

CENTRAL HAWKE'S BAY



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

Date: Thursday, 22 March 2018
Time: at the conclusion of the Finance and Planning Committee meeting
Location: Council Chamber
28-32 Ruataniwha Street
Waipawa

AGENDA

Risk and Audit Committee Meeting

22 March 2018

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

Monique Davidson
Chief Executive

Order Of Business

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CENTRAL HAWKE'S BAY DISTRICT COUNCIL

Notice is hereby given that a meeting of the Risk and Audit Committee will be held in the Council Chamber, 32 Ruataniwha Street, Waipawa on **Thursday, 22 March 2018** commencing **following the Finance and Planning Committee Meeting**.

PRESENT: Councillor T H Aitken (Chairman)
Councillors G A Minehan, B W Muggeridge, D N Tennent and Her Worship the Mayor Walker

IN ATTENDANCE: M R Davidson Chief Executive
J Lloyd Group Manager Community Infrastructure and Development
B M Smith Group Manager, Corporate Support and Services
L Collecutt Governance and Support Officer
Roger C A Maaka Maori Consultative Committee Representative

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

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

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

RECOMMENDATION

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

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

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

RECOMMENDATION

THAT Council has read the reports associated with items 5.1, 5.2, 5.3 and 6.1 and considers in its discretion under Section 79(1)(a) that sufficient consultation has taken place in addition to the Councillors knowledge of the items to meet the requirements of

Section 82(3) in such a manner that it is appropriate for decisions to be made during the course of this meeting

5 REPORT SECTION**5.1 CONFIRMATION OF MINUTES****File Number:** COU1-1408**Author:** Leigh Collecutt, Governance and Support Officer**Authoriser:** Monique Davidson, Chief Executive**Attachments:**
1. Risk and Audit Committee Meeting Minutes - 8 February 2018
2. Risk and Audit Committee Meeting Minutes - 18 October 2017**PURPOSE**

Attached are the minutes of the Risk and Audit Committee Meeting held 8 February 2018 and on 18 October 2017.

RECOMMENDATION

1. THAT the minutes of the Risk and Audit Committee Meeting held on 8 February 2018 and 18 October 2017, as circulated be confirmed as true and correct.

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND AUDIT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON THURSDAY, 8 FEBRUARY 2018 AT THE CONCLUSION OF THE FINANCE AND
PLANNING COMMITTEE MEETING AT 1.21PM**

PRESENT: Mayor Alex Walker, Cr Gerard Minehan, Cr Brent Muggeridge, Cr David Tennent

IN ATTENDANCE: Joshua Lloyd (Group Manager, Community Infrastructure and Development), Monique Davidson (CEO), Harry Robinson (Utilities Engineer Shawn McKinley (Land Transport Manager), Bronda Smith (Group Manager, Corporate Support and Services), Lisa Harrison (Organisation Transformation Lead), Cr Tim Chote, Cr Kelly Annand, Cr Shelley Burne-Field, Roger Maaka (Maori Consultative Representative)

1 ORDER OF BUSINESS

MOTION

COMMITTEE RESOLUTION

Moved: Mayor Alex Walker

Seconded: Cr David Tennent

That the order of business be transferred to the next Risk and Audit Committee Meeting.

CARRIED

2 DATE OF NEXT MEETING

RECOMMENDATION

THAT the next meeting of the Audit and Risk Committee be held on 22 March 2018.

3 TIME OF CLOSURE

The Meeting closed at 1.23pm.

The minutes of this meeting were confirmed at the Risk and Audit Committee Meeting held on 22 March 2018.

.....
CHAIRPERSON

CENTRAL HAWKE'S BAY DISTRICT COUNCIL

Minutes of a meeting of the Risk and Audit Committee held in the Council Chamber, 32 Ruataniwha Street, Waipawa on **Wednesday 18 October 2017** commencing at **12.07 pm**.

PRESENT: Councillor T H Aitken (Chairman)
Councillors G A Minehan, B W Muggeridge, D N Tennent and Her
Worship the Mayor Walker

IN ATTENDANCE:

M R Davidson	[Chief Executive]
T R Cook	[Regulatory Services Manager]
B E Way	[Utilities Manager]
B M Smith	[Chief Financial Officer]
S J Thrush	[Technical Services Manager]
D C Moorcock	[Corporate Administrator]
Roger C A Maaka	[Maori Consultative Committee Representative]
K R Annand	[Councillor]
T R Chote	[Councillor]
I G S Sharp	[Councillor]

1.0 APOLOGIES

2.0 DECLARATIONS OF CONFLICTS OF INTEREST

No conflicts of interest were reported for minuting.

