



NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Opotiki District Council Chambers, 108 St John Street, Opotiki
Monday, 4 September 2017
Commencing at 9.30am**

ORDER PAPER

APOLOGIES

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

PUBLIC FORUM

	Page
ITEM 01 CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING 14 AUGUST 2017	5
ITEM 02 ACTION SCHEDULE (Standing Item)	Tabled with verbal update
ITEM 03 DRAFT ANNUAL REPORT 2016-2017	10
ITEM 04 LOCAL GOVERNMENT – SHE CONTRACTOR PRE-QUALIFICATION	13
ITEM 05 KOHA PAYMENTS	17

STANDING ITEM:

RISK WORKSHOP –TO BE HELD AT THE CONCLUSION OF THE MEETING

Members: **Cr Arihia Tuoro (Chairperson)**

Cr Ken Young

Ex-Officio: **Mayor John Forbes**

Independent Member: **David Love**

Committee Secretary: **Gae Newell**

Quorum: **2**

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Councillors are reminded that if you have a pecuniary or non-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 Council chamber.

Aileen Lawrie

CHIEF EXECUTIVE OFFICER

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. The Audit and Risk Committee is a Committee of the Ōpōtiki District Council.
2. **Objective**

The objective of the Committee is to assist the Council in carrying out its duties in regard to financial reporting and legal compliance.
3. **Membership**

Chairperson: Councillor Tuoro
Members: Councillor Tuoro, Councillor Young
Ex-Officio: Mayor Forbes
Independent Member: David Love
4. **Meetings**
 - 4.1 A quorum is two members.
 - 4.2 The Committee shall meet as needed but in any event, at least annually.
 - 4.3 Notice of meetings shall be in accordance with the requirements set out in the Local Government Act 2002.
5. **Terms of Reference**

The Audit and Risk Committee will:

 1. *Review Council's annual financial statements with Council management and the Auditors prior to their approval by Council.*
 2. *Oversee statutory compliance in terms of financial disclosure.*
 3. *Monitor corporate risk assessment and internal risk mitigation measures and oversee:*
 - *Council's risk management framework*
 - *internal control environment*
 - *legislative and regulatory compliance*
 - *internal audit and assurance*
 - *oversee risk identification on significant projects*
 - *compliance to Treasury Risk Management Policies.*
 4. *Review the effectiveness of Council's external accountability reporting (including non financial performance).*
 5. *Conduct the process for the Chief Executive's Performance, for report to Council.*

6. *Draw to the attention of Council any matters that are appropriate.*
7. *Investigate and report on any matters referred to the Committee by Council. The circumstances the Council may refer matters to the Audit and Risk Committees include:*
 - a. *Any significant issues arising from the financial management of councils affairs.*
 - b. *Any complaints against elected members or alleged breaches of the Councils code of conduct.*
 - c. *Any significant issues arising from Audit New Zealand processes.*
 - d. *Due Diligence on strategic asset acquisition or disposal.*
 - e. *Setting up of Council Controlled Organisations.*
 - f. *Development of a Council risk assessment and mitigation strategies.*

6. **Authority**

- 6.1 The Committee is authorised to investigate any activity referred to it by Council resolution. It is authorised to seek any reasonable information it requires from Council staff.
- 6.2 The Committee is authorised by the Council to obtain outside legal or other independent professional advice and to arrange for the attendance at meetings of outside parties with relevant experience and expertise if it considers this necessary.

MINUTES OF AN ŌPŌTIKI DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD ON MONDAY, 14 AUGUST 2017 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 12.30PM

PRESENT:

Councillor Arihia Tuoro (Chairperson)
Councillor Ken Young
David Love
Deputy Mayor Lyn Riesterer

IN ATTENDANCE:

Aileen Lawrie (Chief Executive Officer)
Bevan Gray (Finance and Corporate Services Group Manager)
Mike Houghton (Community Facilities Manager)
Jan Burkhart (Chief Financial Officer)
Muriel Chamberlain (Health & Safety and HR Advisor)
Tina Gedson (Property Officer)
Gae Newell (Personal Assistant to CEO and Mayor)

PUBLIC:

Mr Xiaoyu Chen

APOLOGY

Mayor John Forbes.

RESOLVED

(1) That the apology be sustained.

Tuoro/Young

Carried

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

David Love noted that he is a Bay of Plenty Regional Councillor and is also a member of the Regional Council's Audit and Risk Committee.

