



Finance, Audit & Risk Committee

AGENDA

6.30pm Wednesday 29 July 2015

**Council Chamber, Wairoa District Council, Coronation
Square, Wairoa.**

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email
administrator@wairoadc.govt.nz



Agenda

CHAIRMAN:

MEMBERSHIP: D. Eaglesome-Karekare (Deputy Mayor), Councillor J Harker, His Worship the Mayor Mr C Little, and P Jones (external advisor)

	Pages
Procedural Items	
1. Election of Committee Chair	
2. Election of Committee Deputy Chair	
3. Civic Prayer	
3. Apologies for Absence	
5. Declarations of Conflict of Interest	
6. Chairman's Announcements	
7. Items of Urgent Business not on the Agenda	
8. Public Participation	
A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 3 minutes per person is allowed.	
General Items	
9. Terms of Reference	4-7
C McGimpsey, Governance Advisor & Policy Strategist	
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C McGimpsey, Governance Advisor & Policy Strategist	
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R Matthews, Transformation Manager	
12. Internal Audit Programme	54-55
A Morton, Chief Financial Officer	

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| 13. Treasury Policy Compliance
A Morton, Chief Financial Officer | 56-57 |
| 14. Expected Changes To Accounting Standards, Policies and/or Legislation
A Morton, Chief Financial Officer
Attachment is under separate cover. | 58-59 |
| 15. Health & Safety Report – July 2015
J Baty, Corporate Services Manager | 60-75 |



WAIROA DISTRICT COUNCIL

PO Box 54, Wairoa – Telephone (06) 838-7309 – Facsimile (06) 838-8874

Terms of Reference: ~~Risk, Finance, & Audit~~ & Risk Committee

Membership	His Worship the Mayor (Chairperson ex-officio), Deputy Mayor (Deputy Chairperson) 2 councillors, and an independent external member advisor. (as an advisor), Mr. Philip Jones
Meeting frequency	Every 2 months and as required
Quorum	As set by Standing Orders
Purpose	<p>This Committee will monitor overall financial management and the performance of the Council; and, act as a liaison point with the Council's auditors in order to ensure robust financial audits and reviews of Wairoa District Council.</p> <p>The purpose of the Risk, Finance and Audit Committee is to:</p> <ul style="list-style-type: none"> • Monitor the Council's external and internal audit processes. • Recommend to the Council an appropriate risk management system and monitor the effectiveness of that strategy. • Ensure the independence and effectiveness of the Council's Internal Audit processes. • Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities. • Provide a communication link between management, internal auditors/external auditors and the Council. • Monitoring of treasury management policy and investments. • Support measures to improve internal controls. • Ensure reasonable assurance as to the integrity and reliability of the Council's financial and non-financial reporting. • To recommend and monitor the Council's exposure to risk. • Monitor the performance and governance of Quality Roading Services Ltd. • Monitor and understand the appropriate levels of investment in the District's infrastructure assets, and the best strategies to maintain these. • Create a strong link between financial management and asset management in order to update the asset register and maximise savings. • Understand the value of key roading assets and their link to economic development activity (e.g. SH38). • Recommend to the Council which (if any) recommendations made by the Auditor in their Management Report should be accepted and implemented.
Responsibilities	The Council delegates to the Risk, Finance and Audit Committee the

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following responsibilities:

- ~~To engage with the Council's external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit.~~
- ~~To recommend to the Council the terms and arrangements for the external audit programme.~~
- ~~To review the effectiveness of the annual audit and 10-year plan audit.~~
- ~~To monitor the management teams response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.~~
- Monitor the Council's external and internal audit work programmes and processes.
- Provide a communication link between management, internal/external auditors and the Council.
- Receive the Auditor's Management Report and make recommendations to Council on any suggested actions by the Auditor.
- Monitor and report to Council on the response to audit reports and the implementation of recommendations made by auditors.
- Monitor integrity and reliability of financial and other measures of performance and service levels.
- ~~To m~~Monitor existing corporate policies and recommend to Council new corporate policies to prohibit unethical, questionable or illegal activities. This includes a reviewing/monitoring role of the documentation of all policies and procedures.
- ~~To work in conjunction with the CEO in order to be satisfied with the existence and quality of cost-effective internal control and risk management systems, the proper application of processes, and agree the scope of the annual internal audit work programme.~~
- ~~To monitor the delivery of the internal audit work programme.~~
- ~~To review the Annual Internal Audit Plans and assess whether resources available to the Internal Audit are adequate to implement the plans.~~
- ~~To assess whether all significant recommendations of the Internal Audit have been properly implemented by management. Any reservations the Internal Auditor may have about control risk, accounting and disclosure practices should be discussed by the committee.~~
- ~~To review the effectiveness of the risk management policies and processes.~~Provide objective advice and recommendations to Council regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
- ~~To review the effectiveness of the control environment established by management including computerised information systems controls and security, including reviewing/monitoring the documentation of all policies and procedures.~~
- Oversee the compilation and recommend the Annual Report to Council.
- ~~To r~~Review the process of the development of the financial strategy strategies and related financial policies as required by the long-term plan.
- ~~To monitor the Council's treasury activities to ensure that it remains~~

	<p>within policy limits. Where there are good reasons to exceed policy limits that this be recommended to Council.</p> <ul style="list-style-type: none"> • To engage with internal and external auditors on any specific one-off audit assignments. • Monitor the financial and non-financial performance and governance of <u>Quality Roding Services Ltd</u> <u>Council Controlled Organisations</u>.
Delegations	<p>The Council delegates to the Risk, Finance and Audit Committee the following powers and duties:</p> <ul style="list-style-type: none"> • <u>The Audit Committee shall have delegated authority to approve the appointment of the internal auditor risk management and internal audit programmes audit engagement letters and letters of undertaking for audit functions additional services provided by the external auditor. Recommend to Council the terms and arrangements of the external audit programme as agreed with the external auditor.</u> • <u>Assess and approve expenditure where the circumstances could be perceived to give rise to a conflict of interest.</u> • <u>With reference to the Council, the Audit Committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to the Council.</u> • <u>The Audit Committee can recommend to the Council:</u> <ul style="list-style-type: none"> ○ <u>Adoption or non-adoption of completed financial and nonfinancial performance statements.</u> ○ <u>Governance policies associated with the Council's financial, accounting, risk management, compliance and ethics programmes, and internal control functions.</u> ○ <u>Accounting treatments, changes in generally accepted accounting practice.</u> ○ <u>New accounting and reporting requirements.</u> • <u>Recommendation on the appointment of directors to the board of Quality Roding Services Ltd.</u> • <u>The Audit Committee may not delegate any of its responsibilities, duties or powers.</u> • <u>All powers necessary to perform the Committee's responsibilities</u> <u>Except</u> <ol style="list-style-type: none"> <u>a. Powers that the Council cannot delegate or has retained to itself</u> <u>b. Where the Committee's responsibility is limited to making a recommendation only</u> <u>c. The approval of expenditure not contained within approved budgets</u> <u>d. The approval of final policy</u> <u>e. Deciding significant matters for which there is high public interest and which are controversial</u> <u>f. The commissioning of reports on new policy where that policy programme of work has not been approved by the Council</u> <u>g. Establishing subcommittees</u> <u>h. Delegating the Committee's responsibilities, duties or powers</u>
Rules and Procedures	<ul style="list-style-type: none"> • <u>Standing Orders apply.</u> • <u>The minutes of the committee will be submitted to the Council.</u> • <u>The committee will be serviced by the Governance Advisor & Policy Strategist.</u> • <u>There will be an appropriate induction programme for new members of the committee.</u>

