

CENTRAL HAWKE'S BAY



I hereby give notice that a Risk and Audit Committee Meeting will be held on:

Date: Thursday, 14 February 2019
Time: at the conclusion of the Finance and Planning Meeting
Location: Council Chamber
28-32 Ruataniwha Street
Waipawa

AGENDA

Risk and Audit Committee Meeting 14 February 2019

Our vision for Central Hawke's Bay is a proud and prosperous district made up of strong communities and connected people who respect and protect our environment and celebrate our beautiful part of New Zealand.

Monique Davidson
Chief Executive

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1 APOLOGIES**2 DECLARATIONS OF CONFLICTS OF INTEREST****3 STANDING ORDERS****RECOMMENDATION**

THAT the following standing orders are suspended for the duration of the meeting:

- 20.2 Time limits on speakers
- 20.5 Members may speak only once
- 20.6 Limits on number of speakers

And THAT 21.4 Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

4 CONFIRMATION OF MINUTES

Risk and Audit Committee Meeting - 29 November 2018

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND AUDIT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON THURSDAY, 29 NOVEMBER 2018 AT THE CONCLUSION OF THE FINANCE AND
PLANNING COMMITTEE MEETING**

PRESENT: Cr Tim Aitken (Chairperson)
Cr Gerard Minehan
Cr David Tennent

IN ATTENDANCE:

Cr Kelly Annand
Cr Ian Sharp
Cr Shelley Burne-Field
Cr Tim Chote
Dr Roger Maaka (Maori Consultative Representative)
Joshua Lloyd (Group Manager, Community Infrastructure and Development)
Monique Davidson (CEO)
Bronda Smith (Group Manager, Corporate Support and Services)
Nicola Bousfield (People and Capability Manager)
Lisa Harrison (Organisation Transformation Lead)
Leigh Collecutt (Governance and Support Officer)

1 APOLOGIES

Mayor Alex Walker

Cr Muggeridge

2 DECLARATIONS OF CONFLICTS OF INTEREST

NONE

3 STANDING ORDERS

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr Tim Aitken

THAT the following standing orders are suspended for the duration of the meeting:

- 20.2 Time limits on speakers
- 20.5 Members may speak only once
- 20.6 Limits on number of speakers
 - THAT 21.4 Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

CARRIED

4 CONFIRMATION OF MINUTES**COMMITTEE RESOLUTION**

Moved: Cr Gerard Minehan

Seconded: Cr Tim Aitken

That the minutes of the Risk and Audit Committee Meeting held on 18 October 2018 as circulated, be confirmed as true and correct.

CARRIED

5 LOCAL GOVERNMENT ACT COMPLIANCE – PLANNING, DECISION MAKING AND ACCOUNTABILITY

Council is required to make decisions in accordance with the requirements of Part 6 Subpart 1 of the Local Government Act 2002.

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr Tim Aitken

THAT the Risk and Audit Committee has read the reports associated with items 6.1 and 6.2 and considers in its discretion under Section 79(1)(a) that sufficient consultation has taken place in addition to the Councillors knowledge of the items to meet the requirements of Section 82(3) in such a manner that it is appropriate for decisions to be made during the course of this meeting.

CARRIED

6 REPORT SECTION**6.1 RISK AND AUDIT UPDATE****PURPOSE**

The purpose of this report is to update the Committee of Risk and Audit activities for monitoring and review purposes.

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr Tim Aitken

That, having considered all matters raised in the report, the report be noted.

CARRIED

6.2 SAFETY & WELLBEING UPDATE**PURPOSE**

The purpose of this Report is to update the Risk & Audit Committee on Council's Safety and Wellbeing activities, as well as the reported incidents and near misses for Council staff for this quarter.

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr David Tennent

That, having considered all matters raised in the report, the report be noted.

CARRIED

7 DATE OF NEXT MEETING**COMMITTEE RESOLUTION**

Moved: Cr Gerard Minehan

Seconded: Cr David Tennent

THAT the next meeting of the Central Hawke's Bay District Council be held on 14 February 2019

CARRIED

8 TIME OF CLOSURE

The Meeting closed at 11.39am.

The minutes of this meeting were confirmed at the Risk and Audit Committee Meeting held on 14 February 2019.

.....
CHAIRPERSON

5 LOCAL GOVERNMENT ACT COMPLIANCE – PLANNING, DECISION MAKING AND ACCOUNTABILITY

Council is required to make decisions in accordance with the requirements of Part 6 Subpart 1 of the Local Government Act 2002.

