

9.4 QUARTERLY TREASURY MANAGEMENT COMPLIANCE REPORT**Author:** Anelise Horn, Manager Financial Accounting**Authoriser:** Mark de Haast, Group Manager**PURPOSE OF REPORT**

- 1 This report provides confirmation to the Audit and Risk Committee of the Council's compliance with its Treasury Management Policy (Policy) for the quarter ended 30 June 2019..

DELEGATION

- 2 The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.

BACKGROUND

- 3 The Policy sets out a framework for the Council to manage its borrowing and investment activities in accordance with the Council's objectives and incorporates legislative requirements.
- 4 The Policy mandates regular treasury reporting to management and the Council's Operations and Finance Committee and quarterly compliance reporting to the Audit and Risk Committee.
- 5 In order to assess the effectiveness of the Council's treasury management activities and compliance to the Policy, certain performance measures and parameters have been prescribed. These are:
 - cash/debt position;
 - liquidity/funding control limits;
 - interest rate risk control limits;
 - counterparty credit risk;
 - specific borrowing Limits; and
 - risk management performance.

DISCUSSION**Cash/Debt Position**

- 6 Table 1 below shows the Council's net debt position as at 30 June 2019 against full year forecast, budget and the prior year closing balance.

	Full Year Actuals 2018/19 \$000's	Full Year Budget 2018/19 \$000's	Full Year Variance 2018/19 \$000's	Full Year 2017/18 \$000's
External debt	210,000	226,175	(16,175)	205,000
/less borrower notes	(3,360)	(3,619)	259	(3,280)
/less cash investments	(59,086)	(60,000)	914	(53,552)
Net debt	147,554	162,556	(15,002)	148,168

- 7 During the past quarter, the Council has issued \$15 million of new debt towards prefunding the April 2020 and October 2020 debt maturities, bringing the total amount of new debt acquired during the past twelve months to \$35 million. The funds were placed on term deposit as part of the Council's prefunding programme, at the most favourable rates available in the market.
- 8 \$30 million of long term debt matured during March 2019. The full amount was funded through our prefunding programme and repaid from term deposits maturing on the day.
- 9 The table below shows the movement in the Council's gross debt balance for the past twelve months.

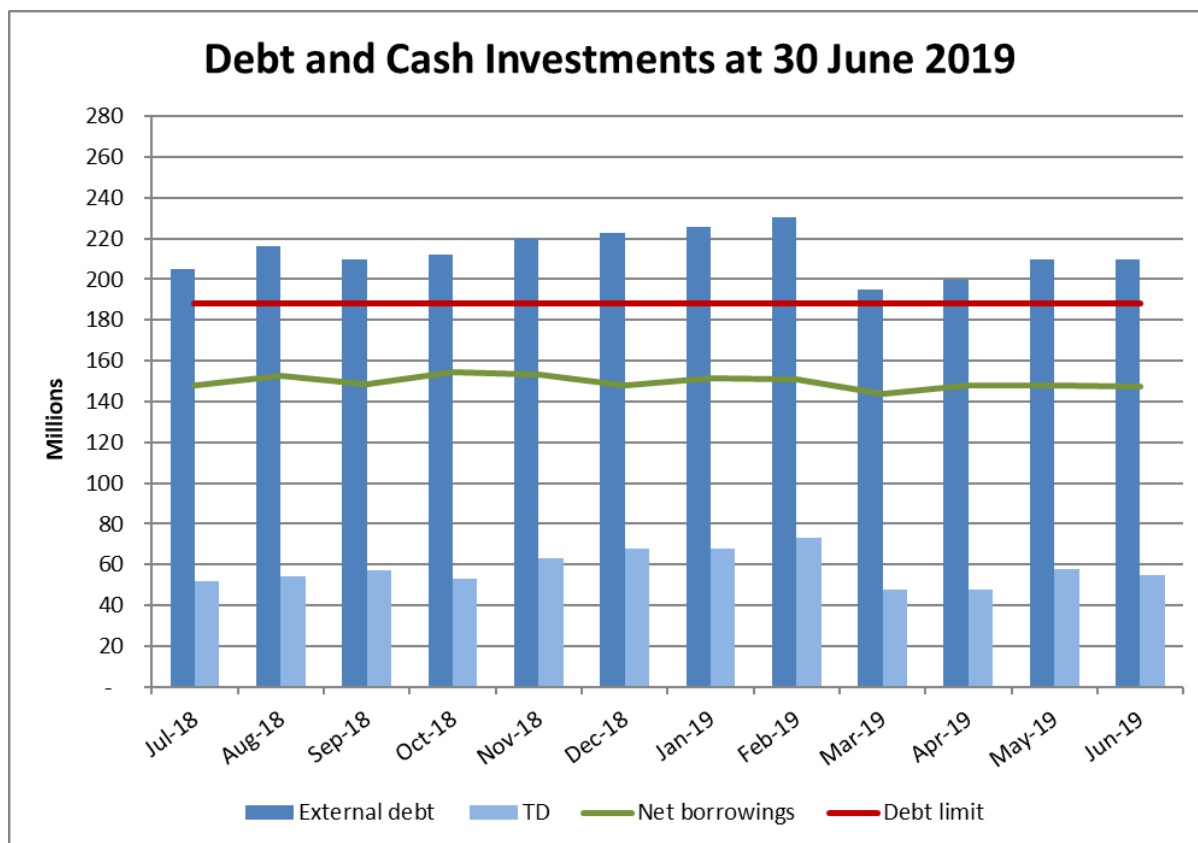
Borrowings	Gross borrowings \$000	Explained by:			
		Pre-funding borrowings			
		TD March 2019 \$000	TD Sept 2019 \$000	TD April 2020 \$000	TD Oct 2020 \$000
Opening balance 1 July 2018	205,000	30,000	15,000		
New Long term debt and Term deposits issued YTD	35,000	-	5,000	20,000	10,000
Matured Long term debt and term deposits	(30,000)	(30,000)			
Total	210,000	-	20,000	20,000	10,000

- 10 As at 30 June 2019, the Council had \$62.45 million of cash, term deposits and borrower notes on hand. This is broken down as follows:

Term deposits & Borrower Notes	Prefunding borrowings \$000	Prefunding capex \$000	Borrower notes \$000	Cash \$000	Total cash, term deposits and borrower notes \$000
LGFA debt maturing September 2019	20,000	-	-	-	20,000
LGFA debt maturing April 2020	20,000	-	-	-	20,000
LGFA debt maturing Oct 2020	10,000				10,000
Surplus cash placed on TD for 18/19 Capital Works Programme	-	5,000	-	-	5,000
Surplus cash	-	-	-	4,086	4,086
Borrower notes held	-	-	3,360		3,360
Total	50,000	5,000	3,360	4,086	62,446

- 11 The Council is targeting through its financial strategy to keep net borrowings below 200% of total operating income. At 30 June 2019, the Council net borrowings as a share of operating income is 180%.

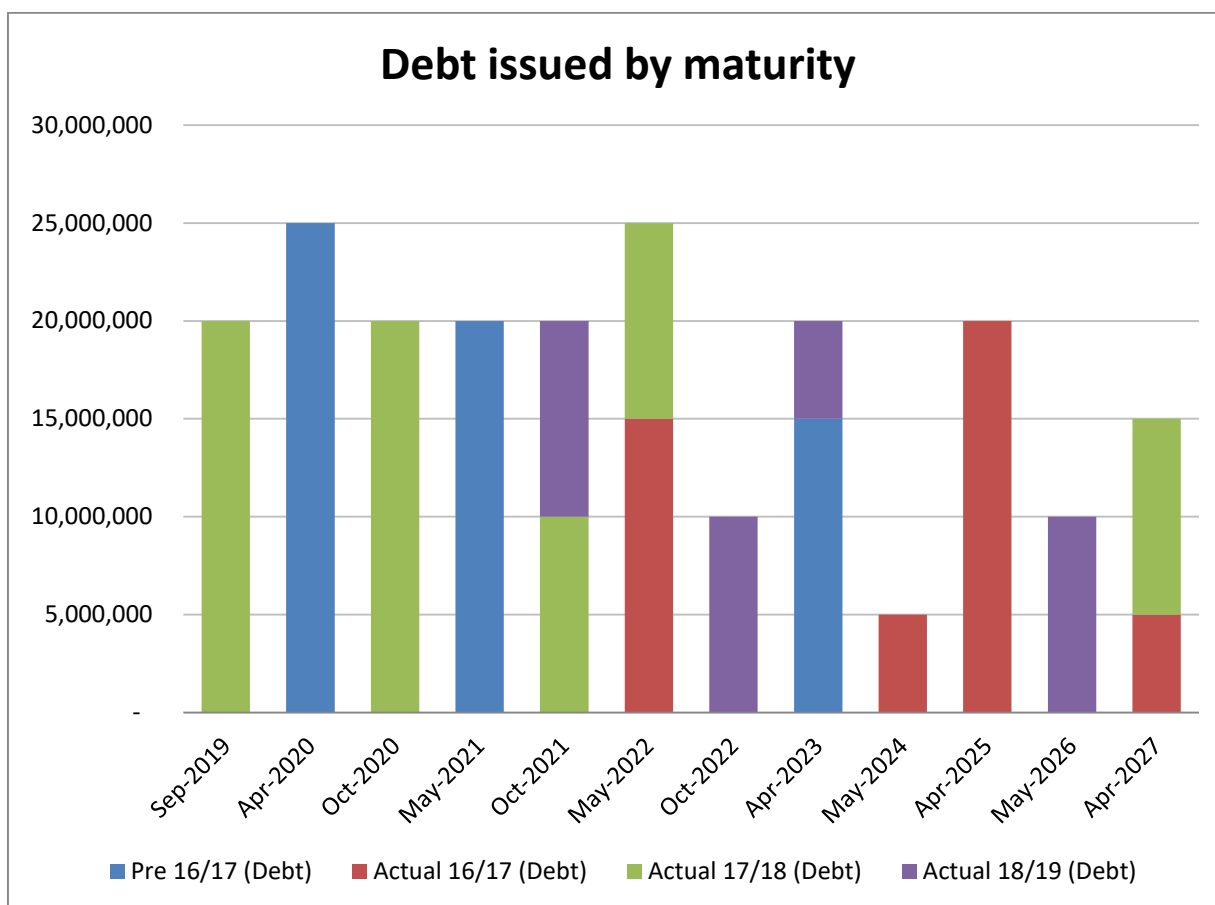
- 12 The Council has not breached its upper borrowing limit as demonstrated in the chart below:



Liquidity/Funding control limits

- 13 Liquidity and funding management focuses on reducing the concentration of risk at any point so that the overall borrowings cost is not increased unnecessarily and/or the desired maturity profile is not compromised due to market conditions. This risk is managed by spreading and smoothing debt maturities and establishing maturity compliance buckets.
- 14 Since October 2015 the Council's treasury strategy has included a significant prefunding programme. The policy allows pre-funding of the Council debt maturities up to 18 months in advance, including re-financing. Market conditions have been favourable for this approach, where the Council draws down debt early and is able to invest the funds for a positive net return. Standard and Poor's noted in their rating on 26 July, where they upgraded the Council's rating two notches to AA, that they consider the Council's liquidity coverage to be exceptional.