PUBLIC FORUM

Nil.

- 1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING 12 JUNE 2017** **p5**

RESOLVED

- (1) That the report minutes of the Audit and Risk Committee meeting held on 12 June 2017 be confirmed as a true and correct record.**

Young/Love

Carried

The Planning and Regulatory Team Leader, Ken Buckley, entered the meeting at 12.32pm and the Chief Executive Officer introduced him to the Committee.

Item 3 was considered before Item 2.

- 2. ACTION SCHEDULE** **Verbal Update**

The Finance and Corporate Services Group Manager tabled the Action Sheet and spoke to the action items.

RESOLVED

- (1) That the Action Schedule be received.**

Young/Love

Carried

- 3. DRAFT INTERIM MANAGEMENT REPORT** **p10**

RESOLVED

- (1) That the report titled "Draft Interim Management Report" be received.**
(2) That the proposed responses to the items raised be approved.

Love/Riesterer

Carried

Mr Xiaoyu Chen entered the meeting at 1.27pm.

The Community Facilities Manager and the Property Officer entered the meeting at 1.29pm.

4. INTERNAL CONTROL WORKS **p39**

RESOLVED

(1) That the report titled "Internal Control Works" be received.

Love/Tuoro

Carried

5. ŌPŌTIKI AERODROME UPDATE **p43**

RESOLVED

(1) That the report titled "Ōpōtiki Aerodrome Update" be received.

Love/Tuoro

Carried

The Community Facilities Manager and the Property Officer left the meeting at 1.40pm

6. KOHA PAYMENTS **p48**

The Chairperson declared an interest in that she is a director of Whakatōhea Mussels (Ōpōtiki) Limited.

RESOLVED

(1) That the report titled "Koha Payments" be received.

Riesterer/Young

Carried

7. RESOLUTION TO EXCLUDE THE PUBLIC **p50**

SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

- 8. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 12 June 2017**
- 9. Health and Safety**

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

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
8.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 12 June 2017	That 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 exists.	Section 48(1)(a)
9.	Health and Safety	That 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 exists.	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

8.	Maintain effective conduct of public affairs Protect the privacy of natural persons Protect Information (Commercial sensitivity) Carry out commercial activities Carry out negotiations Maintain legal professional privilege	Section 7(2)(f) Section 7(2)(a) Section 7(2)(b)(ii) Section 7(2)(h) Section 7(2)(i) Section 7(2)(g)
9.	Protect Information Free and frank expression of opinions	Section 7(2)(b)(i), (d) and (e) Section 7(2)(f)(i) & (ii)

Love/Young

Carried

Mr Xiaoyu Chen left the meeting at 1.42pm

RESOLVED

- (1) That the resolutions made while the public was excluded be confirmed in open meeting.**
- (2) That the public be readmitted to the meeting.**

Love/Young

Carried

RESOLVED

- (1) That the In-committee minutes of the Audit and Risk Committee Meeting held on 12 June 2017 be confirmed as a true and correct record.

Tuoro/Love

Carried

RESOLVED

- (1) That the report titled "Health and Safety" be received.

Love/Young

Carried

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 2.00PM.

THE FOREGOING MINUTES ARE CERTIFIED AS BEING A TRUE AND CORRECT RECORD AT A SUBSEQUENT IN-COMMITTEE MEETING OF THE AUDIT AND RISK COMMITTEE ON 4 SEPTEMBER 2017.

**COUNCILLOR ARIHIA TUORO
CHAIRPERSON**



REPORT

Date : 24 August 2017

To : Audit & Risk Committee Meeting, 4 September 2017

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **DRAFT ANNUAL REPORT 2016/17**

File ID : A121382

EXECUTIVE SUMMARY

This report provides the Draft Annual Report 2016/17 to the committee for review. This is still very much a work in progress and we are working hard to address all the items raised in recent audit management reports. We still have a few weeks to complete the document and a robust review before the final audit. We would like some feedback from the committee on the document and content so far.

PURPOSE

To provide to the committee the progress made on the Draft Annual Report ahead of the final audit engagement in late September.

BACKGROUND

Historically we have taken the Draft Annual Report to Council for adoption for audit. The terms of reference for the Audit & Risk Committee state that it should be the committee that are the ones overseeing the Annual Report project, and providing feedback to the staff on the draft document. The Audit and Risk meeting schedules have been arranged as such for this year.