3.0 STANDING ORDERS

RESOLVED:

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

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

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

Crs Minehan / Muggeridge
CARRIED

4.0 CONFIRMATION OF MINUTES

RESOLVED:

THAT the minutes of the Risk and Audit Committee Meeting, including Public Excluded minutes, held on 5 October 2017, as circulated, be confirmed as true and correct.

Crs Minehan / Muggeridge
CARRIED

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

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

RESOLVED:

THAT the Committee has read the reports associated with items 6.0 and 7.0 and considers in its discretion under Section 79(1)(a) that sufficient consultation has taken place in addition to the Councillors knowledge of the items to meet the requirements of Section 82(3) in such a manner that it is appropriate for decisions to be made during the course of this meeting.

Cr Minehan /Her Worship the Mayor Walker
CARRIED

6.0 HEALTH AND SAFETY UPDATE ON STRATEGIC PLAN 2017/2018**RESOLVED:**

THAT the Health and Safety Update Report for 18 October 2017 be received.

The reason for the decision is

That it meets the purpose of local government as stated below.

The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.

Her Worship the Mayor Walker / Cr Minehan
CARRIED

7.0 DRINKING WATER QUARTERLY UPDATE

During the presentation the following was discussed:

- The Utilities Manager spoke to the report.
- Query on the transgression at Porangahau and an update from the meeting held on 10 October.
- Query on surface water take for drinking water for townships and required consent conditions.

RESOLVED:

THAT the drinking water quarterly update be received.

Crs Minehan / Tennent
CARRIED

8.0 DATE OF NEXT MEETING**RESOLVED:**

THAT the next meeting of the Risk and Audit Committee be held on 30 November 2017.

Her Worship the Mayor Walker / Cr Aitken
CARRIED

9.0 TIME OF CLOSURE

There being no further business the meeting closed at 12.19 pm.

Confirmed this 30th Day of November 2017

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CHAIRMAN

5.2 HEALTH & SAFETY UPDATE**File Number:** COU1-1408**Author:** Barbara Nicolle, Safety and Wellbeing Lead**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Safety & Wellbeing Report - Risk & Audit Committee - 22 March 2018**PURPOSE**

To update the Risk and Audit Committee on progress against the Health and Safety 2017 Strategic Plan.

RECOMMENDATION

That the Safety & Wellbeing Update Report for 22 March 2018 be noted.

FOCUS AREAS

Key areas of focus in the next month are as follows:

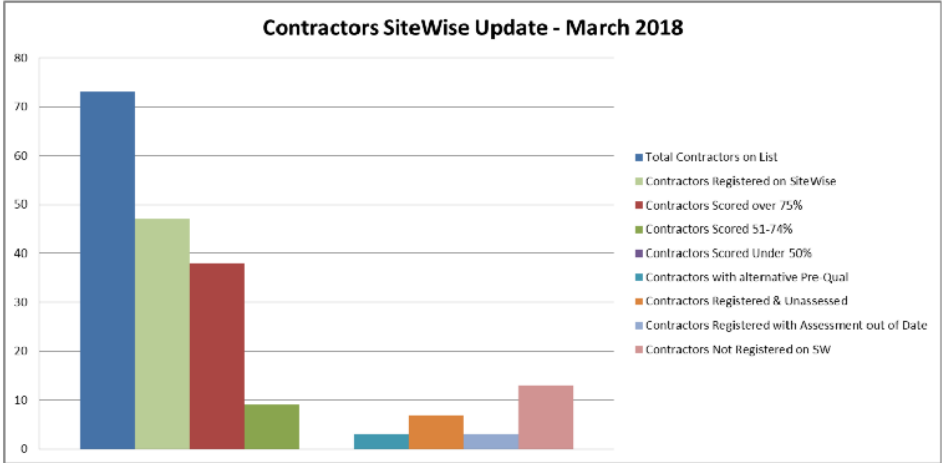
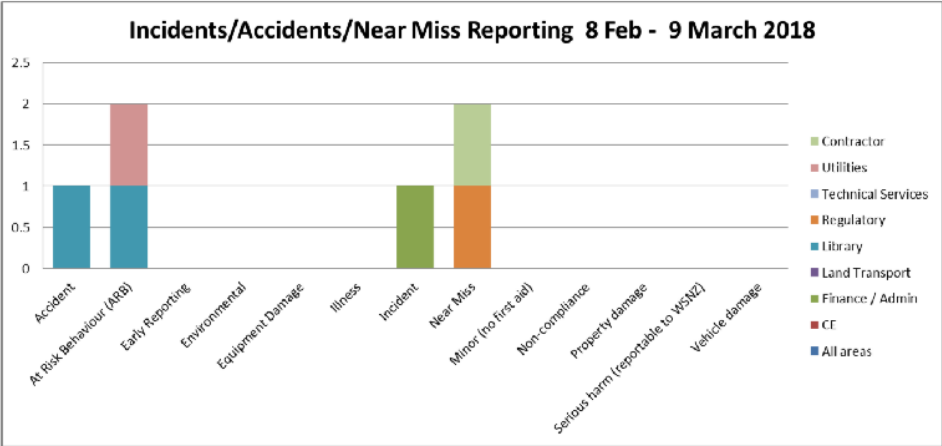
- Complete 4x contractor audits
- Re-assess the evacuation procedures and update wardens
- Complete site hazard identification audit for both Treatment ponds and ensure appropriate signage is in place

