



Carterton District Council
Audit and Risk
Committee Meeting

22 March 2017



AGENDA

**The Agenda of the Audit and Risk Committee Meeting
of the Carterton District Council to be held at the
Hurunuiorangi Room, Carterton Event Centre on
Wednesday 22 March 2017 at 10.00am**

1. **Apologies**
2. **Conflict of Interest Declaration**
3. **Public Forum**
4. **Notification of General Business / Late Items**
5. **Health and Safety Report – *page 1 - 36***
6. **Risk Management Framework – *page 37 - 52***
7. **Draft Management Letter, 2015/2016 Annual Report - *page 53 - 98***
8. **Management Letter, Long Term Plan – *page 99 - 115***
9. **General Business/Late Items**

Peter Rickman
Human Resource Manager



15 March 2017

1st September 2016 – 31 March 2017 Health and Safety report

1. PURPOSE OF THE REPORT

To present to the Committee an approach for on-going reporting of Health and Safety matters, and to update the Committee on recent health and safety activities.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be significant under the Council's Significant and Engagement Policy.

3. BACKGROUND

The Health and Safety at Work Act came into effect in April 2016. Under the Act Councillors are "officers" of a Place Conducting a Business or Undertaking (PCBU). As such, Councillors must exercise due diligence. This means making sure that the organisation has appropriate systems and is actively monitoring and evaluating how health and safety is managed within the organisation.

Regular reports to this Committee will assist Councillors to meet their obligations under the Act. Some reporting will also be made to the full Council.

4. PROPOSED HEALTH AND SAFETY REPORTING

4.1 Health and Safety – driving continuous improvement (proactive actions)

The following is an example of the data that will be collected and reported relating to the proactive actions that have been, or are being, undertaken.

H & S Induction	H & S Training	Catching our people doing the right thing	Health & Wellness
<ul style="list-style-type: none"> H&S induction approved and trialed on new staff member. To be rolled out to all council managers. New Forms Book requires all new staff to sign the Health and Safety Policy. 	<ul style="list-style-type: none"> Managers and Health and safety committee attended training on hazard identification and risk assessment. All staff offered training on "dealing with difficult people" and first aid training. 7 operations staff attended elevated work platform training. 4 operations staff attended fall arrest training. 3 operations staff attended first aid refresher training. Three staff have been enrolled on a Health and Safety Accident Investigation course in late March. Four addition staff will attend First Aide Refresher training. 11 staff have requested Essential First Aid training. 	<ul style="list-style-type: none"> Managers in Operations did a great job in leading discussions with contractors on health and safety obligations and risk management. Further sessions will be planned. Follow up actions reported below in "Working with our Contractors" 	<ul style="list-style-type: none"> Flu injections, eye tests and EAP offered to all staff. The introduction of beehives at the wetlands will necessitate the purchase of an Epi Pen as one staff member is highly allergic to bee stings. The Pen will be kept in the office at the waste water plant.

4.2 Proactively keeping our community safe

In these reports the Committee will be told about actions undertaken to ensure those coming into contact with Council activities or facilities are kept safe. The following is a summary of our actions to date.

Operations staff are well aware of their obligations to keep the public safe when they are working in any public space including flower beds and parks.

Trees are regularly checked according to a schedule and any damaged or rotting branches are pruned.

When gardens are maintained traffic management plans are presented and approved to ensure the safety of staff and members of the public, particularly when work is undertaken on SH2.

4.3 Resourcing

The Committee will be told about any resourcing issues, new resources or changes to resources that have been made.

There are no resourcing issues at this time.

4.4 Health and Safety - Lag indicators

Lag indicators show a company's incidents in the form of past statistics. The following indicators will be used as a basis for ongoing reporting to the Committee.

Since the 1st of September 2016:

- Two near misses have been reported
- Two non-injury accidents, one relating to a Contractor, have been reported
- 10 accidents resulting in injury have been reported with three of these formally investigated by two independent staff

None of the accidents resulted in the staff involved having time off and none were considered to be notifiable events.

Those that were investigated have resulted in a series of recommendations all of which have either been implemented or are under active consideration.

All accident and near miss reports have been referred to the Health and Safety Committee and Management who are satisfied that the appropriate actions have been taken and where necessary appropriate additional controls have been put in place.

- 176.5 days sick leave taken, averaging 3.04 days sick leave taken per staff member over the nearly six month period
- One staff member left during period since September last year.

The staff member who left was involved in two accidents, one of which was formally investigated. Following the investigation an issue arose about the role of the staff member's behaviours in and after the accident. As a result that staff member was asked to undertake some medical tests. The person refused and instead decided to resign.

4.5 Health and Safety strategy

The Committee will, at each meeting, be updated on the implementation of the Council's Health and Safety Strategy. The Strategy is in Attachment 1.

The implementation to date is:

- Continued good progress with health and safety work plan which is regularly reviewed by the Health and safety Committee and progress checked. At a recent meeting the Health and Safety Committee reconsidered the work plan (see attachment 2) and work is underway to look at next steps and allocate responsibilities as well as clearly indicating those areas that are complete.

- A hazardous substances register has been compiled for Council. The Operations Team Leader and Manager are considering options for removing the more hazardous substances from use. A follow up meeting will be scheduled to check on progress.

4.6 Engaging with our people

The Health and Safety Committee have been meeting regularly and:

- Near miss, accident and hazard reporting forms, hazard identification and investigation forms have been approved, and are in use.
- Revised and signed off hazard registers for the Office, Events Centre and Library, Holiday Park and Swimming Pool. The committee are continuing to work on recommending and implementing controls.
- Reviewed and approved housekeeping checklists for teams to complete on a regular basis.
- Continue to roll out initiatives for encouraging our people to talk about health and safety and report what is happening, such as suggestion boxes.
- Reviewed a safe driving policy for roll out to all staff.
- Undertook investigations into accidents and made recommendations for improvement.

4.7 Working with our Contractors

The Committee will continue to be provided reports on any relevant activities with contractors.

Contractors we work with attended sessions on the Health and Safety at Work Act, contractor obligations and working with council. Feedback was positive, next steps being council staff who engage contractors working with contractors to ensure:

- They have a health and safety system.
- Their people and the people they sub-contract are competent to do the job.
- Any equipment they bring on site is safe and maintained.
- They know what the risks are and they manage them.
- They talk to other PCBUs on sites they are working on.
- They talk to Council about incidents and accidents and they share their learnings with us.

Following the contractors sessions on the Health and Safety at Work Act, contractors have been contacted to supply details of their health and safety system, and information to support:

- Their people and the people they sub-contract are competent to do the job.
- Any equipment they bring on site is safe and maintained.
- They know what the risks are and they manage them.
- They talk to other PCBUs on sites they are working on.
- They talk to Council about incidents and accidents and they share their learnings with us.

- Contractors are slowly sending in the information required and we continue to remind them of their obligations.
- Where the appropriate information has been provided Council staff who engage contractors are reviewing the material to determine our level of confidence with their health and safety systems.

5. RECOMMENDATIONS

That the Committee:

1. **Receives** the report.
2. **Notes** the health and safety activities described in this report.
3. **Agrees** that the reporting approach outlined in this report is acceptable for the on-going reporting of health and safety matters.

Peter Rickman
Human Resources Manager

Attachment 1: Health and Safety Strategy

Attachment 2: Updated Work Plan



Carterton District Council

Health and Safety Strategy

JANUARY 2016

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Glossary

Term	Meaning
ACC	Accident Compensation Corporation
ACOP	Approved Code of Practice
EM	Emergency Management
ET	Executive Team
H&S	Health and Safety
JSA	Job Safety Assessment
KPI	Key Performance Indicator
KRI	Key Risk Indicator
MBIE	Ministry for Business, Innovation and Employment
MCDEM	Ministry of Civil Defence and Emergency Management
MIS	Management Information System
MSDS	Materials Safety Data Sheet
OSH	Occupational Safety and Health
PCBU	Person Conducting a Business or Undertaking
PPE	Personal Protective Equipment
SOP	Standard Operating Procedure
TOR	Terms of Reference
WSMP	Workplace Safety Management Practices

Executive Summary

This document details a plan to ensure Carterton District Council's compliance with the Health and Safety at Work Act.

The H&S strategy has been developed with the following objectives in mind:

1. To provide a safe and healthy workplace for all Carterton District Council staff and workers
2. To ensure the organisation's compliance with the new health and safety at work legislation

The strategy supports the expectations of the Health and Safety at Work Act – coming into effect 4 April 2016 – in particular the duty of care required to be demonstrated by Persons Conducting a Business or Undertaking (PCBU).

Deliverables will include

1. A staff induction manual
2. A Health and Safety Procedures manual
3. Hazard Registers
4. Standard Operating Procedures
5. Training Plans
6. Templates for reporting and investigating hazards, accidents and incidents
7. Processes to consult, cooperate and coordinate activities with other duty holders
8. Documented accountabilities
9. Templates for monitoring performance.

A key principle for all of these documents will be they are written in plain English, easy to use.

Specific benefits have been identified and will be measured, as below.

Benefits

1. Measurably improve staff engagement, indicating a caring culture that is more likely to look after fellow workmates
2. Measurably improve productivity, e.g. reduced sick leave, no personal grievances, no downtime due to injury
3. Reduce the chance of prosecution

Measures of progress

1. No turnover due to Health and Safety issues
2. Reduced unplanned absenteeism
3. No lost-time injuries sustained at work
4. Faster return to work of injured employees
5. Improved productivity

6. Improved reporting of hazards, incidents and accidents by staff, volunteers and contractors
7. No provisional improvement notices or prohibition notices
8. An appreciable improvement in the organisation's safety culture, using MCG's Safety Culture Maturity Assessment to measure progress.

Implementation progress will be monitored by the Health and Safety Committee.

The strategy will be reviewed and updated by March 2017.

By this time, the new Health and Safety at Work Act will have been enacted in April 2016 and WorkSafe New Zealand, the Crown agency charged with ensuring compliance, is likely to have issued further guidance on maintaining safe and healthy workplaces in the form of regulations and Approved Codes of Practice (ACOPs). While the ACOPs aren't statutorily enforceable, they do describe 'good practice' and may be regarded by the courts as the minimum standard for 'all reasonably practicable steps'.

Introduction

Our environment

Carterton District Council (CDC) extends from the middle of the Tararua Ranges to the east coast, encompassing nearly 118,000 hectares with a ratepayer base of 7000.

The district has experienced moderate growth over the last few years. Over a third of the economy is reliant on the agricultural and forestry sector, but the area has also experienced growth in manufacturing and the self-employed.

CDC is a lean organisation of 46 FTEs, employing around 54 staff. Services that are provided include:

- Rural roads, streets and footpaths
- Rubbish and recycling
- Library
- Events Centre
- Information Centre
- 3 waters – supply, waste and storm
- Licencing and consenting
- Parks and reserves
- Community services and events
- Animal control.

Council also employs casual staff to maintain the parks and reserves. Waste management is contracted out to Earthcare Environmental, while Roading is overseen by Masterton District Council.

CDC and its neighbouring district councils – South Wairarapa and Masterton – have challenges delivering the range of services its ratepayers might wish for, because of their comparatively small ratepayer base. The three councils have a history of successfully collaborating in a number of areas, to maximise the return on the ratepayer dollar.

While the plan to amalgamate the three Wairarapa councils with councils across the greater Wellington region has been abandoned, amalgamation of the three councils remains a live issue in the belief there are further economies of scale to be obtained, for the benefit of all ratepayers.

Given the number of employees, there is no specialist human resource management or health and safety function in the business: rather it is an adjunct to a manager's portfolio of responsibilities.

There are currently some systems or processes that are documented or in place, however not all are fully implemented across the whole organisation. As a consequence, there is not full assurance that Carterton District Council is maintaining a safe and healthy workplace as it should to be compliant with the Health & Safety at Work Act.

CDC has recently employed a new chief executive. While still new in the role, she has identified a key priority to ensure CDC meets its obligations under the new Health and Safety at Work Act.

This strategy aims to provide the structure to facilitate this.

PCBU's responsibilities

The Health and Safety at Work Act creates the concept of a PCBU – or Person Conducting a Business or Undertaking. Put simply, a PCBU is an entity that creates a workplace.

The PCBU has a primary duty of care to keep safe its employees, contractors, sub-contractors and their employees, and anyone else who comes into contact with the organisation's activities.

The Health and Safety at Work Act also imposes new and strict obligations on persons who have the ability to influence or control a work place. Under the Act, office holders of a council's governing body, who have been elected under the Local Electoral Act 2001, may not be fined for failing to undertake due diligence or ensuring the organisation maintains a safe workplace.

However, Carterton District Council's CEO is an officer of the PCBU and therefore responsible for the obligations of the PCBU for the purposes of the legislation. This includes a requirement to conduct ongoing due diligence to assure herself that she is "taking reasonable steps":

- a) to acquire, and keep up-to-date, knowledge of work health and safety matters; and
- b) to gain an understanding of the nature of the operations of the business or undertaking of the PCBU and generally of the hazards and risks associated with those operations; and
- c) to ensure that the PCBU has available for use, and uses, appropriate resources and processes to eliminate or minimise risks to health and safety from work carried out as part of the conduct of the business or undertaking; and
- d) to ensure that the PCBU has appropriate processes for receiving and considering information regarding incidents, hazards, and risks and for responding in a timely way to that information; and
- e) to ensure that the PCBU has, and implements, processes for complying with any duty or obligation of the PCBU under this Act; and
- f) to verify the provision and use of the resources and processes referred to in paragraphs (c) to (e).¹

In other words, the officers of the PCBU have a proactive duty, and are required to verify that they have an operational health and safety management system that is capable of preventing harm from occurring.

PCBUs are also required to consult, cooperate and coordinate activities with other PCBUs where they have matters in common.

Figure 1: Council's shared responsibilities



¹ 44(4)(f), Health and Safety at Work Act 2015

Under the proposed legislation, the duty of care cannot be contracted out. The Council (as the PCBU) and its officers have a duty of care to each party. Conversely, they need to confirm that the hazards and risks brought on to Council-operated sites by others, do not present a risk. They therefore require robust systems and processes to assure health and safety compliance across the stakeholder network.

One-page strategy

In November 2015, Major Consulting Group Ltd (MCG) was retained to develop this health and safety strategy and work plan to map out a pathway toward compliance. The health and safety strategy is key to demonstrating an understanding of the issues that require attention.

The Act makes it clear that key systems are required in order to be compliant, and MCG's assessment framework below was used to develop Carterton District Council's health and safety strategy and work plan.

Figure 2: MCG's Health and Safety Assessment framework⁶



The Health and Safety Strategy Map on the next page provides an overview of Carterton District Council's key opportunities, strategic objectives and initiatives. The following sections describe the strategic initiatives to be undertaken to ensure Carterton District Council meets its health and safety obligations.

Figure 3: Health & Safety Strategy Map



Health and Safety Strategic Plan

A small organisation, Council has a number of health and safety initiatives in place. This plan is designed to put structure around those initiatives to ensure they are indeed effective in keeping people safe and are meeting the organisation's compliance obligations.

An overarching Health and Safety Vision will be developed in consultation with staff to start our journey.

We will also undertake the following key initiatives.

Organisational Environment

Background

Various policies and organisational systems are critical to demonstrate and support the organisation's commitment to a healthy and safe workforce.

Objectives

To demonstrate the organisation's commitment to maintaining a safe and healthy workplace by documenting our Health and Safety (H&S) expectations, enabling us to identify and acknowledge safety behaviours and hold people to account.

Key initiatives

The organisation will review and refresh all the health and safety policies and procedures, including:

- Our over-arching health and safety policy
- Key definitions, including of "significant hazards", incidents and near misses
- Hazard reporting and management procedures
- Incident reporting and investigation procedures
- Safe driving
- Wearing PPE
- Procurement and engagement with third parties
- Fatigue and stress management policy
- Bullying and harassment policy
- Drug and alcohol policy
- Wellness policy
- Change control procedures
- Return to work policy and procedure.

The policies will be founded on an assessment of the respective risks and have regard for emerging Approved Codes of Practice (ACOPS). They will be written to reflect a collaborative approach to ensuring we keep each other safe while seeking to impart a sense of urgency to act promptly wherever a risk is identified. The outcome will be a revised and engaging health and safety manual with easy to follow procedures. The launch of the refreshed policies will be undertaken in a manner that grabs people's attention and secures their commitment, with training provided on how to use the systems and processes.

Key safety competencies will be identified and documented in position descriptions, enabling a training plan to be developed and monitored.

Council's performance management framework and reward and recognition systems will be reviewed to ensure they support the expected behaviours.

Measures of success

Success will be measured by:

1. Demonstrable understanding by Council staff of the Council's health and safety expectations, evidenced by MCG,s Safety Culture Maturity Assessment
2. Demonstrable commitment by management, staff and contractors to adhere to the organisation's safety expectations, as evidenced by the results in the performance management reviews
3. No lost-time injuries by staff or contractors working for Council
4. No successful personal grievances relating to Health and Safety issues
5. Improvement in the Safety Culture Maturity Assessment responses recorded by staff.

Hazard and Risk Management

Background

The health and safety legislation requires us to understand the risk of something occurring (i.e. likelihood) as well as the consequence.

It is appropriate that we confirm we have identified all hazards and assessed their significance and appropriately mitigated the risk. This includes the hazards and risks to health and safety in the office, out in the field, including driving on the road, or other Council owned and operated facilities. It should also include an assessment of the risks that visitors and contractors might pose to our staff. This should then inform the induction that is provided to those stakeholders and our staff.

Objective

To ensure our workers and visitors are safe when on Council worksites.

Key initiatives

All workers will be encouraged to continue to report hazards.

Carterton District Council will involve key job holders in conducting a baseline assessment of Council hazards and risks. The information will be captured in the hazard registers, which will identify their significance and also identify the best way to mitigate the risk as informed by ACOPs or industry best practice guidelines.

Council will develop and implement processes and systems to ensure hazards are promptly reported and all stakeholders understand the hazards and how to mitigate them.

The processes for reporting hazards will be documented and advised to all staff. An escalation process will also be documented, ensuring hazards related to third parties are identified and appropriately managed.

We will develop mechanisms to enable contractors and sub-contractors to report hazards and risks.

Appropriate training will be provided to key managers to help them to understand and fulfil their hazard management duties.

Council will put in place a process to conduct regular house-keeping checks to ensure the Council work environments remain safe.