DISCUSSION AND OPTIONS SECTIONS

This report attaches the Draft Annual Report for review and feedback by the committee. We still have some time to make amendments before the final audit commences later this month.

There are always a number of challenges in compiling the Annual Report. As was the case last year, staff changes have impacted on our proposed timeline. The progression of the Long Term Plan process is also placing pressure on resources.

To combat this we have contracted a previous council Finance Manager to assist with the Annual Report compilation. They will also be undertaking many of the reconciliation processes and addressing items raised in the Interim Management Report.

To ensure a much more efficient process in the future, we also have a consultant working on developing a full annual reporting model for us. This will also remove the impact of any resourcing issues on the Draft Annual Report compilation should this occur again.

The new Annual Report model is built in the same manner as our long term planning model, so the methodology behind it is consistent, meaning less work for auditors to understand it. It is also based on a large element of financial data warehousing which will make future reporting for monthly, quarterly, and annual reporting easier.

There is still more reading and reviewing of the document to be done before we are happy to provide it to the auditors. One of the items in last years' management report was the level of QA that we had undertaken on the report before it went to auditors. We will be looking to significantly improve on that this year.

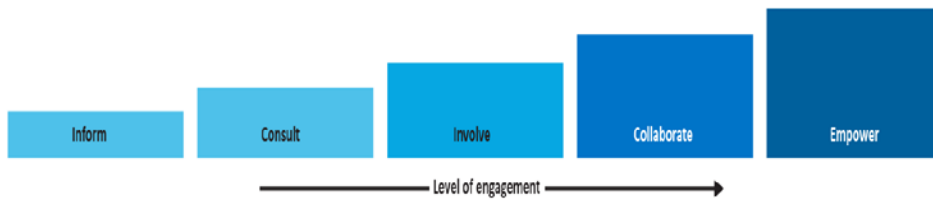
SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for Draft Annual Report 2016/17 is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for Draft Annual Report 2016/17 is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled "Draft Annual Report 2016/17" be received.**

Bevan Gray

FINANCE AND CORPORATE SERVICES GROUP MANAGER



REPORT

Date : 28 August 2017

To : Audit and Risk Committee Meeting, 4 September 2017

From : Muriel Chamberlain, Health & Safety and HR Advisor

Subject : **LOCAL GOVERNMENT – SHE CONTRACTOR PRE-QUALIFICATION**

File ID : A121593

EXECUTIVE SUMMARY

This report is an update on contractors who have become SHE Pre-qualified and Council's intended response to those contractors who choose not to undertake the assessment.

PURPOSE

This report provides information to update committee members on the progress of contractors who have pre-qualified their health and safety management plans. This is the first step for Council in meeting the requirement for consultation, collaboration and co-ordination under the Health and Safety at Work Act 2015 (HSWA). We then need to ensure that we have robust systems to manage site and project specific information and that sufficient monitoring and inspections take place.

BACKGROUND

The first prosecution under the new health and safety legislation signals that the Regulator, Worksafe, is serious about issues relating to non-adherence to the new law. Budget Plastics Ltd a Palmerston North business was fined \$100,000.00. This was reduced from Worksafe's recommended \$900,000k due to the ability of the company to pay the recommended amount.

Most importantly, a workers life has changed forever due to the loss of three and a half fingers on one hand.

The company was also ordered to pay reparation of \$47,000 for emotional harm. The case sets the direction for future prosecutions and shows that the courts have an appetite to penalise non-compliant businesses.

Most of the Council's in the Waikato and Bay of Plenty have joined the SHE Local Government Pre-Qualification scheme. In May of this year, Whakatāne District Council, Kawerau District Council and Ōpōtiki District Council agreed to join the scheme together to make the best use of our resources and in recognition that we shared some contractors. Bay of Plenty Regional Council had joined the scheme earlier and it was recognised that some contractors that we used would already be qualified through Bay of Plenty Regional Council.

