



AUDIT AND RISK SUBCOMMITTEE MEETING

Commencing at 11.00am

On

16 June 2016

**Meeting Room 1
Timaru District Council
King George Place
Timaru**

TIMARU DISTRICT COUNCIL

Notice is hereby given that a meeting of the Audit and Risk Subcommittee will be held in Meeting Room 1, Timaru District Council, 2 King George Place, Timaru on Thursday 16 June 2016 at 11.00am.

Subcommittee Members:

Clr Tierney (Chairperson), Clr Brien, the Mayor, Keiran Horne, Chief Executive, and Group Manager Corporate Services

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Subcommittee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Peter Nixon
CHIEF EXECUTIVE

AUDIT AND RISK SUBCOMMITTEE

16 JUNE 2016

AGENDA

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AUDIT AND RISK SUBCOMMITTEE
FOR THE MEETING OF 16 JUNE 2016

Report for Agenda Item No 4

Prepared by **Tina Rogers**
 Group Manager Corporate Services

Confirmation of Minutes

Minutes of the Audit and Risk Subcommittee meeting.

Recommendation

That the minutes of the Audit and Risk Subcommittee meeting held on 12 April 2016 be confirmed as a true and correct record.

TIMARU DISTRICT COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK SUBCOMMITTEE HELD IN MEETING ROOM 1, DISTRICT COUNCIL BUILDING, KING GEORGE PLACE, TIMARU ON TUESDAY 12 APRIL 2016 AT 11.00AM

PRESENT Cllrs Tracy Tierney (Chairperson), Anthony Brien and the Mayor, Keiran Horne, Chief Executive (Peter Nixon) and Group Manager Corporate Services (Tina Rogers)

IN ATTENDANCE Corporate Services Personal Assistant (CG Te Au)

1 CONFIRMATION OF MINUTES

Proposed Cllr Brien
Seconded Keiran Horne

"That the minutes of the Audit and Risk Subcommittee meeting held on 2 December 2015, be confirmed as a true and correct record."

MOTION CARRIED

Matters Arising

Item 4 – Corporate Risk Register

The Subcommittee noted that the Council has received a copy of the high and critical items on the Corporate Risk Register.

2 AUDIT AND RISK SUBCOMMITTEE DELEGATIONS

The Subcommittee considered a report on Subcommittee's delegations.

Health and Safety Risk Management. Although the Subcommittee reviews and recommends to Council, the Council is aware of its responsibilities under the new Health and Safety Act. Health and Safety is not a standing agenda item, however how Health and Safety issues are reported on is being reviewed.

Participation in National Risk Management practise. The formation of a local government risk agency is currently being looked at being established nationwide. It is still in the discussion phase. If it is formed Audit and Risk Subcommittee will be involved with it.

Proposed the Mayor
Seconded Keiran Horne

"That the report be received and noted."

MOTION CARRIED

3 CORPORATE RISK REGISTER

The Subcommittee considered a report on the development of the Corporate Risk Register.

Health and Safety items are part of the register. A collective group of Council staff form the Health and Safety Committee which meets monthly. Their minutes are forwarded to the Management Team which has a standing agenda item for Health and Safety.

Specific work that has taken place in the last quarter was discussed including the identification and follow up of hazards. The Health and Safety Officer follows up on any hazards and this is escalated if the hazard becomes outstanding. The Timaru District Council reviews one third of its worksites annually.

Proposed Clr Brien
Seconded the Mayor

“That the report be received and noted.”

MOTION CARRIED

4 HEALTH AND SAFETY

The Subcommittee considered a report on the implementation of the Health and Safety at Work Act 2015.

All staff have received training on the new Health and Safety Act with the emphasis on taking responsibility, and Business Cards where issued that gives staff the responsibility to stop any unsafe practice they see. Further training for Unit Managers on Health and Safety unit plans will take place and includes using guidance from Australian Councils which are well advanced in this area.

Council Controlled Organisations were discussed. Timaru District Holdings Limited (TDHL) holds a property portfolio and is required to be responsible for any person on their property doing property work, i.e. contractors. TDHL engages the Timaru District Council who operates under its own Health and Safety policies as if it was a TDC site. Engineering assessments have been made on TDHL buildings, four are scheduled for demolition due to earthquake risk and are in the process of being vacated. Tenants have copies of the engineers reports. One building was unsafe and was vacated immediately for repair and signed off by engineers before being reoccupied.

Following on from the Simpson Grierson presentation Health and Safety Policies are being reviewed with assistance from KPMG. This includes the use of Contractors.

The PCBU is the Timaru District Council, this is for all Council worksites, including the airport and Civil Defence. It was noted that Council's risks are very diverse due to the diverse work sites from the Milliscreen to the Library.

There has been a lot of flow on of information through LGNZ, SOLGM, Corporate Managers and Human Resource Managers.

Proposed Keiran Horne
Seconded the Mayor

“That the Health and Safety report be received and noted.”