Attached to this report is the regular Health and Safety scorecard report

CENTRAL HAWKE'S BAY DISTRICT COUNCIL
Safety and Wellbeing Report – Risk and Audit Committee
22 March 2018

Objectives	Status	Comment	Evidence Available (if required)
1. Policy and Planning			
Health and Safety Procedures	Alcohol, Drug & Substance Impairment draft procedure circulated for staff feedback	Following feedback some changes will be made and consultation with external professional to ensure compliance before re-release	8.14 Fitness for Work (renamed procedure drafted) – awaiting review by People & Capability Manager
Procedure Manual	All procedures are available on the network drive or Intranet. Health and Safety procedures also available on PeopleSafe	No hard copy manual	
Procedure Review process	Being set-up with timelines	Work in with People & Capability Manager and Governance & Support Officer to ensure no overlap in procedures that cross between general staff procedures, HR and H & S	Current Procedure Manual's still remain in force until reviewed and updated.
Contractor Management	Continue to monitor registrations and assessment status on SiteWise for prequalification.	Aim is to ensure initially that the high risk contractors who undertake work for Council understand the H & S requirements for their industry and have put in appropriate management steps in place to mitigate their risk.	2 x Contractors awaiting guidance on preparing for SiteWise pre-qualification. See graph.
2. Delivery			
Hazard/Risk Management	Hazard registers have been developed for most areas of Council	Ongoing Adjustment to be made to Hazard procedure and risk rating to align with PeopleSafe	New Hazard/Risk registers to be completed for pump stations, wastewater ponds etc
Hazard Reviews	Ongoing – task analysis for high risk workers to be undertaken to ensure suitable control measures are in place	Ongoing Hazards/Risks to be entered into PeopleSafe and Safety Plan (controls)	As identified new hazards recorded

		to be created to manage/mitigate.	
Objectives	Status	Comment	Evidence Available (if required)
Delivery – cont'd			
Worker participation	<p>Now requirement for all staff to attend a minimum of 1 Health & Safety per annum</p> <p>PeopleSafe health and safety compliance software introduced and all staff now have individual logins</p>	<p>Invite extended each month to variety of staff</p> <p>Ability to manage personal details and emergency contact</p> <p>All incidents, accident, near miss etc reporting now done via this as opposed to using paper forms.</p>	<p>Safety and Wellbeing Committee Minutes</p> <p>Minutes of Safety & Wellbeing Committee Meeting – 21 Feb 2018, circulated to ELT and available on Intranet</p> <p>Staff are being invited to attend meetings however not always viable given workloads for attendance.</p>
Serious harm accidents/incidents/near misses	<p>Nil serious harm reports for period</p> <p>1x Accident – minor, first aid</p> <p>1x Near Miss – reviewed and closed</p> <p>1x Near Miss – to be reviewed</p> <p>1x Incident – minor, cut finger</p> <p>1x Minor At Risk Behaviour incident at Council Office – members of public</p>	<p>There have been no serious harm accidents/incidents in past 6 months within Council.</p> <p>Staff are continuing to report via PeopleSafe</p>	<p>Safety and Wellbeing Committee Meeting Minutes</p> <p>PeopleSafe online reports</p>
3. Review			
Ensure all Contractors are complying with and maintaining appropriate health and safety practices	<p>Ongoing</p> <p>FM Contracts to be audited in next 6 weeks</p>	<p>Personnel dependent and what contractors are working on what and where.</p>	<p>2x audits completed – Painter and Contractor working at Russell Park – no non-compliance. Audits to be stepped up for next 3 months.</p>



5.3 EXTERNAL AUDIT MANAGEMENT REPORT ACTIONS UPDATE

File Number: COU1-1408

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

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. CHBDC Report to Mangement

PURPOSE

The purpose of the report is to update the Risk and Audit Committee on the External Audit Management Report Actions progress.

EXECUTIVE SUMMARY

This report outlines the actions taken in response the External Audit Management Report and the progress on actions to date with a plan for the actions not yet completed.

RECOMMENDATION

That the report External Audit Management Report Actions Update be noted.

BACKGROUND / PREVIOUS COUNCIL DECISIONS

As part of the Annual Report Audit, the External Auditors provide a Management Report on the control findings of the audit. This report includes all significant control matters from the audit findings that are considered appropriate for review by management.