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

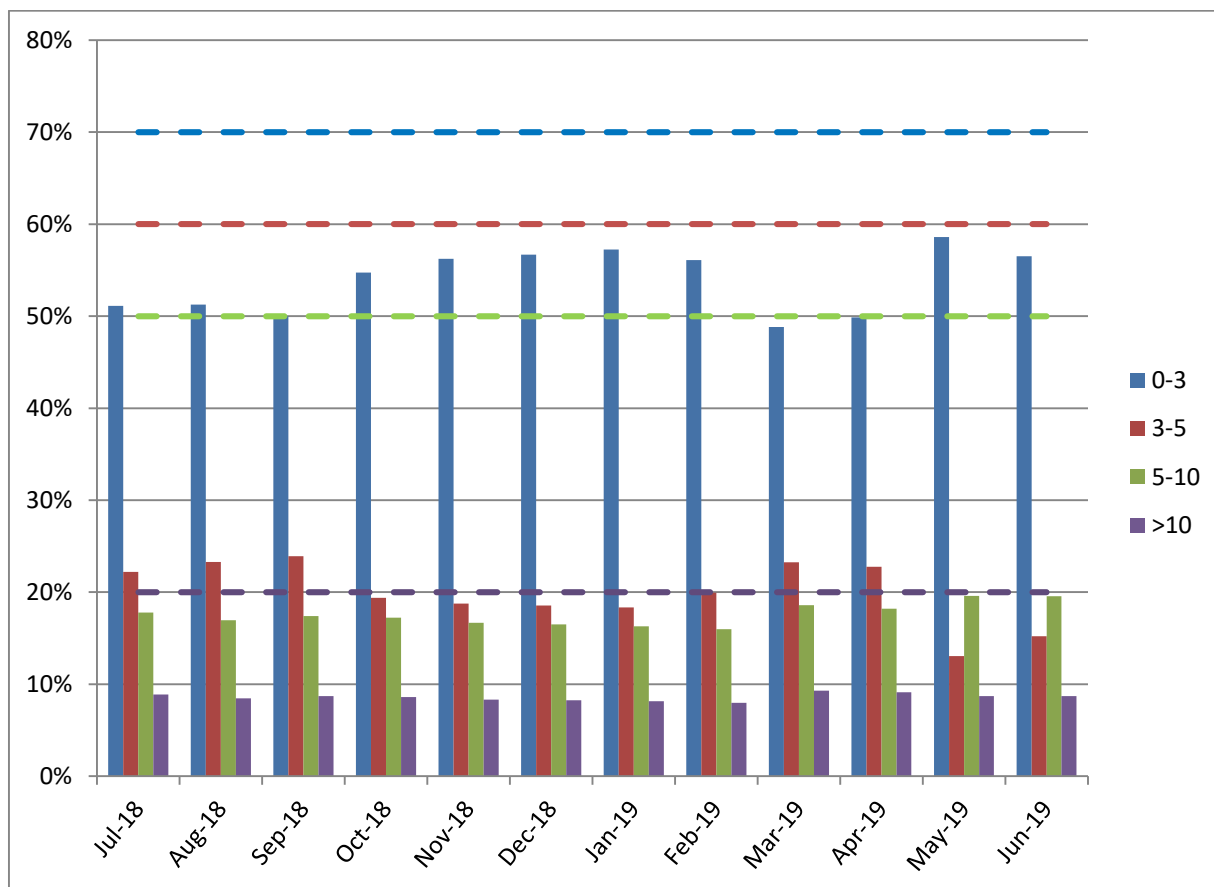


- 16 Debt maturities must fall within compliance buckets. The buckets are:

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

17

For the quarter ending 30 June 2019, the Council has been fully compliant with its debt maturity limits, as shown by the chart below. The upper limits, as shown by dashed lines, relate to the bars of the same colour. For example, the 0-3-year upper limit of 70% is in blue. Actual maturities in the 0-3-year bucket are represented by the blue bars.



Interest rate risk control limits

- 18 The Council issues all debt on a floating rate basis, as lower interest rates are realised this way, and uses fixed interest rate swaps to minimise exposure at any one time to interest rate fluctuations.
- 19 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$210 million of gross debt would equate to an additional interest expense of \$2.1 million per annum. Conversely, fixing interest rates does however reduce the Council's ability to benefit from falling and/or more favourable interest rate movements.
- 20 The objectives of any treasury strategy are therefore to smooth out the effects of interest rate movements, while being aware of the direction of the market, and to be able to respond accordingly.

Major control limit

- 21 The Policy ensures that, at any point in time, the total notional amount of all current interest rate risk management instruments (i.e. interest rate swaps) must not exceed the Council's total actual debt.

The table below shows that the Council's hedging was fully compliant with this major control limit for the quarter ending 30 June 2019 as less than 100% of the external debt balance was fixed at any point in time.

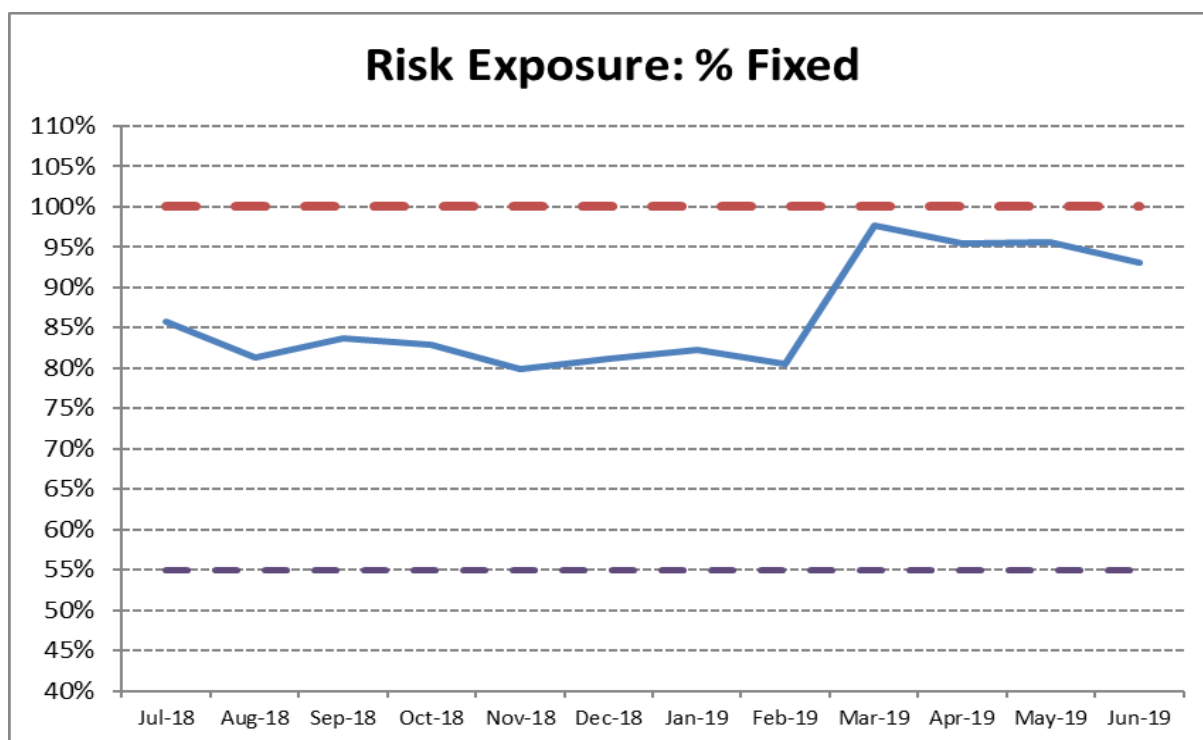
\$000's	Apr-19	May-19	Jun-19
External debt (floating rate)	199,500	209,500	210,000
Swaps (fixed portion)	190,388	200,388	195,388
Fixed %	95.4%	95.7%	93.0%
Unfixed debt	9,113	9,113	14,613

Master Fixed/Floating Risk Control Limit

- 23 Exposure to interest rate risk is managed and mitigated through risk control limits.
- 24 Hedging of the Council's debt must be within the following fixed/floating risk control limits:

	Minimum	Maximum
The Council's fixed/floating risk control limits	55% Fixed	100% Fixed

- 25 The following graph shows that the Council's hedging for the quarter ended 30 June 2019 was fully compliant with these limits.

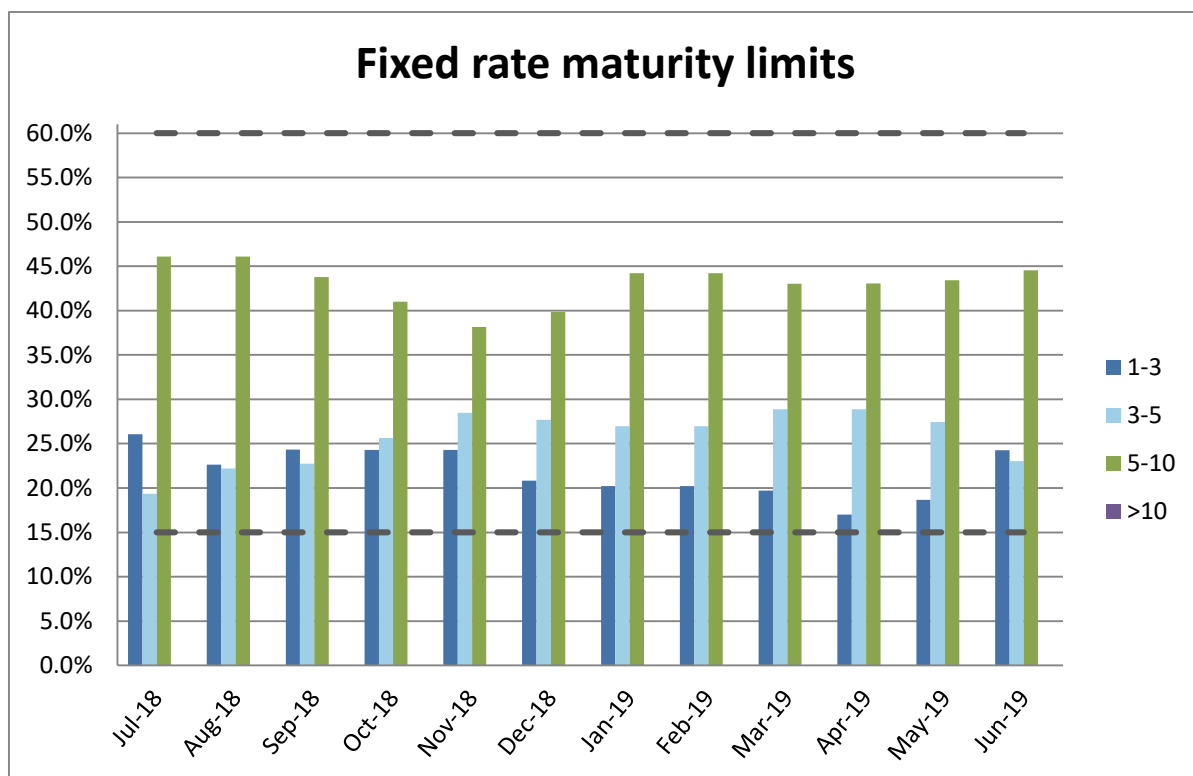


- 26 The upward spike in March 2019 was due to the \$30 million of debt maturing during the month.
- 27

Similarly, to debt maturities, hedging instrument maturities must also fall within compliance buckets. These compliance buckets are as follows:

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

- 28 The Council has been fully compliant, as shown by the following chart. Note that maturities falling within 1 year are not included.



Counterparty Credit Risk

- 29 The policy sets limits for the maximum that can be traded per counterparty. The purpose of this is to ensure the Council does not concentrate its investments or risk management instruments with a single party.
- 30 The policy sets the gross counter party limits as follows:

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

The tables below show the Council's investments and risk management instruments holdings per counter party during the quarter.

Term deposits

Counter party	Apr-2019		May-2019		Jun-2019		Compliance
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	28,000	58%	28,000	58%	20,000	36%	✓
NZ Registerd Bank 2	10,000	21%	20,000	42%	20,000	36%	✓
NZ Registerd Bank 3	-	-	-	-	-	-	✓
NZ Registerd Bank 4	10,000	21%	10,000	21%	15,000	27%	✓
	48,000	100%	58,000	121%	55,000	100%	

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

Interest rate swaps

Counter party	Apr-2019		May-2019		Jun-2019		Compliance
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	55,000	29%	60,000	30%	60,000	31%	✓
NZ Registerd Bank 2	85,388	45%	85,388	43%	80,388	41%	✓
NZ Registerd Bank 3	50,000	26%	55,000	27%	55,000	28%	✓
	190,388	100%	200,388	100%	195,388	100%	

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

- 32 The Council was in full compliance with all counterpart credit limits during the quarter ended 30 June 2019.