RECOMMENDATION

THAT Council has read the reports associated with items 6.1 to 7.1 and considers in its discretion under Section 79(1)(a) that sufficient consultation has taken place in addition to the Councillors knowledge of the items to meet the requirements of Section 82(3) in such a manner that it is appropriate for decisions to be made during the course of this meeting

6 REPORT SECTION

6.1 RISK AND AUDIT UPDATE

File Number: COU1-1408

Author: Bronda Smith, Group Manager, Corporate Support and Services

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

PURPOSE

The purpose of this report is to update the Committee of Risk and Audit activities for monitoring and review purposes.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

Risk Management Framework and Risk Registers

With the adoption of the Framework by Council, work has now commenced on the development of the Corporate Level Risk Registers where the corporate level risks of the overall Council are considered and reported to the Risk and Audit Committee.

A workshop to begin the establishment of the Corporate Risk is being held with the Risk and Audit Committee on 21 February 2019 following an initial assessment from the Executive Leadership Team.

Risk Registers are established and Risk Reporting Templates will be developed by 31 March 2019.

Internal Audit

Sensitive Expenditure Report

The Report to Management for the Internal Audit Sensitive Expenditure is being considered by the Risk and Audit committee as part of this meeting. Following this review the actions will be added to the Audit Action list and progress reported to the Committee on a quarterly basis.

Internal Audit Programme

The 3 Year Internal Audit Programme will also be reviewed at the beginning of 2019 with the Risk and Audit Committee to set the programme as all audits on the current programme have been completed.

Insurance Programme

As part of the Risk and Audit Committee work programme, a review of the insurance programme is planned to be conducted in the first 6 months of 2019. Officers are working to develop the Insurance Programme review in conjunction with the Risk Registers and Reporting as insurance is a part of managing risk.

The placement for the “Above Ground” insurance with JLT is due in June 2019. The five Hawke’s Bay Councils will begin the review of the values to insure in March and the type and amount of insurance to be placed to be confirmed in May. It is likely that this will need to be placed prior to the completion of the review of the insurance programme.

Insurance Valuations

Following the placement of the Underground insurance last year, the underwriters have indicated that in the hardening insurance market they are reviewing their existing portfolio and are requiring more detail in the data provided, to understand the risk.

An initiative by Manawatu Wanganui LASS, which will include HBLASS Councils, is developing a consistent approach across our councils in determining asset valuations for our insurance purposes and then benchmarking each Council against the approach. The review and benchmarking will be undertaken by AON. It is expected this will be conducted in February and March with the results reported to the Risk and Finance Committee in April.

FINANCIAL AND RESOURCING IMPLICATIONS

Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

6.2 ANNUAL REPORT 2017/18 AUDIT MANAGEMENT LETTER**File Number:** COU1-1408**Author:** Bronda Smith, Group Manager, Corporate Support and Services**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. 2018 Report to Management [↓](#) **PURPOSE**

The purpose of this report is to inform the Committee about the Audit Management Letter for the year ended 30 June 2018

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

An audit of the financial statements of the Council was completed for the year ended 30 June 2018 by Ernst Young. An audit is undertaken every year on the financial statements and working papers of the Council.

Audit issued an unmodified audit opinion dated 18 October 2018 which ultimately means they were satisfied that the financial statements and statement of service performance fairly reflected the activity for the year and the financial position at the end of the year.

On completion of the audit, an audit report is produced to highlight any issues identified during the audit and suggested improvements.

The Management Letter to Council from Ernst Young for the year ended 30 June 2018 has been received and is attached as Attachment 1.

Below is the summary table of the Issues identified during the Annual Report audit.

Issue	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Asset Condition information	-	✓	-
Credit rating of Rabobank bond	-	-	✓
Policies due for update	-	-	✓
Valuation of, and accounting policy for, loans	-	-	✓
Approval of the Chief Executive's expenses	-	-	✓
Total	-	1	4

Managers comments regarding the Issues identified and the actions required are included within the report.

Also included in the report is the follow up for the issues raised within the Management Letter for the Annual Report 2016/17 Management Letter. All of the actions that are able to be verified have

been completed. There are two outstanding moderate items that will be actioned as part of the valuation of Council property assets as at 30 June 2019.