Each control finding is assessed on a Risk Ranking System as provided below

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

DISCUSSION

During the 2016 Audit the following control findings were highlighted and progress considered as part of the 2017 Audit.

Issue	Risk Needs significant improvement	Status - Resolved	Status - In progress	Status - No Change
Assets maintained outside of RAMM and Inaccurate/incomplete information in RAMM	High	-	✓	-
Register of members' interest	Moderate	-	✓	-
Takapau and Otane water agreements	Moderate	✓	-	-
Properties assessed useful life	Moderate	-	✓-	-
Land title discrepancies	Moderate	-	✓	-
Water rates assessment	Moderate	✓	-	-
Missing invoice	Low	✓	-	-
Updating of policies	Low	✓	-	-
Waste Water, Storm Water and Water Supply Information	Low	✓	-	-
Valuation of land under roads	Low	✓	-	-
Long-term deposits valuation	Low	✓	-	-
Fair value of public debt	Low	✓	-	-
Total issues from 2016		8	4	-

The In Progress items are detailed below with completed since the actions to date

Assets maintained outside of RAMM and Inaccurate/incomplete information in RAMM

Consistent with 2015 the road markings assets continue to be managed outside of RAMM. In addition, during the 2016 valuation it was identified traffic facilities of \$259k were not recorded in RAMM. GHD appropriately adjusted the valuation to reflect the assets maintained outside of RAMM.

We performed testing on a sample basis of Roding assets constructed and updated in RAMM during the 2015/16 year. We identified several assets where the information was either incomplete or incorrect i.e. the roading segment replaced per the contractor did not agree to what was recorded as replaced in RAMM.

As GHD relies on the information within RAMM to complete the Roding asset valuation there is a risk the valuation may be incorrect if information in RAMM is incomplete or inaccurate. Further, the condition information relating to the physical asset may be incorrect leading to unplanned or unnecessary maintenance of assets.

As part of the 2017 audit, the auditors acknowledged management had started a process for updating underlying information within RAMM. Information continued to be maintained outside of RAMM; however, no new assets have been identified outside of RAMM. GHD has made a number of recommendations in Section 7 of their valuation report. Key recommendations include: review of information for retaining walls, adding information outside of RAMM, methodology for reviewing useful lives and performing validation of road markings. We understand that consideration of these

recommendations will be included in Council's ongoing programme of work to improve the quality of underlying information used for infrastructure asset revaluations.

Officers acknowledged the recommendations in the GHD report and are working towards them.

Line marking information has been included in RAMM and a process has been started to verify this information including reconciliation with the national database coordinated by Corelogic. This is expected to be completed by June 2018.

Improvements have been made to the valuation setup to improve robustness of outcomes in the valuation results. This will be monitored as part of the valuation for the 2017/18 Annual Report

Missing pavement data is still being sourced from council records and will be entered into the system. This is expected to be completed by June 2018

RAMM datasheets to support information needs have been developed and are now part of the practical completion requirement for all contracts for Land Transport.

Retaining Walls will continue to be updated as inspections of the roading network is completed. Officers are aware that retaining walls within the network will remain unknown to officers due to there being no records within Council and they are unable to be inspected due to not been visible. These retaining walls are normally found due to failure. As these walls are discovered they will be entered into RAMM.

Register of members' interest

In 2016, it was noted no formal register of members' interest exists which includes all interests held by members of the management of the Council and the Council members themselves.

In 2017 Council had implemented a formal interest register and evidence based review for Councillors. The auditors identified 1 Councillor was a director of two companies that was not disclosed on the interest register, but were satisfied the Council had no dealings with these companies. The interest register was updated following the audit to include the two companies not disclosed.

A conflict of interest register has also been established for key senior management personnel with a conflict of interest form completed.

Properties assessed useful life

Telfer Young completed a valuation of the Council's property assets as 30 June 2016. Telfer Young also provided the estimated residual life of each property, which the Council uses to update and determine the depreciate charge each period. However, Telfer Young noted they used QV's estimated residual life assessment from the previous 2013 valuation and deducted three years. They noted this would not necessarily be the same estimated residual life had they completed a formal assessment. The auditors recommended a formal assessment of the estimated residual life for property assets be included within the scope of the next valuation in 2019

Officers have agreed with the recommendation and this process will be included with the next valuation in 2019.

Land title discrepancies

We obtained and reviewed the land titles for land owned by the Council on a sample basis to verify the information used by QV in their 2017 valuation of the Council's land and to validate the land is freehold. We identified a number of discrepancies between the Council records and the information used by QV. For one title the land information on the title was less than the area valued in by QV. In addition, a number of titles were not able to be obtained.

Auditors recommended a formal review be completed for land held by the council to ensure all land titles are available and the title area reflects the Council's records and that used by QV.