MOTION CARRIED

5 SHARED BUSINESS PROCESS REVIEW

The Subcommittee considered a report outlining the review of common business risk areas being undertaken across the sector which has been initiated by the Canterbury Finance Managers and was widened to all South Island councils that wished to participate. The benefits of a shared review are the development of best practice and the sharing of expenses.

Proposed the Mayor
Seconded Keiran Horne

“That the Shared Business Process Review report be received and noted.”

MOTION CARRIED

6 BUILDING INSURANCE

The Subcommittee considered a report highlighting community buildings that are insured for indemnity value only. A list of buildings that only indemnity insurance was discussed.

Rural Halls - the indemnity insurance does not mean that the hall would not be replaced if it was destroyed. This would be looked at depending on community need. Council pays the insurance on the majority of these halls. The hall committees will be advised of the type of insurance the halls have to give them the option of replacement value insurance and therefore the higher premiums would be passed onto the hall. It was noted that replacement insurance may set an expectation that the hall would be rebuilt.

Social Housing (pre 2007) – If the cost of full insurance was passed on to tenants it would represent a rent increase of approximately \$240 per year. The likelihood of having to replace all social housing units at once was very minimal, i.e. catastrophic earthquake.

We need to look at buildings individually to understand our stock better in terms of age, values, what the full / partial replacement costs will be.

All lessees for the properties noted in the report, excluding housing units, should be advised by letter that Council is assessing its risks/insurance, advising them of the type of insurance currently held and giving them the opportunity to assess their situation.

Proposed the Mayor
Seconded Cllr Brien

“That all lessees, excluding social housing tenants, be advised by letter of the type of insurance currently held, giving them the opportunity to assess their situation; and

That a report on the Social Housing insurance options be prepared for consideration by the Policy and Development Committee.”

MOTION CARRIED

7 WORK PROGRAMME

The Subcommittee considered a report outlining the Audit and Risk Subcommittee's work programme for the year.

The Subcommittee noted that insurance is reviewed prior to the beginning of each financial year and this is approved by the Chief Executive. Revaluation methodology is presented to the Policy and Development Committee. Policies are reviewed by the relevant Standing Committee on a cyclical basis or in line with the LTP timeframe, however in the lead up to the LTP there will be some policies coming through this Subcommittee. The policies review is nearing completion and a Policies Register will be finalised in the near future.

Additional items were added to the work programme as follows:

October: Internal Audit Budget Allocation.

December: Audit and Risk Subcommittee Workshop/Induction

Proposed Keiran Horne

Seconded Clr Brien

"That the Work Programme report be received and noted."

MOTION CARRIED

The meeting concluded at 12.00pm

Chairperson

AUDIT AND RISK SUBCOMMITTEE
FOR THE MEETING OF 16 JUNE 2016

Report for Agenda Item No 5

Prepared by Tina Rogers
Group Manager Corporate Services

Audit New Zealand Engagement and Arrangements – 2015/16 Financial Year
(File F1/1)

Purpose of Report

Attached are letters of engagement (Appendix A) and arrangements (Appendix B) from Audit New Zealand to conduct the audit for the 2015/16 financial year for Timaru District Council.

Recommendation

That approval be given for Audit New Zealand to conduct the Timaru District Council audit for the 2015/16 financial year in terms of the attached documents and that the Chief Executive be authorised to sign the documents.

27 May 2016

Level 3, 335 Lincoln Road
PO Box 2, Christchurch 8140

www.auditnz.govt.nz

Fax: 03 961 3059

Damon Odey
Mayor
Timaru District Council
PO Box 522
Timaru 7940

Dear Damon

Audit engagement letter

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all "public entities", including the Timaru District Council (the District Council) under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council's financial statements and performance information. We will be carrying out the annual audit on the Auditor-General's behalf, for the year ending 30 June 2016.

This letter outlines:

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

The objectives of the annual audit are:

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

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

Your responsibilities

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

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- having such internal control as you determine is necessary to enable you to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information of which the District Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other matters;
 - additional information that we may request from the District Council for the purpose of the audit;
 - unrestricted access to Council members, the District Council's Chief executive and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the District Council is responsible:

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

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

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

- its decisions and actions have been taken with due regard to financial prudence.

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

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

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

Our responsibilities

Carrying out the audit

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

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

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

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

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

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

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

The audit team is required to be alert for issues of:

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

Our independence

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

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

Reporting

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

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the District Council (for example, internal control weaknesses, probity matters, or compliance with statutory obligations). We may also provide other management letters to the District Council from time to time. We will inform the Council of any other management letters we have issued.