FINANCIAL AND RESOURCING IMPLICATIONS

Any financial and resourcing implications resulting from the Management Letter that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

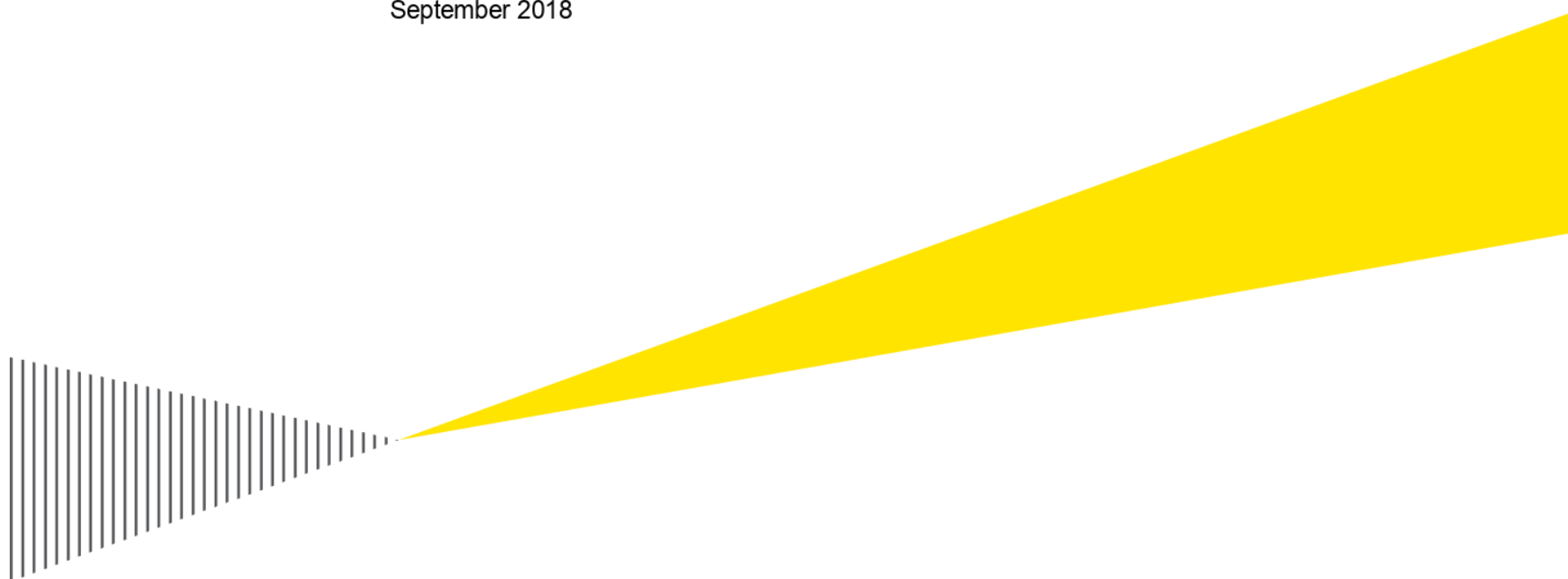
RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

Central Hawke's Bay District Council

Report on Control Findings

September 2018





Ernst & Young
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21 September 2018

Bronda Smith
Group Manager - Corporate Support and Services
Central Hawke's Bay District Council
PO Box 242
Wellington

Dear Bronda

Control Findings for the year ended 30 June 2018

We have completed our audit of Central Hawke's Bay District Council ("CHBDC" or the "Council") for the year ended 30 June 2018.

This Report on Control Findings includes all significant control matters from our audit findings that we consider appropriate for review by management.

In accordance with the Auditor-General's Auditing Standards we performed a review of the design and operating effectiveness of CHBDC's key financial reporting processes. Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data. They have not been designed for the purposes of making detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in CHBDC's internal control environment.

We wish to express our appreciation for the courtesies and co-operation extended to our team during the course of their work. If you have any questions or comments, please do not hesitate to call me on 021 923 431.

Yours faithfully

David Borrie
Partner
Ernst & Young

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1. Overview

1.1 Overview of Risk Ranking System

To provide context around the seriousness of the matters we have raised we have ranked issues in this report by applying the following rating scale:

Number of new findings		
High Needs significant improvement	0	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair CHBDC's reputation.
Moderate Needs substantial improvement	1	Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	4	Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

1.2 Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2018. Recommendations are intended solely for the use of management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council or for any purpose other than that for which it was prepared.

1.3 2018 Audit Observations Summary

The following table summarises the key issues identified during our 2018 audit and their risk ranking:

Issue	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Asset Condition information	-	✓	-
Credit rating of Rabobank bond	-	-	✓
Policies due for update	-	-	✓
Valuation of, and accounting policy for, loans	-	-	✓
Approval of the Chief Executive's expenses	-	-	✓
Total	-	1	4

1.4 2017 Audit Observations Summary

The following table summarises the 2017 recommendations, their risk and status at the conclusion of 2018:

Issue	Risk Needs significant improvement	Status - Resolved	Status - In progress	Status - No Change
Assets maintained outside of RAMM and Inaccurate/incomplete information in RAMM	High	✓	-	-
Register of members' interest	Moderate	✓	-	-
Properties assessed useful life	Moderate	-	✓	-
Land title discrepancies	Moderate	-	✓	-
Incorrect ageing of the Water rates debtors Aged Trial balance	Low	✓	-	-
Aged bond payments	Low	✓	-	-
Total issues from 2017				-

2. 2018 Observations

Moderate Risk Category Issues

Asset Condition information	
Observation	Some assets recorded in RAMM have limited or no condition information associated with the RAMM entry. Asset condition information helps determine an asset's useful life and therefore fair value. Better condition information would allow for a more accurate valuation.
Recommendation	We recommend a process be put in place to update the asset condition information in RAMM more frequently. Recording condition information for larger assets that currently have no condition information should be prioritised.
Management Response	Our new Professional Services Provider (Stantec) have developed data parsing scripts and algorithms to identify gaps and anomalies with RAMM data. The software provides a gap analysis of our RAMM data compared with pre-set expectations for data completeness and validity. An initial review of the RAMM data using Stantec's software has been programmed before the end of the calendar year and this will be completed at least annually moving forward.
Responsibility	Group Manager- Community Infrastructure and Development

Low Risk Category Issues

Credit rating of Rabobank bond	
Observation	We identified a Rabobank New Zealand \$600k bond with a long term S&P credit rating of 'A'. CHBDC's Treasury Management Policy specifies that any NZ Registered Bank should have a minimum S&P long term credit rating of 'A+' (or minimum 'A-1' for short term investments).
Recommendation	We recommend that investments be purchased in line with the Treasury management policy or if needed the policy be updated to reflect Council's current risk appetite.
Management Response	Officers are seeking guidance from PWC regarding the credit rating for long term vs short term specifically regarding the maturity timing. The Rabobank bond had a maturity date of 4 September 2018 so had been considered short term and therefore fell within the credit rating requirements of the policy. This bond has since matured. The policy is due for renewal in May 2019 and therefore it will be updated to reflect Council's current risk appetite at this time.
Responsibility	Group Manager – Corporate Support and Services

Policies due for update	
Observation	We noted a number of policies are past their date for revision. Examples of such policies include the Treasury Management Policy with a review date of September 2017 and the Tendering Policy with a review date of August 2017. There is a risk that outdated policies may not reflect the most up to date intentions of Council. It is important policies are updated in a timely manner, particularly when there is public visibility to policies via the council's website.
Recommendation	We recommend the Council update the policies, and in the future establish a process to ensure they are updated in a timely manner.
Management Response	The Treasury Management Policy has a review date of May 2019 however an incorrect date was included on the version on the website. The Tendering Policy was under review during the audit process and has since been superseded by the Procurement and Contract Management policy that was adopted by Council on 31 October 2018. A timetable for the review of policies had been developed and a number of the policies have been reviewed during this triennium. The schedule was put on hold during the LTP development and the review of the Bylaws. The schedule will be reviewed and the policies that have not been reviewed prior to or during the LTP cycle will be timetabled for review.

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Responsibility	Group Manager – Corporate Support and Services
Valuation of, and accounting policy for, loans	
Observation	During the year Council borrowed funds through the LGFA. At 30 June 2018 these borrowings are being carried at amortised cost. Council's current accounting policy requires debt to be carried at fair value and Council's other debt is valued by First NZ Capital and carried at fair value. The LGFA borrowings are not valued in line with Council's accounting policy and are valued on an inconsistent basis to Council's other borrowings.
Recommendation	We recommend Council value debt in a consistent manner as well as in line with CHBDC's accounting policies.
Management Response	During the year end process, we were informed that First NZ Capital did not value LGFA debt as the debt is not listed or tradeable. Based on this the loan has been carried at amortised cost and the valuation was agreed with the auditors. For the 2018/19 year, the accounting policies will be reviewed to determine the most appropriate approach.
Responsibility	Group Manager – Corporate Support and Services

Approval of the Chief Executive's expenses	
Observation	As part of our sensitive expenditure testing, we identified that the Chief Executive's credit card expenses were approved by the Group Manager – Corporate Services. All expenses should be approved by a more senior member than the staff member incurring the expenses. In the case of the Chief Executive, these should be approved by a Council member.
Recommendation	We recommend that all expenses incurred by the Chief Executive are approved by a Council member.
Management Response	As part of the Delegations Manual, the CE expenses incurred on the credit card are to be approved by the Mayor. The credit card had previously been used as a business expense payment card where a credit card was required as the payment option. The CE has now starting using the credit card for expenses. Following this a new credit card has been issued to the Group Manager – Corporate Support and Services and over August and September, all the business expenses have been moved to the new business credit card. As of October 2018, the CE credit card will be used for CE expenses only and will be approved by the Mayor as per the delegations.
Responsibility	Group Manager – Corporate Support and Services