Health and Safety Committee members will be involved in the process as subject matter experts, playing an active role in helping to share knowledge with other staff.

Measures of success

Success will be measured by:

1. A comprehensive hazard register for all sites
2. A risk assessment completed on all hazards
3. Appropriate mitigations communicated to staff
4. Increased reporting of hazards
5. A reduction in the number of incidents and accidents
6. No successful personal grievances or claims of bullying.

Worker Engagement & Participation

Background

The Health and Safety at Work Act has an emphasis on worker involvement in identifying and managing health and safety risks, and promoting a healthy and safe work environment. WorkSafe NZ is developing an ACOP which will give guidance on what is regarded as 'all reasonably practicable steps' with respect to appropriate worker participation.

Objective

To engage staff and contractors in actively managing Carterton District Council's health and safety risks.

Key initiatives

The Health and Safety Committee will be refreshed. A charter will be developed, to include the following responsibilities:

- Monitoring the implementation of the Health and Safety work plan
- Ensuring workplace hazards are identified and mitigated, promoting the reporting of hazards amongst colleagues
- Monitoring trends in health, incidents and accidents and overseeing the development of initiatives to improve health and safety

- Auditing hazards and their mitigations at least annually
- Engaging staff in supporting a safe and healthy work environment
- Overseeing the development and implementation of systems and processes to assist in assuring the health and safety of others who come into contact with Council's activities, including contractors and the general public
- Developing the business case to support unbudgeted expenditure on health and safety initiatives.

Information will be provided to the committee to enable them to understand the specific risks and develop innovative solutions to eliminate or minimise the risks. Members will be encouraged to assist Management in leading the implementation of improvement measures.

In addition to the Health and Safety Committee charter, staff job descriptions and the health and safety policy will emphasise every worker's responsibility to promote a healthy and safe work environment.

Health and safety will also be regularly included on Management and team meeting agendas to encourage greater safety awareness amongst staff and contractors, and engagement in proactively identifying and resolving health or safety concerns. These discussions will be minuted.

Measures of success

Success will be measured by:

1. More comprehensive reporting of health & safety issues
2. Evidence of regular discussions with staff on health and safety matters
3. Demonstrably active Health and Safety Committee
4. Improvement in the Safety Culture Maturity Assessment responses recorded by staff.

Business Processes

Background

Business processes are required to demonstrate that Carterton District Council is consulting, cooperating and coordinating activities with other PCBUs to keep people safe. In Council's case, that would include contractors and sub-contractors employed to manage Council facilities, develop infrastructure or maintain the assets and carry out services on the Council's behalf or using its facilities.

The new legislation does not allow the organisation to contract out management of health and safety risks, but requires officers to be able to demonstrate that they understand the risks to which their workers and others might be exposed and have taken appropriate action. Accordingly, reporting protocols need to be contractually established.

Induction processes for staff and contractors should ensure they understand the hazards and how to mitigate them, and how to report any new hazards. Further, the application and selection processes should have reference to safety competencies that have been identified for each particular role.

Objectives

1. To provide evidence of consultation, cooperation and coordination of activities with third parties over shared matters to reduce the risk of harm to staff and others

2. To verify workers are competent to work safely
3. To ensure the organisation has robust emergency management plans for all scenarios.

Key initiatives

Contracts with third parties will be reviewed and updated to ensure there is a collective and contractual approach to managing health and safety risks. As a minimum, they will define the responsibilities and communication mechanisms, and indicate acceptable response times for managing degrees of hazard.

Council will review its' contractor pre-qualification processes to verify that those appointed are competent to work safely. A further process will be developed and implemented to ensure it maintains oversight of their contractors, ensuring they remain competent to work safely and keep themselves and others safe and holding them to account for any failures.

Recognising that some contractors may have good systems while others may have none, Carterton District Council's pre-qualification process will identify contractors' risk profile. Where required, Council may develop fit-for-purpose processes to enable their contractors to manage their collective risks. Training will be provided to contractors if required so they understand their obligations.

Processes will be established to consult, cooperate and communicate with Council tenants, the landlord and respective property manager as appropriate, to ensure hazards are promptly communicated and mitigated.

Council will review their procurement procedures to ensure health and safety considerations, as well as price, are taken into account when deciding the most appropriate supplier.

To help demonstrate that Council staff are competent to work safely, Council will identify and document the safety competencies required for each role. Training will be delivered by appropriately qualified personnel and in a manner that will confirm the trainee's understanding of the learning material. Records will be kept to enable the Carterton District Council to identify who has been trained and who requires refresher training.

Council's job application and selection processes will be reviewed and updated to ensure they address the safety competencies of the particular roles.

Induction processes will be updated for staff and contractors to ensure each person has an understanding of:

- The workplace hazards and their mitigations
- The reporting processes for new hazards
- Carterton District Council's health and safety policies and procedures.

Finally, a review will be undertaken of all potential emergencies and emergency plans will be developed in consultation with the relevant emergency systems. Communication protocols will be developed to ensure staff are informed and supported during and after emergency events. Emergency evacuation trials will be undertaken to ensure processes are sufficient to mitigate communication problems.

Measures of success

Success will be measured by:

1. No incidents or accidents in the office, in vehicles, or at other Council-controlled facilities
2. No incidents or accidents arising from goods or services supplied by third parties
3. All staff confirming in writing their understanding of Council's health and safety policies and procedures
4. Legislative compliance
5. Positive feedback from relevant emergency services on the effectiveness of Carterton District Council's emergency management processes

Accident and Incident Management

Background

Carterton District Council has an obligation to promptly act to eliminate or minimise risks of harm. One of the officers' due diligence obligations under the legislation is to ensure there are effective processes to receive and consider information, such as accidents and incidents, hazards and risks, in a timely manner.

While all accidents are by definition an 'incident', incidents are generally regarded as 'near misses' or near hits. Research suggests three incidents, or near misses, are a precursor to an accident.

The new Act requires certain events to be notified to the regulator, which includes incidents that could expose one to imminent or immediate serious illness, injury or death, i.e. not actually cause harm.

It is important therefore to ensure that all near misses as well as accidents are reported and investigated to get to the root of the cause. The outputs of the investigations should include a set of actions and responsibilities to mitigate further risk.

Objective

To ensure all accidents and incidents are promptly reported, fully investigated, and learning is incorporated into injury prevention initiatives.

Key initiatives

The accident and incident reporting procedures will be updated and communicated to all staff and contractors. Key elements will include:

- Centralised overview and accountability
- An escalation process
- Investigation by trained personnel
- Process to notify WorkSafe NZ of "notifiable events"

In addition to reporting accidents or incidents that occur at Carterton District Council workplaces, contractors will be required to report any accidents or incidents that they are involved in on other sites they are working on, including the outcome of any investigation. The aim is to ensure Council has access to any learning that comes out of such incidents.

Accident and incident registers will be maintained for each site. Key staff will be trained in conducting investigations to identify the root causes of incidents or accidents. They will be required to recommend remedial action to be promptly taken to minimise the risk of recurrences.

The Health and Safety Committee will receive the investigation reports as well as summary trend information to help identify injury prevention or wellness initiatives to be implemented.

Measures of success

Success will be measured by:

1. No injuries sustained while at work
2. Hazard registers updated with learnings from incidents
3. Staff understand new risks and how to keep themselves safe
4. No health and safety issues reported in exit interviews

Monitoring and Reporting

Background

The officers of the PCBU are required to satisfy themselves that health and safety risks are being managed, that staff are taking the expected actions to keep themselves and others safe. The PCBU officer's due diligence obligation includes a requirement to verify that the organisation is compliant with the legislation and relevant regulations.

Objective

To enable the Council and management to understand how well the health and safety risks are being managed, and drive continuous improvement in creating a healthy and safe workplace.

Key initiatives

Safe operating procedures will be documented, with training provided and compliance monitored.

Senior Managers will periodically visit sites to satisfy themselves that the safety systems are working and resourcing is being applied and used to support safety and compliance. They will be supported with a checklist to complete that can then be copied to third parties as appropriate. This system will assist in providing an audit trail that demonstrates how Council is consulting, cooperating and coordinating activities with others.

Key risk indicators (KRIs) will be identified and monitored to focus proactive interventions to improve Council's health and safety risk profile. Examples of KRIs could include:

- Unplanned absenteeism
- EAP (Employee Assistance Programme) usage (could point to lack of resilience)
- Staff turnover (could point to bullying)
- Personal grievances (could point to poor job design)
- Speeding fines (could point to risky behaviour)
- Accidents and lost-time injuries (including vehicular)

There will also be visibility over contractors' key risk indicators, and action taken as appropriate.

Systems will be put in place to enable data to be captured to report on the KRIs and be provided to the Management Team each month. The Health and Safety Committee will also receive this information to enable the Committee to consider and recommend improvements to Council's health and safety systems and processes.

Regular reports will be provided to the CEO that confirm legislative compliance and highlight trends. Such periodic reporting of the KRIs will enable the organisation to chart health and safety improvements.

Measures of success

Success will be measured by:

1. **Observable compliance with Council's health and safety policy, processes and systems**
2. **Demonstrable compliance with the Health & Safety at Work Act requirements of PCBUs and officers**
3. **A measurable improvement in the KRIs**
4. **Improvement in the Safety Culture Maturity Assessment responses recorded by staff.**

Safety-Conscious Culture

Background

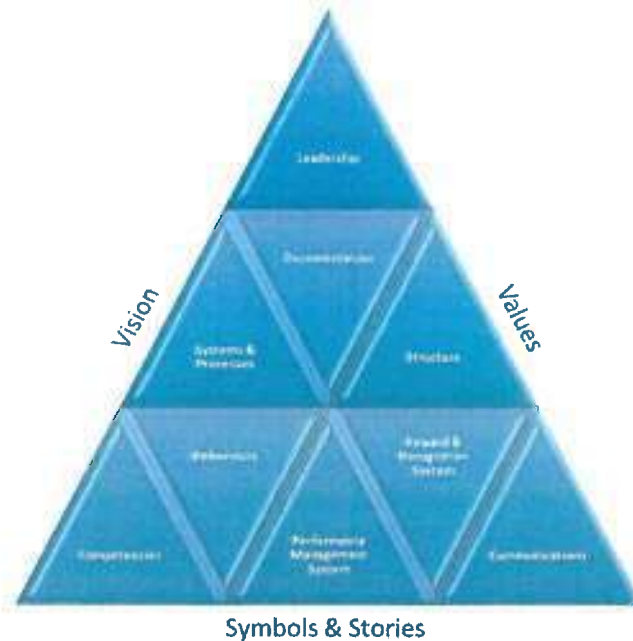
Ultimately, Carterton District Council cannot rely on ticking boxes or filling out forms to keep people safe.

Carterton District Council need to ensure the awareness of health and safety is translated into a genuine concern, so that actions are taken as a matter of course rather than simply to be compliant. It is generally accepted that creating a culture of continuous improvement will be more effective at mitigating risks, since it goes beyond mere compliance to create active engagement.

The diagram below depicts the various aspects that influence the culture of an organisation. Each aspect needs to be congruent with the other to ensure the "unwritten rules" of the organisation do not sabotage the overall intent.

Ultimately, with the right culture, it may be expected that staff will be proactive in applying the right behaviours to improve health and safety.

Figure 3: MCG's culture model



Objective

Carterton District Council to have demonstrable leadership, engagement, organisational commitment and the capacity and capability to maintain a healthy and safe work environment for staff and others who come into contact with the organisation's activities.

Key initiatives

Council will ensure the Health and Safety strategy is consistent with, and supports, the Council's vision and values. A Health and Safety Vision will be developed by the Health and Safety Committee to anchor the health and safety strategy.

The MCG Safety Culture Maturity Assessment will be conducted each year to confirm the systems and processes are effective in shifting the culture.

Carterton District Council will create a culture of awareness of health and safety throughout the organisation. Examples on achieving this includes:

1. Developing and publishing a universal safety policy
2. Senior leaders visible to staff and contractors, explaining and modelling expected safety behaviours
3. Health and Safety on the agenda in Management and staff meetings
4. A structured programme of wellness and initiatives
5. Socialising types of incidents being reported
6. Acknowledging and rewarding good Health and Safety behaviour.

Systems and processes will be aligned to achieve the objectives of the Health and Safety Vision, consistent with the organisation's values. Other organisational processes will also be aligned to support the desired culture.

Measures of success

Success will be measured by:

1. Active participation by staff and contractors in promoting safety and health throughout the organisation
2. Improvement in the Safety Culture Maturity Assessment responses recorded by staff.

Resources

Carterton District Council has overall accountability for the organisations' legislative compliance, signing off supporting policies and approving an appropriate budget.

The Chief Executive is accountable for ensuring compliance and implementing systems and processes to promote a safety culture. The Senior Management Team will assist to actively monitor the effectiveness of the strategy's implementation, providing advice and guidance as required.

The following resources have been committed to lead and support the implementation of the Health and Safety Strategy:

Role	H&S-Related Functions	Time Commitment
Chief Executive Officer	To ensure Carterton District Council has effective and compliant workplace safety management practices.	Full-time oversight
Health and Safety Committee TBC MCG, Health and Safety Consultant	To contribute to the development and implementation of initiatives and practices that promote a safe and healthy working environment.	Monthly meetings
Senior Manager TBC	To make available key resources to support the implementation of the H&S strategy. To chair Health and Safety Committee To support the Health and Safety Committee to continuously improve Council's H&S practices.	Full-time oversight ½ day per month
MCG Health and Safety Consultant	To develop and implement systems and processes that are compliant with New Zealand health and safety legislation, and support and promote the desired culture throughout the organisation. To act as secretary for the Health and Safety Committee. To oversee, monitor and report on H&S compliance across the organisation and third parties.	One day per week

Managers will actively demonstrate their commitment to the health and safety vision and facilitate the release of subject matter experts as required to develop the organisation's health and safety competencies.

All staff will be expected to support the development and implementation of specific initiatives, as appropriate.

Appendix 1 – Carterton District Council Health and Safety 12-Month Work Plan

The twelve-month work plan detailed below has been prioritised to develop a systemic cultural shift toward a safer and healthier workforce.

The key principle of involving staff and other stakeholders in the development of business processes is paramount, particularly with respect to identifying, mitigating and communicating hazards to staff in remote offices and extension managers working in the field. Supporting systems and processes will be developed following the same principle.

The work plan will be reviewed and updated by March 2017, informed by an updated health and safety compliance review.

Strategic Focus	Priority	Intended Start Date	Intended Completion Date	Resources	Implementation Accountability
Organisational Environment	Develop an annual health and safety strategy with clear objectives to make demonstrable improvements to the health and safety of staff. Develop and implement an annual health and safety work plan to give effect to the strategy. Confirm accountabilities and monitor implementation progress against agreed timeframes.	Dec-16	Feb-16	MCG Health and Safety Consultant	CEO
Worker Participation & Engagement	Refresh the health and safety committee, led by a manager, with volunteers representing staff across the organisation.	Feb-16	Mar-16	MCG Health and Safety Consultant, Manager, TBC	CEO, Managers
Worker Participation & Engagement	Develop a charter for the committee, providing a mandate to monitor the implementation of the health and safety strategy and guide the development of a safety-conscious culture.	Feb-16	Mar-16	MCG Health and Safety Consultant	CEO
Safety Conscious Culture	Develop a health and safety vision that is consistent with Council's vision and values.	Feb-16	Mar-16	MCG Health and Safety Consultant, Health and Safety Committee	Manager
Organisational Environment	Provide education for the Management Team, Health and Safety Committee and Councilors on the obligations under the new Health and Safety at Work Act.	Feb-16	Apr-16	MCG Health and Safety Consultant	CEO, Managers

Hazard & Risk Management	Develop and implement systems to enable hazards to be promptly reported, mitigated and communicated.	Feb-16	Apr-16	MCG Health and Safety Consultant	CEO, Managers
Business Processes	Ensure a sufficient number of trained first aiders are accessible to staff	Feb-16	Apr-16	Managers	CEO
Accident & Incident Management	Develop and roll-out the Health and Safety Policy, requiring all accidents and incidents to be promptly reported by staff and contractors.	Mar-16	Apr-16	MCG Health and Safety Consultant	CEO
Hazard & Risk Management	Develop and implement periodic housekeeping checks to identify and correct temporary hazards	Mar-16	May-16	MCG Health and Safety Consultant, Health and Safety Committee	CEO, Managers
Worker Participation & Engagement	Ensure health and safety committee members receive training in hazard identification and incident investigation, etc. as appropriate. Monitor the training provided to ensure refresher courses are undertaken as required.	Mar-16	May-16	Managers	CEO, Managers
Worker Participation & Engagement	Ensure all staff meetings have health and safety on the agenda. Use the opportunity to collectively identify hazards and risks and agree mitigations. Ensure the minutes are kept of these meetings and the actions are followed up.	Mar-16	May-16	Managers	CEO, Managers
Accident & Incident Management	Review and update the reporting process to facilitate the prompt reporting, investigation and resolution of risks.	Mar-16	May-16	MCG Health and Safety Consultant	CEO
Monitoring & Reporting	Formally monitor safety-related trends, such as staff turnover, absenteeism, incidents, accidents and lost-time injuries (including vehicular), hours worked in a week or a day, long leave balances, incidents of reported gradual process injury (e.g. respiratory problems, occupational overuse syndrome (OOS), bullying or stress)	May-16	May-16	MCG Health and Safety Consultant, Payroll	CEO
Organisational Environment	Review and update key policies, processes and relevant procedures and build into a staff induction manual. Develop and document other health and safety-related policies such as wellness policies, hours of work, safe driving, etc. as appropriate.	May-16	Jun-16	MCG Health and Safety Consultant	CEO
Hazard & Risk Management	Undertake a baseline assessment of all hazards and risks across the organisation. Seek expert advice where applicable to develop mitigations, and document the controls.	Mar-16	Jun-16	MCG Health and Safety Consultant, Health and Safety Committee / Subject matter experts	Managers