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	<ul style="list-style-type: none">• <u>The committee will produce an annual report for submission to Council detailing the work undertaken by the committee.</u>• <u>The committee will be advised by the Chief Executive Officer, Chief Financial Officer, and other officers and advisors as necessary.</u>
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REPORT TO: Finance, Audit & Risk Committee	
DATE: 29 JULY 2015	
SUBJECT: POLICY REVIEW SCHEDULE	FILE REF:
AUTHOR: C MCGIMPSEY, GOVERNANCE ADVISOR AND POLICY STRATEGIST	ATTACHMENTS: Schedule of Policies
RELATED COMMUNITY OUTCOME: Strong district leadership and a sense of belonging.	RELATED COUNCIL ACTIVITY: Community Representation.

PURPOSE:

The purpose of this report is for the Committee to review the schedule of policies and the review dates of these policies.

BACKGROUND:

Council policies need to be reviewed in a timely fashion and a date for review is usually indicated on each individual policy. The review of a policy allows it to be updated to reflect the current situation as well as providing the opportunity to look at best practice examples from other councils. It is important that policies once adopted are regularly reviewed so that they reflect the current situation and working practices.

Once a policy is adopted a review also provides the opportunity to ensure the content and layout is consistent with other Council policies.

CURRENT SITUATION:

Council policies have recently been collated under a single database which has highlighted that there are policies that have not been reviewed as scheduled or are due to be reviewed prior to December 2015.

OPTIONS & ASSESSMENT:

Based on the Committee's responsibilities the schedule of policies reviewed on a regular basis by the Committee may need to be amended to reflect their area of activity.

The Committee after reviewing the policies may need to write a report for Council giving recommendations on further actions that need to be taken.

There are policies that need to be reviewed and the Committee needs to decide which of these fall under their responsibilities and commence the work.

ASSESSMENT OF SUSTAINABILITY:

Completing this process contributes to the sustainability of the Wairoa District by helping to achieve the specified community outcomes noted above.

SIGNIFICANCE & CONSULTATION:

There is no requirement for consultation on reviewing the schedule of policies.

FINANCIAL IMPLICATIONS:

There are no financial implications.

RECOMMENDATIONS: That the Committee review the schedule attached as Appendix 1 to this report.



C McGimpsey
GOVERNANCE ADVISOR AND POLICY STRATEGIST

Appendix 1

Policy Title	Person Responsible	Adoption Date	Review Date	
Alfresco Dining Policy	Policy Analyst	May-11	May-16	
Board (TAB) Venue Policy	Regulatory Manager	Jun-14	2016	
Class 4 Gaming Venue Policy	Regulatory Manager	Jun-14	2016	
Code of Conduct	?	Oct-13	Oct 2016 (after election)	
Contractors Policy	?	NOT ADOPTED	?	
		-		
		OPERATIONAL		
Credit Card Expenditure Policy	Finance Manager	Sep-12	?	NB Details of credit card holders and limits
Credit Policy	?	Sep-09	?	
Dangerous and Insanitary Buildings Policy	?	Nov-11	8-Nov-16	
Dog Control Policy 2011	Regulatory Manager	Sep-11	2016	
Earthquake-Prone Buildings Policy	?	Nov-11	8-Nov-16	
Election Hoardings Policy	District Planner	Sep-08	2015	
Equal Employment Opportunity Policy	?	Sep-12	?	
Financial Delegation	Chief Financial Officer	Jun-05	Last reviewed Feb 2014	
Financial Delegation Register Manual	CEO & CFO	Jun-05	?	
Funding Impact Statement	?	Sep-12	2015 LTP	
Funding Policy	?	Sep-12	2015 LTP	
Governance Policies	?	Feb-99	?	
Insurance Guide	JLT	Aug-13	?	
Investment Policy	?	Sep-12	2015 LTP	
Liability Management Policy	?	Sep-12	2015 LTP	
Local Authority Elected Member Remuneration Setting 2013	Remuneration Authority	2013	2016	
Local Authority Vehicle Mileage Allowance	Remuneration Authority	2013	2016	
Local Governance Statement	?	Jun-10	Apr-14	

Appendix 1

Local Government Elected Members (2014/15) (Certain Local Authorities) Determination 2014	Government	Jul-14	?	
Managing Unreasonable Complainant Conduct Practice Manual	Ombudsman	Oct-12		
Maori Policy	Department - Administration	Nov-12		Nov-14
Official Information Requests Made by Twitter and Facebook	Ombudsman	Aug-12	?	
Older Persons Policy	?	Oct-06	?	
Pensioner Housing Policy		Aug-10		2013
POLICY – EARLY PAYMENT OF MAHIA AND OPOUTAMA WASTEWATER SCHEME TARGETED RATES	?	Feb-15	?	
Policy for Remission and Postponement of Rates on Maori Freehold Land	?	Sep-12		2015 LTP
Policy for Remission of Rates on Land affected by Natural Calamities	?	Sep-12		2015 LTP
Policy for Remission of Rates on Rural Land	?	Sep-12		2015 LTP
Policy on Elected Members Allowances and Recovery of Expenses	Corporate Services Manager	Dec-13		2015
Policy on Financial Contributions	?	Sep-12		2015 LTP
Policy on Partnerships with the Private Sector	?	Sep-12		2015 LTP
Policy on Rates Remissions	?	Sep-12		2015 LTP
Procurement strategy 2012	?	Sep-12		2015 LTP
Provision Of Safe Drinking Water In Rural Areas	?	Apr-08	?	
Rating of Maori Land - Whenua Rahui Register	?	Mar-00	?	