As a recap the reasons for Ōpōtiki District Council joining the scheme are as follows:

- Consistent with other Councils – Ōpōtiki does not have the internal resources to review all of our contractor information
- All contractors whose work is medium to high risk must pre-qualify. To assess risk we use the same guide as Bay of Plenty Regional Council, Whakatane District Council and Kawerau District Council
- Consistency – Councils jointly developed the criteria for assessment – contractors do not have to provide different information for each Council and they perform this exercise once and are pre-qualified for every Council in the scheme
- No direct costs to Council. Contractors pay a bi-annual fee and an annual insurance assessment fee. Costs are dependent on the number of employees
- SHE is an independent assessor who specialise in health and safety assessments and software
- This is the first step to meet our obligations under HSWA. By outsourcing this step we have more time to work on the other areas of contractor management required by the Act
- Our local contractors go onto the SHE approved list and have the opportunity to work for any other Council in the scheme. Some contractors are providing detail on the list regarding the nature of their work and therefore using the pre-qualification for marketing.

Contractors must prequalify

The date agreed to between Whakatāne, Kawerau and Opotiki for contractors to meet this requirement is 4 September 2017. With this date fast approaching we seek the committee's support on our position that contractors must pre-qualify. There are some contractors from Whakatāne who have an extended timeframe, that being 1 December 2017.

We have sought information from our neighbouring Councils and in particular Bay of Plenty Regional Council who has advised that their position is not to use contractors who are not pre-qualified. Their response to barriers raised by contractors is as follows:

- Cost. They advise contractors to add this to their next invoice which in reality they do anyway
- I'm already pre-qualified with another provider. The SHE system is the Local Government system and we require contractors who work for us to use this system
- H&S law stuff is unreasonable. If that is their attitude we don't want to engage with them
- I/We have worked for Council for years, why are you making us do this? New law and we have to manage the risks that contractors bring, pre-qualification is one way we do this.

Bay of Plenty Regional Council advise that there are limited times with conditions attached when they will use non-prequalified contractors. The conditions are:

- The work is urgent and the contractor has not had the time to pre-qualify
- It is the first time BOPRC have used the contractor
- It is on a once only basis
- The contract manager must ensure a robust job safety analysis is completed
- The contract manager must ensure that the contractor supervision levels are high
- After the urgent work is completed the contractor must prequalify before any further works are undertaken by that contractor.

Risks

- If we do not ask contractors to pre-quality Council carries the risk
- The first prosecution has set the scene for the Regulator seeking much higher penalties
- Adverse effect on the community – some local contractors might not get our business
- Publicity / public perception – this could work both ways, however if managed well the message is we support high standards of health and safety in our community.

CONCLUSION

The changes to the health and safety legislation require additional resource and while we have made some progress there is still work to do, especially in the area of contractor management. Adopting the approach taken by Bay Of Plenty Regional Council of no pre-qualification/no work supports our position of requiring more proactive and informed management of our contractors. Pre-qualification externally provides Ōpōtiki with the opportunity to improve management of low risk contractors, site specific and project specific health and safety, and most importantly, monitoring and auditing.

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for Local Government – SHE Contractor Pre-Qualification is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for Local Government – SHE Contractor Pre-Qualification is considered to be of low significance the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled **Local Government – SHE Contractor Pre-qualification** be received.
- 2. That the **Audit and Risk Committee** approve the approach that contractors must be **SHE approved**.

Muriel Chamberlain

HEALTH & SAFETY AND HR ADVISOR



REPORT

Date : 23 August 2017
To : Audit and Risk Committee Meeting, 4 September 2017
From : Finance and Corporate Services Group Manager, Bevan Gray
Subject : **KOHA PAYMENTS**
File ID : A121370

EXECUTIVE SUMMARY

The purpose of this report is to provide details of koha payments made from 1 July 2017 to 23 August 2017.

PURPOSE

The purpose of this report is to provide details of koha payments made from 1 July 2017 to 23 August 2017.

BACKGROUND

Audit New Zealand considers koha to be sensitive expenditure. To ensure transparency of the size of koha and the occasions for giving koha, the Audit and Risk Committee receives regular reports on koha payments made, disclosing the following information:

- The amount of koha
- The purpose of the payment
- The reason or justification for the amount.

Set out below is a schedule of koha payments for the year to date:

Date	Amount	Details	Number of Attendees
1 July 2017	\$70.00	Flowers for Council member following passing of close family member.	
1 July 2017	\$70.00	Flowers for staff member following passing of close family member.	
15 August 2017	\$200	Koha for Whakatōhea Agreement In Principle signing	

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for receiving the Koha Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for receiving the Koha Report is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled "Koha Report" be received.**

Bevan Gray
FINANCE AND CORPORATE SERVICES GROUP MANAGER