Please note that the Auditor-General may refer to matters that are identified in the annual audit in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Next steps

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

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

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

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me, on 021 222 6020

Yours sincerely



Ian Lothian
Director
On behalf of the Auditor-General

27 May 2016

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

Signed _____ Date _____
Damon Odey
Mayor
Timaru District Council

Appendix 1: Respective specific responsibilities of the District Council and the Appointed Auditor

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

Responsibilities of the Council	Responsibilities of the Appointed Auditor
	<ul style="list-style-type: none"> the appropriateness of the content and measures in any non-financial accountability statements; the adequacy of all disclosures in the financial statements and performance information; and the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made to us about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> the adoption of the going concern assumption is appropriate; all material transactions have been recorded and are reflected in the financial statements and performance information; all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of the District Council; enable you to monitor the resources, activities, and entities under its control; enable the District Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

Responsibilities of the Council	Responsibilities of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will assess whether you have systems, policies, and procedures to ensure compliance with those legislative, regulatory, and contractual requirements that are relevant to the audit. We will either perform specific audit tests to assess whether you have complied with statutory requirements that are relevant to the audit or will maintain an awareness for possible non-compliance that may be relevant to the audit.</p> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws, regulations, and contractual requirements that we consider may be relevant.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity. Specifically, we will be alert for significant instances where members and employees of the District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant instances of departure from expected standards of conduct and personal integrity.</p> <p>The Auditor-General, on receiving a report from us, may, at their discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

Responsibilities of the Council	Responsibilities of the Appointed Auditor
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties and will be alert for other material related-party transactions. We will check that you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the District Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If you intend to publish or reproduce the financial statements and performance information, together with the audit report, on a website, you must, before publication, provide us with a draft version of the documents to read and must obtain our approval to include the audit report with the information you intend publishing on the website.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes and accounting policies as well as any other accountability statements.</p> <p>If you intend to post any new material not previously read by us, you must advise us before posting the new material.</p>	<p>We will perform procedures to satisfy ourselves that the information you intend including on your website is consistent with the audited financial statements and performance information and that the audit report will not be inappropriately associated with any information that has not been audited.</p> <p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p> <p>We will review the material on initial posting and on notification from you that new material has been posted on the website. We do not carry out ongoing monitoring of the material on your website.</p>

Appendix 2: Other responsibilities

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

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

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

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. You are, therefore, asked to clearly inform audit staff visiting your premises what you require of them to ensure health and safety requirements are satisfied, particularly of emergency evacuation procedures and any requirement to wear safety equipment, and to report accidents and hazards.

27 May 2016

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www.auditnz.govt.nz

Fax: 03 961 3059

Damon Odey
Mayor
Timaru District Council
PO Box 522
Timaru 7940

cc: Peter Nixon – Chief Executive
Tina Rogers – Group Manager, Corporate Services

Dear Damon

Audit for the year ending 30 June 2016

I am writing to outline our arrangements for the audit of the Timaru District Council and Group for the year ending 30 June 2016. This letter has two main sections – an agreement to be signed, and details of the audit.

Agreement to be signed

On the next page is an agreement for you to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement, along with a copy of the details of the audit, by 30 June 2016.

Details of the audit

Here we set out the proposed arrangements for this year's audit. These include:

- business risks/issues and our audit response;
- areas of interest for all Council; and
- logistics (such as our audit team, timing, and fees).

Additional information attached

We have attached two appendices for your information:

- Appendix 1: Additional information about the audit; and
- Appendix 2: Areas of interest

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Ian Lothian
Director

Agreement to be signed

I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.

Signed _____ Date _____
Damon Odey
Mayor
Timaru District Council

Details of the audit

1 Introduction

This document sets out the arrangements for the audit of Timaru District Council (the Council) for the year ending 30 June 2016. These include:

- business risks/issues and our audit response;
- areas of interest for all Council; and
- logistics (such as our audit team, timing, and fees).

2 Your business risks/issues and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the Council and group. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 27 May 2016).

The table below sets out the business risks and issues that we have identified in line with these requirements. The left-hand column describes these risks and issues. In the right-hand column, we describe how we plan to respond to these during the audit.

Your business issues	Our audit response
Risk management	
Sound risk management processes help to minimise the impact of risks on the organisation. 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. The District Council has the development of a risk policy and risk framework on its work programme for the 2014-15 year.	We will perform a high level review of the broad approach taken and the processes in place. We will discuss with management the status of any formal organisation-wide risk management processes the District Council has developed during the year.