3. 2017 Observations

High Risk Category Issues

Assets maintained outside of RAMM and inaccurate/incomplete information in RAMM– CLOSED	
Observation	<p>Consistent with 2015 the road markings assets continue to be managed outside of RAMM. In addition, during the 2016 valuation it was identified traffic facilities of \$259k were not recorded in RAMM. GHD appropriately adjusted the valuation to reflect the assets maintained outside of RAMM.</p> <p>We performed testing on a sample basis of Roothing assets constructed and updated in RAMM during the 2015/16 year. We identified several assets where the information was either incomplete or incorrect i.e. the roading segment replaced per the contractor did not agree to what was recorded as replaced in RAMM.</p> <p>As GHD relies on the information within RAMM to complete the Roothing asset valuation there is a risk the valuation may be incorrect if information in RAMM is incomplete or inaccurate. Further, the condition information relating to the physical asset may be incorrect leading to unplanned or unnecessary maintenance of assets.</p>
Recommendation	<p>We recommend that a detailed review is performed on a regular basis each period i.e. quarterly, to ensure all information is included in RAMM. This is a critical process ahead of the full valuation being completed in the 2016/17 financial year.</p> <p>We recommend that a detailed review of the information within RAMM is performed to ensure it is both up to date and complete. This is a critical process ahead of the full valuation being completed for the 2016/17 financial year.</p> <p>In addition, we note GHD made a number of recommendations included in their valuation report (section 7). We concur with their recommendations.</p>
Responsibility	Shawn McKinley, Land Transport Manager
Management Response	We have already set up a process to train contractors and our own staff to capture data accurately and ensure it is entered into RAMM including a quarterly reconciliation process. We are also verifying existing data through inspections and filling in gaps as they are identified. Discussions with GHD regarding their recommendations are also taking place.
Update 2018	Assets which have previously been recorded outside of RAMM have been input into RAMM. We consider this matter closed.

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Moderate Risk Category Issues

Register of members' interest – CLOSED	
Observation	No formal register of members' interest exists which includes all interests held by members of the management of the Council and the Council members themselves. To manage the risk to Council and own staff and Councillors, Council has a responsibility to establish and maintain a register of members' interest to record any potential conflicts of interest of elected members under the local authorities (members' interests) act 1968 and to safeguard management from conflicts. In the absence of an up to date register the Council is unable to identify potential conflicts of interest.
Recommendation	Management should establish a formal interest register that is documented and periodically reviewed to ensure that all interests are up to date. District Council establish policy to update the register of members' interest on a periodical basis and for it to be assessed internally to ensure the risk of conflicts is considered in a timely manner.
Management Response	This has been reviewed by the Council and it has been agreed not to establish a formal register of member's interests
Responsibility	Chief Executive
Update 2017	<p>Council has implemented a formal interest register and evidence based review for Councillors. We identified 1 Councillor was a director of two companies not disclosed on the interest register, but were satisfied the Council had no dealings with these companies. Council should continue to encourage Councillors to regularly update the interests' register.</p> <p>A process has also been started for key senior management personnel. We understand this is currently in progress. We will seek to review the process as this is formalised and documented in 2017/18.</p>
Management Response 2017	<p>The companies not disclosed on the interest register are now registered following this been brought to the Councillor's attention. Conflicts of Interest are called for at each Council meeting, and dealt with appropriately.</p> <p>A process is being put in place to record and manage Senior Management registrars of interest.</p>
Update 2018	Management have now implemented a conflicts of interest register. We consider this matter closed.

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Properties assessed useful life (2016) – IN PROGRESS	
Observation	<p>Telfer Young completed a valuation of the Council's property assets as 30 June 2016. Telfer Young also provided the estimated residual life of each property, which the Council uses to update and determine the depreciate charge each period. However, Telfer Young noted they used QV's estimated residual life assessment from the previous 2013 valuation and deducted three years. They noted this would not necessarily be the same estimated residual life had they completed a formal assessment.</p> <p>There is a risk the annual depreciation charge may be over or understated if the estimated residual life was different as a result of a formal assessment.</p>
Recommendation	We recommend a formal assessment of the estimated residual life for property assets be included within the scope of the next valuation in 2019.
Management Response	This will be included in the next valuation in 2019.
Responsibility	Bronda Smith, Group Manager – Corporate Support and Services
Update 2018	We accept management's response and will carry this point forward to the next valuation