Officers recommended as part of the valuation process, a percentage of the land owned by the Council is reviewed. The percentage and requirements will be reviewed prior to the next valuation. We will also review the process in place regarding any changes to land ownership to have current titles and gazette notice obtained and filed.

The auditors have accepted this recommendation by officers and have carried this point forward for the next valuation in 2019.

During the 2017 Annual Report audit, 2 Low Risk observations were highlighted by the auditors.

Issue	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Incorrect ageing of the Water rates debtors Aged Trial balance	-	-	✓
Aged bond payments	-	-	✓
Total	-	-	2

The control findings are detailed below with actions to date

Incorrect ageing of the Water Rates Debtors Aged Trial balance

The auditors identified the aged trial balance for water rate debtors did not correctly record the aging of debtors when the report is run at a date subsequent to the point in time requested i.e. if the report is run on the 3rd of July for the period ended 30th June it will incorrectly add 2 days to the debtor aging.

It was recommended by the auditors should the Council become a Tier 1 reporting entity we recommend a formal process be implemented to perform a secondary check on the water rates aged debtor report to validate the financial instruments disclosures in the financial statements are recorded in the appropriate aging category.

Officers have agreed with this recommendation and will review the water rate debtors trial balance at year end based on date of the report run.

Aged bond payments

The auditors review of the listing of bonds held at 30 June identified approximately \$150k of items of 1 year or older. Upon enquiry with the resource management team, we understand that the verification of the status of the work with the bond payers is a time consuming exercise and that this issue will be addressed in the current year.

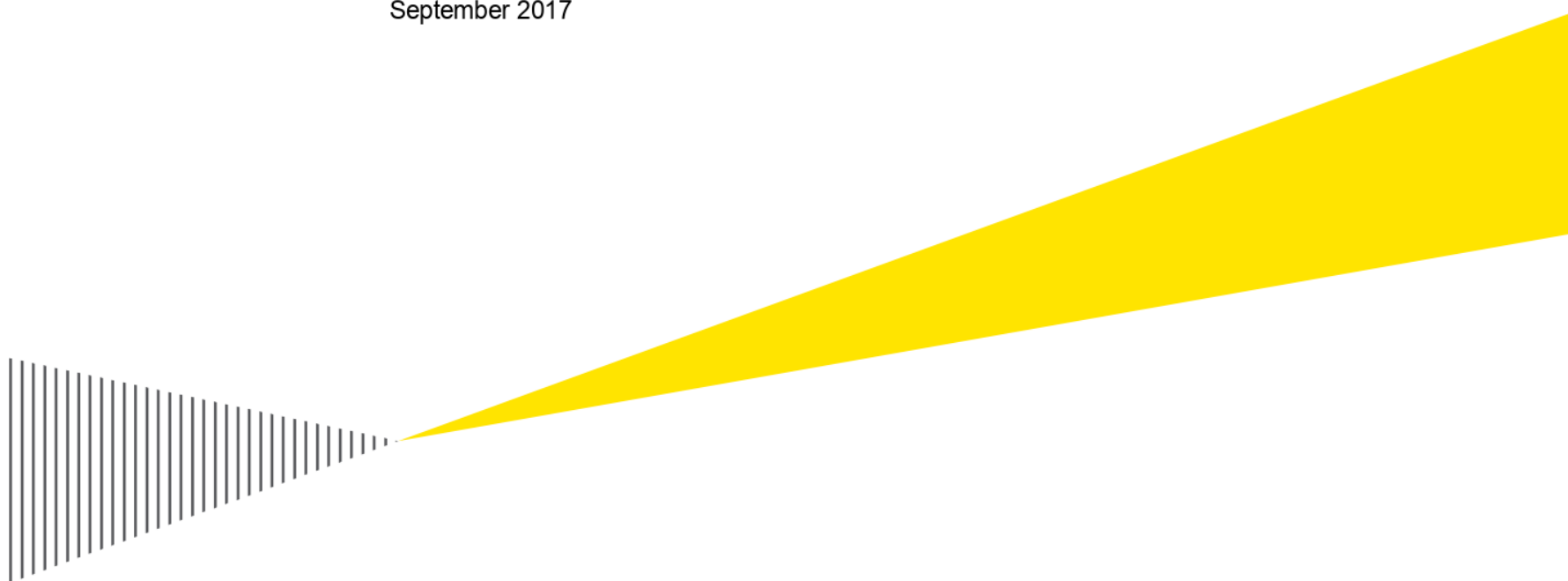
Offices agreed with the recommendation. A review process of the status of aged items to either release the bonds or for Council to complete the work with the remaining bond funds has been established and a working party are working through the list of bonds.

As at 28 February \$113K has been refunded.