Your business issues	Our audit response
Service performance reporting	
<p>There continues to be a strong sector-wide focus on the quality of service performance reporting. Our audit will assess whether the performance measures, in the annual report, provide an adequate basis for an informed assessment of the District Council's actual service performance. Specifically, the audit opinion on the service performance report will report on:</p> <ul style="list-style-type: none"> • whether the annual report reflects the District Council's performance for the year based on the measures in the adopted 2015-25 LTP; • the District Council's compliance with generally accepted accounting practice; and • whether the service performance report fairly reflects actual service performance for the year. 	<p>We will concentrate on the systems used to collect, record, analyse and report the data in the District Council's annual report. The systems need to include appropriate internal controls to provide assurance over the integrity of this information, and appropriate supporting documentation must be retained to provide a robust audit trail.</p> <p>We will review whether there are appropriate systems in place to capture new mandatory measures.</p> <p>Our audit work will also focus on:</p> <ul style="list-style-type: none"> • the quality of the overall "story" the performance reporting tells; • the reliability/accuracy of the reporting; • the completeness of the reporting against the performance framework as outlined in the LTP; and • compliance with the relevant legislation (in particular the Local Government Act 2002, Schedule 10).
Rules for non-financial performance measures	
<p>The Non-Financial Performance Measures Rules 2013 requires local authorities to include certain standard non-financial performance measures when reporting to their communities. These measures cover five groups of activities: stormwater drainage, sewerage and the disposal of sewage, flood protection and control works, water supply, and the provision of footpaths and roads.</p> <p>These measures will be reported against for the first time in the 2015/16 annual report.</p>	<p>We will review to confirm that these mandatory performance measures are included in the annual report.</p>
Audit of Council's Debenture Trust Deed	
<p>As the District Council's appointed auditor we also issue a report to the trustees of the District Council's Debenture Trust Deed (the deed). This requirement is included in Council's Trust Deed dated 15 May 1998. We are required to issue our report to the trustees within 30 days of signing the annual report.</p>	<p>We will arrange with the District Council to allow us adequate time to issue our audit report to the trustees within 30 days of the District Council adopting its annual report.</p> <p>As part of our audit we will enquire into the maintenance of Council's register of securities and any audit of the register itself.</p>

We will also follow up on progress made by the Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

3 Logistics

3.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Ian Lothian	Director
Andrew Timlin	Audit Manager
Ashley Sansom	Audit Supervisor
Ferdinand Dasigao	Information Systems Auditor
Jason Biggins	Tax Director

3.2 Important dates in the audit process

Our proposed timetable is:

	Date
Interim audit (completed)	May 2016
Draft interim management report issued	31 May 2016
Draft financial statements available for audit ¹	5 September 2016
Final audit begins	5 September 2016
Final financial statements available ² for audit	23 September 2016
Annual report ³ available for audit	23 September 2016
Verbal audit clearance given	14 October 2016
Audit opinion issued	25 October 2016
Draft final detailed management report issued	25 October 2016

3.3 Our interim audit visit

We carried out the interim audit in May 2016. During this visit, we focused on updating our understanding of the Council's control environment and systems of internal control. This included reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

¹ Financial statements (including notes to the financial statements) with actual year-end figures.

² Financial statements incorporating all the amendments agreed to between Council and Audit New Zealand.

³ Annual report, including any Chair's and Chief Executive's overview or reports.

3.4 Our final audit visit

Our final audit is scheduled to start on 5 September 2016 and is expected to last four weeks (with two to three weeks on site). During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

3.5 Professional fees

Our audit fee estimate for the year ending 30 June 2016 is \$112,625 plus disbursements (GST exclusive). This is as agreed in the Audit Proposal Letter dated 24 April 2014.

The fee is an estimate and assumes that the expectations discussed in Appendix 1 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with you.

We propose to bill as follows:	Amount
May	30,000
September	60,000
October	22,625
	<u>\$112,625</u>

The fee for the audit of Council's Debenture Trust Deed is \$1,677. We will bill this in full on completion of the audit in October 2016.

To ensure we can complete the audit within the proposed time frame (see section 3.2) and agreed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recover from you. To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

Appendix 1: Additional information about the audit

Our reporting protocols

Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council's governing body that specify the reasons why the corrections will not be made.

Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the Council's website.

How we consider your compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the Council's financial statements or general accountability. Our audit does not cover all of the Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

Appendix 2: Areas of interest

As well as the risks and issues noted in section 2, there are also a number of other general concerns common to the Local Government sector. The table below outlines our other 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 plan to address each matter during the audit.

Areas of interest	Our audit response
Information	
<p>The OAG's work programme theme for 2016/17 is Information.</p> <p>There is an expectation that public entities are making good use of the information they have to provide better public services, both now and in the future.</p> <p>Investment to improve the information and technology systems supporting the collection, maintenance, and analysis of business critical information is enabling public entities to transform their service delivery in ways not previously possible.</p>	<p>During our audit we will be seeking examples of the use, analysis and/or management of information. This may include examples of:</p> <ul style="list-style-type: none"> • significant improvements in the use and/or management of information; • small improvements over a period of time; • where the District Council is sharing information with other entities to collectively inform and join together activities; • where the District Council is excelling in its sector, either by way of innovative solutions or technological advances; and/or • how the District Council keeps the information it holds secure.
Public sector concerns	
<p>Under our audit mandate, we are required be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence. These matters could include the following:</p> <ul style="list-style-type: none"> • Situations where those in governance or management roles have conflicts of interest. • The payment of unusually high or unjustifiable fees to those in a governance role. • Excessive or unusual ex gratia payments made to employees. <p>Frequent overriding of policies for sensitive expenditure.</p>	<p>In the course of our usual audit work we will remain alert for matters of performance, waste and probity. Specifically, we will:</p> <ul style="list-style-type: none"> • Remain alert for conflicts of interest. It is important that both the Council and councillors identify and manage compliance with the Local Government (Members' Interests) Act 1968. • Confirm that the Council has complied with the relevant Local Government Elected Members Determination and disclosed the remuneration of each member in the annual report. • Review a sample of severance payments made by the Council and confirm that these payments are made in accordance with employee agreements.