Land title discrepancies – IN PROGRESS	
Observation	<p>We obtained and reviewed the land titles for land owned by the Council on a sample basis to verify the information used by QV in their 2017 valuation of the Council's land and to validate the land is freehold. We identified a number of discrepancies between the Council records and the information used by QV. For one title the land information on the title was less than the area valued in by QV. In addition, a number of titles were not able to be obtained.</p> <p>There is a risk the Council records do not contain the most up to date information in relation to land titles. In addition, there is a risk QV may be performing their valuation on incomplete / inaccurate information.</p>
Recommendation	We recommend a formal review be completed for land held by the council to ensure all land titles are available and the title area reflects the Council's records and that used by QV.
Management Response	As part of the valuation process, a percentage of the land owned by the Council is reviewed. The percentage and requirements will be reviewed prior to the next valuation. We will also review the process in place regarding any changes to land ownership to have current titles and gazette notice obtained and filed.
Responsibility	Bronda Smith, Group Manager – Corporate Support and Services
Update 2018	We accept management's response and will carry this point forward to the next valuation

Low Risk Category Issues

Incorrect ageing of the Water Rate Debtors Aged Trial balance - CLOSED	
Observation	<p>We identified the aged trial balance for water rate debtors does not correctly record the aging of debtors when the report is run at a date subsequent to the point in time requested i.e. if the report is run on the 3rd of July for the period ended 30th June it will incorrectly add 2 days to the debtor aging.</p> <p>As the Council does not use the aging report for debtor provisioning this would only impact required financial disclosures related to financial instruments should the Council become a Tier 1 reporting entity. Tier 1 PBE reporting entities are defined as those with operational expenditure above \$30m, the Council currently has \$29m.</p>
Recommendation	Should the Council become a Tier 1 reporting entity we recommend a formal process be implemented to perform a secondary check on the water rates aged debtor report to validate the financial instruments disclosures in the financial statements are recorded in the appropriate aging category.
Management Response	Should the Council become a Tier 1 reporting entity we will perform a secondary check on the water rates aged debtor report to validate the financial instruments disclosures in the financial statements are recorded in the appropriate aging category.
Responsibility	Bronda Smith, Group Manager – Corporate Support and Services
Update 2018	Management have implemented a more robust review process. We consider this point closed.

Aged bond payments - CLOSED	
Observation	<p>Through its legislative powers Council is in a position to require a bond payment from developers and property owners until required work on the properties under development has been completed. These projects can include subdivisions, relocations or vehicle crossings. Following completion or cancellation of the request, a refund to the bond payer is processed.</p> <p>Our review of the listing of bonds held at 30 June identified approximately \$150k of items of 1 year or older. Upon enquiry with the resource management team, we understand that the verification of the status of the work with the bond payers is a time consuming exercise and that this issue will be addressed in the current year.</p>
Recommendation	As several bonds held are aged 5 years and older, we recommend establishing a review process of the status of aged items to either release the bonds or for Council to complete the work with the remaining bond funds.
Management Response	A review process of the status of aged items to either release the bonds or for Council to complete the work with the remaining bond funds has been established and a working party are working through the list of bonds.
Responsibility	Te Aroha Cook, Regulatory Manager and Shawn McKinley, Land Transport Manager
Update 2018	We are satisfied that a review process is in place. We consider this point closed.

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6.3 RISKPOOL CALL FOR 1 JULY 2019**File Number:** COU1-1408**Author:** Bronda Smith, Group Manager, Corporate Support and Services**Authoriser:** Monique Davidson, Chief Executive**Attachments:** Nil**PURPOSE**

The purpose of the report is to inform the Committee about the advice received from the Board of Riskpool that they are making a call on Council for a shortfall in the mutual pool's funds.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

RiskPool was a mutual liability fund owned by its member Councils giving cover previously provided by commercial liability insurers. It provided Public Liability and Professional Indemnity cover for its members from 1997 to 2017

It operated on the basis that all members made an annual contribution, part of which was used to purchase reinsurance and this along with the fund provided cover for claims made against members. The Trust Deed provided that if in any year claims exceed reinsurance resources and member's contributions the Board may make a call on the members of the fund for that particular year.

The following table outlines the premiums paid and the calls made during the time the council was a member of Riskpool:

Membership Year	Premium	Call
14/15 year	25,853	
13/14 year	25,853	
12/13 year	25,100	
Jul-12		47,971
11/12 year	22,000	
Jul-11		47,971
10/11 year	20,000	
Jul-10		47,971
Sep-09		22,388
09/10 year	21,000	
08/09 year	30,000	
07/08 year	42,000	

06/07 year	39,984	
05/06 year	39,009	
04/05 year	38,057	

When a local authority withdraws from the fund the liability to respond to subsequent calls remains for the years that it was a member. Council last participated in the fund in 2014/15.