Central Hawke's Bay District Council

Report on Control Findings

September 2017





Ernst & Young
100 Willis St
Wellington 6011
PO Box 490 Wellington 6140

Tel: +64 4 499 4888
Fax: +64 4 495 7400
ey.com/nz

22 September 2017

Monique Davidson
Chief Executive Officer
Central Hawke's Bay District Council
PO Box 242
Wellington

Dear Monique

Control Findings for the year ended 30 June 2017

We have completed our audit of Central Hawkes Bay District Council ("CHBDC" or the "Council") for the year ended 30 June 2017.

This management letter includes all significant control matters from our audit findings that we consider appropriate for review by management.

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

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

Yours faithfully

David Borrie
Partner
Ernst & Young

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1. Overview

1.1 Overview of Risk Ranking System

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

Number of new findings		
High Needs significant improvement	0	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair CHBDC's reputation.
Moderate Needs substantial improvement	0	Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	2	Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

1.2 Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2017. Recommendations are intended solely for the use of management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council or for any purpose other than that for which it was prepared.

1.3 2017 Audit Observations Summary

The following table summarises the key issues identified during our 2017 audit and their risk ranking:

Issue	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Incorrect ageing of the Water rates debtors Aged Trial balance	-	-	✓
Aged bond payments	-	-	✓
Total	-	-	2

1.4 2016 Audit Observations Summary

The following table summarises the 2016 recommendations, their risk and status at the conclusion of 2017:

Issue	Risk Needs significant improvement	Status - Resolved	Status – In progress	Status – No Change
Assets maintained outside of RAMM and Inaccurate/incomplete information in RAMM	High	-	✓	-
Register of members' interest	Moderate	-	✓	-
Takapau and Otane water agreements	Moderate	✓	-	-
Properties assessed useful life	Moderate	-	✓	-
Land title discrepancies	Moderate	-	✓	-
Water rates assessment	Moderate	✓	-	-
Missing invoice	Low	✓	-	-
Updating of policies	Low	✓	-	-
Waste Water, Storm Water and Water Supply Information	Low	✓	-	-
Valuation of land under roads	Low	✓	-	-
Long-term deposits valuation	Low	✓	-	-
Fair value of public debt	Low	✓	-	-
Total issues from 2016		8	4	-

2. 2017 Observations

Low Risk Category Issues

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

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

3. 2016 Observations

High Risk Category Issues

Assets maintained outside of RAMM and inaccurate/incomplete information in RAMM– IN PROGRESS	
Observation	<p>Consistent with 2015 the road markings assets continue to be managed outside of RAMM. In addition, during the 2016 valuation it was identified traffic facilities of \$259k were not recorded in RAMM. GHD appropriately adjusted the valuation to reflect the assets maintained outside of RAMM.</p> <p>We performed testing on a sample basis of Roding assets constructed and updated in RAMM during the 2015/16 year. We identified several assets where the information was either incomplete or incorrect i.e. the roading segment replaced per the contractor did not agree to what was recorded as replaced in RAMM.</p> <p>As GHD relies on the information within RAMM to complete the Roding asset valuation there is a risk the valuation may be incorrect if information in RAMM is incomplete or inaccurate. Further, the condition information relating to the physical asset may be incorrect leading to unplanned or unnecessary maintenance of assets.</p>
Recommendation	<p>We recommend that a detailed review is performed on a regular basis each period i.e. quarterly, to ensure all information is included in RAMM. This is a critical process ahead of the full valuation being completed in the 2016/17 financial year.</p> <p>We recommend that a detailed review of the information within RAMM is performed to ensure it is both up to date and complete. This is a critical process ahead of the full valuation being completed for the 2016/17 financial year.</p> <p>In addition, we note GHD made a number of recommendations included in their valuation report (section 7). We concur with their recommendations.</p>
Responsibility	Shawn McKinley, Land Transport Manager
Management Response	We have already set up a process to train contractors and our own staff to capture data accurately and ensure it is entered into RAMM including a quarterly reconciliation process. We are also verifying existing data through inspections and filling in gaps as they are identified. Discussions with GHD regarding their recommendations are also taking place.
Update 2017	We acknowledge management has started a process for updating underlying information within RAMM. Information continues to be maintained outside of RAMM; however, no new assets have been identified outside of RAMM. GHD has made a number of recommendations in Section 7 of their valuation report. Key recommendations include: review of information for retaining walls, adding information outside of RAMM, methodology for reviewing useful lives and performing validation of road markings. We understand that consideration of these recommendations will be included in Council's ongoing programme of work to improve the quality of underlying information used for infrastructure asset revaluations.