Hazard & Risk Management	Implement a process to capture and analyse information from current first aid forms provided in the first aid boxes.	Apr-16	Jun-16	MCG Health and Safety Consultant	CEO
Business Processes	Develop and implement appropriate processes to consult, cooperate and coordinate activities with other duty holders, in particular where contractors are involved.	Apr-16	Jun-16	MCG Health and Safety Consultant	CEO
Business Processes	Develop and implement systems to verify the robustness of contractors' health and safety management systems prior to engaging them.	Apr-16	Jun-16	MCG Health and Safety Consultant	CEO
Business Processes	Obtain contractual confirmation from contractors that they will abide by their obligation to keep workers and others safe.	Apr-16	Jun-16	Managers	Managers
Business Processes	Develop and implement a system to monitor the efficacy of contractors' health and safety systems, e.g.: - require all incidents and accidents, provisional improvement and prohibition notices to be reported, - Periodically confirm worker competency (e.g. registration, training), - Require tools to be properly tagged (in the case of trades people).	Apr-16	Jun-16	MCG Health and Safety Consultant, Managers	CEO
Monitoring & Reporting	Develop site safety inspection checklist to enable Council staff to confirm contractors are operating safely.	Apr-16	Jun-16	MCG Health and Safety Consultant	CEO, Managers
Hazard & Risk Management	Develop and implement processes to ensure all stakeholders understand the hazards they may be confronted with and how to mitigate them.	Jun-16	Jul-16	MCG Health and Safety Consultant	CEO
Hazard & Risk Management	Provide appropriate training to key managers on new hazard management processes.	May-16	Jul-16	MCG Health and Safety Consultant	CEO
Organisational Environment	Review and update Council's reward and recognition system to provide opportunities to recognise good safety behaviors.	May-16	Jul-16	MCG Health and Safety Consultant	CEO
Organisational Environment	Review and update Council's performance management processes to provide an audit trail of relevant discussions and agreed actions, to reinforce Council's expectations with respect to health and safety.	May-16	Jul-16	MCG Health and Safety Consultant	CEO, Managers
Business Processes	Review and update procurement processes to take health and safety considerations into account.	Jun-16	Aug-16	MCG	CEO
Business Processes	Develop a health and safety procedures manual to guide staff in how to apply Council's health and safety systems and procedures.	Apr-16	Aug-16	MCG Health and Safety Consultant	CEO

Monitoring & Reporting	Document safe operating procedures as appropriate, provide training and monitor compliance.	Jun-16	Oct-16	MCG Health and Safety Consultant, Subject Matter Experts	CEO
Organisational Environment	Update the health and safety clause in position descriptions for Managers and for staff - In management's case, have regard for officers' due diligence obligations. Include requirement to show leadership in engaging staff to proactively improve the status of staff's health and safety include KPIs to demonstrate continuous improvement, such as absenteeism, staff turnover, personal grievances, accident and incident trends - For staff, include an explicit requirement to immediately report near misses, incidents and accidents and potentially unsafe conditions, in the context of contributing to a healthy and safe workplace.	Sep-16	Oct-16	MCG Health and Safety Consultant	CEO
Business Processes	Update induction processes with all the policies and applicable procedures, including identified hazards and mitigations and information on the work injury claims process and rehabilitation responsibilities. Develop a questionnaire and signing panel to verify inductees have understood their responsibilities and agree to abide by them. Provide periodic refreshers to existing staff.	Aug-16	Oct-16	MCG Health and Safety Consultant	CEO
Business Processes	Develop a spreadsheet that records the health and safety risks (e.g. driving, dog bites, gradual process injury) and assigns the required safety competencies to each role, together with the training and any health monitoring required for that role. Assign the competencies, training and health monitoring required to the appropriate individuals, and monitor accordingly. Include a column to identify when refresher courses or the next tests (e.g. eye sight) are required.	Aug-16	Oct-16	MCG Health and Safety Consultant	CEO, Managers
Business Processes	Incorporate the competencies established in the spreadsheet above, into the pre-employment screening process.	Aug-16	Oct-16	MCG Health and Safety Consultant	CEO, Managers
Business Processes	Review all potential emergencies (e.g. mail bomb, assault, vehicular accident, earthquake, etc.) and develop emergency plans in consultation with the relevant emergency service (e.g. Fire, Police, Wellington Regional Emergency Management Office (WREMO), Ministry of Civil Defense and Emergency Management (MCDEM).	Aug-16	Nov-16	MCG Health and Safety Consultant, Health and Safety Committee	CEO

Business Processes	Develop communications protocols to keep staff informed during emergencies and supported after the initial event.	Aug-16	Nov-16	MCG Health and Safety Consultant, Health and Safety Committee	CEO
Safety Conscious Culture	Embed an awareness of the importance of health and safety throughout the organisation. Examples include: <ul style="list-style-type: none"> - Our people understand our commitment to health and safety - Health and safety is regularly on staff meeting agendas - We have a structured programme of wellness initiatives based on identified risks - Incidents are reported - Acknowledgement or reward is given to those whose reporting contributed to a reduction in future similar incidents 	Oct-16	Jan-17	Health and Safety Committee, Managers	CEO, Managers
Safety Conscious Culture	Implement the MCG Safety Culture Survey	Jan-17	Feb-17	MCG	CEO

Attachment 2
Updated Work Plan

Strategy Area	Initiative/Program Title	Business	Responsibility	Timeline	Comments
Organizational Environment	<p>Executive Leadership Review and update the Management Team, Health and Safety Committee and Council on the obligations under the new Health and Safety of Work Act</p>				<p>Next steps: Draft session for all council staff Organise Contractor session</p>
Organizational Environment	<p>Manuals Review and update key policies, processes and relevant procedures and build into a self-induction manual/handbook. Develop and document other health and safety related policies such as welfare policies, hours of work, safe driving, etc. as appropriate.</p>			Oct-16	<p>Review of Handbook re MCHS with H&S of Work Act for the staff and also raised other requirements. Workshop for newly elected Mayor and Councilors held Second meeting of Commission Governance Action with H&S of Work Act in June 2016</p>
Human & HR Management	<p>Recruitment Initiate a broader assessment of all human resources across the organisation. Set up a report which will update to develop findings and document the contract.</p>			Nov-16	<p>Drug and alcohol policy rolled out H&S policies with H&S of Work Act in Handbook. Policies are commencing in service centre review to start. Rollout handbook.</p>
Business Processes	<p>Contract Management Develop and implement capabilities processes to consult, cooperate and coordinate activities with other duty holders in particular where contractors are involved.</p>			Aug-16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Business Processes	<p>Contract Management Develop and implement systems to verify the robustness of contractors' health and safety management systems prior to engaging them</p>			Aug-16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Business Processes	<p>Contract Management Obtain contractual confirmation from contractors that they will abide by their obligation to keep vehicles and other tools.</p>			Aug-Sept 16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Business Processes	<p>Contract Management Develop and implement systems to monitor the efficacy of contractors' health and safety systems, e.g. - review of incidents and accidents, procedural improvement and practical metrics to be reported. - Feedback system for compliance (e.g. incident reports, require jobs to be properly tagged (in the case of contractors))</p>			Sept 16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Monitoring & Reporting	<p>Contract Management Develop the safety inspection checklist to enable Council staff to confirm contractors are operating safely.</p>			Oct-16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Human & HR Management	<p>Health and Safety Review and update Council's performance management processes to provide an audit trail of relevant situations and agreed actions to improve Council's performance with respect to health and safety</p>			Sept - Oct 16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Business Processes	<p>Disengagement Review and update processes to take health and safety considerations into account.</p>			Oct-16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>
Business Processes	<p>H&S Manual Develop a health and safety procedures manual to guide staff in how to apply Council's health and safety systems and procedures.</p>			Oct - Nov 16	<p>Review and update of H&S handbook. H&S indicator for next roll to include H&S handbook.</p>

<p>Working & Reporting</p> <p>K2C Document into operating procedure at appropriate process taking on/monitor compliance.</p>	<p>Q4-16</p>	<p>Some procedures drafted that drafting processes align with SOP</p>	<p>MCCG Health and Safety Condonal, Sulejki Michele Espino</p>	<p>CEO</p>	<p>Input from H&S Committee members and subject matter experts.</p>
<p>Organizational Environment</p> <p>Position description Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Update of SOPs</p>	<p>MCCG Health and Safety Condonal</p>	<p>HR Manager</p>	<p>H&S Committee review, refer to documents and recommend sign off.</p>
<p>Business Processes</p> <p>H&S Consideration Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Role updated inclusion process, with providing final and relevant H&S process and procedures for processes and SOPs</p>	<p>MCCG Health and Safety Condonal HR Manager</p>	<p>HR Manager</p>	<p>H&S Committee review, refer to documents and recommend sign off.</p>
<p>Business Processes</p> <p>H&S Consideration Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Nov-16</p>	<p></p>	<p>MCCG Health and Safety Condonal</p>	<p>CEO, Managers</p>	<p></p>
<p>Business Processes</p> <p>H&S Consideration Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Per above</p>	<p>MCCG Health and Safety Condonal</p>	<p>CEO, Managers</p>	<p></p>
<p>Business Processes</p> <p>Emergency Procedures and Plans Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Nov-16</p>	<p>3rd Team emergency procedures and emergency procedures drafted</p>	<p>MCCG Health and Safety Condonal, Healy and Safety Committee</p>	<p>CEO</p>	<p>H&S Committee to provide input, review and recommend sign off.</p>
<p>Business Processes</p> <p>Emergency Procedures and Plans Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Nov-16</p>	<p>To do</p>	<p>MCCG Health and Safety Condonal, Healy and Safety Committee</p>	<p>CEO</p>	<p>H&S Committee to develop H&S</p>
<p>Safety Consideration Culture</p> <p>Change Management Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Feb-17</p>	<p></p>	<p>MCCG</p>	<p>CEO</p>	<p>H&S Committee to part take in survey.</p>
<p>Business Processes</p> <p>Change Management Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Minor update completed. This is March 2016. Minor update completed. This is March 2016. Minor update completed. This is March 2016. Minor update completed. This is March 2016. Minor update completed. This is March 2016.</p>	<p>MCCG Health and Safety Condonal</p>	<p>CEO, Managers</p>	<p>H&S Committee to extend information sessions</p>
<p>Business Processes</p> <p>Change Management Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>As part of our opportunity to both learn, improve and</p>	<p>Managers</p>	<p>HR Manager</p>	<p>Majesty or start not do report. Ensure sign up to ops and conduct a survey.</p>
<p>Business Processes</p> <p>Change Management Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Record to update for H&S Committee members completed</p>	<p>Managers</p>	<p>HR Manager</p>	<p>Current H&S committee members complete (during meeting) Survey (N&S) sign meeting for course / 7/8 Safety Meeting, Robbery meeting.</p>
<p>Business Processes</p> <p>Change Management Lipids the report and safety clause is position description for Managers and for Asst. Managers with some have required to ensure due diligence education requirement to show readiness in managing safety processes and risk management. The report and safety clause is position description for Asst. Managers and safety clause is position description for Managers and safety clause is position description for Asst. Managers.</p>	<p>Q4-16</p>	<p>Record to update for H&S Committee members completed</p>	<p>MCCG Health and Safety Condonal, Healy</p>	<p>HR Manager</p>	<p>H&S Committee to extend information sessions</p>

Hazard & Risk Management	<p>Hazardous materials Develop and implement periodic housekeeping checks to identify and correct temporary hazards.</p>	Ongoing	<p>Housekeeping checks complete and filed by H&S Committee. About our team of managers to do regular checks</p>	MOS Health and Safety Consultant, Health and Safety Committee Managers	<p>H&S Committee to undertake housekeeping checks, review form and recommend sign off.</p>
Waste Participation & Engagement	<p>Staff wellbeing Ensure all staff meetings have health and safety on the agenda. Use any opportunity to collectively identify hazards and risks and agree mitigation. Ensure the minutes are kept at these meetings and the actions are followed up.</p>	Ongoing	<p>All staff education sessions completed Monday 21 March. Regular team meetings with H&S on the agenda. Minutes to be provided to H&S committee for review. Minutes provided from operations and check out: 568964293&h3=677&h2=677</p>	Managers	<p>To ensure managers have H&S on all team agendas and provide H&S topics for discussion, H&S team meeting forms created</p>
Operational Environment	<p>Health and safety strategy Develop an annual health and safety strategy with clear objectives to make demonstrable improvements to the health and safety of staff. Develop and implement an annual health and safety plan to give effect to the strategy. Confirm accountability and monitor implementation progress against agreed timescales.</p>	COMPLETE	COMPLETE	CEO	H&S Committee launched
Worker Participation & Engagement	<p>Health and safety committee Refresh the health and safety committee, led by management, with volunteers representing staff across the organisation.</p>	COMPLETE	COMPLETE	MOS Health and Safety Consultant, Manager H&S	H&S Committee to develop, sign off and communicate
Safety Culture	<p>H&S vision Develop a health and safety vision that is consistent with Council's vision and values</p>	COMPLETE	COMPLETE	CEO	Committee to sign off 7.16.
Accident & Incident Management	<p>H&S Policy Develop annual out of the Health and Safety Policy, requiring all accidents and incidents to be promptly reported by staff and contractors.</p>	COMPLETE	COMPLETE	Manager	Committee to sign off 7.16
Accident & Incident Management	<p>H&S Reporting Review and update the reporting process to facilitate the prompt reporting, investigation and resolution of risks.</p>	COMPLETE	COMPLETE	CEO	<p>For H&S committee and Senior Management to review.</p> <p>Check who has attended accident & incident investigation training Notification of Accident or serious harm forms used however forms designed for reporting to MyMSafe</p>
Hazard & Risk Management	<p>First Aid Education Implement approach to capture and analyse information from current first aid forms provided in the first aid boxes.</p>	COMPLETE	COMPLETE	CEO	H&S Committee to review and recommend sign off
Hazard & Risk Management	<p>Educational activities Provide appropriate training to key management on new hazard management processes.</p>	COMPLETE	COMPLETE	H&S Manager	<p>Follow up session and emails with staff to be held</p>
Hazard & Risk Management	<p>Hazardous materials Develop and implement systems to enable hazards to be promptly reported, mitigated and communicated.</p>	COMPLETE	COMPLETE	CEO, Managers	<p>Just Report Identification form completed by all workers sign off and assist with roll-out once business signed off.</p>



22 March 2017

RISK MANAGEMENT

1. PURPOSE OF THE REPORT

To present the draft risk management framework to the Audit and Risk Committee and to outline the development of a risk register.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

3. RISK MANAGEMENT FRAMEWORK

Carterton District Council currently does not have a formal risk management policy in place and has traditionally relied upon individual management of risk within each of its business groups. For example, beyond managerial oversight, financial risks have been under Local Government audit processes and Council scrutiny. Regulatory requirements have external auditing such as the Building Consent Authority (BCA) accreditation assessment and in-house management of timeliness for service delivery. Environmental monitoring is dictated by Council's own consents with GWRC.

Importantly, the immediate past has seen considerable focus upon health and safety for all Council staff and the development of policies and processes to monitor, report, and continually improve our performance in this area.

It is recognised that the absence of a formal risk management process is not following best practice and it is timely for this to be a focus for Council.

An effective risk management strategy is a valuable tool for Council to be able to identify, quantify, and make considered decisions on how to manage risks. The draft risk management framework (attachment 1) sets out a risk management process and provides a framework for risk assessment. Risk assessment requires awareness of the context in which the risk exists, identification of the risk, and a risk evaluation.

The risk framework provides for the development of a risk register.

4. RISK REGISTER

A risk register identifies key risks for Council and sets the risk appetite for those risks.

It is proposed that a high level Council risk register be derived from an examination of each of the seven operational groups under the Chief Executive.

The proposed scope of the register would consist of the following headings:

- 1) Asset / infrastructure failure
- 2) Financial
- 3) Statutory non-compliance
- 4) Environmental
- 5) Human resources
- 6) Reputational
- 7) Health and safety
- 8) Strategic

5. NEXT STEPS

First cut of register
Bring back to A & R committee

1. RECOMENDATION

That the Audit and Risk Committee:

1. **Receives** the report.
2. **Adopts the** risk management framework as outlined in **Attachment 1**.
3. **Notes** the development of Council's risk register

Dave Gittings
Planning and Regulatory Manager

Attachment 1: draft risk management framework

DRAFT

RISK MANAGEMENT FRAMEWORK

1. INTRODUCTION

Risk management is about improving our ability to deliver outcomes for the people of Carterton by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing service activities.

1.1 DEFINITIONS

Using common terminology will make understanding concepts around risk much easier. Below is a short list of key terms used in this RMF:

- **Risk:** Effect of uncertainty on objectives.
- **Risk Assessment:** Overall process of risk identification, risk analysis and risk evaluation.
- **Risk Management:** The culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects.
- **ERM:** Enterprise Risk Management. Whole of organisation risk management arrangements.
- **Risk Management Framework:** Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
- **Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing and evaluating, treating and monitoring.
- **Risk Owner:** Person or entity with the accountability and authority to manage a risk.
- **Risk Register:** Record of information about identified risks.
- **Control:** Anything that has the effect or purpose of managing a risk or achieving objectives.
- **Risk Appetite:** The amount and type of risk that the Council is prepared to pursue, retain or tolerate.

1.2 PURPOSE

The intent of this RMF is to ensure that sound risk management practices are incorporated into Council's planning and decision making processes and are aligned with the *ISO31000:2009 Risk Management Standard*.

1.3 OBJECTIVES

The objectives of the RMF are to:

- Provide a **simple method** and balanced approach for all staff to **minimise exposure**, loss and damage whilst **realising opportunity** and delivering improvement.
- **Integrate** risk management with governance and management arrangements, embedded in major organisational and business processes, and to clearly specify its **accountability**.
- **Align** the Council's risk management approach with *the ISO 31000 Risk Management Standard* and provide a **consistent language** in the consideration of risk across all Council activities.

1.4 RISK APPETITE

Risk Appetite is the amount and type of risk that the Council is prepared to pursue, retain or tolerate. The appetite is reviewed and updated on an annual basis following the consideration of a range of factors including organisation and Council views, our strategies and the internal and external risk environment. Once implemented, the appetite is used to drive decision making about risk.

The *CDC Risk Matrix* in **Appendix 3**, which covers a number of critical risk categories, serves as a statement to the Council's appetite and the boundaries of acceptable risk taking. Responsibility to define the Risk Appetite rests with Council and will be done by approval of this Framework on an annual basis.

1.5 POLICY MONITORING AND REVIEW

The RMF will be reviewed by the Audit and Risk Committee on an annual basis to ensure its currency and reported back to Council.

2. Governance

This RMF is a key component of the Council's overall governance. The Council has overall responsibility to ensure there is good governance in the Council. The Chief Executive is responsible for operationalising the governance arrangements. Risk management governance is delegated from the Council across strategic, tactical and operational levels.