Attached as Attachment 1 is a letter received from Riskpool dated 12 October 2018 outlining the need to make another call on its members. The first since 2012.

Riskpool is now in a “runoff” phase with the decision made last year that new covers from Riskpool would not be offered from 1 July 2017. It was acknowledged by the Riskpool Board that it was a difficult decision to make, but support from the sector had dropped, particularly from the larger Councils. Without support from the sector Riskpool could not offer the competitively priced cover it had been able to offer in the past.

Members were advised last year in the Chairman’s report in the 2018 Annual Report that further additional contributions from members (calls) would be required.

As at 30 June 2018, Riskpool’s accounts show a deficit of \$7.4 million. The deteriorating claims experience in 2017-18 means that Riskpool needs to make at least one interim call before a final call is made on wind up. The call will be \$6 million payable on 1 July 2019, split \$3 million each to fund years 7 (2003/04) and 10 (2006/07).

The amount of this call for Central Hawke’s Bay District Council will be \$30,624 payable on or before 1 July 2019. The invoice will be received in May 2019. It should be noted that this is an unbudgeted expense.

Another and hopefully final call from Riskpool is likely in 2022 or 2023. It is expected that the amount of that call will be less than this one.

FINANCIAL AND RESOURCING IMPLICATIONS

There is a financial implication in this report in that the call amount has not been budgeted. An assessment will be made by Officers about the appropriate funding of the call.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council’s plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

6.4 SAFETY & WELLBEING UPDATE

File Number: COU1 - 1408

Author: Nicola Bousfield, People and Capability Manager

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

PURPOSE

The purpose of this report is to update the Risk & Audit Committee on Council's Safety and Wellbeing activities, as well as the reported incidents and near misses for Council employees and strategic contracted partners.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

UPDATES

Contractors Safety Reporting 14 Nov 2018 – 1 February 2019

Higgins:

- 3x incidents (all vehicle related incidents, no physical injury)
- 10x Safety Walks/Audits
- 10x Employee observations

Downer:

- Nil reported incidents

RSV

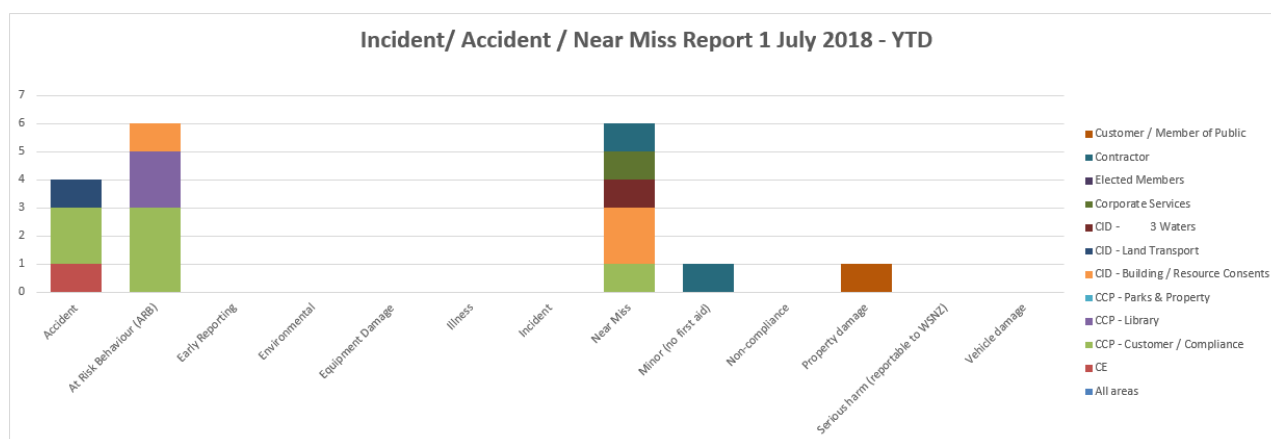
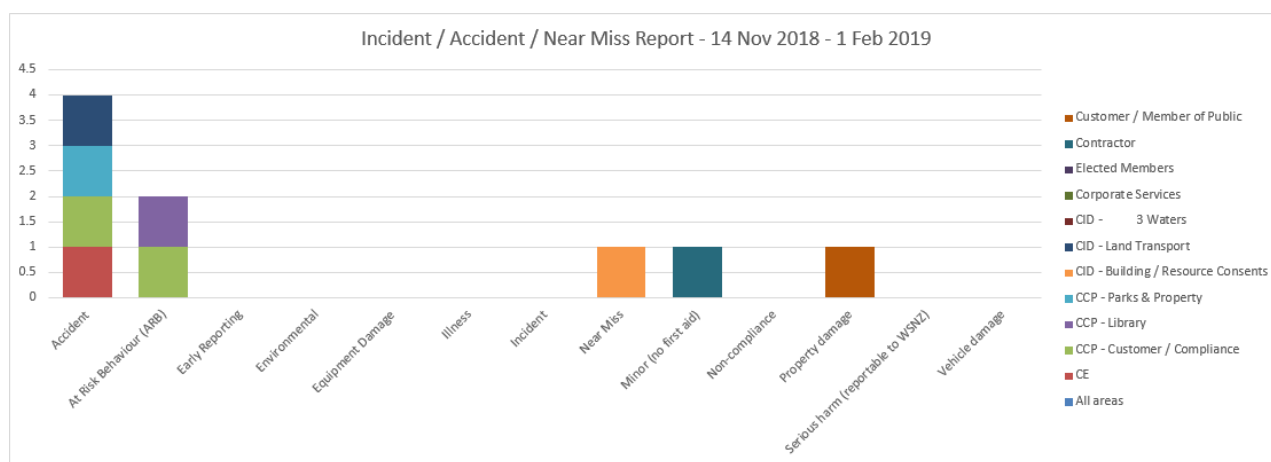
- 5x minor Hazard/Near Miss reports