Appendix 1

Removal of Abandoned Vehicles Policy	Policy Analyst	May-08	May-11
Revenue and Financing Policy	?	Sep-12	2015 LTP
Road Naming and Numbering Policy	Policy Analyst	Jun-08	Jun-14
Significance & Engagement Policy	Corporate Services Manager	Dec-14	2017
Smoke-free Environments Policy	Policy Analyst	Apr-08	May-11
Smokefree Policy	?	Sep-12	?
Treasury Management Policy	?	Sep-12	2015 LTP

Operational Policies

Policy Title	Person Responsible	Adoption Date	Review Date
Advertising Policy	?	NOT ADOPTED - OPERATIONAL	?
Appointment Policy	?	NOT ADOPTED - OPERATIONAL	?
Cashing Out Annual Leave Policy	?		Apr-11 ?
Competencies Policy	?	NOT ADOPTED - OPERATIONAL	?
General Policy - Staff	?		Sep-12 ?
Misconduct & Disciplinary Action Policy	?		Sep-12 ?
Performance Review Process	?	NOT ADOPTED - OPERATIONAL	?
Policy for Personnel Files	CEO		Sep-12 ?
Position Description Policy	?	NOT ADOPTED - OPERATIONAL	?
Sexual Harassment Policy	Management Team		Sep-12 ?
Protected Disclosures Policy	CEO		Sep-12 ?
Social Club Rules	WDC Social Club		
Staff Hand Book	?	NOT ADOPTED - OPERATIONAL	?
Staff Policies - Leave & Holidays	?		Sep-12 ?
Staff Policies - Timesheets & Payroll	?		Sep-12 ?
Staff Policy on Mobile Phone Usage	?		Sep-12 ?
Temporary Staff Policy	?	NOT ADOPTED - OPERATIONAL	?

Appendix 1

Use of Council Vehicles ?

NOT ADOPTED - ?
OPERATIONAL

Unreasonable complaint
policy ?

Feb-15 ?

REPORT TO: Finance, Audit and Risk Committee	
DATE: 29 July 2015	
SUBJECT: Draft Risk Management Policy	FILE REF:
AUTHOR: Roger Matthews, Transformation Manager	ATTACHMENTS: Draft Risk Management Policy Risk Register
RELATED COMMUNITY OUTCOME: An environment that is appreciated, protected and sustained for future generations. A safe and integrated transport system. Strong district leadership and a sense of belonging. Safe and accessible recreational facilities.	RELATED COUNCIL ACTIVITY: (If any in LTCCP)

PURPOSE:

Risk management relates to the culture, processes and structures directed towards the effective management of potential opportunities and adverse effects within the Council's environment. The purpose of this policy is to explain the Council's underlying approach to risk and risk management, both financial and non-financial.

The attached draft document outlines the policy, strategy, guidelines, process and approach to risk management. The Risk Management Policy should be the governing framework with respect to the Wairoa District Council's risk management profile and where other frameworks exist to manage categories of risk, these principles, expectations, processes and approach must be adopted.

The policy is intended to allow better assessment and management of risks and to guide the reporting to the Committee and to the Council.

CURRENT SITUATION:

The Council has managed risk in a variety of ways that have developed over time through practice and through response to legislation.

Financial risks are subject to extensive statutory provisions, accounting and audit standards and to established industry best practice.

Engineering risks are identified and managed through detailed asset plans and through engineering best practice.

A risk assessment and management approach is imbedded within many of the RMA, LGA and Health Act etc., provisions and this directs an approach towards dealing with risk in the regulatory area.

What is missing is a clear and consistent approach to the assessment and reporting of disparate risks to the leadership team and to Councillors.

OPTIONS:

The attached draft document is presented as a starting point for the Committee's discussions on this issue.

SIGNIFICANCE & CONSULTATION:

This is an internal management and operational matter and as such does not require consultation.

RECOMMENDATION (S):

THAT:

1. The Finance, Risk and Audit Committee receive this report;

A handwritten signature in black ink, appearing to read 'R. Matthews', with a stylized flourish at the end.

Roger Matthews
Transformation Manager



WAIROA DISTRICT COUNCIL

PO Box 54, Wairoa – Telephone (06) 838-7309 – Facsimile (06) 838-8874

DRAFT RISK MANAGEMENT POLICY

1. Purpose

Risk management relates to the culture, processes and structures directed towards the effective management of potential opportunities and adverse effects within the Council's environment. The purpose of this policy is to explain the Council's underlying approach to risk and risk management, both financial and non-financial.

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

This document outlines the policy, strategy, guidelines, process and approach to risk management and includes a supporting appendix. The Risk Management Policy is the governing framework with respect to the Wairoa District Council's risk management profile and where other frameworks exist to manage categories of risk, these principles, expectations, processes and approach must be adopted.

2. Organisational scope

This is a Council-wide policy. Each member of the Council community, staff or elected, has a shared role to play in the identification, reporting and management of risk through risk management processes being integrated with planning processes and embedded in management activities.

3. Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Risk	The threat or possibility that an action or event will adversely or beneficially affect the Council's ability to achieve its goals. Risk is measured in terms of likelihood and impact. This includes both financial and non-financial forms of risk that includes, but is not limited to legal, reputational, infrastructure, and health and safety risks.
Risk assessment	The overall process of risk identification and evaluation.
Risk management	The culture, processes and structures that are directed towards the effective management of potential opportunities and possible adverse effects within the Council's environment.
Internal controls	Internal controls are the processes, policies and procedures we use to govern the Council's work, or any additional mitigating actions that we take to deal with a particular, or potential situation.
Risk management framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk

	management throughout the organisation.
Risk management process	The systematic application of policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, communicating, treating and monitoring risk.
Risk mitigation	A risk mitigation action refers to actions that must be taken to lower the likelihood of the risk occurring and/or to minimize the impact if the risk did occur. Risk can never be totally eliminated.
Risk owner	Person or entity with the accountability and authority to manage a risk.
Risk register	Record of information about identified risks.
Control	Anything that has the effect or purpose of managing a risk or achieving objectives.
Risk appetite	The amount and type of risk that the Council is prepared to pursue, retain or tolerate.
ERM	Enterprise Risk Management. Whole of organisation risk management arrangements.

4. Policy content and guidelines

4.1 Approach to risk management

Wairoa District Council (WDC) defines risk as the threat or possibility that an action or event will adversely or beneficially affect its ability to achieve its goals. The Council is committed to the implementation of a comprehensive risk management framework, has an open and receptive approach to solving risk problems and ensures that risk management is integrated into normal business processes and aligned to the strategic goals of the Council. Risk management activities at WDC are based on the *ISO31000: 2009 Risk Management Standard* which addresses governance and management responsibilities for:

- (a) **Establishing the risk context** – the strategic and organisational context within which the risk management process of the Council will take place;
- (b) **Risk identification, analysis and assessment** – the identification of what, why and how events may arise, the determination of existing controls, and an analysis of risks in terms of the likelihood and impact of risk in the context of those controls;
- (c) **Risk control or treatment** – for high impact risks, the Council will develop and implement specific risk management plans, lower impact risks may be accepted and monitored;
- (d) **Oversight** - the review of the Risk Register and any changes that might affect it. Monitoring and review occurs throughout the risk management process; and,
- (e) **Communicating and consultation** – appropriate communication and consultation will take place with internal and external stakeholders at relevant stages of the risk management process in a way that will enable WDC to minimise losses and capitalise on opportunities.