1.1 TYPES OF RISK

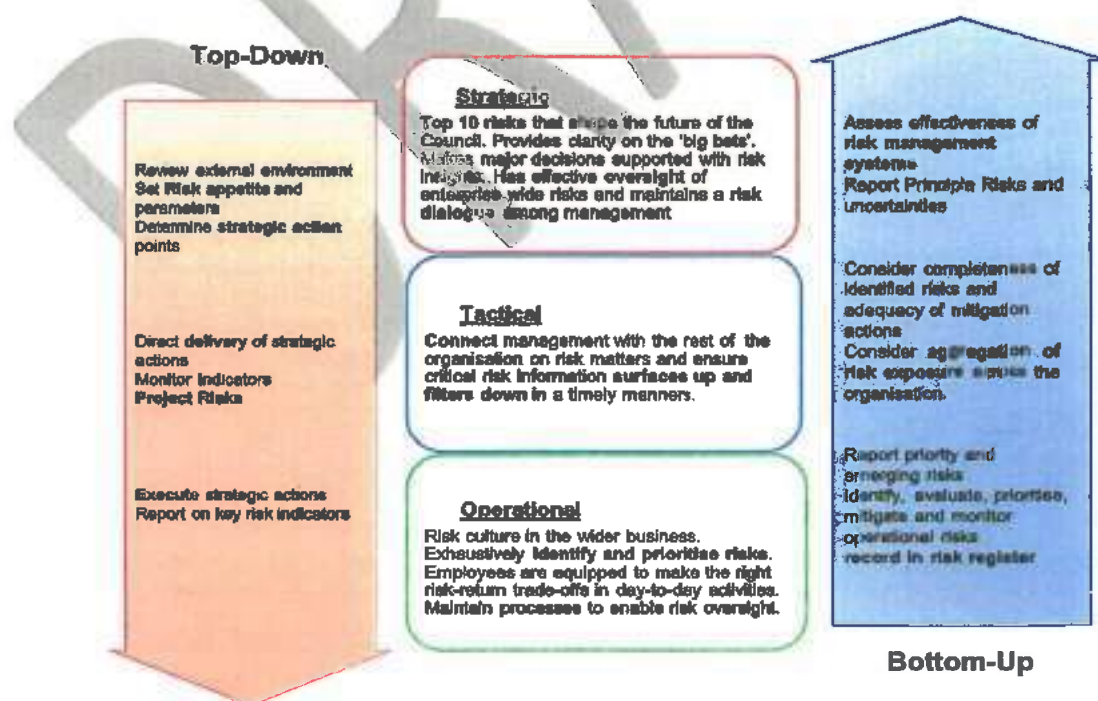
All risks must be identified and managed, however, due to limited resources, a prioritised approach has been adopted. Only key risks or material risks that will impact CDC's strategic and business objectives are recorded in the CDC Risk Register and reported to the Audit and Risk committee.

Each risk owner remains responsible for managing all assigned risks whether they are recorded and managed in the Council's register or independently. All risks that fall within the Council's risk reporting criteria or when a significant change in a risk that would cause it to breach the Council's risk appetite must be reported to the Chief Executive to report to the Audit and Risk Committee.

1.2 INTEGRATING RISK INTO ORGANISATIONAL STRUCTURE

Risk is present in all business activities and is not discrete, with a risk event in one Group having the potential to impact multiple areas or all of Council due to the inter-connected nature and cumulative effects of risk.

To implement an effective RMF, risk management must be integrated and embedded into all of our key business activities, systems and processes and be considered 'business as usual'.



A 'Top-Down' system: The objectives are to provide the crucial leadership and guidance the Council needs, to balance risk and reward optimally and steer the Council in the right direction.

Example: Insights and clarity on the top 10 most important risks shaping the Council, support decisions at the management level, ensure the risk dialogue among the management team and enable risk oversight by Council.

A '**Bottom-Up**' system: The objectives are to ensure a comprehensive identification prioritisation of all important risks, define and implement risk policies and processes that control daily decision making throughout the Council and ensure a robust risk culture Council.

Example: Can help Council to spot a weak operational procedure, surface the issue at the managerial level and make the right return trade off to fix the problem.

Both Top-Down and Bottom-Up systems complement each other. They are symbiotic, providing insights and influencing each other. The combination of both, provide a 'line-of-sight' feedback from the Council, to operational business units and back again.

This organisational structure for risk is aligned with planning in Council.

3. Roles and Responsibilities

Management and staff must be familiar with the application of the risk management process across their areas of responsibility. A description of roles and responsibilities is defined below.

1.3 COUNCIL ROLE

Council must facilitate resources and guidance in relation to the Risk Management Policy and Framework and associated Procedures. Council also set the tone and influences the culture of risk management within Carterton District Council.

Council's role includes:

- 1) The approval of risk management framework and governance policies
- 2) To ensure strategic risks are identified, assessed, monitored and reported
- 3) Approve major (strategic) decisions affecting the Council's risk profile or exposure

1.4 CHIEF EXECUTIVE

The Chief Executive is responsible for ensuring that Council is not exposed to unnecessary or uncontrolled risks and that a suitable risk management process is established, implemented and maintained in accordance with the Risk Management Procedure. The Chief Executive will maintain and be responsible for the effective management of all types of risk across Council's operation.

The Chief Executive will ensure:

- 1) An effective risk management framework is applied across Council functions.
- 2) Adequate resources are made available for the planning and implementation of such a system.
- 3) Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their areas.
- 4) Annual risk management planning is undertaken.

1.5 MANAGERS

Managers will ensure that the Council's assets and operations together with public liability risks are adequately protected through appropriate risk management plans and programmes. They will ensure the provision of a safe and healthy work environment and the implementation of prudent work practices.

Managers will ensure and be responsible for:

- 1) Implement policies on risk management and internal control;
- 2) Identify and report on key risks associated with CDC's strategic planning environment.
- 3) Identify and evaluate the key risks faced by CDC for consideration by the Council;
- 4) Encourage good risk management practices amongst staff members.
- 5) Appropriate training is provided for staff to carry out their risk management responsibilities
- 6) Annual risk management planning is undertaken and reviewed including developing and implementing action plans to mitigate and control risk
- 7) Raising significant risks to the Chief Executive
- 8) Applying Council's risk management process to risks associated with any planned new activity or proposal being presented to Council.

1.6 STAFF

Staff will perform their duties and functions in a safe manner, adhering to safe work practices and ensuring that they are familiar with the Council's Risk Management Framework. All individuals will play a part in managing risk at Council, including having access to Council's risk management processes and risks from the risk register.

Staff are responsible for

- 1) Identifying and reporting risk in their areas of responsibility.
- 2) Assisting to identify ways of controlling those risks (as part of the established risk management process)
- 3) Ensuring they remain alert to and report any risks to which the Council is exposed which they might identify while carrying out their normal duties.

1.7 THE AUDIT AND RISK COMMITTEE

The Audit & Risk Committee has been established to ensure that the Council has sound systems for statutory and financial reporting, management of controls and risk management arrangements.

The Audit and Risk Committee are responsible for

- 1) Monitoring legislative and financial reporting requirements
- 2) Providing commentary on the adequacy on internal control environment
- 3) Recommending Council's approach to risk management and risk appetite
- 4) Monitoring risk profile against risk appetite
- 5) Reviewing risk policies and the risk management framework.
- 6) Satisfying itself that the less significant risks are being managed, appropriate controls are in place and working effectively

2. Risk Management Guidelines

2.1 WHAT IS RISK?

Risk is described 'as the effect of uncertainty on objectives' and is expressed as a combination of the consequences of an event and the associated likelihood of the risk occurrence.

Uncertainty is the deficiency or limited nature of information, knowledge or assumptions related to an event, its consequence or likelihood. Where there are high levels of uncertainty, it can be difficult to assess the likelihood and consequence of a risk.

It is important to note, even where there are high levels of certainty, the nature of risk means deviations from the expected do occur which can be either positive or negative. Emerging risks are generally

considered issues or events with the potential to become defined risks in the future.

When assessing possible risk the following questions need to be addressed:

- What could go wrong?
- How likely is it to happen?
- What would the impact be of it happening?
- What should be done to reduce the risk?
- Who owns the risk?
- What else do you need to do about it?

2.2 WHAT IS RISK MANAGEMENT?

Risk management is described as 'the coordinated activities to direct and control an organisation with regard risk', the implementation of which is based on the following fundamentals:

- Mandate and commitment from the Council, CE and management team;
- A positive risk culture;
- Appropriate resources commensurate with CDC's risk profile and organisational size;
- A well-defined documented risk management framework;
- Control management including, assessment of effectiveness and monitoring activities;
- Established reporting and escalation protocols and processes;
- Benchmarking and assessment of risk management maturity; and
- Continual improvement initiatives.

2.3 WHAT ARE THE LIMITATIONS OF RISK MANAGEMENT?

Risk management is an effective business tool, but it will not make decisions.

- Adopting a structured approach to managing risk creates a very effective business tool and discipline to assist risk owners in making optimised decisions. However, risk management is not a substitute for thoughtful consideration of all relevant factors that could influence intended outcomes.
- Decisions can be influenced by the prevailing organisational culture, information available, levels of uncertainty, relevant experience of the person, analysis, assumptions, historical knowledge and any relevant external factors.

Risk management will not guarantee a 'risk free' environment.

- It is impossible to predict all risks or changes in circumstances that will impact the operating environment of the Council.
- All staff have a responsibility to prepare for and act when incidents and issues emerge to minimise the adverse consequence on CDC's intended objectives.

3. Risk Management Process

3.1 STEP 1 – ESTABLISH THE CONTEXT

Establishing the context is a very important step and is a key component of setting the scope and planning the requirements for the risk assessment. The three key elements of establishing the context include; internal, external and risk management.

Internal Context

As risk relates to the effect of uncertainty on objectives, it is important to understand the internal operating context. This means there should be some clarity and common understanding about the objective, goal, project or activity to ensure all material risks are understood and the risk decisions support the Council's strategic, tactical and operational objectives and plans. Consideration should also be given to:

- governance and management roles and accountabilities,
- internal policies, standards and guidelines,
- internal stakeholders,
- the prevailing culture and
- the current capabilities with respect to people, systems and processes.

External Context

The external context encompasses the overall or broader operating environment of the Council and should include an understanding of our community's perceptions and other external stakeholders. Key elements may include:

- The social and cultural, political, legal, regulatory, financial, economic, technological, natural and competitive environment, whether international, national, regional or local;
- Key drivers and trends having impact on the Council's objectives; and
- Relationships with and perceptions and values of external stakeholders.

Risk Management Context

The risk management context relates to the risk identification exercise, as it is important to define the parameters, limits and scope and boundaries to ensure there is a focus on objectives. Some of the key things to consider are timetables, resources required, roles and responsibilities, stakeholders, subject matter experts, depth of analysis required and risk management tools and requirements. Record keeping is important to ensure techniques, assumptions, limitations, controls, sources of risk and the risk process is clear.

3.2 STEP 2 – IDENTIFY THE RISK

There are a number of ways in which risks are identified. Some of the common methods include; use of historical information and past experience, brainstorming, structured interviews and workshops, modelling, incident/near miss reports, strategic and business planning, business activities, whistleblowers and checklists.

There are three key elements to identifying risk:

- What can happen?
- How it can happen?
- Why could it happen?

Risk identification is not always easy and it is important that there is a robust discussion to ensure the 'real' risk has been properly identified and consideration is given to whether the risk will increase or decrease the effectiveness of objectives.

The risk identification should consider the source of the risk and include:

- The event,
- The Cause/s; and
- The Consequence/s.

It is important not to describe risks as the control failure or impact.

Example:

There is a risk *CDC cannot deliver its key services* (event), due to a *shortage of skilled staff and staff turnover*, (causes), resulting in *legislative breaches and reputational damage*.

3.3 STEP 3 – RISK ANALYSIS

CDC's risk analysis makes a **risk rating** using the **likelihood** and **consequence** criteria and can be qualitative, semi-qualitative, or quantitative. This risk rating is considered in the context of existing controls.

Controls can be a policy, procedure, process, guideline, practice, plan, agreement, system, authority, delegation, standard or other action. It is a broad term, however, good controls are **documented** and **authorised**.

Current controls (if any) and their effectiveness (based on the control effectiveness rating) and the risk is analysed using the likelihood and consequence criteria to provide a risk rating. **Appendix 1: CDC's Assessment Criteria** provides a detailed description of the Consequence Criteria, Likelihood Criteria, Control Assessment and **Appendix 3: CDC's Risk Matrix** enables this step.

3.4 STEP 4 – RISK EVALUATION

After the risk has been identified and analysed, the next step is to sort risks into their categories and prioritise risks based on importance and severity. Sorting and prioritisation helps to provide clarity around key risks and is used to evaluate what action is required.

Risk acceptance should only occur when the risk falls within the defined risk appetite and the person accepting the risk on behalf of the Council is authorised to do so. A risk that is 'acceptable' means the Council chooses to accept any negative impacts if the risk eventuates.

The *Managing and Reporting Risks Table* at **Appendix 4** is the appropriate guide to be used in risk evaluation.

Considerations when determining whether to accept a risk include:

- The cost of treatment far exceeds the benefit, so acceptance is the only option (particularly for lower ranked risks);
- The risk level is so low that treatment is not viable with available resources;
- The opportunity of taking the risk outweighs the threat and it is considered taking the risk is justifiable to achieve intended objectives;
- Due to the type or nature of the risk there is no treatment available and there is no option other than to accept the risk; and
- The existing controls are considered 'optimal' for the current risk (where the cost of additional controls would have minimal effect on the risk rating).

3.5 STEP 5 – RISK TREATMENT

Risk treatment is determining the appropriate action or option for a risk that was not considered acceptable or tolerable. The concept of risk treatment is to further control risk in order to reduce or eliminate negative consequences and/or to reduce the likelihood of an adverse occurrence. It is often not feasible or cost-effective to implement all treatment strategies and there should be some clarity with respect to the aims of risk treatment and what monitoring and review will occur to determine if the treatment has achieved its objective.

It is important to choose and implement the most appropriate combination of risk treatments and options include:

- **Avoid the risk** by not proceeding with the activity likely to trigger the risk. Avoidance is considered when there are no control measures or when controls do not reduce the risk to a sufficiently acceptable level. Risk avoidance must be balanced with the potential risk of missed opportunities or an increase in the significance of other risks.
- **Change the likelihood** of the occurrence by implementing additional controls, activities or actions that reduce the possibility or prevent the risk from occurring.
- **Change the consequences** if the risk occurs by implementing additional controls, plans, activities or actions that would minimise risk impacts.
- **Share the risk with another party** so they share the responsibility. Mechanisms to share the risk include contracts, insurance, partnerships, alliances and outsourcing. It is important to note that even when sharing a risk, the risk is not transferred as the Council may retain a regulatory obligation or be exposed to impacts against its reputation by a third party's activities.
- **Retain the risk** after risks have been reduced or transferred, the residual risk may be retained if it is an acceptable level.

Once the appropriate treatment option has been determined for the identified risk, the treatment is documented in a plan which will include the agreed approach, timeframes for implementation, review and monitoring, resources required, and individuals responsible for ensuring the treatment is implemented as agreed. The Management Team documents and administers treatments for the Council's risks in the risk register.

3.6 MONITOR, REVIEW AND REPORTING

Monitor, review and reporting are essential and integral elements in the risk management process, as change is a constant factor and very few risks remain static. To be really effective, risk management must be dynamic and iterative, which requires a formalised process to ensure there are monitor and review activities. Key elements include:

- At a minimum, annual review the risk context, risk criteria and risk profile;
- Periodically repeating the risk identification process to capture new or emerging risks;
- Periodically reviewing current risks to ensure changing circumstances do not alter risk ratings or priorities;
- Active control monitoring to ensure it remains effective;
- Developing early warning systems and processes. E.g., key indicators, incidents and breach monitoring as a trigger to review risks and control effectiveness;
- Reviewing progress against treatment plans and the residual risk rating;
- Reporting all risks and issues to relevant committees and stakeholders;
- Integration of feedback arising from incidents into risk assessments; and
- Risk owners report all corporate and key/material business risks to the Chief Executive

On an annual basis, CDC will review its risk management framework. The results of all reviews are reported to through the Audit & Risk Committee and Council.

4. Appendices

APPENDIX 1: CDC'S ASSESSMENT CRITERIA

In identifying the consequences of a risk, there may be several categories which apply. The category with the highest rated impact shall be the governing category of consequence for the risk.

Consequence Table					
Category	Financial	Regulatory	Operations	Employees	Image & Reputation
Minor (1)	Direct loss or increased cost of up to \$10K	Small, non-systematic and/or technical breaches occur. No impact to citizens.	Minimal disruption to operations or service delivery. e.g. <2 hr (approx.) disruption for any business unit area	Negligible or isolated employee dissatisfaction. H&S = minor	Reference to community consultation group/forum. Public awareness may exist but no public concern.
Moderate (2)	Direct loss or increased cost of ~\$10 to \$50K	Minor breaches occur, first of its kind, one-off issues. Minimal loss to citizens.	Minor disruption to operations or service delivery. e.g. 2-4 hr (approx.) disruption for any business unit	General employee morale and attitude problems. Increase in employee turnover H&S = medical treatment injury	Adverse news in local media. Concerns of performance raised by stakeholders or the community.
Significant (3)	Direct loss or increased cost of ~\$50K to \$100K	Multiple related minor breaches. Possibility of some fines. Systemic issue. Small financial impact to citizens. Reportable breach.	Disruption of operations or service delivery. e.g. 1 day (approx.) disruption for any organisational area / 0.5 day for total organisation.	General employee morale or attitude problems in business area. Significant employee turnover in area. H&S = Lost time injury	Adverse news in the local media (paper/newspaper/tv Social media/networking) Minor decrease in stakeholder or community support.
High (4)	Direct loss or increased cost of ~\$100K to \$500K	Significant breach or systemic minor breaches. Reportable breach and action is possible – significant fines, audits/inspections or undertakings. Possible action taken against management.	Serious disruption to operations or service delivery. Impact to multiple and diverse areas of the Council. Adversely affects multiple key community groups. e.g. 1-5 day (approx.) disruption for any business unit / 1 day for total Council.	Increasing managers or experienced employees leave. Significant turnover of experienced employees. Widespread employee attitude problems. H&S = permanent disability	Adverse news in regional media. Serious decrease in stakeholder or community support.
Extreme (5)	Direct loss or increased cost of over \$500K	Serious breach or multiple significant breaches resulting in regulatory scrutiny. Undertakings or restrictions on activity or responsibilities of Council. Legal action taken against management or Councillors.	Total disruption to all Council operations or service delivery. Significantly affects key community services. e.g. Total Business disruption for 5+ (approx.) days.	A significant number of managers or experienced employees leave the Council. H&S = fatality	Damage to reputation at national level, raised in national media. Major loss of stakeholder, political or community support. Council under or potentially under administration of central government.