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Assets maintained outside of RAMM and inaccurate/incomplete information in RAMM– IN PROGRESS

Management Response 2017

We acknowledge the recommendations in the GHD report and are working towards them. This is not a quick fix and improvements made to the footpath inventory will continue to resolve identified gaps in the data; improvements have been made to the valuation setup to improve robustness of outcomes in the valuation results; missing pavement data is still being sourced from council records and will be entered into the system; development of RAMM datasheets to support information needs is being developed; more RAMM training is being scheduled for November to ensure staff have the required skill sets

Moderate Risk Category Issues

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

Takapau and Otane water agreements - CLOSED	
Observation	<p>During the year, the Office of the Auditor-General received complaints about the Council's decision to enter into a water user agreement with Hawkes Bay Regional Investment Company Limited (HBRIC) to take water from the Ruataniwha Water Storage Scheme to provide water supply for Otane and Takapau townships. The complaints were concerned that the Council did not consult on the decision, despite previous assurances that it would, albeit on a different, but related proposal.</p> <p>The Office of the Auditor-General has considered whether the Council was required to consult under the Local Government Act 2002. The Office of the Auditor-General provided a letter dated 18 October 2016 to the Chief Executive and incoming Council to consider. It concluded that the Council did not act in accordance with its own legal advice and that consequently the Council faces some legal risk in this regard.</p>
Recommendation	We recommend the Council appropriately address the findings of the Office of the Auditor-General and seek further legal advice on whether the Council has complied with its obligations under the Local Government Act 2002.
Management Response	Council is considering the response to the OAG letter and will address the requirements after this consideration. It is likely further legal advice will be sort.
Responsibility	CEO and Council
Update 2017	<p>The Ruataniwha Water Storage Scheme (the "Scheme") is not going ahead and the Council has not had any further correspondence from the Office of the Auditor-General following the letter received in 2016.</p> <p>However, we recommend Council consider the nature and consultation requirements of any similar matters in the future.</p>

Properties assessed useful life – IN PROGRESS	
Observation	<p>Telfer Young completed a valuation of the Council's property assets as 30 June 2016. Telfer Young also provided the estimated residual life of each property, which the Council uses to update and determine the depreciate charge each period. However, Telfer Young noted they used QV's estimated residual life assessment from the previous 2013 valuation and deducted three years. They noted this would not necessarily be the same estimated residual life had they completed a formal assessment.</p> <p>There is a risk the annual depreciation charge may be over or understated if the estimated residual life was different as a result of a formal assessment.</p>
Recommendation	<p>We recommend a formal assessment of the estimated residual life for property assets be included within the scope of the next valuation in 2019.</p>
Management Response	<p>This will be included in the next valuation in 2019.</p>
Responsibility	<p>Bronda Smith, CFO</p>
Update 2017	<p>We accept management's response and will carry this point forward to the next valuation</p>

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

Water rates assessment - CLOSED	
Observation	<p>Section 45(f) of the Local Government (Rating) Act 2002 states a rates assessment must clearly identify the amount and a description of each rate. In relation to water rates, the Council rates based on two components (a fixed charge and volumetric charge). The Council's current rates assessment includes the fixed charge, but does not disclose the volumetric charge (or at least the basis of the charge).</p> <p>There is a risk current rates disclosed on the Council's rates assessments do not comply with legislation.</p>
Recommendation	In relation to water rates, we recommend the Council seek legal advice to determine what should / should not be included on the Council's rates assessment. We suggest that it may be appropriate to add a sentence stating the volumetric charge per unit for water rates on the front of the rates assessment.
Management Response	This will be reviewed along with the sector and legal advice sought if required.
Responsibility	Bronda Smith, CFO
Update 2017	The Council has taken all steps practically possible to comply with legislation. Council has now included the Metered Water Rate price per cubic metre, including billing schedule, on all rates assessment notices for 2017/18. We consider this matter closed.

Low Risk Category Issues

Missing Invoice - CLOSED	
Observation	<p>We tested key controls surrounding the expenditure process at the Council. One of the key controls was dual authorisation of expense invoices. From our sample we were unable to evidence the dual authorisation control for one instance tested as the invoice was missing (related to Spark).</p> <p>There is a risk inappropriate expenditure could occur if all invoices are not retained and evidenced as reviewed prior to payment.</p>
Recommendation	<p>We recommend all invoices are evidenced as authorised prior to payment and are retained.</p>
Management Response	<p>The process for checking that all invoices for Spark are returned properly authorised was not followed for the above invoice. These processes have been discussed and clarified with the Accounts Payable team.</p>
Responsibility	<p>Bronda Smith, CFO</p>
Update 2017	<p>In our testing over expenditure we have not noted any instances of missing invoices in the current year. We consider this matter closed.</p>