Areas of interest	Our audit response
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 Council obtains value for money from the contracts its procurement processes have put in place.</p> <p>Contract renewals provide opportunities for the Council to refresh contract expectations and deliverables to align to the LTP. This can also provide opportunities for efficiencies or other savings.</p>	<p>We will review the Council's contract management process to assess whether there is appropriate management. Where we identify particular risks with contract management, we may carry out additional work to review the Council's policies, procedures or approach to contract management.</p>
Rating processes	
<p>The basis on which local authorities fund their operating and capital expenditure through rates is set out in the Local Government Act 2002 and the Local Government (Rating) Act 2002.</p> <p>Local authorities have an obligation to consult the community before using these powers via the LTP and annual plan processes.</p> <p>Our audit primarily focuses on risks to the financial statements rather than being a comprehensive check of all aspects of legality. Failure to comply with rating law and the associated consultation requirements can create risks for rates revenue.</p>	<p>We will undertake our standard audit procedures around rates revenue. Our procedures are designed to provide assurance that the rates revenue recorded in the financial statements reflects what the Council can and has collected during the year. The procedures will not be a full check of the Council's decisions and compliance with its legal obligations.</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. Council should review these requirements to ensure all disclosures have been included in the annual report.</p>	<p>We will check that all the disclosures, required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014, have been appropriately included in the Council's annual report.</p>

AUDIT AND RISK SUBCOMMITTEE
FOR THE MEETING OF 16 JUNE 2016

Report for Agenda Item No 7

Prepared by Tina Rogers
Group Manager Corporate Services

Audit New Zealand Interim Management Report for the Year Ended 30 June 2016
(File F1/1)

Purpose of Report

Attached is the Interim Management Report for the year ended 30 June 2016 which has been completed by Audit New Zealand.

Regarding item 1.2.1, the proposed Management Response is “Enhancements to this reporting is to be developed.” For Appendix 2, the proposed action is to review the system developments that occurred in the past 2 weeks and look to further enhance use of electronic purchase orders.

Recommendation

That the report be received and noted.

Draft Report to Council on the interim audit of
Timaru District Council
for the year ending 30 June 2016

Key messages

Summary

We have completed our interim audit of Timaru District Council (the Council) for the year ending 30 June 2016. This report summarises the work done and any issues arising.

Purpose and scope of our interim audit

The primary purpose of our interim audit was to update our understanding of the Council's management control environment, including the Council's systems of internal control. We have documented and tested the key systems to confirm that the relevant controls identified operated effectively throughout the period. We will use this information in planning our final audit.

Prior year recommendations

We have provided further details on the status of our prior years' recommendations in Appendix 2 to this report. We found that a number of our prior year's recommendations have been cleared and we commend management for making good progress in addressing other issues. Several of the issues raised last year, will be followed up at our final audit visit.

Issues identified during the audit

The following table summarises our recommendations and our assessment of their priority:

Recommendation	Urgent	Necessary	Beneficial
Mandatory performance measures <i>After hours service requests</i> Council review the reports generated from the Customer Request system that are used to report performance against service related targets.		✓	

There is an explanation of the priority rating system in Appendix 1.

Thank you

We would like to thank Council staff and management for their assistance during the course of our interim audit visit.

Ian Lothian
Appointed Auditor
3 June 2016

1 **Assessment of your control environment**

We have performed a high-level assessment of the control environment. We performed this assessment to plan the most effective and efficient audit approach, to enable us to express an audit opinion on the Council's financial statements and the non-financial information. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

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, providing you with assurance on internal controls is not the purpose of our assessment, so our work will not necessarily identify and detect all weaknesses in your internal controls. The Councillors are responsible to design, implement and maintain effective controls. As such, we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

Overall, we have assessed the control environment to be both design and control effective.

1.1 **Internal controls**

We reviewed the internal controls in place for your key financial information and non-financial performance systems. Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial reporting, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the Council and management. Both "design effective" and "operationally effective" internal control is important to minimise the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the governing body.

Key systems that we reviewed included:

- non-financial performance systems (where we deemed these to be key systems);
- expenditure;
- payroll;
- revenue – including rates and NZTA subsidy claim processes;
- property, plant and equipment – including infrastructural and operational assets;
- treasury management system;

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.

- journals; and
- general ledger reconciliations.

We are pleased to note the progress that management has made in addressing issues raised in the prior years' reports to the Councils. We comment on the items that have been cleared in Appendix 2 below.