4.2 Key principles in risk management

The following key principles outline the Council's general approach to risk management:

- (a) The identification and management of risk is linked to the achievement of the Council's strategic goals and responsibilities;
- (b) The Council, through its Finance, Risk and Audit Committee is responsible for overseeing a sound system of internal control that supports the achievement of its operations;

- (c) The Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- (d) Review procedures cover reputational, strategic, operational, compliance and financial risk;
- (e) Risk assessment and internal control are embedded in on-going operations, business as usual;
- (f) The CEO and Senior Management Team are responsible for encouraging and implementing good risk management practice; and,
- (g) The Finance, Risk and Audit Committee will receive reports at each meeting on internal control and risk identification, evaluation and mitigation review.

4.3 Specific principles

WDC's attitude and approach to risk has been informed by the eleven risk principles contained in *ISO3100: 2009 Risk Management*, and can be articulated through the following risk management principles:

- (a) WDC intends to comply with all applicable laws, regulations and policies;
- (b) WDC employees will model behaviours that are consistent with our values, good practice, and relevant policies;
- (c) Risk is inherent in all endeavours. Taking calculated risks is fundamental to organisational planning and decision making and the successful achievement of objectives;
- (d) Risk taking that is uninformed and/or outside of WDC's defined risk appetite will not be tolerated;
- (e) All employees of WDC are the owners of the risks and obligations arising from within their areas of operations or as a result of their actions; and,
- (f) All employees have a positive obligation to appropriately report any issues, risks, compliance breaches or exceptions that they encounter.

4.4 Objectives

In the context of these principles, the objectives of the Risk Management Policy are to:

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

4.5 Risk appetite

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

The WDC risk matrix in the Appendix, which covers a number of critical risk categories, serves as a statement to the Council's appetite and the boundaries of acceptable risk taking. Responsibility to define the risk appetite rests with the Council through the Finance, Risk and Audit Committee and will be done by approval of this framework on an annual basis.

4.6 Statutory framework

Though there is no explicit requirement for local authorities to have in place a risk management framework, numerous legislative requirements talk to the demonstration of risk management elements. By providing an Enterprise Risk Management (ERM) or 'whole-of-Council' approach to managing risk, based on the *ISO31000: 2009 Risk Management Standard*, this policy gives WDC a method to demonstrate appropriate risk management arrangements, now and into the future.

5. Roles

5.1 Role of the Council

Through its Finance, Risk and Audit Committee the Council has a significant role to play in ensuring the integrity and transparency of risk management and risk reporting at the WDC. It provides direction for the WDC's risk management and ensures that appropriate risk mitigation activities are functioning effectively. To fulfil this role it:

- (a) Reviews disaster management and business continuity activities;
- (b) Monitors the robustness of the risk management systems, processes and practices;
- (c) Reviews the Risk Register regularly; and,
- (d) Considers the robustness of mechanisms adopted by management to mitigate key risks.

5.2 Role of management

Senior management must familiarise themselves with this policy so that they can:

- (a) Understand and implement the policy on risk management within their respective areas of responsibility;
- (b) Ensure compliance with risk assessment procedures such as the Internal and External Audit Programme; and,
- (c) Embed risk management activities as part of the system of internal control.

5.3 Specific managerial roles

- (a) The Chief Executive is the 'Designated Officer' for the management of all risk and as such will develop and promote risk management within the Council and be accountable through the Finance, Risk and Audit Committee for internal audit and risk management activities and for the implementation of this policy in key areas of the Council, maintaining a programme for risk assessment and a risk register for WDC;
- (b) The Finance Manager will be accountable for prudent recognition and disclosure of financial risks, and will be responsible for providing high quality financial information to the CEO, the Finance, Risk and Audit Committee and the Council including compliance with the relevant legislation. The Finance Manager will also be accountable for the Council's insurance portfolio;
- (c) The Human Resources Manager will be accountable for prudent recognition and disclosure of occupational health and safety risks, of employment risks, and of payroll risks;
- (d) The Corporate Services Manager will be accountable for the management of risks associated with the Council's information technology and computing systems and for their prudent recognition and disclosure;
- (e) The Engineering Manager will be accountable for all infrastructure risks;
- (f) The Regulatory Manager will be accountable for the prudent recognition and disclosure of regulatory risks and compliance with relevant regulatory legislation; and,
- (g) All other managers are accountable for the timely and proactive provision of information to all those mentioned in (a) to (f) which will allow those responsible for recognising and disclosing risk in particular areas to carry out this task in the most informed way possible.

5.4 Three lines of defence

WDC has adopted a 'three lines of defence' approach to governance assurance as illustrated below

First line of defence; Council staff	Responsibilities
Risks reported to line managers	<p>All staff including management, team leaders and General Managers are required to:</p> <ul style="list-style-type: none"> • Apply the risk management framework day-to-day. • Identify, manage and report risks, issues and incidents that may impact on operational, project and strategic objectives. • Take ownership and demonstrate accountability for risk. • Actively promote a positive risk culture. • Participate in risk training and awareness requirements and improvement activities.
Second line of defence; senior management	Responsibilities
Risks reported to the Chief Executive and the senior management team	<ul style="list-style-type: none"> • Oversight and integration of risk management activities conducted by the first line of defence into business activities. • Conduct activities to develop risk culture. • Design risk management frameworks and methodologies. • Ensure risk owners manage their risks. • Undertake risk reviews and monitor risk management control procedures and performance against risk appetite. • Manage the risk registers and reports.
Third line of defence; internal audit	Responsibilities
Risks reported to the Finance, Risk and Audit Committee	<ul style="list-style-type: none"> • Provide independent assurance and oversight for first and second line defence. • Provide assurance to the Council, via the Committee of the design and operating effectiveness of systems and internal controls in order for the Council to discharge its governance responsibilities.

5.5 Business as usual procedures

Business as usual procedures encompass a number of elements that together facilitate an effective and efficient operation, enabling WDC to respond to a variety of risks. These elements include:

- (a) Environmental scans (keeping ourselves updated on our operating environment);
- (b) The Integrated Reporting Framework for the Council and the Senior Leadership Team tracking progress towards the achievement of the strategic goals;
- (c) Department planning and budgeting – the department planning and budgeting process is used to set actions and allocate resources. Progress towards meeting plan targets is monitored regularly;
- (d) Major projects (risk assessment and mitigation strategies are essential elements);
- (e) High-level Risk Register – to identify, assess, and monitor risks significant to the Council. The risk register is revised four times a year and emerging risks are added as required; and,

- (f) Assurance measures (internal audit, reporting).

5.6 Internal audit programme

The internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. The internal audit strategy is developed around the Council's goals and responsibilities.

5.7 Third party audits

External audit shall be conducted annually, in line with the Council's established audit procedures.

6. Types of risk

All risks must be identified and managed, however due to limited resources; a prioritised approach has been adopted. Only key risks or material risks that will impact WDC's strategic and business objectives are recorded in the WDC risk register and administered by the Finance, Risk and Audit Committee.