Specific Borrowing Limits

- 33 In managing debt, the Council is required to adhere to the limits below. The actual results for the year are presented in the 2018/19 column.

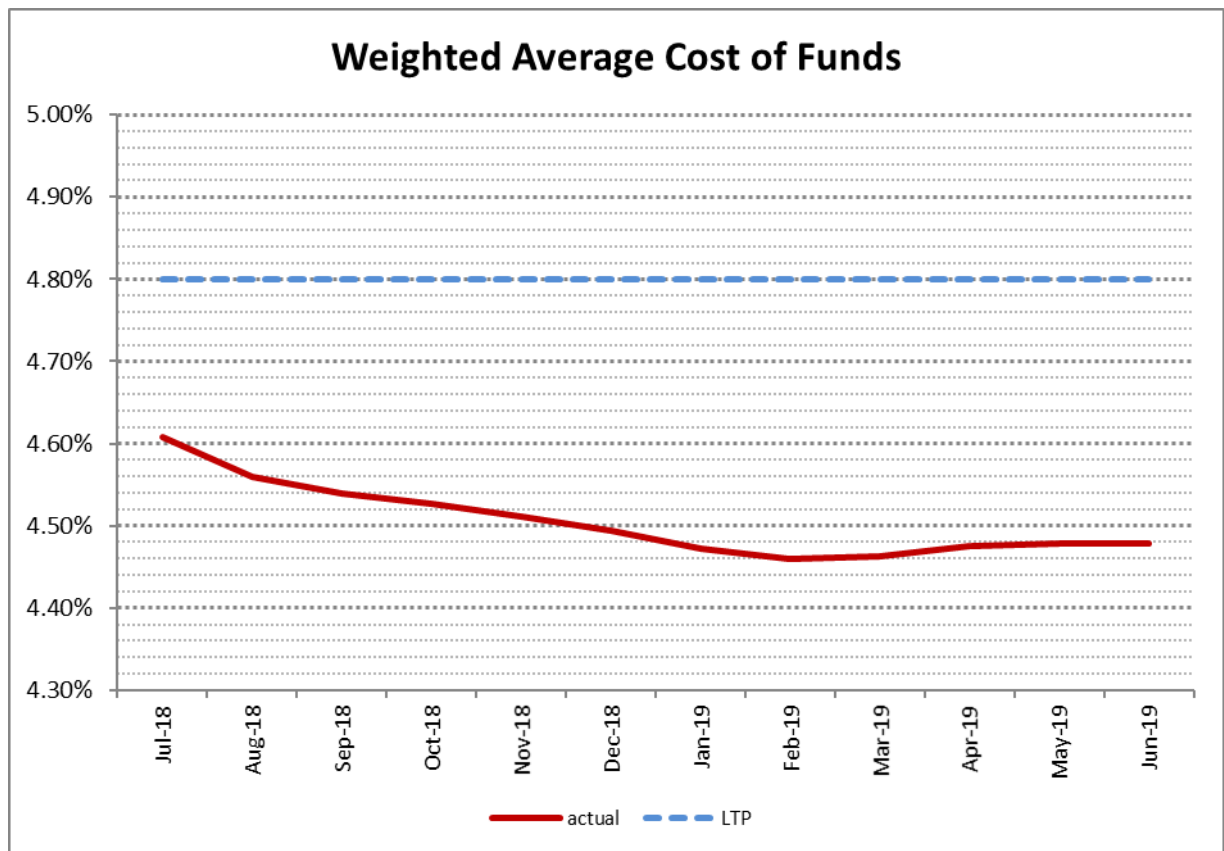
Borrowing limit	Policy limit	2018/19
Net interest expense/Total Operating Income	< 20%	9.1%
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	137.7%
Net External Debt/Total Operating Income	< 240%	180.3%

Risk Management Performance

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

	Full Year Actual \$000's	Full Year Budget \$000's	Full Year Variance \$000's
External Finance Expense	9,592	10,263	671
/less: Interest Received	(2,164)	(2,856)	(692)
Net Interest Costs	7,428	7,407	(21)
Weighted Average Cost of Funds	4.46%	4.80%	0.34%

- 35 The Council has still been effective in its treasury management with its weighted average cost of funds being 0.34% lower than budget as at the 30 June 2019.
- 36 The following graph shows the cost of borrowing each month.



CONSIDERATIONS

Policy considerations

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

Legal considerations

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

Financial considerations

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

Tāngata whenua considerations

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

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

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

RECOMMENDATIONS

- 43 That the Audit and Risk Committee notes that the Council was fully compliant with its Treasury Management Policy for the quarter ended 30 June 2019.

APPENDICES

Nil

9.5 CLOSING REPORT FROM AUDIT FOR THE YEAR ENDED 30 JUNE 2019

Author: Anelise Horn, Manager Financial Accounting

Authoriser: Mark de Haast, Group Manager

PURPOSE OF REPORT

- 1 This report provides the Audit and Risk Committee with Ernst & Young's Closing Audit Report for the year ended 30 June 2019.

DELEGATION

- 2 The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
- *Reviewing and maintaining the internal control framework*
 - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

BACKGROUND

- 3 The Council's Auditors, Ernst & Young (Audit) tabled their audit plan for the year ended 30 June 2019 at the Audit and Risk Committee meeting on 28 February 2019. Audit has now substantially completed their audit of the Council's draft Annual Report for the year ended 30 June 2019.
- 4 Their Closing Report is attached as Appendix 1. This provides an overview of Ernst & Young's audit process, their audit findings, adjustments required, their draft Audit Report and the Council's draft Management Representation Letter.

Closing Report Summary**Draft Audit Report**

- 5 Audit has confirmed that they will issue an unqualified or "clean" audit opinion on the Council's draft 2018/19 Annual Report, subject to the adequate resolution of the following outstanding items:
- The final complete review of the final version of the 2018/19 Annual report.
 - Receipt and review of the Council's draft Summary Annual Report.
 - Concluding on matters identified during our review and finalising the testing on one service performance measure once rework completed.
 - Finalisation of the review of the Council's Debenture Trust Deed reporting certificate.
 - Completion of the review of a sample of journal entries.
 - Receipt of the Council's signed management representation letter on adoption of the 2018/19 Annual Report by the Council on 26 September 2019.
 - Receipt of a signed full annual report 2018/19 and a summary annual report 2018/19.
 - Completion of the post balance sheet events review to the date of signing the audit report.

Key Audit Findings

- 6 Other than the items discussed below, Audit raised no concerns that should be brought to the attention of the Committee.

Non-financial performance information reporting

- 7 Audit is satisfied that the Statement of Service Performance fairly reflects the Council's performance against the measure and targets outlined in the 2018-38 Long Term Plan.
- 8 While they were performing their audit work, Audit identified certain measures relating to customer service requests that had been calculated incorrectly in part due to issues with the integrity of the underlying data, but primarily due to how the data was extracted and categorised.
- 9 All of the issues identified that can be corrected have been, however four recommendations in relation to service performance reporting were raised in the report on control findings to management.

Adjusted Audit Differences – Financial Statements

- 10 There were no unadjusted audit differences relating to the financial statements.
- 11 The table below details the three financial audit differences identified by Audit that were agreed and adjusted by management in the draft financial statements.

	Amount \$000	Income statement (increase)/decrease 30 June 2019 \$000	Net assets (Decrease)/Increase 30 June 2019 \$000
Correction of unit cost error in asset valuation	155	-	(155)
Correction of offset in NZTA debtor against NZTA advance	962	-	-
Correction to reclassify term deposits from cash to other financial assets	5,000	-	-
Total net impact	6,117	-	(155)

Adjusted Audit Differences – Statement of Service Performance

- 12 The table below details the four non-financial audit differences identified by Audit that were agreed and adjusted by management in the draft financial statements.

Nr	Measure	KCDC result	EY result	Change
1	Median response times to a fault or unplanned interruption to our water network measured by resolution time (from the time that council receives notification to the time that staff confirm resolution) (non urgent)	948 Minutes	TBC ¹²	TBC ¹²
2	Median response times to a fault or unplanned interruption to our water network measured by resolution time (from the time that council receives notification to the time that staff confirm resolution) (urgent)	64 minutes	98 minutes	34 minutes
3	Number of dry weather sewerage overflows	2	52	50
4	Median response times to sewage overflows resulting from a blockage or other fault measured by resolution time (from the time council receives notification to the time that staff are on site)	127 minutes	149 minutes	22 minutes

- 13 At the time of writing this report, Audit are still finalising their audit of certain performance reporting measures which may give rise to further audit adjustments and an update will be provided to the committee at the meeting.

CONSIDERATIONS

Policy considerations

- 14 There are no policy implications arising directly from this report.

Legal considerations

- 15 There are no legal issues arising directly from this report.

Financial considerations

- 16 There are financial considerations in addition to those already discussed in this report.

Tāngata whenua considerations

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

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

- 19 There are no publicity considerations.

RECOMMENDATIONS

- 19 That the Audit and Risk Committee receives the Closing Audit Report from Ernst & Young and notes that there are no unadjusted audit differences in either the statements of service performance and the draft financial statements of the draft Annual Report 2018/19.

APPENDICES

1. Ernst and Young Closing Report



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Kapiti Coast District Council

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Welcome

Dear Audit and Risk Committee Members

We have substantially completed our audit of the financial statements and service performance information of Kapiti Coast District Council ('Council') for the year ended 30 June 2019.

Subject to the adequate resolution of the outstanding matters listed in the appendices we confirm that we will issue an unmodified audit report on the financial statements and service performance information.

We have provided this report in our role as the appointed auditor of the Council on behalf of the Auditor-General in accordance with the Public Audit Act 2001. This report is intended solely for the use of the Audit and Risk Committee ('the Committee'), other members of the Council and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the audit.

I look forward to the opportunity of discussing with you any aspects of this report or any other matters relating to our work on 12 September 2019.

If you have any queries in the meantime, please feel free to contact me on +64 021 923 431 or Ahmed Sofe on +64 21 679 586.

Yours faithfully

David Borrie
Partner

Ahmed Sofe
Senior Manager



**Go to Executive
Summary**





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STATUS OF AUDIT

8

outstanding items for an
unqualified audit opinion

We have substantially completed our audit of the financial statements and service performance reporting of the Council for the year ended 30 June 2019. Subject to satisfactory completion of the outstanding items outlined in the appendices we will issue an unqualified audit opinion.

AREAS OF AUDIT FOCUS

7

key areas of focus where there
are potential risks and exposure

The areas of audit focus and level of complexity or management judgement applied are:

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

► See Areas of Audit Focus section for more details.

SCOPE & MATERIALITY

\$1.6m

final materiality based
on actual expenditure for FY19

Our audit procedures have been performed using a materiality of \$1.6m

This is based on 2% of expenditure of \$81m.

The threshold for reporting audit differences to the Committee is \$80k.

Tolerance have been set for each significant performance measure selected to test.

UNADJUSTED AUDIT DIFFERENCES

\$0k

aggregated unadjusted audit differences

- There are no unadjusted audit differences pertaining to the financial statements and service performance reporting for the year ended 30 June 2019.
- All audit adjustments identified during our audit have been corrected by management. See Audit Differences section for more details.

CONTROL OBSERVATIONS

8

observations and recommendations to improve
processes and controls

None of the improvement opportunities identified were categorised as high-risk issues.

- See assessment of Control environment section for more details.

INDEPENDENCE

We have remained in compliance with NZICA Code of Ethics' and the Professional and Ethical Standard 1: *Code of Ethics for Assurance Practitioners'* independence requirements.