Particular aspects of the control environment that we would like to comment on are as follows:

1.2 Mandatory performance measures

The Non-Financial Performances Measures Rules 2013, promulgated by the Department of Internal Affairs, specify a set of standard performance measures for local authorities to report against.

The measures were included in Council's 2015-25 Long Term Plan, and actual performance against the targets must be included in the 2016 annual report.

Our review, of what we consider to be material performance measures, identified the following:

1.2.1 After hours service requests

Findings

From our review of the system and the reports relating to service requests, we noted that for certain service requests that were initiated after normal business hours, the start time was not based on the time that the request was "Initiated" within the system. Instead, it was based on the time that the request was "Added". This will result in the time taken to respond to the request not being accurately reported.

Recommendation

As Council intends to use the reports generated from the Customer Request system to report its performance against service related targets, we recommend that Council reviews these reports. This is to ensure that the "Scheduled Start Time" is measured correctly, being the time that the original request was logged on the system. This also includes service requests made after hours on the TAS system.

Management comment

1.3 Risk management

Council's risk management processes has been an area of focus in recent years. Progress has been made in collating previous ad-hoc processes into a more coordinated risk management framework. This has culminated in the adoption of a Risk Management policy and the development of a Corporate Risk Register.

The Corporate Risk Register identifies risks, assesses the possible effects of these risks to Council and identifies mitigating measures. The Risk Register (or an extract of the high and critical risks) is reported regularly to the Audit and Risk Subcommittee and through to Council.

We commend the work Council has done in developing and improving its risk management practices.

1.4 Information Systems (IS) environment

Subsequent to our interim audit, we performed a separate Information Systems (IS) visit utilising an IS specialist. While we have not included any detailed IS findings within this report, there were no significant issues arising from this review. We will include the status of IS related issues in our final report to Council.

2 Summary of recommendations

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
3	Matters that have been resolved.
1	Matters that remain outstanding or are in progress, but not yet fully resolved.

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

Appendix 1: Explanation of priority rating system

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

Urgent

Major improvements required

Needs to be addressed *urgently*

These recommendations relate to a serious deficiency that exposes the 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 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 weakness 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 recommendations

Matters that are either outstanding or in progress

Recommendation	Current status	Priority	Management's proposed action
Use of purchase orders			
The Council continues to emphasise to staff the use of purchase orders when initiating and committing the Council to incur expenditure.	At the interim audit, we noted that purchase orders are still not being used by all staff. This increases the likelihood of error and possibility of staff having approved expenditure for amounts that exceed their approved delegation limit.	Beneficial	

Matters that have been resolved

Recommendation	Outcome
Timely review of key reconciliations and reports	
<p>The Council should ensure that all key reconciliations and reports are reviewed by the appropriate staff member and that this review is completed in a timely manner.</p>	<p>Resolved</p> <p>Our review of Council's reconciliations of key systems and controls found that these reviews are now occurring in a timelier manner.</p> <p>Specifically, we followed up on reviews of Investment reconciliations and payroll masterfile audit reports. These reviews were performed on a timely basis.</p>
Risk management system	
<p>Council should consider the development a risk management framework and supporting processes. Such a policy should address the reporting mechanism expected to be put in place.</p> <p>Council is currently looking at good risk management practices at other Councils as part of the preliminary process of implementing a formal risk management system.</p>	<p>Resolved</p> <p>Per 1.3 above, Council has adopted a Risk Management policy and developed a Corporate Risk Register.</p>
Procurement policy	
<p>We will follow up on the progress the District Council has made in developing the policy.</p> <p>We will check to confirm that the District Council has conducted a proper review of the policy being developed.</p>	<p>Resolved</p> <p>Council adopted a procurement policy on 15 July 2015 and this is in place for the 2015/16 year.</p>

AUDIT AND RISK SUBCOMMITTEE
FOR THE MEETING OF 16 JUNE 2016

Report for Agenda Item No 8

Prepared by **Tina Rogers**
 Group Manager Corporate Services

Corporate Risk Register

Purpose of Report

This report is to provide an update on the Corporate Risk Register.

Background

As previously reported, Council officers have been developing a Corporate Risk Register based on the Risk Policy.

No changes have occurred to the Risk Register since the last meeting. There have been no breaches of the mitigants that are in place.

Risk treatment plans have been established for all risks. Specific work that has been undertaken in the last quarter relating to risks includes:

- Health and Safety training for all staff
- Health and Safety risk reviews for all units
- External review of Health and Safety policies
- Installation of security cameras in civic offices
- Security enhancements at other Council sites
- Adoption of the Corporate Delegations Manual
- Further Council Policies adopted
- Canterbury wide discussions on risk management occurring including compliance processes
- Further training regarding Civil Defence requirements undertaken to enhance capabilities
- Discussions with insurance broker and insurance providers
- Discussions with Local Government New Zealand regarding the possible Local Government Risk Agency, including discussions on central government funding associated with disasters

Items scheduled for the next quarter include:

- Health and Safety risk review overview to form a corporate health and safety register
- Refinement of Health and Safety practices based on risks identified
- Further security enhancements
- Assignment of legislation responsibilities
- Development of compliance processes
- Finalisation of review of corporate management policies
- Finalisation of Council Policies
- Local government Canterbury wide risk discussion.