Update of policies - CLOSED	
Observation	<p>We reviewed key Council policies. We note the current code of conduct has not been updated since 2013 and makes reference to outdated legislation. In addition, we identified the investment policy on the Council's website was outdated (version from May 2014) despite last being updated in May 2016.</p> <p>There is a risk readers relying on current policies or policies on the Council's website may be relying on inaccurate or out-of-date policies.</p>
Recommendation	<p>We recommend Council policies are reviewed periodically to ensure they reflect the current legislative environment and expectations of Council. In addition, the Council's website should be updated regularly to ensure the most recent policies are included.</p>
Management Response	<p>The policies of Council are reviewed every three years as a minimum following the election and are reviewed when regulations/legislation changes to ensure they remain current. The Code of Conduct was last reviewed and adopted after the previous election for the term of the current Council so is not due for review until after the election on 8 October.</p> <p>It is standard part of the process for any new or reviewed policies to be updated on the website as soon as they are adopted. This process however was missed for the new Investments policy. We have also put in place a review process of the website including the policies to ensure that it remains current.</p>
Responsibility	Bronda Smith, CFO
Update 2017	<p>We noted the above items have been correctly updated in the current period. Our review of the policies related to 2016/17 has not identified any outdated policies. We consider this matter closed.</p>

Waste Water, Storm Water and Water Supply Information - CLOSED	
Observation	<p>We reviewed the information retained in Asset Finder (system for maintaining the detailed information for Waste Water, Storm Water and Water Supply assets) for additions in 2016. A significant portion of additions for the 2015/16 year have not been updated in Asset Finder.</p> <p>There is a risk critical information to the valuation in relation to Waste Water, Storm Water and Water Supply assets may not be included in Asset Finder at the time of a valuation.</p>
Recommendation	We recommend management complete a review process to ensure all additions and any other relevant information is updated within Asset Finder prior to the next revaluation in 2016.
Management Response	This process is completed as part of the update after year-end once the additions have been audited. Processing the additions prior to the audit could require changes to be made. All additions are processed prior to the valuation and are already part of the valuation review. No change to the process is required.
Responsibility	N/A
Update 2017	Our review of the information retained in Asset Finder has confirmed management has taken appropriate steps to updating the system prior to the 2016/17 valuation. On a sample basis we tested the amounts capitalised in the current year were appropriately updated in Asset Finder. No discrepancies were identified. We consider this matter closed.

Valuation of land under roads - CLOSED	
Observation	<p>Land under roads has not been revalued since 2011. The Council's accounting policy is to revalue land under roads every 3 years.</p> <p>There is a risk that land under roads value has increased materially since the last valuation in 2011. This risk is however somewhat reduced as this asset is not depreciated and therefore has no effect on Council's budget.</p>
Recommendation	We recommend a formal land under roads valuation be completed for the 2016/17 financial year.
Management Response	This will be included as part of the 2016/17 full Rooding Valuation
Responsibility	Shawn McKinley, Land Transport Manager
Update 2017	<p>The Council has elected to change its accounting policies for land under roads from a revaluation method to a cost method. We have considered this change in the context of PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. We are satisfied Council has adequately disclosed this change in the financial statements.</p> <p>We also note Council has retrospectively applied this policy change as far as practically possible (2007 valuation), which is reflected appropriately in the 2016/17 financial statements.</p> <p>We consider this matter closed.</p>
Long-term deposits valuation - CLOSED	
Observation	<p>The Council's accounting policy is to record all investments at fair value through surplus / (deficit). The Council currently holds a term deposit investment with Westpac for \$325k, which is measured at amortised cost.</p> <p>This treatment is inconsistent with the Council's accounting policy.</p>
Recommendation	We recommend either a fair value assessment be completed at the conclusion of the 2016/17 year or the Council classify term deposits as a separate asset class and measure at amortised cost (including updating the accounting policies).
Management Response	This will be reviewed as part of the 2016/17 year end process
Responsibility	Bronda Smith, CFO
Update 2017	This year a market valuation for the Westpac Term Deposit of \$325K was obtained. As there has been little movement in market interest rates the face value and accrued interest was deemed to be market. We consider this matter closed.

Fair value of public debt - CLOSED	
Observation	The Council's current process for recording the fair value movement of Public Debt is appropriate. However, in periods where an instrument is purchased or sold a manual correction is required to ensure fair value movement of Public Debt and the interest expense are not over/under stated.
Recommendation	We recommend the current process be monitored to ensure appropriate manual corrections are made in periods when Public debt instruments are purchased or sold.
Management Response	This process has already been adopted as part of the payment of Public Debt instruments.
Responsibility	Bronda Smith, CFO
Update 2017	Public Debt of \$667k expired during the period. The observations identified in the previous year were not repeated in the current period; therefore, we consider this matter closed.

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

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

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

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

7 DATE OF NEXT MEETING**RECOMMENDATION**

THAT the next meeting of the Central Hawke's Bay District Council be held on 3 May 2018.

8 TIME OF CLOSURE