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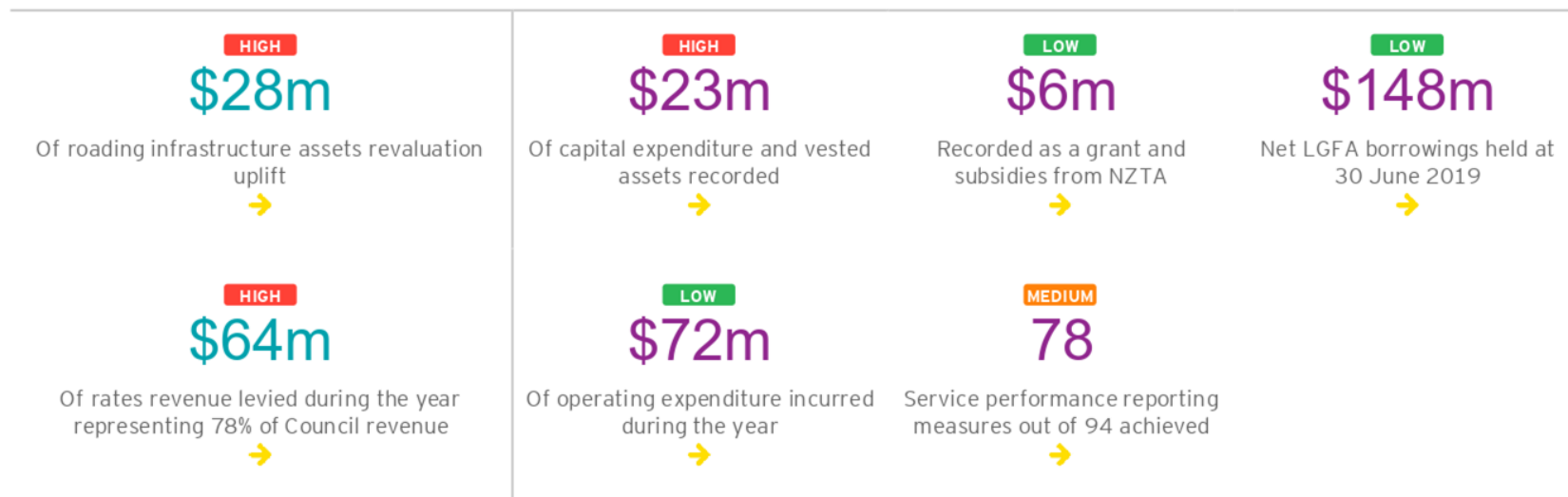
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Areas of Audit Focus

A snapshot of our key areas of focus including **financial areas requiring management judgement or having a higher level of complexity.**





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Infrastructure assets

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

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

HIGH



Audit Difference Overstated

Our Understanding

- ▶ Infrastructure assets dominate KCDC's balance sheet with a 30 June 2019 carrying value of \$1.487 million (2018: \$1.456 million).
- ▶ Infrastructure assets are revalued regularly in accordance with Council's defined revaluation schedule by qualified and experienced external valuation professionals.
- ▶ For the current year roading, footpaths and bridges assets were revalued, and the following valuation movements were recorded:

Component	Revalued carrying amount \$million	Revaluation movement \$million
Roads and footpaths	331	26.7
Bridges	14	0.8
Total value	345	27.5

The revaluation gain of \$27.5m is primarily due to increased unit costs for formation, sealed pavement, surface water channels and drainage.

Our procedures have focused on:

- ▶ Whether the data provided by Council to the valuer was materially complete and accurate and correctly sourced from the Council's core systems.
- ▶ Considering if the appointed valuers were suitably qualified and experienced to undertake the valuations for the Council and that the valuers were independent so that we could rely on their work in an audit context.
- ▶ Whether Council officials had performed suitable quality assurance over the valuation reports

EY perspective

Roads assets valuation

There are a number of key assumptions that the valuer is required to make based on their experience and each of these judgements have the potential to materially impact the resulting valuation. Key amongst these judgements are:

- ▶ Assumed replacement cost
- ▶ Remaining useful life assessments
- ▶ Optimisation decisions

$$\text{Gross Road Assets replacement cost } \$456\text{m} - \text{Depreciation \& optimisation } \$111\text{m} = \$345\text{m}$$

The valuation was performed by Stantec. We have obtained the valuation report and performed the following audit procedures with regard to the valuation:

- | | |
|---|---|
| ▶ Validated key inputs to the valuation including unit costs which the valuer has based on Council's actual contract costs. | ✓ |
| ▶ On a test basis, assessed whether the asset information provided to the valuer was reflective of the asset data maintained in the Council's Asset Management Systems. | ✓ |
| ▶ Obtained assurance that all material assets within the asset class were included in the valuation and considered the completeness of assets valued. | ✓ |



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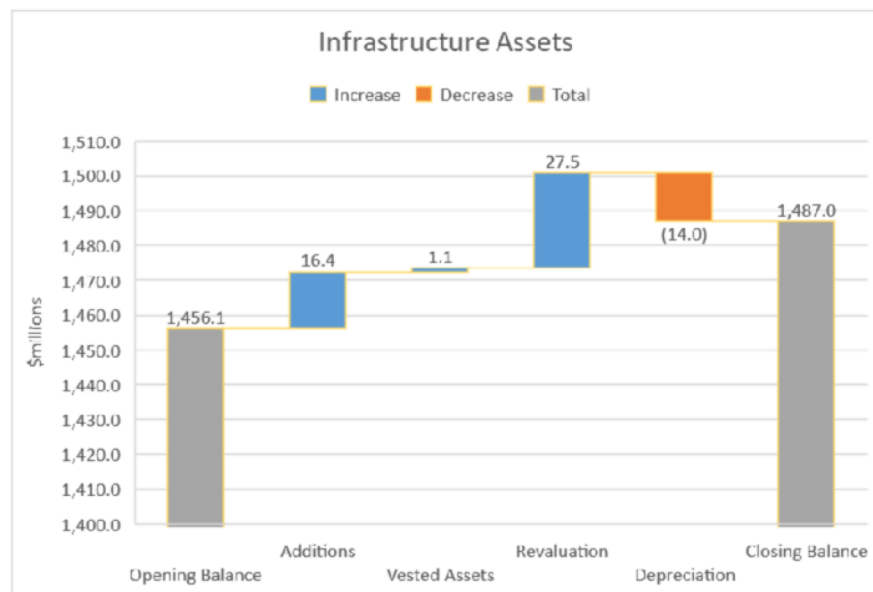
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- ▶ Performed procedures to obtain assurance that the valuation has been appropriately recorded in the fixed asset register and general ledger. ✓
- ▶ Obtained a reliance letter confirming the independence of the valuer and assessed the professional expertise of the valuer. ✓
- ▶ Assessed the extent of due diligence performed by management and whether this was adequate for the purpose recording the revaluation in the financial statements. ✓

To derive the value attributed to the roading assets Stantec applied unit cost rates reflecting recent cost experience with Council's roading contractor Higgins. Where unit costs obtained from Higgins were at a point in time prior to 30 June 2019 the valuer has applied a relevant inflation adjustment to bring these unit costs to 30 June 2019 values. Through this process the valuer has applied the incorrect inflation rate to the unit costs for a few minor asset types. Consequently the value attributed to these assets was initially overstated by \$155k. We raised an audit adjustment to correct for this which has subsequently been adjusted by management.

For asset classes that were not revalued in the current year, we reviewed the assumptions underlying the historical valuation against current asset management plans and recent experience in maintaining those assets to check that values ascribed to the assets remain appropriate. We have also discussed with management potential indicators of impairment at balance date. No indicators of impairment relating to infrastructure assets were identified.

Capital additions and depreciation

We selected a sample of material infrastructure asset additions during the year and vouched these to supporting documentation and obtained assurance that only costs which fulfilled the capitalisation criteria under PBE IPSAS 17 *Property, Plant and Equipment* were capitalised.

We considered the integrity of the depreciation charged on the various classes of infrastructure assets, with particular attention being placed on the water assets that were revalued in 2018 and whether the useful lives and depreciation charge for the 2019 year was in line with the previously completed valuations. We noted that the depreciation rates have been appropriately reflected in the fixed assets register following the valuation.



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Rates setting, invoicing and collection

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

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

HIGH



Our Understanding

- Rates income levied represents KCDC's primary revenue source. Below is summary of the rates revenue and debtors recognised by the Council.

Rates revenue	2019	2018
	\$million	\$million
General rates	22.3	21.6
Targeted rates	43.4	40.3
Internal rates and rates remitted	-1.5	-1.2
Total value	64.2	60.7
Rates Debtors	3.3	3.7

- There is specific legislation in place which must be adhered to for the rates strike to be lawful. Failure to comply with rating law and the associated consultation requirements can create risks to the integrity of rates revenue.
- The requirement for there to be consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by KCDC.
- The accuracy of rates revenue is dependent on the integrity of the rates database. The reliability of the rates billing system is also key to rates being billed appropriately.
- Management have a history of consulting with external legal counsel to check compliance with rating legislation is maintained.

EY perspective

Our work in relation to rates revenue and debtors included:

- Testing Council's controls over the rate setting processes including testing the accuracy of the use of underlying valuation information (as prepared by Quotable Value). Our testing indicates the controls are operating effectively. ✓
- Reviewing Council's procedure for ensuring the rates set are compliant with the Local Government Rating Act including Council's adoption procedures. ✓
- Examining the application of these rates set to the rating database. ✓
- Reviewing the billing to specific ratepayers and subsequent collection on a sample basis. ✓
- For a sample of water rates invoices we have agreed the amounts to the supporting information and traced cash received to bank statements. ✓
- Reviewing the provision for doubtful rates debtors to consider whether it is appropriate in the circumstances. ✓

In 2019 Council has provided for \$0.5 million (2018: \$0.7 million) of overdue rates. This provisioning includes consideration of the elements of the Local Government (Rating) Act 2002 which gives Local Authorities the right to lease or sell the property in order to collect the rates. Council has successfully used the assistance of Debt Management Central (DMC) to reduce the age profile of rates debtors and we understand this relationship will continue for the foreseeable future.



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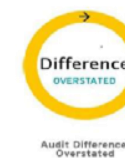
Control environment

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Non-financial performance reporting

Key Judgements: Results included / excluded from measures

MEDIUM



Our Understanding

- ▶ The Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a 'performance story' to the community.
- ▶ Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.
- ▶ The performance framework set as part of the 2018/38 LTP is applicable to the current financial year.
- ▶ We have selected the following activities for detailed testing in the context of our audit of the 2018/19 annual report. However, we have considered the entire performance report as part of our feedback to management.
 - ▶ Water
 - ▶ Access and Transport
 - ▶ Coastal Management
 - ▶ Wastewater
 - ▶ Stormwater
 - ▶ Solid waste
 - ▶ Recreation and Leisure
 - ▶ Parks and Open spaces

EY perspective

We carried out the following audit procedures in assessing completeness and effectiveness of the Council's non-financial performance reporting:

- | | |
|---|---|
| ▶ Updated our understanding of key performance reporting processes and reviewed the collation methodologies applied by Council. | ✓ |
| ▶ Examined, on a sample basis, the Statement of Service Performance to determine that the measures have been reported on and outputs have been achieved where stipulated. For the selected measures this included obtaining the underlying supporting documentation on a sample basis and re-performing the calculations. | ✓ |
| ▶ Assessed the completeness and effectiveness of the performance framework utilised. | ✓ |
| ▶ Checked whether all mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been included in Council's reporting. | ✓ |

As a result of this work we identified certain measures that relate to customer service requests had been calculated incorrectly in part due to issues with the integrity of the underlying data, but primarily due to how the data was extracted and categorised. All of the issues identified that can be corrected have been. Refer to the Audit Differences section for further details.

As part of our work we have made recommendations regarding how the current customer service request process could be further improved. We understand that management has a program of work to address these matters.