To ensure there is practical approach to identifying, managing and reporting risks, it is useful to understand that risk cascades through each level of the organisation and is inherent in all of WDC's activities, systems and processes. Risk generally falls into three broad types:

- (a) **Strategic risks** - generally emanate from WDC's strategic activities, systems and processes and would impact or impede achievement of WDC's strategies.
- Captured through key planning documents, e.g., long-term plans, annual plans, asset management plans and financial strategy and reported through governance reports.
- (b) **Tactical risks** - generally emanate from key project activities, systems and processes and would impact or impede achievement of project objectives.
- Captured and reported through project briefs and plans.
- (c) **Operational risks** - generally emanate from business unit and team activities, systems and processes and would impact achievement of specific business unit objectives.
- Captured and reported through business planning process.

Each risk owner remains responsible for managing all assigned risks whether they are recorded and managed in the Council's register or independently. All risks that fall within the Council's risk reporting criteria or when a significant change in a risk that would cause it to breach the Council's risk appetite must be reported to the Chief Executive. To ensure there is a dynamic iterative approach to risk management, the Finance, Risk and Audit Committee will conduct regular risk reviews.

Operational	
Potential losses or adverse impacts resulting from inadequate or failed internal processes, people and systems or from external events, excluding strategic risks.	<ul style="list-style-type: none"> • Occupational health & safety • HR/people • Fraud • Information technology • Accounting/finance • Project management • Legal & compliance • Outsourcing & procurement • Business operations & practices • Business continuity

	<ul style="list-style-type: none"> • Environmental compliance
Asset	
The potential of financial loss or adverse impacts arising from WDC's assets.	<ul style="list-style-type: none"> • Capacity • Liability risk • Capital investment • Renewal Risk • Level and continuity of service • Property damage • RMA compliance
Financial	
The potential for loss or adverse impacts resulting from WDC's finance activities.	<ul style="list-style-type: none"> • Insurance management • Financial strategy • Debt risk • Financial sustainability • Treasury
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The potential for loss or adverse impacts arising from poorly designed and implemented strategies, business decisions or improper implementation of those business decisions, unforeseen events beyond the Council's control, lack of or ineffective planning, lack of responsiveness to change, ineffective governance, external factors and changes.	<ul style="list-style-type: none"> • Tactical • Governance • Catastrophic • Strategic • External • Reputational • Emerging • Environmental compliance

7. Legislative compliance

The Council is bound by a wide range of legislation that sets out its powers, duties and responsibilities. Compliance with this legislation is a responsibility that is shared between the staff and the elected members. Oversight will be maintained by the Finance, Risk and Audit Committee reporting to the full Council.

8. References

ISO31000: 2009 Risk Management Standard

9. Risk management process

The risk management process consists of a series of steps that when undertaken in sequence supports a logical approach to identifying and managing risk. The Council's risk management process is summarised below:



9.1 Communication & consultation

Communication and consultation is an essential component of WDC's operating model and is a critical element of the risk management process. Communication and consultation is not a discrete step in the risk management process, as it occurs throughout the whole process either formally or informally. It is also very unlikely that one person will have all the information required to identify and manage risk.

The aim of communication and consultation is to identify the internal and external stakeholders who should be involved in the risk assessment process and ensure that they are included at the right stage of the risk assessment process. It is important to remember that stakeholders can have a significant role in the decision-making process and their perceptions of risks can also vary, so it is important to ensure their views are understood, recorded and considered.

Communication and consultation is also not one way and there should be forums and/or mechanisms for stakeholders and subject matter experts to provide their input, exchange information and share ideas. The person managing the risk assessment process should ensure there is a strategy in place to ensure information is communicated and that there has been adequate consultation.

9.2 Monitor, review and reporting

Monitor, annual review and reporting are essential and integral elements in the risk management process, as change is a constant factor and very few risks remain static. To be really effective, risk management must be dynamic and iterative, which requires a formalised process to ensure there are monitor and review activities included in the Council's business planning, the annual risk management program, the annual internal audit plan and throughout the 1st, 2nd, and 3rd, line of defence. Key elements include:

- (a) At a minimum, annual review the risk context, risk criteria and risk profile;
- (b) Periodically repeating the risk identification process to capture new or emerging risks;
- (c) Periodically reviewing current risks to ensure changing circumstances do not alter risk ratings or priorities;
- (d) Active control monitoring to ensure it remains effective;

- (e) Developing early warning systems and processes. E.g., key indicators, incidents and breach monitoring as a trigger to review risks and control effectiveness;
- (f) Reviewing progress against treatment plans and the residual risk rating;
- (g) Reporting all risks and issues to relevant committees and stakeholders;
- (h) Integration of feedback arising from incidents into risk assessments; and,
- (i) Risk owners report all corporate and key/material business risks to the senior management team.

On an annual basis, WDC will review its risk management framework either by self-assessment or via an independent review. The results of all risk management policy reviews are reported to through the Finance, Risk and Audit Committee and the Council.

10. Approval

Approval and review of this policy will be achieved by the Chief Executive reporting to the Finance, Risk and Audit Committee.

APPENDIX

Assessment criteria

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

Significance and consequence

Category	Human	Financial	Regulatory	Operations	Employees	Image & reputation
1. Minor	Report of an incident or near miss	Direct loss or increased cost of up to \$10K	Small, non-systematic and/or technical breaches occur. No impact to citizens.	Minimal disruption to operations or services. e.g. <2 hr disruption for any department	Negligible or isolated employee dissatisfaction.	Reference to community consultation group/forum. Public awareness may exist but no public concern.
2. Moderate	Causes time off work to staff or community member	Direct loss or increased cost of ~\$10 to \$50K	Minor breaches occur, first of its kind, one-off issues Minimal loss to citizens.	Minor disruption to operations or services. e.g. 2-4 hr disruption for any department	General employee morale and attitude problems. Increase in employee turnover.	Adverse news in local media. Concerns of performance raised by stakeholders or the community.
3. Significant	Injury or hospitalisation	Direct loss or increased cost of ~\$50K to \$100K	Multiple related minor breaches. Possibility of some fines. Systemic issue. Small financial impact to citizens. Reportable breach.	Disruption of operations or services. E.g. 1 day disruption for any organisational area (floor)/ 0.5 day for total organisation.	General employee morale or attitude problems in business area. Significant employee turnover in unit area.	Adverse news in the local media (paper/newspaper/TV Social medial/networking) Minor decrease in stakeholder, Council or community support.
4. High	One death	Direct loss or increased cost of ~\$100K to \$1M	Significant breach or systemic minor breaches. Reportable breach and action is possible – significant fines, audits/inspections or undertakings. Possible action taken against management.	Serious disruption to operations or services. Adversely affects multiple key groups. e.g. 1-5 day disruption for any dept., 1 day for total Council	Increasing senior managers or experienced employees leave. Significant turnover of experienced employees. Widespread employee attitude problems.	Adverse news in regional media. Serious decrease in stakeholder, Council or community support.
5. Extreme	More than one death	Direct loss or increased cost of over \$1M	Serious breach or multiple significant breaches resulting in regulatory scrutiny. Restrictions on activity or responsibilities of Council. Action taken against management or Councillors.	Total disruption to all Council operations or services. Significantly affects key community services. E.g. Total Business Disruption for 5+ days or all sites unavailable.	A large number of senior managers or experienced employees leave the Council.	Damage to reputation at national level, raised in national media. Major loss of stakeholder, political or community support. The Council under or potentially under administration of central government.