APPENDIX 2: Risk Likelihood

Likelihood	Likelihood description	Probability of occurrence	Scoring
Likely	<ul style="list-style-type: none"> The event will probably occur in most circumstances or Not quarterly but within 6 months. 	91 – 100%	5
Moderate	<ul style="list-style-type: none"> The event will possibly occur at some time; or Not within 6 months but at least annually. 	71 – 90%	4
Rare	<ul style="list-style-type: none"> The event could occur at some time; or Not annually but within 3 years 	51 – 70%	3
Very Rare	<ul style="list-style-type: none"> The event may occur only in exceptional circumstances; or Not every 3 years but at least every 10 years. 	21 – 50%	2
Unanticipated	<ul style="list-style-type: none"> The event is not expected to occur; or Not within 10 years 	1 – 20%	1

Risk Score	Level of Risk
20-25	Extreme risk
10-16	Significant risk
5-9	Moderate risk
1-4	Low risk

APPENDIX 3: CDC'S RISK MATRIX

Likelihood	Likely (5)	5	10	15	20	25
	Moderate (4)	4	8	12	16	20
	Rare (3)	3	6	9	12	15
	Very Rare (2)	2	4	6	8	10
	Unanticipated (1)	1	2	3	4	5
		Minor (1)	Moderate (2)	Significant (3)	High (4)	Extreme (5)
Consequence						

APPENDIX 4: MANAGING AND REPORTING RISKS AT CDC

Criteria for Management of Risk	Rating
<ul style="list-style-type: none"> • Risk Acceptance: Council • Risk Ownership: Audit and Risk Committee 	Extreme
<ul style="list-style-type: none"> • Extreme risks can exceed risk appetite and tolerance limits. • Extreme risks within CDC's control must, where feasible, have effective key controls. • Immediate escalation to the Council is required. • Immediate action is required. 	
<ul style="list-style-type: none"> • Risk Acceptance: Audit and Risk Committee • Risk Ownership: Management Team 	High
<ul style="list-style-type: none"> • High risks usually exceed risk appetite and tolerance limits. • All High risks must, where feasible, have effective key controls. • Immediate escalation to EMT member. • Action begins within 1 day. 	
<ul style="list-style-type: none"> • Risk Acceptance: Management Team • Risk Ownership: Chief Executive 	Considerable
<ul style="list-style-type: none"> • Considerable risks may exceed risk appetite and tolerance thresholds. • Considerable risks must have controls. • Escalate within 2 days to General Manager. • Action begins within 1 week. 	
<ul style="list-style-type: none"> • Risk Acceptance: Chief Executive • Risk Ownership: Relevant Manager 	Low
<ul style="list-style-type: none"> • Low risks are usually within risk appetite and tolerance limits. • Low risks should have adequate controls in place. • Escalate within 1 week to Relevant Manager • Action by standard operating procedures 	

APPENDIX 5: RISK MANAGEMENT PRINCIPLES

- a) *Risk management creates and protects value:* Risk management contributes to the demonstrable achievement of objectives and improvement of performance in Council activities.
- b) *Risk management is an integral part of all organisational processes:* Risk management is not a stand-alone activity that is separate from the main activities and processes of the organisation. Risk management is part of the responsibilities of management and an integral part of all organisational processes.
- c) *Risk management is part of decision making:* Risk management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.
- d) *Risk management explicitly addresses uncertainty:* Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.
- e) *Risk management is systematic, structured and timely:* A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results.
- f) *Risk management is based on the best available information:* The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgment. Decision makers should inform themselves of, and take into account, any limitations of the data or modelling used or the possibility of divergence among experts.
- g) *Risk management is tailored:* Risk management is aligned with the organisation's external and internal context and profile.
- h) *Risk management takes human and cultural factors into account:* Risk management recognises the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organisation's objectives.
- i) *Risk management is transparent and inclusive:* Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organisation, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.
- j) *Risk management is dynamic, iterative and responsive to change:* Risk management continually senses and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.
- k) *Risk management facilitates continual improvement of the organisation:* Council should develop and implement strategies to improve their risk management maturity alongside all other aspects of their organisation.

22 March 2017

Audit and Risk Committee

Draft Management Letter for 2015/16 Annual Report

1. PURPOSE

The purpose of this report is to present the draft management letter from Audit New Zealand for the 2016/17 annual report and the draft response by management to their recommendations.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

3. BACKGROUND

The Auditor-General is the auditor of the Council's annual report. For 2015/16, the Auditor-General appointed Mari-Anne Williamson of Audit New Zealand to undertake the audit. Her team undertook an interim audit during the financial year, focusing on internal systems and controls, and a final audit after the financial year ended of the annual report and of other areas of interest to the Auditor-General.

4. FINDINGS

Audit New Zealand has identified a number of improvements that they recommend. These are detailed in their report, along with a proposed management response. The draft report is attached as appendix A.

A number of these issues are already known and are being progressively addressed as we bring all processes and support in-house (some were previously done by PricewaterhouseCoopers), the appointment of a new Accountant role in the Corporate Services team, and the upgrade of the MagiQ financial system late last year.

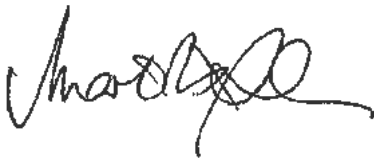
In addition, the management letter includes a number of suggested areas for improvement on risk management, procurement, contract management, a conflicts of interest policy, and asset management capability. Improvements in these areas are already underway and will be progressively implemented over the next year.

The management letter also refers to progress against recommendations from the interim audit management letter for 2015/16 (which was discussed at the Audit and Risk Committee in September 2016) and the final audit management letter for 2014/15 (a copy attached as appendix B).

5. RECOMMENDATIONS

That the Committee:

1. Receives the report.



Marty Sebire
Corporate Services Manager

Appendix A: Draft Management Letter 2015/16 annual report

Appendix B: Management Letter 2014/15 annual report

**Report to the Council on the audit of
Carterton District Council
for the year ended 30 June 2016**

Prepared by: Mari-Anne Williamson

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Key messages

We have completed the audit for the year ended 30 June 2016. This report sets out our findings from the audit and draws attention to areas where Carterton District Council (the Council) is doing well or where we have made recommendations for improvement.

Audit opinion

We issued a modified audit opinion on 22 February 2017. The modification reflects underlying issues in the completeness of information contained in the Customer Request Management system. This information underpins the Council's reported performance results for complaints and service requests in the annual report.

Further information is included in section 1.2 of this report.

Issues identified during the audit

In addition to the matter outlined above, another matter required specific consideration during the audit. This was in respect of the prior period error pertaining to the Council's treatment of forestry harvesting revenue.

For this matter the annual report approved by the Council reflects the appropriate accounting treatment. However, by the fact this error in accounting recognition could occur highlights that improvements to the Council's processes are required to ensure the financial statements are based on complete, reliable and accurate information.

The following table summarises our recommendations relating to the matters outlined above and other issues identified during the audit. The table also states the priority of these recommendations.

Recommendation	Urgent	Necessary	Beneficial
<p>Performance reporting</p> <p>The Council should:</p> <ul style="list-style-type: none"> introduce systems and controls to ensure all complaints are entered into the complaints system and discontinue using manual systems including recording items in diaries; ensure sufficient and appropriate supporting documentation is held for all performance measures that will validate reported results; and implement a quality assurance process that ensures results reported by the Council, and the reports from which they are drawn, are based on complete and accurate data. 	✓		
<p>Forestry revaluations</p> <p>Improvements are required to the Council's current process to ensure that:</p> <ul style="list-style-type: none"> forestry harvest revenue and expenditure is recorded and reported in the correct financial year; forestry revaluations are recorded at the correct value excluding the impacts of tax; and 	✓		

Recommendation	Urgent	Necessary	Beneficial
<ul style="list-style-type: none"> a formal contract is put in place with Forest Enterprises Ltd regarding the maintenance and harvesting of the Council's forests. 			
<p>Rates</p> <p>The Council engages a third party to perform a review of the Council's rating system. This review should be used to identify any changes and improvements that are required to the rates setting process.</p>	✓		
<p>Management of capital expenditure</p> <p>Implement a formal process to monitor capital expenditure against budget throughout the year.</p> <p>Review the existing capital expenditure budget to determine whether the proposed expenditure is appropriate and reflective of the Council's achievable intentions.</p>	✓		
<p>Infrastructure revaluations</p> <p>Undertake an exercise to align the entire fixed asset register with the information in the general ledger and detailed information received by Opus for their valuation. This will ensure all assets are included within future valuations undertaken.</p>		✓	
<p>Depreciation rates</p> <p>Undertake an exercise to align the fixed asset register with the accounting policies and valuation reports to ensure all assets are being depreciated at the correct rate.</p>		✓	
<p>Supporting documentation for contributions revenue</p> <p>All valuation reports for contributions revenue are kept as supporting documentation as they determine the amount of contribution revenue and whether contributions revenue is consistent with the District Plan.</p>		✓	
<p>Premier Beehives NZ</p> <p>Implement an independent review process by the finance team over any billing request that requires judgement.</p>		✓	
<p>Collectability of debtors</p> <p>Undertake a review of collectability of the current aged receivables and, going forward performs more frequent reviews of the debtors balance. These reviews should commence for any balances that are 30 days past due.</p>		✓	
<p>Policy review</p> <p>Implement a formal review process over all of the Council's policies. Policies should be reviewed, refreshed and re-communicated to staff regularly.</p>			✓

Further information on these matters is contained in sections 2 and 3 of this report. There is an explanation of the priority rating system in Appendix 1.

Thank you

We would like to thank the Council and management for the assistance received during the audit.

Mari-Anne Williamson
Associate Director
DRAFT – 24 February 2017

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1 Our audit opinion

1.1 We issued a modified audit opinion

We issued a modified audit opinion on 22 February 2017. The modification reflects underlying issues in the completeness of information contained in the Customer Request Management system.

In forming our audit opinion, we considered the following matters.

1.2 Performance reporting

Findings

An important part of the Council's accountability to its ratepayers is the measuring and reporting of its service performance. The Council reports its service performance against targets set in the long term plan and annual plan in the annual report. As service performance is an integral part of the Council's performance, it is important that the Council has adequate systems and processes in place to capture this information and therefore be able to report on it.

When auditing the Council's performance results, we focus on a selection of key measures. These measures are considered to provide an overview of the Council's performance in key areas of service delivery. For the Council our focus this year was on key measures relating to service delivery within:

- roading;
- water supply;
- sewerage;
- stormwater; and
- regulatory and planning.

Our review of the Council's performance results is completed in two parts. During our interim audit we consider the Council's approach to recording this information. This means looking at the systems and processes the Council has in place. When the Council has generated its performance results, we then substantiate a sample of reported results to ensure the result reported is materially correct. When considering the systems and processes, we did not encounter any issues. The system and processes described to us for capturing complaint and service request information appeared reasonable. We only encountered issues around the completeness of information in the system when testing the Council's reported results.

Further information on these matters is included below.

Completeness of underlying information for complaint and service request measures

On reviewing the underlying information contained within the Customer Request Management (CRM) system, we:

- were not able to obtain supporting documentation to corroborate all sewerage and water supply complaints; and
- could not gain assurance over the completeness or accuracy of sewerage and water complaints as not all complaints received are recorded in the Council's computer system. Those complaints made in person or by phone are not always entered into the system by Council staff. Therefore we could not be certain the reported results are accurate.

As a result of these matters, our opinion has been modified as noted in section 1.1.

While we identified these matters in relation to the reported results for sewerage and water supply, the issue is prevalent across all services where reported performance results are based on information extracted from the CRM.

For a local authority retaining complete information is essential. The data not only provides information about the number of complaints and service requests received by the Council and time taken to respond, it is indicative of the quality of the services received by the ratepayers. Good quality and complete information on the infrastructure network is needed in order to determine future levels of service, capital expenditure requirements and future operational budgets. This will be increasing important for the Council as it prepares its 2018-28 Long Term Plan.

Appropriateness of regulatory and planning performance results

In addition to the issues encountered with complaints and service request measures, we also encountered issues with regulatory and planning measures. These issues are outlined below:

- For LIM applications, the Council was unable to provide us with the original application for a third of the applications selected for review. For one further LIM application we identified that the process was not completed and therefore cancelled during processing however included in the reported results.

Following on from this, we completed additional work and were able to confirm the appropriateness of the reported result for LIMs through examining the receipt of the fee for the LIM as these have to be paid on application. There were no outstanding issues as a result of this review.

- For resource consent applications, when reviewing the official date on the application and the date the consent was issued we identified three applications from our sample of twenty three, where the processing date exceeded the statutory timeframe of 20 working days. The Council at the time was unable to provide evidence to support its assertion that each of the applications in question was processed within the statutory timeframe because they were not received on or close to the date on the application.

We worked with the Council to obtain other supporting documentation to support the timelines provided by the Council. Following consideration of this information we were able to obtain sufficient assurance to confirm that the reported results were materially correct.

- For building consent applications, when reviewing the official date on the application and the date the consent was issued we identified three applications from our sample of twenty three, where the processing date exceeded the statutory timeframe of 20 working days.

For these three applications based on the supporting evidence retained by the Council, the Council was unable to confirm that each of the applications in question was processed within the statutory timeframe as they were put on hold at various stages of processing. The Council at the time was able to provide support for the applications being put on hold due to Requests for Information (RFI's), however it was not able to provide support for when the application was re-started when we were initially performing our review.

Similar to resource consents, we worked with the Council to obtain other supporting documentation to validate the timelines provided by the Council. On review of this information we were able to obtain sufficient assurance to show that the reported results were materially correct.

Recommendation

For reporting performance measures results, the Council should:

- introduce systems and controls to ensure all complaints are entered into the complaints system and discontinue using manual systems including recording items in diaries;
- ensure sufficient and appropriate supporting documentation is held for all performance measures that will validate reported results; and
- implement a quality assurance process that ensures results reported by the Council, and the reports from which they are drawn, are based on complete and accurate data.

Management comment

We are reviewing our systems and controls for the Operation team to identify the recording of necessary information in the Service Request System as close as possible to source. There will continue to be manual recording of events by Operations staff when they are on-site, including recording items in diaries for later transposition to the Service Request System. This transposition is undertaken by a new administrator role in Operations.

All service requests received on the main telephone line are now transferred to the Operations Administrator for recording and passing on to the relevant staff. This ensures consistent treatment.

We are satisfied that the systems are appropriate for our Council, especially as it enables our staff to be very responsive to issues as they are raised by the public, and it would not be practical or cost-effective to directly enter this data through mobile systems used by our Operations staff.

1.3 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions other than in relation to the performance measures as documented in sections 1.1 and 1.2 above. During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial. All significant misstatements were corrected during the audit.

1.4 Breach of statutory deadline

The Council breached its statutory deadline of 31 October. The breach of statutory deadline was appropriately disclosed in the Council's annual report. As a result, the breach had no impact on our audit opinion.

Management comment

This technical breach was in effect due to Audit New Zealand having not completed its review of non-financial measures. The first formal response by Audit New Zealand on the quality and appropriateness of non-financial measures was made in early November. There was nothing in the final opinion as presented that could not have been presented prior to the statutory deadline of 31 October 2016.

2 Issues identified during the audit

2.1 Forestry revaluations

Findings

In assessing the forestry valuation reported by the Council we encountered the following issues:

Forestry harvesting revenue

In considering the forestry valuation for 2016, we identified revenue and expenditure relating to harvesting that occurred in 2015. This revenue and expenditure should have been included in the 30 June 2015 annual report.

The net amount recognised as a payable by the Council for harvesting in 2015 was \$10,644. However, when the revenue and expenditure associated with the transaction was considered, the Council had received revenue of \$970,312 and incurred expenditure of \$980,956. This was material to the financial statements.

As both the revenue and expenditure arising from the Council's harvesting operations should have been included and separately disclosed in the 2015 annual report, the comparative information included in the 2016 annual report has been restated.

In the final version of the annual report, the prior period error has been corrected and all relevant disclosure relating to this have been made.

Discount rates applied to the forestry valuation

The forestry valuation provided by Forest Enterprises Limited applies a post-tax discount rate. IPSAS 27 *Agriculture* paragraph 22 states that "an entity does not

include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest)".

By including taxation in the valuation it would indicate that the valuation included in the annual report is understated. By applying pre-tax discounts rates at 9.2% (consistent with industry average pre-tax rates) rather than the post-tax rate of 6.9%, it provides a valuation of \$534,238 against the original valuation provided of \$490,855, a difference of \$43,382. This assumes all other factors in the valuation remain consistent.

While under accounting standards for public benefit entities, it would be preferred to account for the valuation on a pre-tax basis, there are differing practices across the public sector. Therefore the original valuation of \$490,855 has been applied to the financial statements.

Other matters

We are aware that no current formal contract exists between the Council and Forest Enterprises Limited, who manage the Council's forestry investment. The most recent formal correspondence we have been able to obtain is dated 5 March 1979. The costs and agreed terms in this agreement are outdated and no longer relevant to today's forestry industry.

Recommendation

Improvements are required to the Council's current process to ensure that:

- forestry harvest revenue and expenditure is recorded and reported in the correct financial year;
- forestry revaluations are recorded at the correct value excluding the impacts of tax; and
- a formal contract is put in place with Forest Enterprises Ltd regarding the maintenance and harvesting of the Council's forests.

Management comment

Agreed.

We commissioned our consultants, Forest Enterprises, to prepare valuations in line with accounting standards. For future valuations, they will be instructed to use pre-tax methodology.

A renewed contract is currently being put in place with Forest Enterprises.

2.2 Rates

Findings

In conducting the audit we became aware of two rating issues. The issues related to the application of contiguous water race rate and the designation of properties as either urban or rural in the Mill Grove / Carrington Drive area of the District.