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New Zealand Transport Authority subsidies

Key Judgements: Classification of roading costs incurred,

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

LOW



Our Understanding

- ▶ Transport projects and maintenance undertaken by KCDC are eligible to receive funding from New Zealand Transport Authority (NZTA). The relevant funding rates were updated last year and range from 51 % for majority of roading works to upwards of 85% for specific projects.
- ▶ For roading work to be eligible for NZTA funding, it must be competitively tendered.
- ▶ Financial reporting standards require NZTA subsidies to be recognised as revenue, while a portion of the associated expenditure is capitalised by KCDC as part of roading assets.
- ▶ There is a risk that KCDC will claim costs that are ineligible according to the funding requirements, thereby overstating the claim accrual and the corresponding revenue at year end.
- ▶ In 2016 KCDC obtained \$2.2m of advanced funding from NZTA to assist with the front loading of the Kapiti rising main project which was constructed alongside the expressway. The terms of the advance were that KCDC would repay the advance by offsetting amounts against future NZTA funding returns.

EY perspective

We have performed the following audit procedures:

- | | |
|--|---|
| ▶ We have reviewed the claim process and controls system (approvals, checking and reconciliations) utilised by KCDC to support claims made to NZTA. | ✓ |
| ▶ We have reviewed a sample of funding claims to check the costs claimed are allowable and that cash has been received from NZTA. | ✓ |
| ▶ We have assessed the year end accrual for NZTA revenue to obtain assurance that the amount recognised for claims at year end relates to the 2019 year. | ✓ |
| ▶ We have obtained and reviewed supporting documentation for funding levels approved by NZTA. | ✓ |
| ▶ We have considered the findings from the recent NZTA investment audit as part of our work. | ✓ |

During the year, KCDC claimed \$5.9 million (2018: \$5.7 million) in NZTA subsidies. At year end the Council has recorded a receivable from NZTA of \$962k reflecting the last claim for the financial year.

At 30 June 2019 KCDC had repaid \$1.2m of the funding advance provided in 2016. \$200k was repaid through off-sets against NZTA claims in 2018 and \$962k was offset against the final NZTA claim for 2019. However; Council recognised a receivable for the last claim of 2019 rather than offsetting this against the original funding advance. We raised a reclassification adjustment to net the final claim for the year of \$962k against the \$2m balance of advance funding. Management have corrected this within the financial statements.



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Expenditure, procurement and tendering

Key Judgements: Appropriateness / reasonableness of costs incurred

LOW



Our Understanding

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

EY perspective

We have performed the following audit procedures with regard to the controls over operating expenditure, procurement and tendering:

- | | |
|---|---|
| ▶ Reviewed the incurrence and approval of operational expenditure. | ✓ |
| ▶ Reviewed the use of credit cards and whether expenditure has been incurred for a reasonable purpose. | ✓ |
| ▶ Reviewed the application of procurement policies in the context of the recent review and update of Council's approach to procurement. | ✓ |
| ▶ Reviewed areas where it may be perceived that there is the potential for personal benefit for appropriateness. | ✓ |
| ▶ Obtained assurance that appropriate processes and controls over expenditure are in place. | ✓ |
| ▶ On a test basis examined how the tendering process for a sample of contracts was managed in consideration of KCDC's tendering policies and good practice. | ✓ |

In general controls were operating as expected. We noted minor discrepancies in completing our work, primarily relating to approval of expenditure and timeliness of purchase orders, and have included these matters in our Report on Control Findings for management's consideration



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Debt facilities and derivatives

Key Judgements: Valuation of derivatives

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

LOW



Our Understanding

- ▶ Borrowing represents one of the main sources of funding for KCDC's capital costs and debt levels change with the timing of planned capital projects and repayment timelines. The total value of the debt as at 30 June 2019 was \$210 million (2018: \$205 million).
- ▶ KCDC has pre-funded \$50 million of debt maturing in the next 12 months. As at 30 June 2019 Council has net debt of \$147.5m (2018: \$148m).
- ▶ KCDC accesses debt through the Local Government Funding Authority (LGFA). KCDC has reporting requirements and debt covenant compliance obligations. The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the accuracy of the reporting certificates.
- ▶ KCDC is also a guarantor of the LGFA debt and financial reporting standards require the Council to disclose the guarantee and recognise the fair value if it is considered to be material.
- ▶ KCDC maintains interest rate swaps to manage the Council's exposure to interest rate fluctuations. The mark to market value of swaps amounted to a liability of \$21.2m (2018: liability of \$13.2m) at 30 June 2019. Fair value changes have been recorded in the Statement of Comprehensive Revenue and Expenses.

EY perspective

We carried out the following audit procedures with regard to the public debt and interest rates swaps:

- | | |
|---|---|
| ▶ Updated our understanding of debt facility agreements maintained in the year and reviewed the relevant debt facility agreements including the process for managing drawdowns. | ✓ |
| ▶ We have considered the term or current classification of debt. | ✓ |
| ▶ Obtained LGFA confirmation of outstanding debt position at year end. | ✓ |
| ▶ Confirmed derivative positions in place at year end and independently valued a sample of derivative contracts. | ✓ |
| ▶ Reviewed disclosures associated with the debt and swap positions. | ✓ |

We are in the process of completing the procedures required of us by the debenture trust deed. Our procedures include reporting to the Trustee based on the work performed and whether anything has come to our attention that indicates the statements made in the reporting certificates issued by the Council are materially misstated. Subject to the completion of certain procedures, we expect to issue an unqualified report to the Trustees.



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Landfill after care provision

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

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

LOW



Our Understanding

- ▶ Council currently operates the Otaihangā landfill and also manage the Otaki and Waikanae sites which are now closed. Council has a responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfills after closure. Council is obliged to recognise a provision in relation to the closure and aftercare of the landfill. Aftercare responsibilities include the final cover application and planting of vegetation, drainage control features, monitoring of water quality and gas emissions.
- ▶ Assumptions used in the calculation are subject to judgement. Key amongst these judgements is:
 - ▶ Estimates of future cash flows relating to the closure of the landfill and the necessary after care costs
 - ▶ Assumed cost inflation and discount rates
 - ▶ Landfill remaining life assessments

EY perspective

Our procedures included:

- | | |
|--|---|
| ▶ Reviewing the adequacy of future costs based on recent Council cost experience. | ✓ |
| ▶ Testing the assumptions (discount rates, cash flow forecasts) and checking the discounting of values associated with the landfill. | ✓ |
| ▶ Assessing whether disclosures in the financial statements are appropriate. | ✓ |

The Otaihangā landfill has been closed to general waste since 2015 but will continue to accept cleanfill until final closure on 30 June 2026. In 2017 KCDC engaged Jacobs New Zealand Limited, an external engineering firm, to conduct a review of the landfill capping costs and engineering assumptions used in arriving at the provision. Whilst management continue to apply the key elements of the Jacob's cost estimates these costs have been appropriately updated for an anticipated reduction in capping costs for the remaining sections of the landfill as a result of the availability of fill from major roading works in the region.

We acknowledge there is subjectivity and judgement involved in determining the appropriate discount rate for calculating the provision. Management have used a discount rate 1.05% (being the risk-free rate adjusted down for any remaining uncertainty over the estimated nominal cash flow).



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Summary of adjusted audit differences - financial statements

The following table contains a list of adjustments that have been corrected by management.

30 June 2019	Amount (\$000)	Income statement (Increase) / Decrease 30 June 2019 \$000	Net assets (Decrease) / Increase 30 June 2019 \$000
Adjustment to correct unit cost rates applied to certain roading assets valued	155	NIL	155
Adjustment to offset NZTA debtors against the NZTA Advance	962	NIL	NIL
Adjustment to reclassify term deposit from cash & cash equivalent to other financial assets	5,000	NIL	NIL
Total	6,117	NIL	155

There were no unadjusted audit differences relating to the financial statements.



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Summary of audit differences - statement of service performance

During the audit of the statement of service performance, we identified and aggregated any differences in performance measures based on a materiality of 5%. We have summarised below the audit differences determined during the audit which have subsequently adjusted by management:

Measure	KCDC result	EY result	Change
Median response times to a fault or unplanned interruption to our water network measured by resolution time (from the time that council receives notification to the time that staff confirm resolution) (non-urgent)	948 Minutes	TBC*	TBC*
Median response times to a fault or unplanned interruption to our water network measured by resolution time (from the time that council receives notification to the time that staff confirm resolution) (urgent)	64 minutes	98 minutes	34 minutes
Number of Dry Weather Sewerage Overflows	2	52	50 dry weather overflows
Median response times to sewage overflows resulting from a blockage or other fault measured by resolution time (from the time council receives notification to the time that staff are on site)	127 minutes	149 minutes	22 minutes

* Management are in the process of reworking the data associated with a particular performance measure and have requested we re-test the result subsequent to this work being completed. We will update the Committee on the results of this work on 12 September.

There are no unadjusted audit differences pertaining to the service performance reporting.



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Assessment of control environment

Internal Controls

As part of our audit of the financial statements, we obtained an understanding of the internal control environment in order to sufficiently plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Throughout our audit we communicate to management observations regarding control matters and other issues arising from our interim and year end procedures. The following table provides an overview of the number of observations and risk rating we have identified.

Risk Ratings	H	M	L	Total
Open at 30 June 2018	-	-	6	6
Closed during FY19	-	-	(5)*	(5)*
New points raised in FY19	-	2	5	7
Total open points as at 30 June 2019	-	2	6	8

* All open points from the prior year have been closed except for one observation relating to service performance reporting which has remained open at 30 June 2019

Key:

- H** High Risk - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.
- M** Medium Risk - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.
- L** Low Risk - A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Items raised considered of moderate and low risk ranking are items which provide management with improvement opportunities within their processes, however were not considered to represent such a risk to Council that immediate management attention is considered necessary. Addressing these points assists management in further improving the processes and controls already in place and strengthens the control environment.



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**Outstanding matters**

The items in here relate to outstanding matters at the date of the release of this report.

**Independence**

Describes how we have complied with independence requirements.

**Focused on your future**

Covers upcoming changes in accounting standards that are relevant to KCDC.





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Outstanding Matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility	
Annual Report	Our review of the final version of the Annual Report	EY	(M)
Summary annual report	Receipt of draft summary annual report for our review	EY	(M)
Service Performance Reporting	Concluding on matters identified during our review and finalising the testing of one measure once management completes it is rework.	EY	(M)
Debenture Trust Deed Reporting Certificate	Finalisation of our review of the Debenture Trust Deed Reporting Certificate	EY	(M)
Journal entry testing	Completion of our review of a sample of journal entries selected for testing	EY	(M)
Representation letter	Receipt of a signed representation letter.		(M)
Council approval of the full annual report and summary annual report	Receipt of signed full annual and summary annual report.		(M)
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY	(M)

Key:

-  EY responsibility
-  Management responsibility



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Independence

We confirm that in our professional judgment the engagement team and the Firm are independent.

We are satisfied that all EY locations which have provided services in the past or are currently providing services to Council have complied with the relevant independent requirements. We are satisfied that the services provided by EY during the year ended 30 June 2019 do not impact our independence.

We are not aware of any relationships between the Firm or other firms that are members of the network of EY firms and Council that, in our professional judgment, may reasonably be thought to bear on independence.

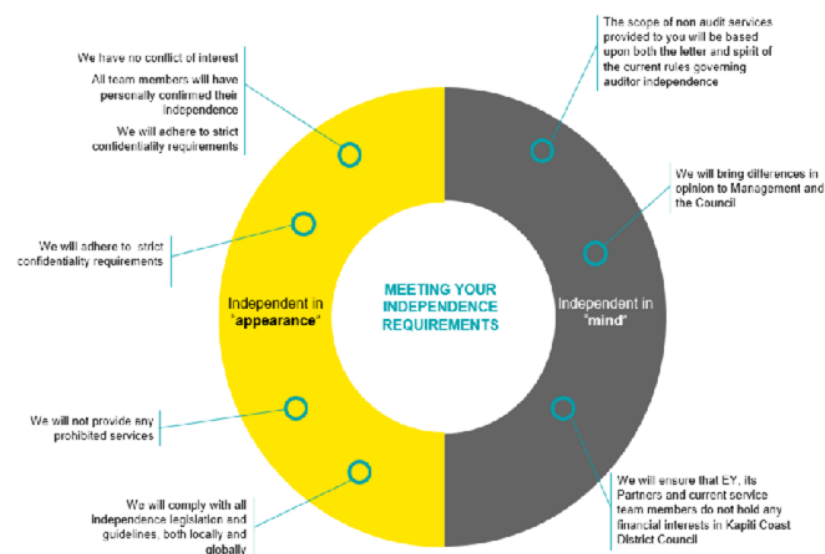
We highlight the following services that we have performed during the year:

Description of relationship or service and related independence concern	Period provided/duration	Fees	Safeguards adopted and details of any follow up actions
Debenture Trust Deed reporting	FY19	\$3k	Independent assurance services
Total fees		\$3k	

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. Our audit fee for the statutory audit of Council is \$178k excluding disbursements.