It is anticipated that the level of some risks will be reduced as a result of these changes, particularly around staff security, vandalism and health and safety.

Identification of relevant legislation, Council policy and plans

Risk Policy

Funding Implications

There are no funding implications with this report. Some of the action plans do have minor budget implications which are incorporated into the 2016/17 Annual Plan.

Conclusion

The Corporate Risk Register has been established and this provides a framework for proposed actions. The aim of this is to provide an assurance that the risks are being appropriately managed.

Recommendation

That the report be received and noted.

AUDIT AND RISK SUBCOMMITTEE
FOR THE MEETING OF 16 JUNE 2016

Report for Agenda Item No 9

Prepared by Symon Leggett
Human Resources Manager

Health and Safety

Purpose of Report

This report is to provide an update on Health and Safety activity since the implementation of the Health and Safety at Work Act 2015 which came into effect on 4 April 2016.

Background

As previously reported the Timaru District Council has held a Tertiary rating for Health and Safety under ACC's Workplace Safety Management Programme for the last eight years.

This mature platform has allowed us to have a smooth transition to the new Health and Safety at Work Act 2015 which is now in effect.

Update on Activity

Considerable activity continues to occur in the area of health and safety:

- Our annual Health and Safety week has been completed, with 239 staff undergoing training on the new legislation. Emphasis was placed on how this impacts on their role and their responsibilities
- All of our managers have undergone a further training session on their increased responsibilities, with a preliminary review of updating their unit Health and Safety plans
- The unit Health and Safety plans are under review with expert advice being sought where required. There is an increased level of staff engagement evident throughout this process.
- Review of the H and Safety practices of our contractors is ongoing. We've seen an increase in the communication and collaboration with TDC on major jobs where we have an overlapping duty of care.
- KPMG have been engaged to review our policy documents and supporting material. Several opportunities for improvement were identified, centered on greater clarity, simplifying some processes and more detail about worker participation practices. These refinements are a work in progress.
- The SafeHold software package has been purchased to provide a Health and Safety platform for logging incidents, reporting hazards & risks, store all relevant documentation (linking to RM8 our document management system), provide workflow functionality and generate reports.
 - The system structure has been scoped
 - Staff have been loaded into the system
 - Historical incidents have been captured
 - New incidents are currently being entered by the HR Team

- Power user training has been completed
- Go-live date is yet to be confirmed
- Various training activity has also been completed over the period:
 - First aid refresher
 - Driver training, including quad bike handling
 - Dealing with difficult customers.

Health & Safety Statistics

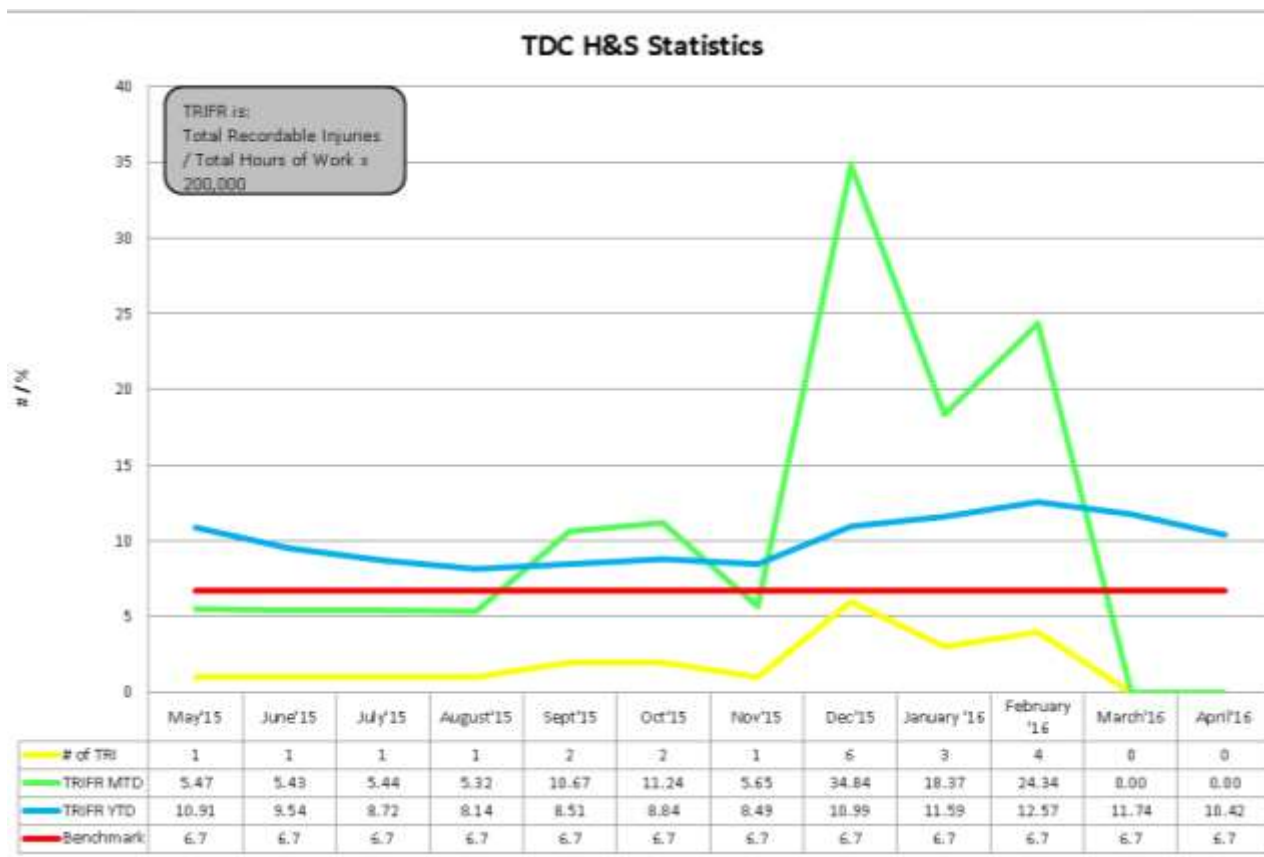
The below graphs are based on our current reporting tools and cover the preceding 12 months. Please note that the SafeHold package will be able to provide a 'richer' level of reporting across the business.