Likelihood

1. Likely	<ul style="list-style-type: none"> The event will probably occur in most circumstances; or, Not quarterly but within 6 months. ~70% chance of occurring in the next 12 months.
2. Moderate	<ul style="list-style-type: none"> The event will possibly occur at some time; or, Not within 6 months but at least annually. ~50% chance of occurring in the next 12 months.
3. Rare	<ul style="list-style-type: none"> The event could occur at some time; or, Not annually but within 3 years. ~20-30% chance of occurring in the next 12 months.
4. Very rare	<ul style="list-style-type: none"> The event may occur only in exceptional circumstances; or, Not every 3 years but at least every 10 years. ~10-20% chance of occurring in the next 12 months.
5. Unanticipated	<ul style="list-style-type: none"> The event is not expected to occur; or, Not within 10 years. ~2% chance of occurring in the next 12 months.








Control effectiveness

i. Effective	<ul style="list-style-type: none"> Control is well-established, relevant and deemed reliable in mitigating the risk of loss. The control is appropriately designed and executed as intended.
ii. Partially effective	<ul style="list-style-type: none"> There is only partial fulfilment or adherence with the control as stated (i.e. the control is not being performed with full effectiveness, is being performed inconsistently or with irregular frequency). Control design needs some improvement (may not be fully effective in mitigating risk) or the design might be manual where an automated control would be more effective).
iii. Ineffective	<ul style="list-style-type: none"> Control does not mitigate the risk that is inherent in the key business process. The control does either not exist or, if in place, does not mitigate the portion of the risk for which it is designed (control design is inadequate in mitigating the risk and requires significant redesign); or, The control is performed improperly or not at all.
iv. Undecided	<ul style="list-style-type: none"> The effectiveness of controls has not been adequately considered or determined, or is unknown.

Wairoa District Council's risk matrix

Likelihood	Likely	Considerable	Considerable	High	Extreme	Extreme
	Moderate	Low	Considerable	High	High	Extreme
	Rare	Low	Low	Considerable	High	High
	Very Rare	Low	Low	Considerable	Considerable	Considerable
	Unanticipated	Low	Low	Low	Low	Considerable
		Minor	Moderate	Significant	High	Extreme
	Consequence					

An example of managing and reporting risks (Porirua City Council)

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



WAIROA DISTRICT COUNCIL

PO Box 54, Wairoa – Telephone (06) 838-7309 – Facsimile (06) 838-8874

DRAFT RISK MANAGEMENT POLICY

1. Purpose

Risk management relates to the culture, processes and structures directed towards the effective management of potential opportunities and adverse effects within the Council's environment. The purpose of this policy is to explain the Council's underlying approach to risk and risk management, both financial and non-financial.

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

This document outlines the policy, strategy, guidelines, process and approach to risk management and includes a supporting appendix. The Risk Management Policy is the governing framework with respect to the Wairoa District Council's risk management profile and where other frameworks exist to manage categories of risk, these principles, expectations, processes and approach must be adopted.

2. Organisational scope

This is a Council-wide policy. Each member of the Council community, staff or elected, has a shared role to play in the identification, reporting and management of risk through risk management processes being integrated with planning processes and embedded in management activities.

3. Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Risk	The threat or possibility that an action or event will adversely or beneficially affect the Council's ability to achieve its goals. Risk is measured in terms of likelihood and impact. This includes both financial and non-financial forms of risk that includes, but is not limited to legal, reputational, infrastructure, and health and safety risks.
Risk assessment	The overall process of risk identification and evaluation.
Risk management	The culture, processes and structures that are directed towards the effective management of potential opportunities and possible adverse effects within the Council's environment.
Internal controls	Internal controls are the processes, policies and procedures we use to govern the Council's work, or any additional mitigating actions that we take to deal with a particular, or potential situation.

Risk management framework	Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk management process	The systematic application of policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, communicating, treating and monitoring risk.
Risk mitigation	A risk mitigation action refers to actions that must be taken to lower the likelihood of the risk occurring and/or to minimize the impact if the risk did occur. Risk can never be totally eliminated.
Risk owner	Person or entity with the accountability and authority to manage a risk.
Risk register	Record of information about identified risks.
Control	Anything that has the effect or purpose of managing a risk or achieving objectives.
Risk appetite	The amount and type of risk that the Council is prepared to pursue, retain or tolerate.
ERM	Enterprise Risk Management. Whole of organisation risk management arrangements.

4. Policy content and guidelines

4.1 Approach to risk management

Wairoa District Council (WDC) defines risk as the threat or possibility that an action or event will adversely or beneficially affect its ability to achieve its goals. The Council is committed to the implementation of a comprehensive risk management framework, has an open and receptive approach to solving risk problems and ensures that risk management is integrated into normal business processes and aligned to the strategic goals of the Council. Risk management activities at WDC are based on the *ISO31000: 2009 Risk Management Standard* which addresses governance and management responsibilities for:

- (a) **Establishing the risk context** – the strategic and organisational context within which the risk management process of the Council will take place;
- (b) **Risk identification, analysis and assessment** – the identification of what, why and how events may arise, the determination of existing controls, and an analysis of risks in terms of the likelihood and impact of risk in the context of those controls;
- (c) **Risk control or treatment** – for high impact risks, the Council will develop and implement specific risk management plans, lower impact risks may be accepted and monitored;
- (d) **Oversight** - the review of the Risk Register and any changes that might affect it. Monitoring and review occurs throughout the risk management process; and,
- (e) **Communicating and consultation** – appropriate communication and consultation will take place with internal and external stakeholders at relevant stages of the risk management process in a way that will enable WDC to minimise losses and capitalise on opportunities.

4.2 Key principles in risk management

The following key principles outline the Council's general approach to risk management:

- (a) The identification and management of risk is linked to the achievement of the Council's strategic goals and responsibilities;
- (b) The Council, through its Finance, Risk and Audit Committee is responsible for overseeing a sound system of internal control that supports the achievement of its operations;
- (c) The Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- (d) Review procedures cover reputational, strategic, operational, compliance and financial risk;
- (e) Risk assessment and internal control are embedded in on-going operations, business as usual;
- (f) The CEO and Senior Management Team are responsible for encouraging and implementing good risk management practice; and,
- (g) The Finance, Risk and Audit Committee will receive reports at each meeting on internal control and risk identification, evaluation and mitigation review.

4.3 Specific principles

WDC's attitude and approach to risk has been informed by the eleven risk principles contained in *ISO3100: 2009 Risk Management*, and can be articulated through the following risk management principles:

- (a) WDC intends to comply with all applicable laws, regulations and policies;
- (b) WDC employees will model behaviours that are consistent with our values, good practice, and relevant policies;
- (c) Risk is inherent in all endeavours. Taking calculated risks is fundamental to organizational planning and decision making and the successful achievement of objectives;
- (d) Risk taking that is uninformed and/or outside of WDC's defined risk appetite will not be tolerated;
- (e) All employees of WDC are the owners of the risks and obligations arising from within their areas of operations or as a result of their actions; and,
- (f) All employees have a positive obligation to appropriately report any issues, risks, compliance breaches or exceptions that they encounter.