Independence

We confirm that we have complied with the NZICA Code of Ethics' and the Professional and Ethical Standard 1: *Code of Ethics for Assurance Practitioners* independence requirements, and in our professional judgement, the engagement team and the Firm are independent.





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Focused on your future

Background		Financial Instruments
The following Standards and Interpretations have been issued and become effective for Public Sector and Not-for-profit PBEs over the next couple of years:		<ul style="list-style-type: none"> ▶ PBE IFRS 9 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector. This standard replaces most of the requirements of PBE IPSAS 29. ▶ This new standard introduces a forward-looking impairment model for financial assets, based on expected credit loss, which may cause certain assets to be impaired earlier than they would be under the current 'incurred loss' model.
PBE IFRS 9 <i>Financial Instruments</i>	Mandatory adoption from 1 July 2021	Impairment <ul style="list-style-type: none"> ▶ Amends the scope of PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> to include revalued assets. ▶ Revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model. ▶ Where an impairment loss is recognised for an asset (or group of assets) that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset (or group of assets) belongs. ▶ For revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases. Service Performance Reporting <ul style="list-style-type: none"> ▶ The new standard requires disclosure of judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. ▶ Whilst there is no format and layout of the SSP specified in the standard, management would need to consider whether KCDC's current service reporting framework meets all the elements required by the new standard.
PBE IPSAS 21 <i>Impairment of Non-Cash Generating Assets</i> & PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>	Mandatory adoption from 1 July 2019	
PBE FRS 48 <i>Service Performance Reporting</i>	Mandatory adoption from 1 July 2021	



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ED None

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9.6 HEALTH AND SAFETY QUARTERLY REPORT 1 APRIL - 30 JUNE 2019

Author: Dianne Andrew, Organisational Development Manager

Authoriser: Wayne Maxwell, Chief Executive

PURPOSE OF REPORT

- 1 This report presents a Health and Safety report for the period 1 April 2019 – 30 June 2019 and also a summary report containing analysis of health and safety events for the 1 July 2018 – 30 June 2019 financial year.

DELEGATION

- 2 The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3:
 - *Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation;*
 - *Assisting elected members in the discharge of their responsibilities by ensuring compliance procedures are in place for all statutory requirements relating to their role;*
 - *Governance role in regards to the Health and Safety Leadership Charter and Health and Safety Plan*

BACKGROUND

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

ISSUES AND OPTIONS**Issues**

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

CONSIDERATIONS**Policy considerations**

- 8 There are no Policy considerations.

Legal considerations

- 9 There are no legal considerations.

Financial considerations

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

Tāngata whenua considerations

- 11 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT**Significance policy**

- 12 This report does not trigger the Council's Significance Policy.

Publicity

- 13 There are no publicity considerations.

RECOMMENDATIONS

- 14 That the Audit and Risk Committee notes both the Health and Safety Quarterly Report for the period 1 April 2019 – 30 June 2019 attached as Appendix One and the Health and Safety Events Analysis for the period 1 July 2018 – 30 June 2019.

APPENDICES

1. Appendix 1 Health and Safety Quarterly Report April-June 2019
2. Appendix 2 Health and Safety Event Analysis 2018-2019

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Audit and Risk Committee
1 April 2019 – 30 June 2019

Following the recommendations from the Simpson Grierson review we continue to make steady progress on the work program. The Health and Safety Plan 2018 – 2020 was presented to this committee at the September 2018 meeting. The plan is split into three high level areas: Leadership; Health and Safety Management Systems, and Contractor Management. Underlying these there is a particular focus on:

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

No areas of concern or indications that Council are failing to meet its obligations under HSWA were identified in this reporting period.

LEAD INDICATORS

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

TASK RELATED:

- Forklift licence (1)
- Fire extinguisher (1)
- Confined Space Entry and Gas Detection (8)
- Traffic Management (2)
- Chainsaw Operations (25)
- Electrical Awareness (27)
- Growsafe Basic (1)

ROLE RELATED:

- First Aid
 - Comprehensive (15)
 - First Aid training review in conjunction with the work to be undertaken on job task analysis continues. Currently only roles which require a 'comprehensive' level of first aid competency and a small core group of admin based first aiders are undertaking the certified first aid courses. Other roles across the organization are offered CPR and Defibrillator (AED) training.
- HeartBeat CPR and AED (12)
- Fire Warden (1)
- Electrical Registration (3)
- Bow Tie Risk Assessment and Hazardous Substances - Managers (23)

CRITICAL RISK RELATED:

- Bow Tie Critical Risk Assessment and Hazardous Substance Inventory training continued, with 56 managers (including SLT), and H&S Reps having completed it.
- Asbestos Awareness nil this quarter
 - Training to raise awareness of the dangers of working in and around asbestos will be ongoing as required for those staff and contractors who are required to work in and around asbestos in accordance with our Asbestos Management Plan. The next asbestos awareness training is to be scheduled in the Jul – Sep Quarter.

HEALTH AND SAFETY RELATED:

- Health & Safety Representative Stage 2 (3)

2. EMERGENCY EVACUATIONS AND DRILLS

- No six-monthly emergency evacuation drills were due this quarter.
- An evacuation of the Civic Building was triggered when fly spray used in a stairwell was detected by a smoke detector. Some issues which became apparent during the evacuation such as training for the new Chief Warden and floor wardens have been addressed.
- Confirmation was received that a Fire Evacuation Scheme had been registered with Fire and Emergency New Zealand (FENZ) for all Council buildings that required it.

Appendix 1

3. EMPLOYEE HEALTH AND SAFETY INDUCTIONS

- 2 inductions were completed this quarter.

4. WELLNESS INITIATIVES*() indicates no. of attendees*

- Eye Examinations (14)
- Ergonomic Work Assessments (14)
- EAP Services hours utilized (43)

5. DRUG AND ALCOHOL MANAGEMENT*() indicates no. of attendees*

- Drug and Alcohol Tests pre-employment (25)
- Non negative (0)
- Reasonable Cause (0)

6. STANDARD OPERATING PROCEDURE (SOP) REVIEW

- The SOPs currently in place are in use and continue to be updated in conjunction with the Hazardous Substance Inventory. (see also below section 8 Risk Management)

7. CONTRACTOR MANAGEMENT

- As at 31 March a total of 223 Contractors were listed as 'approved' on the Contractor Register.
- Forty-eight contractors were either newly added or had their approval renewed this quarter.
- No breaches of health and safety required formal intervention or corrective actions this quarter.
- Significant work continues in the area of contractor management in conjunction with the recommendations from the Simpson Grierson health and safety review. This work stream is contained under the Contractor Management section of the 2018-2020 plan and is on track.

8. RISK MANAGEMENT

- As part of the 2018-2020 work program, three organizational critical risk areas have been identified as current: Asbestos Management, Hazardous Substance Management, and Driving. Work has commenced in each of these areas.
 - Some additional legislative requirements relating to storage of hazardous substances and hazardous waste came into effect this quarter. Work was progressed with our independent Compliance Certifier to assure compliance.
 - Critical risk bowtie analysis workshops initially delivered to SLT and project/contract managers in January was extended to other managers and the Health and Safety Committee. A hazardous substances management component was added.
 - Staff identified as being at present or historical risk of asbestos exposure were health assessed by an Occupational Physician Dr van Kradenburg at Waikanae Health, and flagged for re-assessment in 5 years' time, as recommended by him. No cases of asbestos-related ill health were identified.
- Driving remains an ongoing critical risk for any PCBU who has vehicles and staff regularly on the road. We have revised our training plan to include a regular refresher/training cycle for all council staff who are required to regularly drive a council vehicle. Job specific training for specialist vehicles (pump trucks, bulldozers etc) is already in place. Not only is safety an issue, but also organizational reputational risk as all vehicles are clearly council logoed.
- As at 30 June 2019 there were 35 Care Register entries, with no new additions this quarter.
- Risk assessments and safety plans for Council Operations staff working at parks and reserves planned to commence this quarter have been deferred, due to Operations resource unavailability. The project has not yet been rescheduled as resource is unlikely to become available in the short-term.
- After toxic and allergenic mould was discovered within the wall cavities of the Kapiti Community Centre building due to several dampness penetration issues, a monitoring programme was established to maintain oversight that the building's interior environment, including staff office, meeting rooms, and other communal spaces, remains safe and healthy to use and work in, pending a decision on the building's future.
- The 9 Mahara Place property was refurbished in preparation for occupation as the relocated Waikanae Library. Work involved coordination by the Property Team of several tradespeople from a number of Approved Contractor companies, and included removal of asbestos from a ceiling by specialist registered asbestos removal contractors.

Appendix 1

9. HEALTH AND SAFETY COMMITTEE (HSC)

- The corporate HSC has continued to meet monthly except for the May meeting, that was cancelled due to non-availability of the Chair and majority of the Committee.
- A review of the Operations Working Group in the previous quarter resulted in a change to the composition. It now provides for two trained worker representatives, together with the Operations Manager. The Operations Working Group did not meet during the quarter due to the worker representative positions remaining unfilled.
- The HSC did not meet with SLT this quarter. This was one of the initiatives contained in the Leadership section of the 2018-2020 plan.
- Three representatives who had earlier completed HS Representative Level 1 training progressed to Level 2 in the quarter.
- A multi-disciplinary team of eight people was formally recognised by the Chief Executive for safely planning and executing a potentially high hazard confined space entry at Waikanae Water Treatment Plant.

10. HEALTH AND SAFETY POLICY REVIEW PROGRESS

- Pre-approval of contractors engaged for potentially hazardous physical works is a critical component of the Council's health and safety management strategy. Under HSWA legislation PCBUs sharing duties must consult, co-operate with and co-ordinate activities with all of the other PCBUs. The Contractor Health, Safety and Environment Information Booklet published in 2014 has been comprehensively updated and now reflects both good practice and legal compliance. Consequential minor amendments to the Contractors' Health and Safety Management Policy will be completed next quarter.
- The wider health and safety policy review work programme continues to be a work in progress, with 12 key procedure documents drafted and pending review. This work stream is contained under the Health and Safety Management Systems section of the 2018-2020 plan. As reported in the last quarter's report it remains at risk of falling behind schedule due to competing operational demands on the Health and Safety Risk Manager, although at this time is broadly still on track.
- The updated Health and Safety Toolkit on HubKap (the new intranet) has been maintained under business-as-usual continuous improvement.