We considered these issues as part of the audit. We concluded that these were matters that would not affect the audit opinion or the annual report on the basis of financial materiality. These were discreet matters rather than systemic issues prevalent in the Rating Information Database (RID). In respect of both matters, the Council have completed work over the RID to ensure these types of issues will not occur again.

While the Council has undertaken its own review and continue to refine and update information in the RID we believe that there would be benefit to the Council in engaging an appropriate expert to conduct a full review of its rating system and processes. The rating process is complex requiring a thorough and detailed understanding of the legislation. By engaging an expert to complete a review will give the Council comfort that its rating processes are appropriate and the rates it is levying a legally set.

Recommendation

Engage a third party to perform a review of the Council's rating system. This review should be used to identify any changes and improvements that are required to the rates setting process.

Management comment

We are considering engaging a consultant to review the rate setting for 2017/18. In particular this will include the funding impact statement, revenue and finance policy, and the proposed rates resolutions. We do not intend to engage someone to review the data in the rating information database. We do not believe the cost of engaging an external reviewer is justified, for the benefits that would be gained. We will though continue to internally review data, and are currently reviewing the accuracy of data related to water races compared to our updated GIS system.

2.3 Approach to managing assets

As an asset intensive organisation, it is important that the Council has in place robust systems and processes to manage these assets. During the audit, we identified three areas where the Council should improve its practices to ensure its asset information is robust and reliable.

Further information on these matters is included below.

2.3.1 Management of capital expenditure

Findings

We reviewed the Council's actual capital expenditure for the 2015/16 financial year against budget. In the majority of asset intensive service delivery areas, there has been a significant underspend.

When we enquired with the Council in regards to its approach to monitoring of capital expenditure and reasons for the significant underspend, we were advised that there is no monitoring process in place by senior management. If we wished to understand the reason for each asset variance this would need to be investigated and explained by the relevant asset class manager.

The underspend in 2015/16 is \$2.5 million compared to a total capital expenditure budget of \$5.7 million. This follows an underspend of \$0.6 million in the prior year. While there may be justifiable reason for the underspend and approved decisions to support the deferral of capital expenditure as this cannot be explained, it does question the robustness of the Council's process for budgeting capital expenditure.

We are not currently aware of any potential implications on asset condition and service delivery from these underspends. However, we will continue to liaise with the Council as we prepare for the 2018/28 Long Term Plan.

Implementing a formal process to monitor capital expenditure against budget throughout the year will aid the Council in identifying whether delays are project specific and outside the Council's control, or whether there is a broader reason for delays, such as lack of resourcing. This information can be used to inform the budget setting process going forward which will aid decision making.

Recommendation

Implement a formal process to monitor capital expenditure against budget throughout the year.

Review the existing capital expenditure budget to determine whether the proposed expenditure is appropriate and reflective of what is achievable and realistic.

Management comment

We have started to improve our monthly reporting processes by managers. This will include capital expenditure against budget, and forecasting year-end results.

2.3.2 Infrastructure revaluations

Findings

We have been unable to obtain assurance that the asset revaluation incorporates all asset additions during the year. This is due to limitations within the Council's Fixed Asset Register (FAR), and an inability to align this information with the detailed engineers' record of the sewerage system received by Opus. Asset additions were not material in this instance. However, there needs to be a clear trail that provides details on what has been included in the valuation that can be reconciled to the systems.

We are aware that in providing the schedules to Opus, the Council is working towards two outcomes. Those being:

- to establish clean, new valuations; and
- to identify and specify the components of assets into recognisable items.

This is leading to the future implementation and population of a new fixed asset schedule in respect of water, wastewater and storm water infrastructure.

Recommendation

Undertake an exercise to align the entire FAR with the information in the general ledger and detailed information received by Opus for their valuation. This will ensure all assets are included within future valuations undertaken.

Management comment

The FAR comprises two modules—that within MagiQ financials and that within the new asset management system, Assetic.

The revaluation of the three waters infrastructure assets undertaken by Opus was based on the component data entered into Assetic. The revaluation results provided by Opus were posted in summary into the MagiQ financials. They reconciled at 30 June 2016.

From this starting point, the asset management system operates as the fixed asset register for the three waters, and future revaluations by Opus will involve providing assurance over the data and valuation calculations within the asset management systems, rather than using separate disparate databases and spreadsheets.

2.3.3 Depreciation rates

Findings

When reviewing items from the Council's FAR we have noted that the depreciation rates being applied in the FAR were not always the same as those stated in the accounting policy. In some instances the accounting policy does not align completely to the revaluation reports.

For example, for one asset class selected being library books, the depreciation method and rate used are straight line at a rate of 18.87% (5.3 years). However, the Council's accounting policies state library books are depreciated on a straight line basis at a rate of 16.67% (6 years).

In this instance a higher depreciation charge has been expensed than should be under the Council's policies. In the context of the annual report, the depreciation charged is materially correct.

Recommendation

Undertake an exercise to align the FAR with the accounting policies and valuation reports to ensure all assets are being depreciated at the correct rate.

Management comment

Agreed.

2.4 Supporting documentation for contributions revenue

Findings

During reviewing contributions revenue, the Council was unable to locate a valuation report for one of our selected contributions.

It is important that the Council ensures it has copies of all valuation reports to support the amount of contribution revenue received and in compliance with the District Plan.

Recommendation

Retain all valuation reports for contributions revenue as supporting documentation as they determine the amount of contribution revenue and whether contributions revenue is consistent with the District Plan.

Management comments

Agreed.

2.5 Debtors and other receivables

We identified two areas where the Council should improve its processes and approach to monitoring debtors. These are outlined below.

2.5.1 Premier Beehives NZ

Findings

We note that one of the Council's significant debtors, Premier Beehives NZ, has amounts outstanding dating back to November 2015. From further investigation we identified the following:

- the Council has been on-charging the entire amount of laboratory costs incurred to Premier Beehives NZ instead of proportioning them. Only costs relating to testing for trade waste should be on-charged; and
- we are aware that Premier Beehives NZ has disputed the charges and the Council's engineer is preparing a reconciliation to determine what proportion of the total charges is recoverable.

The Council have identified the amounts overcharged and the adjusted debtors balance is included in the financial statements.

Recommendation

Implement an independent review process by the finance team over any billing request that requires judgement.

Management comment

Agreed.

2.5.2 Collectability of debtors

Findings

We performed a review over the amount of Council debtors past 90 days. We noted the following:

- out of a total of \$800,110.58 in debtors and receivables, \$127,863.73 is over 90 days (this excludes rates receivables). This amounts to approximately 16% of receivables;
- the provision for doubtful debts is \$61,589.93. This is under 50% of the balance of those debtors over 90 days;
- the categories of receivables with significant 90 day balances include, Water Receivables \$32,853, Debtor Receivables \$65,613 and Dog Infringements \$31,499; and
- the Council only reviews Debtors once they reach 90 days past due to assess for collectability, and where appropriate, creates a provision for doubtful debts.

Recommendation

Undertake a review of collectability of the current aged receivables and, going forward performs more frequent reviews of the debtors balance. These reviews should commence for any balances that are 30 days past due.

This will help to ensure that debtors are actively managed and the amounts outstanding remain collectable.

Management comment

We have increased the resources in the Finance team to better manage debtor processing and debt management (in addition to rates). Training by MagiQ, our financial systems provider, has been scheduled for the new staff, and regular reporting will be designed.

2.6 Policy review

Findings

Part of an effective control environment is to ensure all policies are relevant. This can be achieved through regular review. We considered the Council's approach to updating policies during the audit.

From our review of sensitive expenditure, we are aware that the Council does not have a formal or regular review process for its policies. We have confirmed that any updates are made on an as required basis.

This does not necessarily mean that these policies have been found to be not fit-for-purpose. However, without regular review, there is a risk that policies and procedures become outdated and no longer support the needs of the Council or reflect good practice.

Recommendation

Implement a formal review process over all of the Council's policies. Policies should be reviewed, refreshed and re-communicated to staff regularly (at least every three years).

Management comment

Agreed. A review of Council policies has been initiated, with regular reporting to the Policy and Strategy Committee. A programme of work will be discussed at the next Committee meeting.

3 Areas of focus for the audit

In our audit arrangements letter, we highlighted areas of business risk and audit focus that may impact on our audit opinion. In this section we provide an update on these areas.

3.1 Pensioner housing

Following consultation with the public, Council approved the decision to gift its Pensioner Housing to the Carter Society as an existing social housing provider in the Carterton District.

As part of our audit we reviewed the accounting treatment associated with the transfer of the Pensioner Housing stock to the Carter Society and the resulting adjustments to ensure they are accurately reflected in the Council's financial statements.

There were no issues noted from our review of the gifting of the pensioner housing.

3.2 Wastewater treatment plant (WWTP) consent

We are advised that the Wastewater project is on schedule.

Our understanding is that the resource consents for the Carterton WWTP and effluent irrigation scheme expire in October 2017. The deadline for submitting new consent applications to enable continued exercise of the current consents while the application is being processed is 14 April 2017. A project team has been progressing investigations towards development of a preferred option that will ultimately form the basis of the Council's consent application.

We understand that the Council is currently in the process of submitting a draft consent application to Greater Wellington Regional Council to help define any gaps in information before they make a formal application in April.

3.3 Amalgamation

Following the Local Government Commission (LGC) decision not to proceed with the Wellington Super City, we are aware that the LGC is considering other reorganisation options in consultation with the Wairarapa Councils and the public.

There have been no updates provided by the LGC on this matter at the date of signing.

We will maintain an awareness of developments arising from the LGC findings and discuss these with the District Council to assess any implications.

4 Control environment

We performed a high-level review of the control environment. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls. Our assessment of these areas was based on regular discussions with key members of senior management, members of the Council, and our accumulated knowledge of Council's business.

In performing this assessment we consider both the "design effectiveness"¹ and "operational effectiveness"² of internal control. The explanation of these terms is outlined below. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

4.1 Interim management report

It is worthwhile noting that we raised a number of issues in our interim management report. These deficiencies were reported to the Council in June 2016, however the report was not finalised until 5 September 2016. We urge the Council to address the deficiencies identified in this report, in particular the deficiencies around segregation of duties and journals processing and review, with urgency. These recommendations are summarised in Appendix 2.

Management comment

[Management comments are noted in appendix 2. Improvements will be apparent in the 2017 audit.](#)

5 Our areas of interest for all local authorities

As part of our audit we reviewed areas that are significant to the audit of all local authorities. We also covered areas of interest that are not necessarily significant to the Council but are areas we monitor as part of our responsibility to consider the broader risks affecting local authorities.

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".

² Control has operated effectively throughout the period tested.

These areas were outlined in our Audit Arrangements Letter. Our findings on these matters are included in Appendix 3.

6 Status of previous recommendations

Summary of actions taken against previous recommendations:

Number of recommendations from previous years' audits	Current status
1	Matters that have been resolved
4	Progress is being made, but not yet fully resolved
4	No progress has been made

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

Appendices

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following priority ratings for our recommended improvements:

Urgent
Major improvements required

Needs to be addressed urgently

These recommendations relate to a significant deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the performance information; a breach of significant legislation; or the risk of reputational harm.

Necessary
Improvements are necessary

Address at the earliest reasonable opportunity, generally within 6 months

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

Beneficial
Some improvement required

Address, generally within 6 to 12 months

These recommendations relate to deficiencies that result in the Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
Journals			
<p>A thorough independent review of all journals processed by the Council should be performed. This review needs to incorporate the complete journal population.</p> <p>The timeline of processing journals and the process for unique identification is reviewed to ensure a complete identifiable population of journals.</p>	<p>We have confirmed that our findings of issues at our interim audit with regards to journal processing and review procedures remain unchanged at our final audit.</p> <p>No changes have been made.</p>	Urgent	<p><u>We will review our journal preparation, review and approval controls. We are in the process of bringing all our reporting and planning processes in-house. This will entail ourselves looking closely at all processes and duty assignments.</u></p>
Segregation of duties			
<p>We recommended a review is undertaken of FMIS security access for all staff members and, where edit access is inappropriate, this be changed to view only or access removed.</p> <p>All independent reviews are performed by an employee who is substantially independent.</p>	<p>We have confirmed that no formal review has been undertaken. We have confirmed with IT staff that no change has been made to staff access. The situation found at our interim audit will remain as long as the Council remains operationally on version 3 of the Magiq software.</p>	Urgent	<p><u>We will review our financial transaction preparation, review and approval controls. This will entail ourselves looking closely at all processes and duty assignments. We have now upgraded to version 4 of Magiq Enterprise and will identify what opportunities there are for more finely-grained privileges.</u></p>

Recommendation	Current status	Priority	Management's proposed action
Legislative compliance			
<p>The Council should ensure it is in compliance with all applicable legislation.</p>	<p>We have confirmed that the two abatement notices received were in relation to not reporting to the Greater Wellington Regional Council on time. The Council has reported the abatement notices in the performance reporting.</p>	<p>Urgent</p>	<p><u>There has been an on-going process with GWRC to ensure compliance with the requirements necessary to meet the current and future resource consents. Extensive work has been undertaken to improve the treatment facilities and functionalities that are governed by the consents.</u></p> <p><u>We believe that completion of this physical improvement to facilities will enable successful renewal of the resource consents.</u></p>
Information required for audit completion			
<p>The Council should review the audit information requirements to ensure all required information is available at the start of the audit. Any other information should be provided in a timely manner.</p>	<p>During our final audit we noted improvements in the timeliness of the provision of supporting documentation. However we experienced delays in receiving additional information required. This resulted in timeliness of completion of our work being affected.</p>	<p>Necessary</p>	<p><u>All information required under the audit arrangements letter was provided on time, before the final audit commenced.</u></p> <p><u>A stream of requests for additional information on financial results was received after the audit team had left. We believe these were provided in a timely manner.</u></p> <p><u>Queries on the non-financial information within the report were not received until after the statutory deadline.</u></p>
Risk management			
<p>We encourage the Council to progress the development of the risk management programme and implement an integrated risk management framework and register.</p>	<p>No further progress has been made on this to date. A member of staff with experience and time to address this matter has been given ownership of this project.</p>	<p>Necessary</p>	<p><u>We will continue to develop our risk management policies and procedures and associated practices to reflect both the NZISO 31000 framework and best practice. Further development is to be discussed at the next Audit and Risk Committee meeting.</u></p>

Recommendation	Current status	Priority	Management's proposed action
Reconciliations			
We recommended that reconciliations be performed by the 20th of the following month to ensure timely review.	We have confirmed that no change has been made to the process and timing of preparation and review of reconciliations.	Necessary	<u>We will review our financial transaction preparation, review and approval controls. This will entail ourselves looking closely at all processes and duty assignments. Processes involving PwC are being brought in-house.</u>
Narration and supporting documentation for journals			
The Council should ensure that there is adequate narration and supporting documentation provided and kept for all journals.	We have noted improvements in the supporting documentation for journals, however narrations remain an area for improvement.	Beneficial	<u>We will review our journal preparation, review and approval controls. We are in the process of bringing all our reporting and planning processes in-house. This will entail ourselves looking closely at all processes and duty assignments.</u>
Annual leave balances			
We recommended the Council puts in place formal leave plans for staff with high annual leave balances.	We have noted a decrease in the annual leave balances, however some balances remain high.	Beneficial	<u>The management team continues to monitor leave balances monthly with the objective of managing high balances downward. Although accrued balances may exceed 20 days, the entitlement balance will be less than 20 days for most staff.</u>

Matters that have been resolved

Recommendation	Outcome
Creditor Masterfile changes	We have reviewed all creditor masterfile change reports for the remainder of the financial year and confirmed that all reports are now being signed and dated as prepared and reviewed.

Appendix 3: Other areas of interest for all local authorities

As a part of our audit planning we identified a number of concerns common to the local government sector. The table below outlines our areas of interest for this year's audit. The left-hand column describes each matter and the reasons for our interest. In the right-hand column, we describe how we addressed each matter during the audit.