Smart Environmental

- Will be included in reporting from February

Council Safety Reporting 14 Nov 18 – 1 Feb 2019

- 2x Threatening Behaviour
- 4x Accidents
- 1x Near Miss
- 1x Property Damage
- 1x Incident



Safety & Wellbeing Committee

The first Safety & Wellbeing Committee meeting for 2019 was held on 30 January. The purpose of the committee is to enable the Council and its worker representatives to meet regularly and work cooperatively to improve work health and safety.

The agenda included refreshing the format of the meetings for 2019 and broadening the scope of the meetings to include all of Council's strategic partners.

The Committee plans to call for nominations for new members, who will be put through Health & Safety Representative training. Although not required to under the Health & Safety at Work Act, the establishment of Health & Safety Representative roles within the organisation is considered best practice and training will be provided to the successful nominees.

Safety & Wellbeing Committee Initiatives 2019

The Safety & Wellbeing Committee ran workshops in November to hear from employees their thoughts and ideas ahead of planning the Wellbeing initiatives for employees in 2019.

Two key initiatives were identified following the feedback in the workshops. Firstly, the committee heard from employees their desire to volunteer time to community organisations and have Council support in doing so. Recognising this, the Committee proposed the introduction of Community Service Leave which allows employees to take 20 hours (pro-rata) per annum. This initiative was presented to the Executive Leadership Team and circulated to the organisation for further feedback and approved in January. Community Service Leave is available for employees who wish to give their time back to the community during work hours, whether it be collecting donations for the Pink Ribbon Street Appeal, or volunteering at their child's sports day.

The second initiative developed from the workshops is a program of wellbeing activities and opportunities which will be offered to employees for 2019. The committee is currently working on putting the programme together which will be then communicated back to the organisation.

Wellbeing Workshops

The final Wellbeing Workshop for 2018 was held in December, presented by EAP Services on Fatigue and Sleep.

Contractor Safety Pre-Qualifications

The November Safety & Wellbeing update reported six newly identified contractors outstanding to become pre-qualified. Three of the original six were determined as not currently undertaking work by Council and as such, not required to become pre-qualified. The remaining three contractors are in the process of becoming pre-qualified with assistance from the Safety & Wellbeing Lead and the respective contract managers.

Contractor Audits

The 3 Waters Project Engineer undertook a site audit at the Porritt Place works area in December utilising the i-Auditor app with positive feedback. The app will be rolled out to all contract managers and training provided with view that regular audits will be undertaken by them throughout the year.

Asbestos Liaison Protocol Hawke's Bay

The protocol has now been signed by the 5 Councils, Hawke's Bay DHB and WorkSafe Chief Executives and is now live. The purpose of the Protocol is to increase public confidence in asbestos incident management by setting out processes for effective liaison between government agencies in response to asbestos-related enquiries and incidents in the Hawkes Bay area. All employees who may handle queries or calls about asbestos handling will be taken through the protocol to ensure calls are managed by correct processes.

FINANCIAL AND RESOURCING IMPLICATIONS

There are no financial or resourcing implications from this report.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

7 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Internal Audit Update	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

8 DATE OF NEXT MEETING**RECOMMENDATION**

THAT the next meeting of the Risk and Audit Committee be held on 28 March 2019.

9 TIME OF CLOSURE