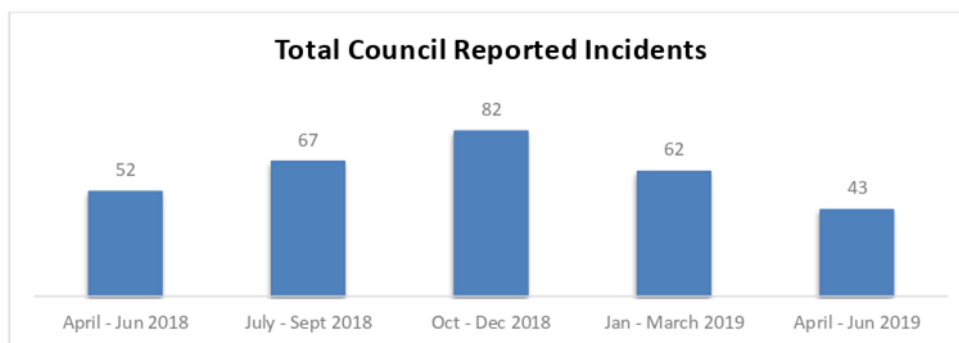
LAG INDICATORS**11. INCIDENTS, INJURIES AND NEAR MISS 1 APRIL – 30 JUNE 2019**

	Incident/Injury /illness	Notifiable Incident/Injury or illness	Near Miss	Total
Corporate Services	0	0	0	0
Infrastructure Services	11	0	1	12
People and Partnerships	2	0	0	2
Place and Space	6	0	0	6
Regulatory Services	4	0	0	4
Chief Executive incl. Org Dev	1	0	0	1
Third Party	17	0	1	18
Contractor	0	0	0	0
Total				43

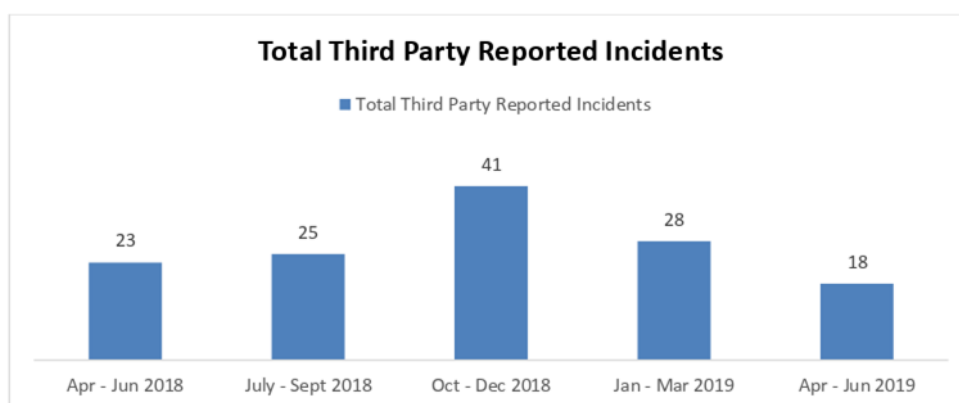
There were no notifiable incidents this quarter.

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

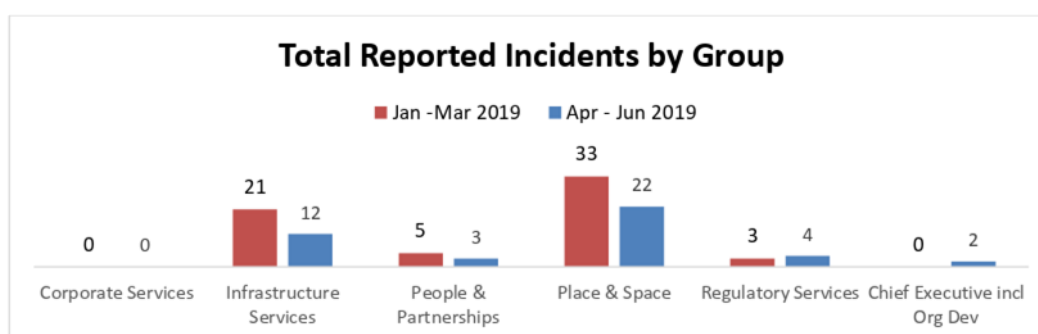
Appendix 1



- All reported incidents were investigated and corrective actions identified and actioned where required.
- Of 43 total incidents:
 - 16 worker injuries: including body stressing (7), impacting a fixed object (3) slips trips and falls (1), animals - non-aggressive (2), becoming unwell in the workplace (2), dogs - aggressive (1)
 - 9 worker non -injuries including 1 near miss (vehicle related) and 4 other vehicle related events, hit by flying object (1), slips trips and falls (1), chemical exposure (1), construction noise (1)
 - 0 contractor incidents, 18 third party incidents



- Third Party is defined as a person who does not hold employee status or contractor worker status
- This quarter Third Party events continue to be predominantly Aquatics (13) Libraries (2) and Parks & Recreation (1) i.e. Council's public spaces.
- Monitoring of third party events is continuous and dealt with directly by each site and escalated where risk is identified.



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

Appendix 2

HEALTH AND SAFETY EVENTS: 2018 – 2019 YEAR ANALYSIS

INTRODUCTION

Reported health and safety incidents are recorded into our health and safety information management system Vault. This report is an analysis of the health and safety events on record for the 2018 – 2019 year, and compares the information against the 2017 - 2018 year.

Working Definitions

Injury: Harm to a person generally of an immediate and/or physical nature such as a bruise, muscle strain, joint sprain, laceration, fracture etc.

Illness: Harm to a person's physiological or mental health.

Near Miss: an occurrence when significant harm to a person, or major damage to property, did not eventuate but nearly did.

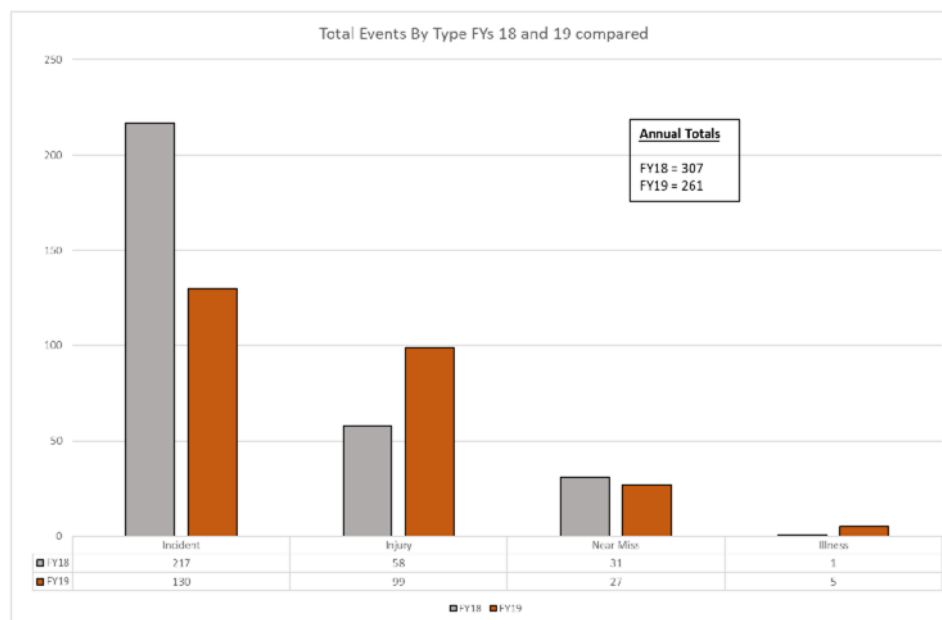
Incident: An occurrence which did not result in injury or illness, but plant, property or a vehicle was damaged, or is otherwise worthy of being recorded.

Employee: a staff member employed by KCDC.

Contractor: a person engaged by the Council under a contract for a service, or someone working for an organisation so engaged.

Third party: a person other than an employee or contractor. Generally, a third party is a user of or visitor to a Council recreational facility or park.

All Events by Event Type



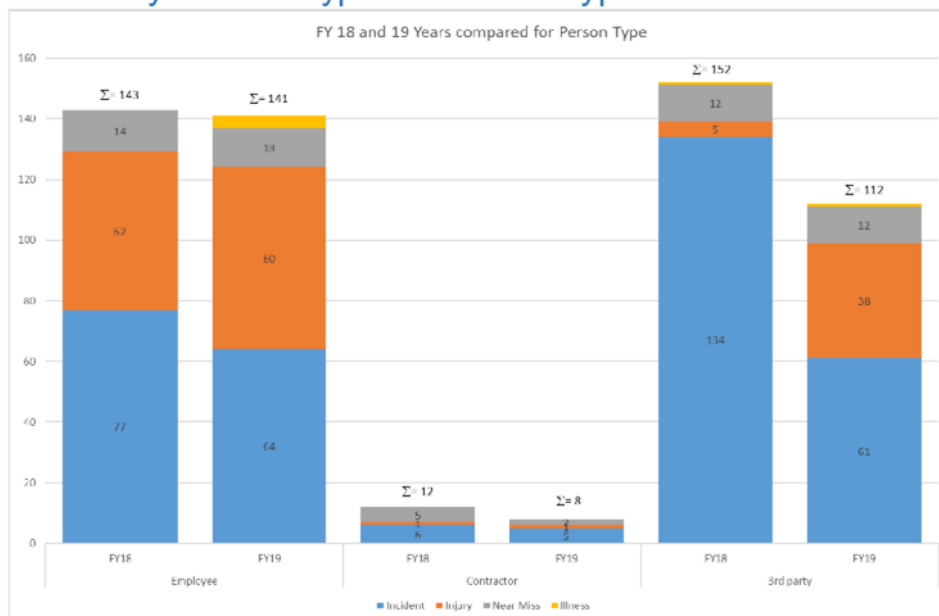
Appendix 2

Commentary

Compared to FY18 the number of events on record reduced by 15 percent from 307 to 261, while the number of injuries increased by 71 percent from 58 to 99.

This trending could be interpreted as negative as in a high performing positive health and safety culture, total reported incidents are maximised to extract and apply lessons for continuous improvement, and injuries and illnesses are continually reduced. However further analysis suggests this is not necessarily so; the following is intended to assist further understanding.

Events by Person Type and Event Type



Commentary

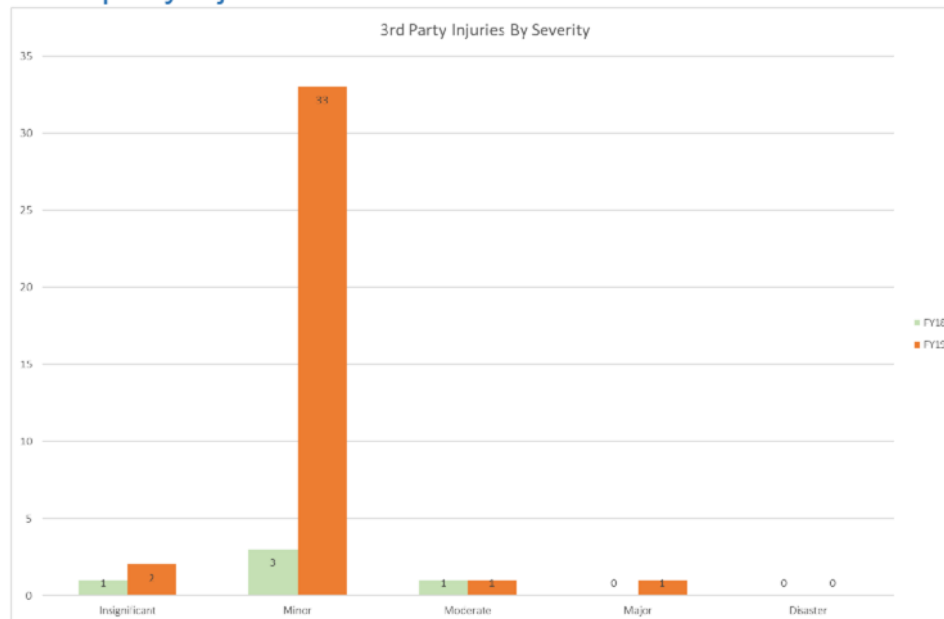
Most of the variation between FY18 and FY19 is accounted for in the third party person category.

Third party injuries increased by a factor of seven, and are further analysed below.

In the employee person category, the total number of events on record are virtually the same across the two years. Employee injuries increased 15 percent from 52 to 60 and are further analysed below.