Area of interest	Our audit response
Mandatory performance measures	
<p>The non-financial performance measures rules were signed on 12 November 2013 pursuant to section 261B of the Local Government Act 2002. These require the reporting on mandatory measures by all Councils in their annual report from 30 June 2016 year-end onwards.</p>	<p>We have reviewed the systems the Council has in place to record results for the mandatory measures. Please see section 1.2 above for more detail.</p>
Rates	
<p>Rates are the Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>We have considered the Council's compliance with aspects of the LGRA that have a material impact on the financial statements. We focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We emphasise that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen as, a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council has responsibility for ensuring it complies with applicable laws and regulations.</p> <p>Please see section 2.2 above for further information.</p>
Impairment assessment for property, plant and equipment and other fixed assets	
<p>PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash Generating Assets</i> requires assets held at cost to be assessed for indicators of impairment on an annual basis, while PBE IPSAS 17 <i>Property, Plant and Equipment</i> requires revalued assets to be carried at a revalued amount that does not differ materially from fair value as at reporting date.</p>	<p>We have reviewed the Council's assessment of whether there are any indicators of impairment and found no issues that need to be brought to your attention.</p>

Area of interest	Our audit response
<p>In addition, work in progress values on projects that span an extended period of time need to be assessed regularly for impairment over the period of the project.</p> <p>The relevant standards provide guidance on indicators that an asset may be impaired, and how impairment should be recognised.</p> <p>We expect the Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	
Funding impact statements (FIS)	
<p>The Council's annual report will identify and explain any significant financial and service performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and Whole of Council will be against the 2015-2025 Long Term Plan (LTP).</p>	<p>We reviewed the FISs and the explanations as included in the annual report of actual versus budgeted expenditure. We found no issues that need to be brought to your attention.</p>
Elections	
<p>With the election in October the Council needs to be careful that the content of the annual report and summary annual report (as well as any other publications issued by the Council) cannot be seen as electioneering.</p> <p>We encourage the Council to consider how it will manage the need to maintain ordinary business and continue to carry out its statutory responsibilities, while ensuring that its resources are not used, or perceived as being used, to give electoral advantage.</p>	<p>There were no issues that arose that need to be brought to your attention.</p>

Area of interest	Our audit response
Emissions Trading Scheme (Forestry)	
<p>Forestry entered the Emissions Trading Scheme (ETS) on 1 January 2008. The ETS classifies forests differently depending on whether they were first established after 1989 or before 1990.</p> <p>Owners of pre-1990 forest land are required to surrender New Zealand Units (NZUs) to the Crown if they deforest (change land use). They can apply for a one-off allocation of NZUs to help offset the decrease in land value due to decreased land-use flexibility, or alternatively for small forest holdings (less than 50 hectares in total) can apply for an exemption from the ETS.</p> <p>Owners of post-1989 forests can choose to enter the ETS. They will then earn NZUs as their forests grow (backdated to 1 January 2008) and have obligations to surrender NZUs at harvest. Post-1989 forest owners do not receive free NZUs as part of the forestry allocation.</p>	<p>We reviewed ETS in relation to the Council's forestry assets and found no issues that need to be brought to your attention.</p>
Development contributions	
<p>Development contributions (and financial contributions, which are levied under the Resource Management Act) are an important funding tool for many local authorities.</p> <p>Development contributions can be contentious. There is a risk that developers may challenge the Council's compliance with legal requirements.</p> <p>The Council may also face the risk of needing to repay contributions if developments do not proceed. To manage this, the Council needs adequate records.</p> <p>Recent amendments to the Local Government Act 2002 (LGA) encourage development agreements between developers and territorial authorities, where developers provide infrastructure (and/or money) instead of paying development contributions under the territorial authority's development contributions policy.</p> <p>Developers' agreements can give rise to liabilities and assets, which the Council should consider when entering into this type of arrangement.</p>	<p>We have reviewed the Council's controls to check that all development contributions are charged in accordance with the policy.</p> <p>We are satisfied the use and application of funds and/or infrastructure received under the Development Contributions Policy are appropriate and have been correctly accounted for.</p> <p>Please see item 2.4 above for further information.</p>

Area of interest	Our audit response
Elected Members – remuneration and allowances	
<p>The LGA gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p> <p>The Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, LGA). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We have assessed the Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination. We have found no issues that need to be brought to your attention.</p>
Local Government earthquake-prone buildings	
<p>Exposure to earthquake-prone buildings is a common issue which affects, but is not limited to, the Local Government sector.</p> <p>In May 2015, the government announced that it had revised its policy on earthquake-prone buildings in favour of a more targeted approach that focuses on the buildings that pose the greatest risk to life.</p> <p>The main changes include:</p> <ul style="list-style-type: none"> • varying the timeframes for identifying and strengthening earthquake-prone buildings according to the seismic risk around New Zealand (with timeframes for identifying potentially earthquake-prone buildings of five, 10 and 15 years, and timeframes for strengthening earthquake-prone buildings of 15, 25 and 35 years – timeframes dependant on the seismic risk of the area); • reducing the scope of buildings covered by the system – excluding farm buildings, retaining walls, fences, monuments that cannot be entered (for example statues), wharves, bridges, tunnels and storage tanks; • prioritising education buildings, emergency service facilities, hospital buildings and corridor buildings by requiring that in high and medium seismic risk areas they be identified and strengthened in half the standard time; 	<p>We have reviewed the extent of exposure the Council has in relation to buildings that do not meet the required percentage of code, including the expected impact of planned changes.</p> <p>We have assessed each case for potential impairment and considered whether there are any impacts on levels of service.</p> <p>As part of our review we have gained an understanding of what risk management actions the Council has undertaken.</p> <p>There are no issues that need to be brought to your attention.</p>

Area of interest	Our audit response
<ul style="list-style-type: none"> • introducing new measures to encourage earlier upgrades through a new requirement to strengthen earthquake-prone buildings when substantial alterations are undertaken; and • a more focused Earthquake-prone Buildings Register and enhanced public notices on earthquake-prone buildings that give information about the earthquake rating of the building. <p>The Building (Earthquake-prone Buildings) Amendment Bill is currently being considered by the Local Government and Environment Select Committee.</p>	

Appendix 4: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the Council's financial statements for the year ended 30 June 2016, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than the audit, we have not provided any engagements for the Council during the year ended 30 June 2016. In addition, we have no relationships with, or interests in, the Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

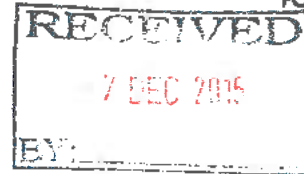
Appendix B

1 December 2015

John Booth
Mayor
Carterton District Council
PO Box 9
Carterton 5743

Level 1, 100 Molesworth Street
Thorndon, Wellington
PO Box 99, Wellington 6140

04 496 3099
www.auditnz.govt.nz



Dear John

Audit for the year ended 30 June 2015 – Management Report

Please find enclosed our final management report on matters raised during our audit of Carterton District Council for the year ended 30 June 2015.

Yours sincerely

A handwritten signature in blue ink that reads "Phil".

Phil Kennerley
Director

Report to the Council on the audit of
Carterton District Council
for the year ended 30 June 2015

Management report

Key message:

We have completed the audit for the year ended 30 June 2015. This report sets out our findings from the audit and draws attention to areas where Carterton District Council (the District Council) is doing well or where we have made recommendations for improvement.

Audit Opinion

An unmodified audit opinion was issued on the financial statements and performance information.

Issues identified during the audit

The primary purpose of our final audit visit was to complete audit procedures to enable us to issue an opinion on the Council's financial statements and performance information.

As part of this audit work we identified several areas for improvement. The following table summarises our recommendations and their priority:

Recommendation	Urgent	Necessary	Beneficial
<p>Narration and support for journals</p> <p>The District Council ensure that there is adequate narration and supporting documentation provided and kept for all journals.</p>		✓	
<p>Information required for audit completion</p> <p>The District Council review the audit information requirements to ensure all required information is available at the start of the audit. Any other information should be provided in a timely manner.</p>		✓	

There is an explanation of the priority rating system in Appendix 3.

Thank you

We would like to thank the Council and management for the assistance received during the audit.



Phil Kennerley
Audit Director
1 December 2015

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 30 October 2015. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the District Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

1.3 Compliance with significant legislation

We reviewed the systems and procedures that the District Council employs to identify and comply with legislative requirements. No issues arose that need to be drawn to your attention.

2 Business risks/issues

2.1 Rates

For the 2015 audit we again considered Council's compliance with aspects of the Local Government (Rating) Act 2002 (LGRA) that materially impact on the financial statements. Principally we focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.

The majority of this work was completed during the 2015-25 LTP audit. During the LTP audit we also followed up on our prior year rates issues with information in the revenue and financing policy.

We confirmed with prior year issues were addressed and no other rates issues were identified.

2.2 Risk management

We followed up on progress made to the Council's risk management procedures. We continue to note limited progress in this area. Council has planned to undertake risk management workshops.

We continue to recommend that Council progresses the development of the risk management programme and implement an integrated risk management programme.

2.3 Amalgamation

In May 2013 the Council made a joint application (with Masterton and South Wairarapa District Councils) to the Local Government Commission for a reorganisation proposal comprising the merging of the three Wairarapa councils into a single Wairarapa unitary authority.

The commission proposed a super-city for Wellington and Wairarapa regions. The proposal was withdrawn following consultation that showed there was a lack of community support. We understand more proposals will be considered over the next year by the Commission.

We will continue to monitor this area and any developments that may occur.

2.4 Wastewater treatment plant

The District Council is undertaking a significant sewerage treatment plant project, budgeted at \$544,040 for 2014/15 and \$2.7 million across the subsequent 10 years.

Over \$1 million of capital works programme at the treatment plant was carried over to 2014/15 from 2013/14. This work was planned in line with the expected consent conditions, including an additional oxidation pond, UV treatment, reduction of phosphorus, and preparation for land disposal of treated effluent. In 2014/15, new shelter belts were planted, a UV tertiary treatment unit was commissioned, and a pivot irrigator was installed. Discharge to land of treated sewage started in January 2015. The delay in the work in 2013/14 related to the delay in the Greater Wellington Regional Council granting the required resource consents.

We tested the significant additions this year and no issues were noted that need to be brought to your attention.

2.5 Performance measures

In November 2013 the Department of Internal Affairs (DIA) announced the Non-financial Performance Measures Rules 2013 (the Rules). The Rules came into force under s261B of the LGA 2002, and mandated a total of 19 measures across water supply, wastewater, stormwater drainage, flood protection, and roading and footpath activities. These measures had to be included in the 2015-2025 LTP and be reported on for the first time in the 2016 Annual Report.

From our audit of the LTP, we have confirmed that the Council has incorporated the mandatory DIA measures into their performance framework, and will therefore be reported on in the 2016 Annual Report.

We discussed these measures with the Council. They have noted that they have adequate systems in place to ensure information for the new measures is able to be captured. We will review this during next year's audit to ensure that the systems are working as described.

3 Our findings on areas of interest for all Local Authorities

In our Audit Arrangements Letter, we highlighted areas of interest that are not necessarily significant to the District Council, but are areas we monitor as part of our responsibility to consider the broader risks affecting Local Authorities. Our findings are set out below.

3.1 Investment management

Public sector entities are accountable for the public money that they invest in financial assets or projects and programmes. Financial assets across the New Zealand public sector are becoming increasingly significant.

We updated our understanding of the District Council's financial assets and investment practices and found these to be appropriate for the District Council.

3.2 Asset management

As part of the audit of the Long-Term Plan (LTP) we reviewed the District Council's asset management plans. Some improvement areas for assets management plans were noted and were included in our report from the LTP dated 15 June 2015.

3.3 Other areas of interest for all Local Authorities

As well as the risks and issues noted above, there are also a number of other areas of interest common to the Local Authorities sector. Refer to Appendix 1 for details and our findings. There are no significant issues noted that need to be brought to your attention.

4 Transition to the new PBE accounting standards

We audited the District Council's updated accounting policies, opening statement of financial position, and restated comparatives (including disclosures) to ensure material differences arising from the new PBE standards are appropriately reflected in the District Council's financial statements under the new PBE standards.

While the Council had reviewed for changes required for the transition to the new PBE standards, which included reviewing our model Annual Report, no formal assessment of the effect of the transition had been documented.

Our approach to the transition was to review the Annual Report compliance with the new PBE standards, using available technical tools, such as model financial statements and transition checklists, to ensure the District Council's Annual Report materially complied with the new PBE standards.

Our review identified further adjustments which were amended subsequent to discussions with management. These adjustments included:

- recognising free carbon credits received;
- adjustments to accounting policies to align to the new PBE standards; and
- reductions to financial instrument disclosures.

We note the following:

- The District Council had appropriately determined its reporting tier, as a tier 2 entity.
- In the final version of the Annual Report:
 - the accounting policies have been updated to reflect the new PBE standards; and
 - the financial statements have been updated and materially comply with the new PBE standards.

5 Items identified during the final audit

5.1 Narration and support for journals

Recommendation

The District Council should ensure that there is adequate narration and supporting documentation provided and kept for all journals.

Findings

We documented the journal system and tested a sample of journals to confirm that there are appropriate key internal controls in place. Our review identified that not all journals tested had adequate narration or supporting documentation.

Adequate narration and supporting documentation ensures that only valid journals are processed.

Management comment

Agreed.

5.2 Information required for audit completion

Recommendation

The District Council should review the audit information requirements to ensure all required information is available at the start of the audit. Any other information should be provided in a timely manner.

Findings

At the start of the audit we received the financial statements and the majority of supporting documentation. We note that some information was not included in the supporting documentation, such as variance explanations. This additional information was requested while on site and took several weeks to be received. As a result, the audit timeline was extended and resulted in a delay in signing the opinion.

Best practice is to have all relevant information available at the start of the audit and any additional information requested provided in a timely manner.

Our Audit Arrangements Letter sets out our expectations for an efficient audit and also includes information we will need for the audit. We encourage the District Council to review the items that are contained in the Audit Arrangements Letter and ensure that they are available.

Management comment

Noted.

6 Our areas of interest for all local authorities

As part of our audit, we reviewed areas that are significant to the audit of all local authorities. We also covered areas of interest that are not necessarily significant to the District Council, but are areas we monitor as part of our responsibility to consider the broader risks affecting Local Authorities.

These areas were outlined in our Audit Arrangements Letter. Our findings on these matters are included at Appendix 1.

7 Status of previous recommendations

The status of each matter that was outstanding in last year's report to the Council is summarised in Appendix 2.

Our interim management report dated 21 October 2015 also included four recommendations. From our discussion with the District Council's staff limited progress has been made on these items. We will review these items during next year's interim audit and report on the progress of these recommendations then.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
1	Matters that have been resolved.
1	Progress is being made, but not yet fully resolved.
0	No progress has been made.

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

Appendices

Appendix 1: Other areas of interest for all Local Authorities

Appendix 2: Status of previous recommendations

Appendix 3: Explanation of priority rating system

Appendix 4: Mandatory disclosures

Appendix 1: Other areas of interest for all Local Authorities

Areas of interest	Audit findings
Project management	
<p>Taking a project-managed approach is an important part of effectively controlling capital works, changes to key IT systems and the process of change more generally – whether that is change to service delivery, or change to the way the entity works.</p>	<p>The District Council engages appropriate consultants and support to help manage significant projects. There were no significant projects this year that we reviewed.</p>
Audit Committees	
<p>An effective Audit Committee can have a positive impact on the identification and management of risk and provide valuable support to an entity and the Governing Body.</p>	<p>As reported in our interim management report we recommend that Council ensures the committee is effective and is fulfilling its terms of reference. In particular it should review draft documents presented for audit.</p>
Conflicts of interest	
<p>Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. During 2007, the Office of the Auditor-General (OAG) published two sets of guidance for entities in this area.</p> <p><i>Managing conflicts of interest: guidance for public entities</i>, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.</p> <p>The 2010 publication: <i>Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968</i> provides more specific guidance for Councillors. This is an updated version of previously published guidance about the legal requirements that apply to Council members in formal decision-making at meetings of their authority.</p> <p>The <i>Local Authorities (Members' Interests) Act 1968</i> controls the making of contracts between Councillors and the District Council and prevents Councillors from participating in Council matters in which they have a pecuniary interest.</p>	<p>We remained alert for, but did not identify any, conflicts of interest.</p>

Areas of interest	Audit findings
Contract management	
<p>Contract management is an important component of procurement. Contract management includes the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential to ensuring that the District Council obtains value for money from the contracts its procurement processes have put in place.</p> <p>Contract renewals provide opportunities for the District Council to refresh contract expectations and deliverables to align to the LTP. This can also provide opportunities for efficiencies or other savings.</p>	<p>As reported in our interim management report we recommend the District Council improve its contract management processes with a formal central contract management system.</p>
Risk management	
<p>Sound risk management processes help to minimise the impact of risks on the organisation.</p> <p>Where the Council has not identified risks, or has not put in place specific processes for managing these risks, the organisation remains exposed to the full impact of the particular risk.</p>	<p>Refer to our comments in section 2.2.</p>
Property, Plant and Equipment	
<p>The District Council periodically revalues its land, buildings and infrastructure assets. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The District Council needs to formally review whether a revaluation is needed this year for the asset classes that it is not proposing to revalue.</p>	<p>The Council performed an assessment to determine that the value of their assets subject to revaluation is not materially different from the fair values. Audit reviewed this assessment and concluded that it was reasonable.</p>
Property, Plant and Equipment – impairment assessment	
<p>PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.</p> <p>We expect the District Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	<p>We reviewed the Council's assessment of whether or not there are any indicators of impairment. None were noted.</p>

Areas of interest	Audit findings
Development contributions	
<p>Development contributions (and financial contributions, which are levied under the Resource Management Act) are an important funding tool for many local authorities.</p> <p>Development contributions can be contentious. There is a risk that developers may challenge Council's compliance with legal requirements. Council may also face the risk of needing to repay contributions if developments do not proceed. To manage this, the Council needs adequate records.</p>	<p>We reviewed the District Council's development and financial contributions revenue recognised this year. From our review we noted amounts were accurately charged and correctly recognised.</p>
Financial reporting disclosures	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 detail disclosures to be included in the Annual Report. The District Council should review these requirements to ensure all disclosures have been included in the Annual Report.</p>	<p>We confirmed all additional disclosures required by the Local Government Act and Local Government (Financial Reporting) Regulations 2014 are included in the Annual Report.</p>
Possible LTP amendments	
<p>While Council has only recently adopted the 2015-2025 LTP, there is always a chance that an amendment may be necessary. An amendment arises where Council proposes:</p> <ul style="list-style-type: none"> • a significant change to services levels [section 97 (1)(a)]; or • to transfer ownership of a strategic asset [section 97(1)(b)]; or • a significant change to the revenue and financing policy [section 103(4)]. <p>Should an amendment arise that meet the above criteria it would require an audit.</p>	<p>We remained alert for possible amendments. No amendments were identified.</p>
Elected members – remuneration and allowances	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p> <p>The District Council's Annual Report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period.¹ A local authority must disclose remuneration paid or payable to each member from both the local authority and any District Council organisation of the local authority.</p>	<p>We reviewed the disclosure for elected members' remuneration. No issues were noted and members were paid in line with the determination.</p>

¹ Schedule 10, clause 18, Local Government Act 2002.

Appendix 2: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
<p>Risk management</p> <p>We encourage the District Council to progress the development of the risk management programme and implement an integrated risk management programme.</p>	<p>Open.</p> <p>We understand that risk management workshop are being held but continue to recommend that risk management processes are formalised.</p>	Necessary	Noted.

Matters that have been resolved

Recommendation	Outcome
Rates – Revenue and Financing Policy	
<p>Recommendations regarding the Revenue and Financing Policy include updating it to:</p> <ul style="list-style-type: none"> • set out the valuation system used for the general rate in accordance with s103(2)(o)(i) Local Government Act; and • set out the differential general rate. 	<p>This was reviewed as part of the LTP audit and confirmed these items have now been included in the revenue and financing policy.</p>

Appendix 3: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the District Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

Urgent

Major improvements required

Needs to be addressed urgently

These recommendations relate to a significant deficiency that exposes the District Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.