4.4 Objectives

In the context of these principles, the objectives of the Risk Management Policy are to:

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

4.5 Risk appetite

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

The WDC risk matrix in the Appendix, which covers a number of critical risk categories, serves as a statement to the Council's appetite and the boundaries of acceptable risk taking. Responsibility to define the risk appetite rests with the Council through the Finance, Risk and Audit Committee and will be done by approval of this framework on an annual basis.

4.6 Statutory framework

Though there is no explicit requirement for local authorities to have in place a risk management framework, numerous legislative requirements talk to the demonstration of risk management elements. By providing an Enterprise Risk Management (ERM) or 'whole-of-Council' approach to managing risk, based on the *ISO31000: 2009 Risk Management Standard*, this policy gives WDC a method to demonstrate appropriate risk management arrangements, now and into the future.

5. Roles

5.1 Role of the Council

Through its Finance, Risk and Audit Committee the Council has a significant role to play in ensuring the integrity and transparency of risk management and risk reporting at the WDC. It provides direction for the WDC's risk management and ensures that appropriate risk mitigation activities are functioning effectively. To fulfil this role it:

- (a) Reviews disaster management and business continuity activities;
- (b) Monitors the robustness of the risk management systems, processes and practices;
- (c) Reviews the Risk Register regularly; and,
- (d) Considers the robustness of mechanisms adopted by management to mitigate key risks.

5.2 Role of management

Senior management must familiarise themselves with this policy so that they can:

- (a) Understand and implement the policy on risk management within their respective areas of responsibility;
- (b) Ensure compliance with risk assessment procedures such as the Internal and External Audit Programme; and,
- (c) Embed risk management activities as part of the system of internal control.

5.3 Specific managerial roles

- (a) The Chief Executive is the 'Designated Officer' for the management of all risk and as such will develop and promote risk management within the Council and be accountable through the Finance, Risk and Audit Committee for internal audit and risk management activities and for the implementation of this policy in key areas of the Council, maintaining a programme for risk assessment and a risk register for WDC;
- (b) The Finance Manager will be accountable for prudent recognition and disclosure of financial risks, and will be responsible for providing high quality financial information to the CEO, the Finance, Risk and Audit Committee and the Council including compliance

with the relevant legislation. The Finance Manager will also be accountable for the Council's insurance portfolio;

- (c) The Human Resources Manager will be accountable for prudent recognition and disclosure of occupational health and safety risks, of employment risks, and of payroll risks;
- (d) The Corporate Services Manager will be accountable for the management of risks associated with the Council's information technology and computing systems and for their prudent recognition and disclosure;
- (e) The Engineering Manager will be accountable for all infrastructure risks;
- (f) The Regulatory Manager will be accountable for the prudent recognition and disclosure of regulatory risks and compliance with relevant regulatory legislation; and,
- (g) All other managers are accountable for the timely and proactive provision of information to all those mentioned in (a) to (f) which will allow those responsible for recognising and disclosing risk in particular areas to carry out this task in the most informed way possible.

5.4 Three lines of defence

WDC has adopted a 'three lines of defence' approach to governance assurance as illustrated below

First line of defence; Council staff	Responsibilities
Risks reported to line managers	<p>All staff including management, team leaders and General Managers are required to:</p> <ul style="list-style-type: none"> • Apply the risk management framework day-to-day. • Identify, manage and report risks, issues and incidents that may impact on operational, project and strategic objectives. • Take ownership and demonstrate accountability for risk. • Actively promote a positive risk culture. • Participate in risk training and awareness requirements and improvement activities.
Second line of defence; senior management	Responsibilities
Risks reported to the Chief Executive and the senior management team	<ul style="list-style-type: none"> • Oversight and integration of risk management activities conducted by the first line of defence into business activities. • Conduct activities to develop risk culture. • Design risk management frameworks and methodologies. • Ensure risk owners manage their risks. • Undertake risk reviews and monitor risk management control procedures and performance against risk appetite. • Manage the risk registers and reports.
Third line of defence; internal audit	Responsibilities
Risks reported to the Finance, Risk and Audit Committee	<ul style="list-style-type: none"> • Provide independent assurance and oversight for first and second line defence. • Provide assurance to the Council, via the Committee of the design and operating effectiveness of systems and internal controls in order for the Council to discharge its governance responsibilities.

5.5 Business as usual procedures

Business as usual procedures encompass a number of elements that together facilitate an effective and efficient operation, enabling WDC to respond to a variety of risks. These elements include:

- (a) Environmental scans (keeping ourselves updated on our operating environment);
- (b) The Integrated Reporting Framework for the Council and the Senior Leadership Team tracking progress towards the achievement of the strategic goals;
- (c) Department planning and budgeting – the department planning and budgeting process is used to set actions and allocate resources. Progress towards meeting plan targets is monitored regularly;
- (d) Major projects (risk assessment and mitigation strategies are essential elements);
- (e) High-level Risk Register – to identify, assess, and monitor risks significant to the Council. The risk register is revised four times a year and emerging risks are added as required; and,
- (f) Assurance measures (internal audit, reporting).

5.6 Internal audit programme

The internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. The internal audit strategy is developed around the Council's goals and responsibilities.

5.7 Third party audits

External audit shall be conducted annually, in line with the Council's established audit procedures.

6. Types of risk

All risks must be identified and managed, however due to limited resources; a prioritised approach has been adopted. Only key risks or material risks that will impact WDC's strategic and business objectives are recorded in the WDC risk register and administered by the Finance, Risk and Audit Committee.

To ensure there is practical approach to identifying, managing and reporting risks, it is useful to understand that risk cascades through each level of the organisation and is inherent in all of WDC's activities, systems and processes. Risk generally falls into three broad types:

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2. Moderate	Causes time off work to staff or community member	Direct loss or increased cost of ~\$10 to \$50K	Minor breaches occur, first of its kind, one-off issues Minimal loss to citizens.	Minor disruption to operations or services. e.g. 2-4 hr disruption for any department	General employee morale and attitude problems. Increase in employee turnover.	Adverse news in local media. Concerns of performance raised by stakeholders or the community.
3. Significant	Injury or hospitalisation	Direct loss or increased cost of ~\$50K to \$100K	Multiple related minor breaches. Possibility of some fines. Systemic issue. Small financial impact to citizens. Reportable breach.	Disruption of operations or services. e.g. 1 day disruption for any organisational area (floor)/ 0.5 day for total organisation.	General employee morale or attitude problems in business area. Significant employee turnover in unit area.	Adverse news in the local media (paper/newspaper/TV Social medial/networking) Minor decrease in stakeholder, Council or community support.
4. High	One death	Direct loss or increased cost of ~\$100K to \$1M	Significant breach or systemic minor breaches. Reportable breach and action is possible – significant fines, audits/inspections or undertakings. Possible action taken against management.	Serious disruption to operations or services. Adversely affects multiple key groups. e.g. 1-5 day disruption for any dept., 1 day for total Council	Increasing senior managers or experienced employees leave. Significant turnover of experienced employees. Widespread employee attitude problems.	Adverse news in regional media. Serious decrease in stakeholder, Council or community support.
5. Extreme	More than one death	Direct loss or increased cost of over \$1M	Serious breach or multiple significant breaches resulting in regulatory scrutiny. Restrictions on activity or responsibilities of Council. Action taken against management or Councillors.	Total disruption to all Council operations or services. Significantly affects key community services. e.g. Total Business Disruption for 5+ days or all sites unavailable.	A large number of senior managers or experienced employees leave the Council.	Damage to reputation at national level, raised in national media. Major loss of stakeholder, political or community support. The Council under or potentially under administration of central government.