Appendix 2

Third party injuries



Commentary

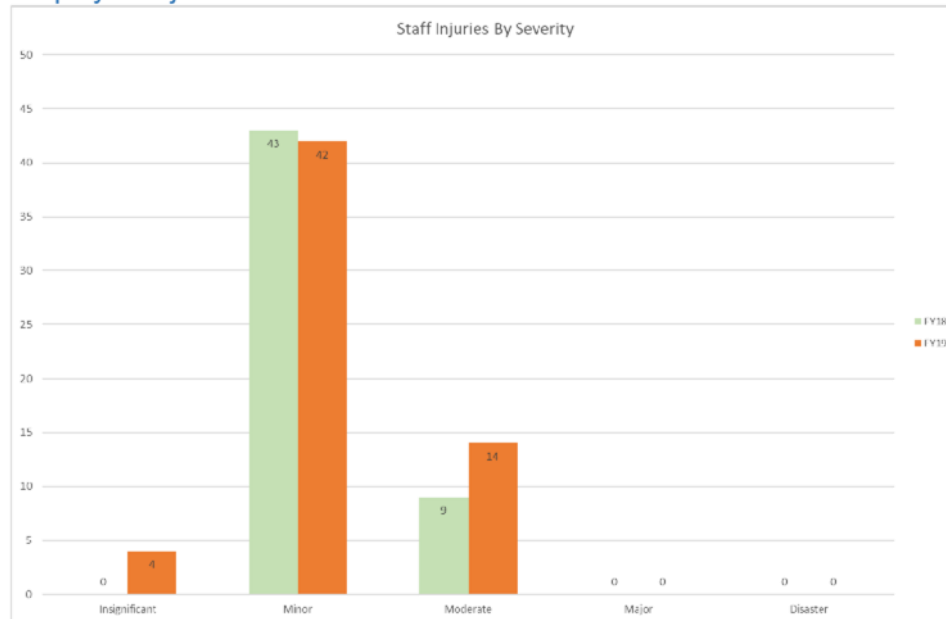
The greatly increased total number of third party injuries from FY18 to FY19 was virtually all accounted for in the 'minor injury' category. Over the same period the number of events recorded as incidents i.e. non-injury events, dropped by over half from 134 to 61, suggesting that some shift across types from incident to injury may have occurred.

If that assumption is correct, frontline staff being more aware of and reporting minor injuries resulting from an event to a third party is a sign of a positive culture.

The third party major injury involved a member of the public who suffered a fractured leg after stepping into a hole at Otaihangā Domain. The hole was left exposed when event organisers lifted a loose permanently fixed bollard out of the ground for vehicular access. Corrective actions included checking and re-securing loose permanently fixed bollards, improved event organiser information, and more robust controls for the safe temporary removal of lockable access bollards.

Appendix 2

Employee Injuries



Commentary

There were no injuries to staff that were classified as above moderate. Compared to FY18 minor injuries were virtually unchanged in FY19, but moderate injuries were up from 9 to 14. Of the 14, 8 were attributed to bodily stressing / overexertion, 2 falls on the same level, 2 dog bites, 1 laceration from a powered hand tool, and an insect sting.

10 CONFIRMATION OF MINUTES

10.1 CONFIRMATION OF MINUTES - 30 MAY 2019

Author: Joy Murray, Democracy Services Advisor

Authoriser: Leyanne Belcher, Democracy Services Manager

RECOMMENDATIONS

- 1 That the minutes of the Audit and Risk Committee meeting held on 30 May 2019 be adopted as a true and correct record.**

APPENDICES

1. Confirmation of Minutes - 30 May 2019

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

MINUTES of a meeting of the **Audit and Risk Committee**, held in the Council Chambers, Ground Floor, 175 Rimu Road, Paraparaumu, on **Thursday, 30 May 2019**, commencing at 10am.

PRESENT:	Cr	M	Cardiff	Chair
	Cr	J	Cootes	
	Mayor	K	Gurunathan	
	Cr	M	Scott	
	Cr	F	Vining	Deputy Chair
	Mr	G	Simpson	Appointed Member (Independent)
	Mr	W	Tuck	Appointed Member (Independent)
IN ATTENDANCE:	Mr	W	Maxwell	Chief Executive
	Mr	M	de Haast	Group Manager Corporate Services
	Mr	J	Jefferson	Group Manager Place and Space
	Mr	S	Mallon	Group Manager Infrastructure Services
	Mrs	J	McDougall	Group Manager People and Partnerships
	Ms	N	Tod	Group Manager Regulatory Services
	Ms	D	Andrew	Organisational Development Manager
	Ms	A	Horn	Manager, Financial Accounting
	Mr	T	Power	Senior Legal Counsel
	Ms	J	Straker	Chief Financial Officer
	Ms	K	Wheeler	Building Team Manager
	Mrs	J	Nock	Executive Secretary
	Ms	S	Foote	Democracy Services Coordinator
	Ms	J	Murray	Democracy Services Advisor
	Mr	S	Bickers	Procurement Advisor
	Mr	G	Butler	Risk Management Advisor

The Chair welcomed everyone to the meeting and declared the meeting open.

ARC 19/05/120

(a) Apologies

There were no apologies.

(b) Declarations of Interest Relating to Items on the Agenda

There were no declarations of interest.

ARC 19/05/121

PUBLIC SPEAKING TIME

There were no public speakers.

ARC 19/05/122

MEMBERS' BUSINESS

- (a) Public Speaking Time Responses
None required.

- (b) Leave of Absence
There was no leave of absence.

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

- (c) Matters of an Urgent Nature
There were no matters of an urgent nature.

ARC 19/05/123

PRESENTATION: Weathertight Claims

Katharine Wheeler, Building Team Manager spoke to a presentation covering:

- Leaky homes;
- Government response;
- KCDC current state; and
- Future claims.

Ms Wheeler and Tim Power, Senior Legal Counsel responded to Members' questions.

Members gave their concerns around changes the High Court had made in terms of timelines and how potentially a number of buildings would now be open for leaky home resolution claims.

It was advised that even though there was potential liability there was no certainty of liability so there was nothing to capture. The Council was aware of these concerns and would continue to monitor and understand what the implications may be but believed it was a sector-wide issue.

In respect of the Limitation Act, which effectively extended the scope of buildings, it was not considered practical to establish just how many more buildings within the District were within scope of potential buildings that could be subject to a claim.

The Chair thanked Ms Wheeler for the presentation.

ARC 19/05/124

PRESENTATION: Procurement Improvement Plan

Steve Bickers, Procurement Advisor, introduced himself and spoke to a presentation that included procurement:

- functions assessed;
- improvements;
- achievements so far;
- challenges; and
- next steps.

Members' questions were responded to.

The Mayor left the meeting at 10.44am and returned at 10.44am.

It was clarified that Mr Bickers, as the Council's Procurement Advisor, will remain with the Council for the next year to ensure guides, templates and improvements are in place, including coaching and training staff.

The Chair thanked Mr Bickers for the presentation.

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

ARC 19/05/125

RISK MANAGEMENT – BUSINESS ASSURANCE UPDATE (Corp-19-801)

The report was taken as read and Garry Butler, Risk Management Advisor gave an overview of changes in the Risk Register and the Business Continuity Programme and together with Jacinta Straker, Chief Financial Officer responded to Members' questions.

Cr M Scott left the meeting at 11.09am and returned at 11.10am.

Members were advised that:

- an internal audit programme was being looked into;
- internal improvements continue around a tax compliance programme;
- PricewaterhouseCoopers (PwC) will attend a future Audit and Risk Committee meeting to give an update on risks around tax;
- fraud awareness was ongoing and training is planned for next year;
- iwi engagement/relationships continues to be reviewed and will be brought back to Members when a paper is finalised; and
- recognition associated around building and property maintenance would be clarified more clearly in the section under Asset Investment Decisions.

Mayor left the meeting at 11.15am and returned at 11.17am.

In regard to the Paraparaumu Wastewater Treat Plant Consent, Members requested an update on the challenges.

MOVED (M Scott/Mayor)

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

CARRIED

ARC 19/05/126

UPDATE ON KEY 2017/2018 AUDIT FINDINGS (Corp-19-809)

Anelise Horn, Manager, Financial Accounting introduced the report which was taken as read.

MOVED (M Scott/Mayor)

That the Audit and Risk Committee notes the progress update in regards to Ernst & Young's Report on Control Findings for the year ended 30 June 2018 and that Ernst & Young will reassess these as part of their control findings for the year ended 30 June 2019.

CARRIED

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

ARC 19/05/127

QUARTERLY TREASURY COMPLIANCE REPORT (Corp-19-802)

Ms Horn gave a brief summary of the report and together with Ms Straker responded to Members' questions.

Members acknowledged the extraordinary work the finance team had done in terms of the green line and reporting and keeping Councillors fully aware of not only what had been happening but also the details behind them.

MOVED (M Scott/Cardiff)

That the Audit and Risk Committee notes that the Council was fully compliant with its Treasury Management Policy for the quarter ended 31 March 2019.

CARRIED

ARC 19/05/128

HEALTH AND SAFETY QUARTERLY REPORT: 1 January 2019 – 31 March 2019 (CE-19-790)

The report was taken as read and Dianne Andrew, Organisational Development Manager responded to Members' questions

Additional updates to the report were:

- Emergency Evacuation drills – the Council had now received confirmation through the Consultant's report that the Civic building, Paraparaumu Library and Maple building emergency evacuation plans had been lodged and approved with Fire and Emergency New Zealand and the Te Newhanga Community Centre and Ōtaki Library and Hall were in the process of awaiting confirmation.
- Risk Management – the critical risk bowtie analysis pilot workshops had now been completed.

MOVED (Tuck/Vining)

That the Audit and Risk Committee notes the Health and Safety Quarterly Report for the period 1 January 2019 – 31 March 2019 attached as Appendix One to Report CE-19-790.

CARRIED

ARC 19/05/129

CONFIRMATION OF MINUTES – 28 February 2019

MOVED (M Scott/Mayor)

That the minutes of the Audit and Risk Committee meeting held on 28 February 2019 be adopted as a true and correct record.

CARRIED

The Chair, on behalf of everyone, gave a special mention to Warwick Tuck who was attending his last Audit and Risk Committee. Mr Tuck gave his thanks.

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

ARC 19/05/130

PUBLIC EXCLUDED RESOLUTION**MOVED (Mayor/M Scott)****That the Audit and Risk Committee move into a Public Excluded meeting:**

PUBLIC EXCLUDED RESOLUTION		
<p>That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting (with the exception of Community Board representatives) for the reasons given below, while the following matters are considered:</p> <ul style="list-style-type: none"> • Update on Statutory Compliance Issues, Investigations and status of Council Bylaws 1 January 2019 to 31 March 2019 (Corp-19-780) • Confirmation of Public Excluded Minutes – 28 February 2019 <p>The general subject of each matter to be considered, while the public are excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987, for the passing of this resolution are as follows:</p>		
General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
Update on Statutory Compliance Issues, Investigations and status of Council Bylaws 1 January 2019 to 31 March 2018 (Corp-19-780)	<p>Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</p> <p>Section 7(2)(g) – maintain legal professional privilege</p>	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.
Confirmation of Public Excluded Minutes – 28 February 2019	<p>Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</p> <p>Section 7(2)(g) – maintain legal professional privilege.</p>	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

The Audit and Risk Committee moved into a public excluded session at 11.58am.

The Audit and Risk Committee came out of public excluded session at 12.19pm.

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 30 MAY 2019	10.00AM

The following report, appendices C and D and resolutions were released from the public excluded part of the meeting:

UPDATE ON STATUTORY COMPLIANCE ISSUES, INVESTIGATIONS AND STATUS OF COUNCIL BYLAWS 1 JANUARY 2019 TO 31 MARCH 2019 (Corp-19-780)

MOVED

That the Audit and Risk Committee:

note that there was no statutory non-compliance with the 'key' acts identified in the third quarter of the 2018/19 year;

note the current status of Ombudsman and Privacy Commissioner investigations, official information requests, bylaws and litigation;

agree that this report, appendices (C) and (D) and resolutions only be released from public excluded business; and

agree that appendix (A) and (B) be excluded from public release.

CARRIED

The Audit and Risk Committee meeting closed at 12.19pm.

.....
Chairperson

.....
Date

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

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Annual Tax Update	Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
11.2 - Update on Statutory Compliance Issues, Investigations and Status of Council Bylaws 1 April 2019 to 30 June 2019	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

11.3 - Confirmation of Public Excluded Minutes - 30 May 2019	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
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