Necessary

Improvements are necessary

Address at the earliest reasonable opportunity, generally within six months

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

Beneficial

Some improvement required

Address, generally within six to 12 months

These recommendations relate to deficiencies that result in the District Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 4: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the Carterton District Council's financial statements for the year ended 30 June 2015, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than the audit and the audit of the District Council's 2015-25 Long-Term Plan, we have not provided any engagements for the Carterton District Council during the year ended 30 June 2015. In addition, we have no relationships with, or interests in, the Carterton District Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Carterton District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Carterton District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

22 March 2017

Audit and Risk Committee

Management Letter for 2015–2025 Long Term Plan

1. PURPOSE

The purpose of this report is to present the management letter from Audit New Zealand for the 2015–2025 Long Term Plan and to update the Audit and Risk Committee on the status of their recommendations.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

3. BACKGROUND

The Auditor-General is the auditor of the Council's Long Term Plan. For the 2015–2025 plan, the Auditor-General appointed Phil Kennerley of Audit New Zealand to undertake the audit. His team undertook an audit of the Long Term Plan Consultation Document, and later an audit of the adopted Long Term Plan.

4. FINDINGS

Audit New Zealand found the Long Term Plan free from material misstatements, and did not identify any significant issues in the control environment.

Audit New Zealand made a number of recommendations on the overall asset management environment. In particular they were concerned about:

- a. no asset management structure—these concerns were considered as part of the management review undertaken by the new Chief Executive and a new management position was created for Assets and Projects. Unfortunately it proved difficult to recruit someone with the requisite skills and experience, so the responsibilities were added to the Planning and Regulatory Manager, the project consultant was retained, and the engineering function was enhanced. A partnership agreement has also been entered into with Wellington Water to provide the council with advice and technical asset management support.

- b. lack of a formal Asset Management Policy—there has been some progress on an overall asset management policy, which is being developed as part of the asset management plans.
- c. the implementation of a centralised asset database—there are two developments in this regard. The Assetic asset management system is now in place, and we are adding functionality for financial integration, reporting, and forecasting. And the GIS system is being continually enhanced to capture data about our assets and provide information for our staff.
- d. improvements to asset management plans—work has started on our asset management plans for the three waters, roads and major facilities in preparation for the Infrastructure Strategy update and the Long Term Plan 2018–2028.

The performance framework for new mandatory measures was implemented for the 2015/16 financial year, and the new measures were reported against in the 2015/16 annual report. Audit reviewed these as part of their annual audit.

The management letter for the consultation document is attached as appendix A.

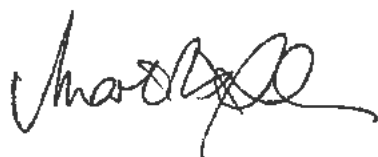
Audit New Zealand also prepared a management letter on the final adopted Long Term Plan (attached as appendix B). They had two findings:

- a. inconsistent use of the assumption around growth—this is a technicality. We assumed moderate to low growth throughout the Long Term Plan, but used high growth for a benchmark required under Regulations. This was the only inconsistency, and was done to comply with the Regulations.
- b. ratepayer survey—Audit recommend that an annual survey be used instead of every three year. We considered that the benefit of an annual survey would be unlikely to exceed the additional expense.

5. RECOMMENDATIONS

That the Committee:

1. Receives the report.



Marty Sebire
Corporate Services Manager

Appendix A: Management Letter for the 2015–2025 Long Term Plan consultation document

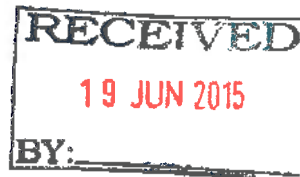
Appendix B: Management Letter for the 2015–2025 Long Term Plan

Appendix A

15 June 2015

Level 1, 100 Malesworth Street
Thorndon, Wellington
PO Box 99, Wellington 6140
04 496 3099
www.auditnz.govt.nz

Colin Wright
Chief Executive
Carterton District Council
PO Box 9
Carterton 5743



Dear Colin

Report to the Council on the audit of Carterton District Council Long Term Plan Consultation Document for the period 1 July 2015 to 30 June 2025

We have finalised the management report arising from the recently completed audit. The report is enclosed.

We wish to thank you and your staff for the assistance and cooperation extended during the course of the audit. If you have any questions please contact me on (04) 496 3099.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Phil".

Phil Kennerley
Director

Report to the Council

We have completed the audit of Carterton District Council's (the Council) Long Term Plan Consultation Document for the period 1 July 2015 to 30 June 2025. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

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Key messages

We have completed the audit of the Council's Long Term Plan Consultation Document (LTP CD) for the period 2015-25 and issued an unmodified opinion on 6 May 2015.

Issues identified during the audit

Ref	Recommendation	Urgent	Necessary	Beneficial
4.1.2	Infrastructure Strategy The Council consider including the items noted in paragraph 4.1.2 in its Infrastructure Strategy.			✓
4.2.1	Overall asset management environment The Council must explicitly state in its LTP that asset data reliability is an issue and that systems and processes need to be put into place before reliability is certain. The Council needs to attend to the recommendations raised from our findings in paragraph 4.2.1 to improve its asset management environment.	✓	✓	
4.2.2	Compliance with the Regulations The Council must include a rates (income) affordability benchmark in its LTP as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.	✓		
4.2.3	Performance framework – System for Mandatory measures The Council needs to formally assess which mandatory performance measures it is unable to report against and implements a system to do so in time for the 2015/16 reporting.		✓	
4.2.4	Performance framework – Context The Council should consider including 2014 actual performance results, in addition 2015 Annual Plan targets already disclosed, to provide greater context for performance measures in the LTP.			✓

Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2015.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2015. These systems will assist with annual reporting, and also internal monitoring and reporting to Council.

Thank you

We would like to thank the Council, management and staff for their assistance during the audit.



Phil Kennerley
Audit Director
15 June 2015

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the Council's LTP CD on 6 May 2015.

This meant we were satisfied the Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in Council's decisions about the proposed content of the 2015-25 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

1.2 Unadjusted misstatements

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All significant misstatements were amended prior to Council adopting the LTP CD.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our Audit Proposal and Arrangements Letter dated 19 December 2014 and are set out in Appendix 1.

3 Control environment

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

Overall, we did not identify any significant areas that need to be brought to your attention.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

4.1 Financial and Infrastructure Strategies

Clearly describing the Council's Financial and Infrastructure Strategies was an important part of the Consultation Document. So that consultation processes are effective, it is important that the reader is able to understand the strategies being employed by the Council.

During the audit we obtained an understanding of the Council's strategies:

4.1.1 Financial Strategy

We evaluated whether the Financial Strategy was prudent and consistent with other information presented in the underlying information. During our evaluation of the strategy we found that there were some items that either needed to be included in the strategy or clarified. We worked through these as a part of the audit and there are no issues that remain unresolved and need to be brought to your attention.

4.1.2 Infrastructure Strategy (IS)

We evaluated the IS for compliance with legislation and whether it was consistent with other information presented in the underlying information.

Our initial review of the IS identified areas of non-compliance with legislative requirements that needed to be included. These areas were communicated to the Council, and changes were made to ensure that the IS included those items.

The amended strategy was assessed overall as good. However, there are several items that could be included in the strategy to make it more readable and complete:

- A high level summary of the assets owned and managed by the Council in terms of both numbers and quantity, including their valuations.
- An indication of the quality of asset information including age, physical description, condition and performance information.
- Identification of any significant disposal issues for assets at the end of their useful lives.
- Identification of key levels of service for each asset type.
- Discussion of any community expectations that may not be met and the significance of not meeting these expectations.
- A summary of the historical expenditure for key asset types or groups.
- An outline of proposed funding strategies for the planned expenditure.
- An indication of any funding issues and the Council's planned response to these.

We recommend that the Council considers including the above items in its IS.

Management comment

Your suggestions will be included in our review of the Infrastructure Strategy.

4.1.3 Assumptions

In developing an LTP, Council had to make assumptions about the future and establish positions on various issues.

Our audit focused on evaluating the appropriateness and completeness of the forecasting assumptions and risks identified by the Council for the development of the LTP. We also considered the application of the adopted forecasting assumptions and risk classifications in the development of the underlying information in the LTP.

There are no issues that we need to bring to your attention.

4.1.4 Preparation of financial information under IPSAS

Council undertook sufficient work to understand the requirements of the new PBE IPSAS standards requirements for their annual reporting and used this in the development of the financial forecasts which were adopted as underlying information for the LTP CD.

4.2 Specific issues identified during the audit

4.2.1 Overall asset management environment

During our review and testing of the asset management control environment we noted the following areas for improvement:

- Lack of formal independent review. The use of an external consultant to write the plans does not suffice as an independent review. The consultant is engaged to write the plans on the council's behalf, not to review Council's already prepared plans.
- Lack of any asset management structure. This has been identified as an urgent priority for improvement planning. We acknowledge that the size of the Council may make capacity capabilities difficult. However, effective asset management is often dependent on an effective team to implement the processes that are in place.
- Lack of a formal Asset Management Policy. Such a policy is often the basis for good asset management practice throughout an organisation, ensuring that there is consistency, accountability, and efficiency over asset management. Without such a policy, the Council risks not knowing who is responsible for specific areas of asset management, confusion in asset management strategy, and misunderstanding of what good asset management looks like.
- Lack of an asset management system. We acknowledge that the Council manages a small district and a small number of assets, but the use of an excel spreadsheet is not sufficient as an asset management system. We also note the risk of errors and inaccuracies in this spreadsheet given that there appears to be little, if any, security around it.

- Lack of understanding or approach used in ensuring that all aspects of effective lifecycle management are considered during asset management planning. The Council needs to ensure that it is following a proactive process that covers all these stages, rather than the reactive approach which the Council appears to currently have. Understanding the different lifecycle stage requirements for each of its assets allows the Council to create forecasts that are viable, and work programmes that are realistic. This issue appears to be indirectly the result of a lack of a formal asset management structure/hierarchy in the Council. We would expect this to be managed by an asset manager or infrastructure manager.
- While the Asset Management Plans (AMPs) cover critical assets sufficiently well, we note that this is not then translated into the asset management system. We note, from our discussions with the AMPs' author, that the identification of critical assets in the AMPs is provisional (that is, these are only suggested critical assets, rather than actual ones).
- AMPs covered the financials at a very high level. It was useful to see graphs indicating capital expenditure in relation to renewals expenditure. However, these graphs need to distinguish capital expenditure that relates to demand, levels of service, and renewals. The graphs only showed capex that related to renewals.
- While the AMPs cover some key assumptions, it would be useful if this also included data reliability given that this assumption underlies and feeds into other assumptions. It would also be useful if more detail is provided around growth and demand requirements, only briefly covered in the AMPs.

These matters have the following implication for the LTP:

- The Council must be explicit in the LTP that data reliability is an issue and that systems and processes need to be put into place before reliability is certain.

We recommend:

- an independent review of the asset management plans;
- the implementation of some sort of formal structure/hierarchy to identify who has responsibility for different aspects of asset management in the Council;
- an Asset Management Policy is put in place as soon as possible;
- the implementation of a centralised database/system. Not only would this solve any issues with version control, it would also provide some accountability for responsibility of management of this register;
- the Council confirm its position on critical assets and include these in the asset management systems as this would feed into work prioritisation programmes;

- the capital expenditure graphs included in the AMPs need to distinguish capital expenditure that relates to demand, levels of service, and renewals; and
- the key assumptions should include data reliability given that this assumption underlies and feeds into other assumptions.

Management comment

We acknowledge your concerns and will be making improvements to the management of assets. The final LTP will include comments about data reliability.

4.2.2 Compliance with the Regulations

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) stipulate in regulation 13 that certain benchmarks, as specified by regulation 10, must be disclosed in the Long Term Plan.

These requirements include benchmarks relating to rates affordability in compliance with regulation 17, for both "Rates (income) affordability" and "Rates (increases) affordability". We understand the Council intends including only the Rates (increases) affordability in its LTP.

We are aware that other councils will be including this benchmark in their LTPs as required, applying, for example, the maximum increases set under their Rates (increases) affordability benchmark (for example, LGCI plus 2%) cumulatively across the 10 years of the LTP.

We recommend that the Council includes a rates (income) affordability benchmark in its LTP as required by the regulations.

Management comment

We will include a rates (income) affordability benchmark in the final LTP, but have grave concerns about its usefulness and value.

4.2.3 Performance framework – System for Mandatory measures

Several of the mandatory performance measures were new to the District Council. As such, there may be no systems in place to enable the District Council to report against them.

There has been no formal gap analysis performed, although informal discussions have occurred within the assets group around this weakness.

The Council is confident it will be able to implement a system between now and period 2015/16 to enable reporting against these mandatory measures.

We recommend that the Council formally assesses which mandatory performance measures it is unable to report against and implements a system to do so in time for 2015/16 reporting.

Management comment

A formal assessment will be undertaken.

4.2.4 Performance framework – Context

From our review of the targets set for the non-financial performance measures, we noted that the comparison used for the measures included were the targets set in the Council's 2015 Annual Plan.

We agree that the Annual Plan information is more timely than the most recent actual performance achievement information, but the Annual Plan information is only based on forecast targets, and there is no comparison of forecast and planned results against any actual results achieved.

We recommend that the Council includes 2014 actual performance results, in addition to 2015 Annual Plan targets already to be disclosed, to provide greater context for performance measures in the LTP.

Management comment

We will consider your recommendation.

4.3 Content of the LTP CD

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues.

4.4 Adopting and auditing the underlying information

Council prepared and adopted the underlying information necessary to support the LTP CD.

4.5 Project management, reporting deadlines and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

4.5.1 Audit readiness and quality assurance of documents

The LTP CD is a significant project and all councils are required to dedicate significant resources towards it.

Our primary approach to the audit of the Council's LTP CD was to identify and assess the key processes over project management, information gathering, budgeting, and the application and integration of assumptions and policies. We then reviewed the documents themselves for compliance, internal consistency and reasonableness.

In our Audit Proposal and Arrangements Letter we identified that our audit of the underlying information and assumptions would need to be completed as part of our audit of the CD.

We did not receive an auditable draft CD until after the audit fieldwork had commenced. The CD was required so that the underlying information, including financial statements, could be assessed to ensure that the major matters from these documents were included in the CD. Items within the underlying information were incorrect and had to be amended during the audit process to ensure that they were a reasonable basis for consultation.

Delays in timeframes led to time pressure on both Council and audit staff, and reduced the contingency available where issues were encountered. The delays also led to the adoption of the CD being deferred to a later Council meeting to allow the underlying information and the CD to be completed to the appropriate standard.

We recommend that the District Council formally consider the "lessons learned" from the 2015-2025 process, and document this to feed into the planning for the preparation of future LTP documents.

Management comment

Agreed.

4.6 Self-assessment

As part of our planning work, we initially asked the Council to complete a self-assessment. The self-assessment was designed to assist the Council in thinking about how it went about its business including the preparation of the LTP CD as well as how its processes influenced, impacted on and were reflected in the LTP CD document itself. Despite several reminders at early stages of the LTP CD process, the District Council did not complete the self-assessment.

The impact of not completing the self-assessment was reflected in the initial drafts of the underlying LTP information and the delays in receiving the CD.

Management comment

Noted.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our Audit Proposal and Arrangements Letter and did not identify any further matters that need to be brought to your attention.

6 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in two parts, firstly in the week commencing 15 June and then to be completed in the week commencing 22 June 2015. To ensure our audit of the LTP is efficient we expect Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2015 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 30 June 2015, when 2015-25 LTP is scheduled to be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP. We will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

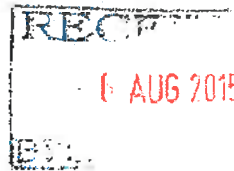
At the conclusion of the LTP audit, we will ask Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit.	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2015-25 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C (4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Proposal and Arrangements Letter dated 19 December 2014 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's auditing standards.</p>
Auditor independence	<p>We confirm that, for the audit of Carterton District Council's LTP CD for the period 1 July 2015 to 30 June 2025, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with Carterton District Council that is significant to the LTP CD audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with Carterton District Council during or since the end of the LTP CD audit.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

Appendix B.

29 July 2015



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Colin Wright
Chief Executive
Carterton District Council
PO Box 9
Carterton 5743

Dear Colin

Report to the Council on the audit of Carterton District Council's Long-term Plan for the period 1 July 2015 to 30 June 2025

We completed the audit of the Council's Long-term Plan (LTP) document and issued an unmodified opinion on 29 June 2015.

We issued a management report on the LTP Consultation Document on 15 June 2015. From the work completed on the final LTP, we have two other items that need to be brought to your attention:

1 Items arising from the LTP audit

1.1 Consistency

Recommendation

We recommend that the Council ensures that, in future, information included in documents is consistent throughout the documents.

Findings

During our review of the draft LTP we noted that the Council had been inconsistent with the use of its growth assumption.

The growth assumption used throughout the LTP and for the planning was done on moderate to low growth; however, the growth assumption used for the Debt Affordability Benchmark (Total debt as a % of total assets) used the high growth limit of 15% rather than the 10% limit.

We accepted that this was materially correct as the change in the limit would not cause the benchmark limit to be breached by the Council.

Management comment

We accept that the growth assumption used for the Debt Affordability Benchmark used the high growth limit of 15% rather than the 10% limit. This was the only inconsistency

in the document. The 15% limit was used in accordance with the specifications of the regulations, not because the Council is expecting high growth. The choice of limit is based on the Statistics New Zealand projections, not on Council's expectations.

1.2 NRB Survey

Recommendation

We recommend that the Council considers completing a ratepayer survey of some kind in each year of the LTP.

Findings

During our review of the LTP, we noted that the Council has several performance measures that are to be assessed against an NRB survey that is to be undertaken every three years.

In some groups of activities there are very few other measures that will measure the performance of the Council and therefore the reporting to ratepayers will be out of date and will not be reflecting the actual performance of the Council in the years where the survey is not undertaken.

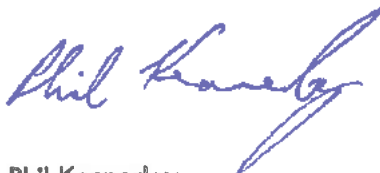
We understand that undertaking an NRB survey every year does incur additional expense, but we recommend that the Council looks at other available options for reporting against its performance measures when the NRB survey is not completed.

Management comment

The benefit of an annual survey is unlikely to exceed the additional expense. The results for each measurement do not usually change significantly from one year to the next, but may do over a longer period. In addition, the Council area is small enough that any matter significantly affecting survey results is normally already known about. The triennial survey is timed so that the results can be used in setting priorities for the Long-term Plan. We have approached a research broker to see if an inexpensive alternative is available in the interim years.

We wish to thank you and your staff for the assistance and cooperation extended during the course of the audit. If you have any questions please contact me on (04) 496 3099.

Yours sincerely



Phil Kennerley
Director

