non compliance issues.
R	11/04/2017	BroadSpectrum	Assoc Improvements	Houto Road	97	No information of the issue date or expiry of first aid provisions in vehicles.
W	3/04/2017	Crew Cut	Mowing	Dargaville WWTP	65	Contractor had failed to fully fix the roll bar on mower as required for sloping and uneven ground. Additionally required documentation for hazard & risk processing, site inspection, and emergency inspections was absent.
Average Score April ►					90	

March 2017 ▼						
R	29/03/2017	BroadSpectrum	Heavy metal site	Avoca Road	100	All good and compliant.
R	28/03/2017	BroadSpectrum	Rip rap	Bagnal Road	100	Fully compliant site, licences confirmed for 2 staff.
R	28/03/2017	BroadSpectrum	Footpath Construction	Logan Street	97	Reverse beeper not working on hired digger otherwise compliant site.
R	27/03/2017	BroadSpectrum	Mulching of dump site	Houto Road	94	Failings with site documentation and provision for workers to clean up.
R	24/03/2017	BroadSpectrum	Clearing head of culvert	Oneriri / Pukenui Roads	97	Tidy operation. COF for 2 vehicles confirmed. Workers had insufficient provision to clean up after tasks.
P	23/03/2017	Recreation Services	Mowing	Taha Awa Gardens	100	No issues mower in good condition and serviced.
R	21/03/2017	BroadSpectrum	Footpaths	Ruawai	100	Good operation. Drivers licences confirmed for 3 workers.
R	17/03/2017	BroadSpectrum	Culvert	Bull Road	100	Good well run site.
R	15/03/2017	BroadSpectrum	Grading Operations	Maropiu Road	96	Good site only one road sign missing and possibility of poor cell service could create lone worker risk.
P	10/03/2017	Recreation Services	Application of garden mulch	KDC Office Dargaville	100	Good fully compliant operation.
O	2/03/2017	Window and Door Services	Replacing glass on second floor	Dargaville Offices	83	Good well run operation, scaffolding subcontracted to certified scaffolder. 2 minor failings in compliance 1. Glazers not wearing gloves or glove for hacking out old putty, common resistance to hand protection not without merit. Recommended trying Ninga style glove in non hammer hand. 2. Scaffold not fitted with toe boards, good practice guidelines states they "should be fitted".
Average Score March ►					97	

February 2017 ▼						
R	27/02/2017	BroadSpectrum	Water Tabling	Browns Road	97	Good operation but no provision for workers to wash hands.
R	23/02/2017	BroadSpectrum	Tree removal	Valley Road	100	Everything up to audit standard.
R	21/02/2017	Harrisons Contractors	New Culvert	Arapohue Road	86	Failings in spill provision, flashing beacons, first aid kit and TMP.
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 Crescent, Mangawhai Heads	100	Site well restricted from public access, clean and tidy.
R	13/02/2017	BroadSpectrum	Dig outs	Baldrock Road	100	One vehicle did not have generic TMP book but this was present in the other vehicle.
R	8/02/2017	BroadSpectrum	Site Visibility	Houto Road	100	Good site, have asked that first aid kits have expiry date marked.
R	2/02/2017	BroadSpectrum	Intersection Improvements	Wahue / Parore West Int	100	1 minor issue with flashing beacon, this was resolved once pointed out to contractor.
Average Score February ►					95	

January 2017 ▼						
R	31/01/2017	BroadSpectrum	W.T. Pip Rap'	Baldrock Road	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 Road	97	One packed of wound pads were expired in 1st aid kit (8/2016)
R	24/01/2017	BroadSpectrum	Culvert Replacement	Black Swamp Rd	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 checklist 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 Road	100	Tidy site
W	12/01/2017	United Civil	Thrusting	Baylys Beach Road	96	Good compliance but first aid kit was laded as being out of date. Contractor to investigate.
Average Score January ►					96	

4 Public Excluded Audit, Risk & Finance Committee Agenda Items 12 June 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, Community and 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, Community and 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.

5 Open Agenda Audit, Risk and Finance Committee: 12 June 2017

Recommended

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

6 Closure

**Kaipara District Council
Dargaville**