Total Recordable Injury Frequency Rate:

Based on a standardised number of hours worked, the below graph shows the frequency of injuries across the organization. This allows a comparison of year to date injury rates (blue line) against a benchmark figure (red line).

The increase in incidents from November 2015 is a direct result of an increased emphasis on reporting incidents, coupled with a larger workforce over the summer period, especially at our pool facilities.

It is pleasing to see zero injuries for March and April.



Lost Time Injury Frequency Rate:

This measure is focused on those injuries that resulted in lost time, compared against a standardised number of hours worked.

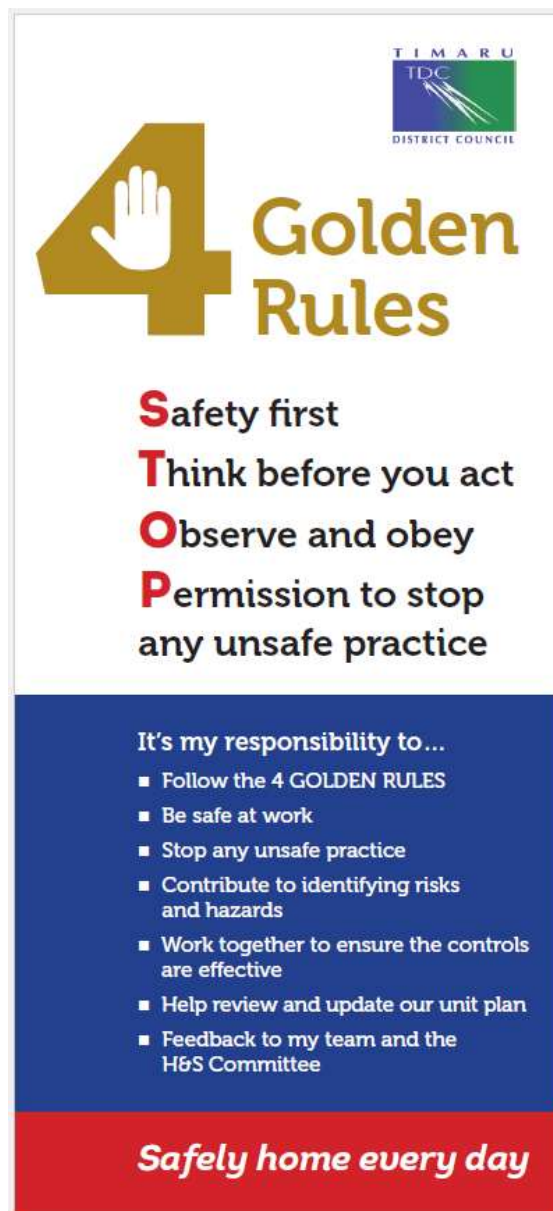
Of note is the sharp drop in the year to date trend (green line), due to the lack of injuries in March and April. We are tracking above the national norm (red line). To get our LTI rate down to this level, we would need to only have 4 LTI incidents over a 12 month period.



Health and Safety Material

The below is a copy of the handout material staff received at the completion of the Health and Safety training in April.





Conclusion

The implementation of the new legislation has gone smoothly, with a significant amount of activity to support managers and staff through this process. Opportunities to refine and improve our practice have been identified and are being worked on.

Recommendation

That this report be received and noted.