Likelihood

1. Likely	<ul style="list-style-type: none"> The event will probably occur in most circumstances; or, Not quarterly but within 6 months. ~70% chance of occurring in the next 12 months.
2. Moderate	<ul style="list-style-type: none"> The event will possibly occur at some time; or, Not within 6 months but at least annually. ~50% chance of occurring in the next 12 months.
3. Rare	<ul style="list-style-type: none"> The event could occur at some time; or, Not annually but within 3 years. ~20-30% chance of occurring in the next 12 months.
4. Very rare	<ul style="list-style-type: none"> The event may occur only in exceptional circumstances; or, Not every 3 years but at least every 10 years. ~10-20% chance of occurring in the next 12 months.
5. Unanticipated	<ul style="list-style-type: none"> The event is not expected to occur; or, Not within 10 years. ~2% chance of occurring in the next 12 months.





Control effectiveness

i. Effective	<ul style="list-style-type: none"> Control is well-established, relevant and deemed reliable in mitigating the risk of loss. The control is appropriately designed and executed as intended.
ii. Partially effective	<ul style="list-style-type: none"> There is only partial fulfilment or adherence with the control as stated (i.e. the control is not being performed with full effectiveness, is being performed inconsistently or with irregular frequency). Control design needs some improvement (may not be fully effective in mitigating risk) or the design might be manual where an automated control would be more effective).
iii. Ineffective	<ul style="list-style-type: none"> Control does not mitigate the risk that is inherent in the key business process. The control does either not exist or, if in place, does not mitigate the portion of the risk for which it is designed (control design is inadequate in mitigating the risk and requires significant redesign); or, The control is performed improperly or not at all.
iv. Undecided	<ul style="list-style-type: none"> The effectiveness of controls has not been adequately considered or determined, or is unknown.

Wairoa District Council's risk matrix

Likelihood	Likely	Considerable	Considerable	High	Extreme	Extreme
	Moderate	Low	Considerable	High	High	Extreme
	Rare	Low	Low	Considerable	High	High
	Very Rare	Low	Low	Considerable	Considerable	Considerable
	Unanticipated	Low	Low	Low	Low	Considerable
		Minor	Moderate	Significant	High	Extreme
	Consequence					

Managing and reporting risks

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

Assets															
														Effective maintenance and renewals will reduce risk of road closures due to road failure. Contingency Planning will assist in reducing consequences (in time) related to events such as flooding that cause damage and road closure. Safety improvements to reduce risk of accidents. Regular analysis of demand will ensure capacity maintained	Controls effective and improving in relation to maintenance and renewals planning. Safety improvements limited in part to available funding which WDC does not have full control of (NZTA). Processes in place to address flood damage etc. but, again, limitations in relation to funding
Roads	3	4	4	3	4	4	NA	NA	NA	NA	2	3			

															and hence effectiveness of strategy.
Bridges	3	4	4	3	4	4	NA	NA	NA	NA	2	3	Effective maintenance and renewals will reduce risk of bridge closures due to failure. Contingency Planning will assist in reducing consequences (in time) related to events such as flooding that cause damage and road closure. Safety improvements to reduce risk of accidents. Regular	Controls effective and improving in relation to maintenance and renewals planning - increased investment in condition assessments / asset management. Safety improvements limited in part to available funding which WDC does not have full	

														analysis of demand will ensure capacity maintained.	control of (NZTA). Processes in place to address flood damage etc. but, again, limitations in relation to funding and hence effectiveness of strategy.
Water supply	4	4	4	3	4	4	NA	NA	4	5	3	3	Demand Management will allow assessment of capacity. Legislation will dictate to some degree eg Mahanga where the demand in terms of population requires an upgrade but some ratepayers	Controls effective and improving in relation to maintenance and renewals planning - increased investment in condition assessments / asset management.	

													<p>against this. Continuity risk addressed through effective maintenance and renewals as well as contingency planning for times when, for example, WTP unable to produce water. Risk of legal action where legislation not complied with - processes to be in place to ensure DWS are met</p>	<p>Provision made for Mahanga upgrade, dependent on referendum. Also for supplementary supply for Wairoa. Tawhara tanks being replaced to ensure adequate storage. No cases of legal action and general compliance with legislation shows controls are effective. Contingency planning forms part of the Water Safety Plans for</p>
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															each system
Wastewater treatment	4	4	4	3	4	4	NA	NA	4	5	3	3	Effective maintenance and renewals will reduce risk of reduced service and investigations will assist in addressing infiltration and inflow of Stormwater into the system. Demand Management will allow assessment of capacity. Legislation will dictate to	Controls effective and improving in relation to maintenance and renewals planning - increased investment in condition assessments / asset management. Provision made for Wairoa wastewater treatment	

													<p>some degree eg Mahia and Opoutama schemes were developed and constructed to address RMA issues. Continuity risk addressed through effective maintenance and renewals as well as contingency planning for times when, for example, there are overflows or unable to discharge from the WWTP. Risk of legal action where legislation / conditions of consent not</p>	<p>plant upgrade - consent expires 2019. wastewater overflows into the river are being addressed through infiltration and inflow investigations and remedial works. No cases of legal action and general compliance with legislation and consent conditions show controls are effective. HBRC are aware of overflows</p>
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																complied with	but have acknowledged the work WDC is carrying out to address.
Stormwater & drains	2	3	2	3	1	3	NA	NA	2	3	1	3	Effective maintenance and renewals will reduce risk of reduced service . Continuity risk addressed through effective maintenance and renewals as well. Risk of legal action where legislation / conditions of consent not	Controls effective and improving in relation to maintenance and renewals planning - increased investment in condition assessments / asset management. Infiltration of stormwater			

													complied with. Link to wastewater consent compliance due to infiltration and inflow of Stormwater into wastewater system. Safety issues associated with open drains being addressed through annual piping programme	into wastewater is being addressed through investigations and remedial works. Global consent application being prepared for lodgment
Airport	1	5	3	3	1	5	3	3	NA	NA	1	3	Risk of criticism on cost to ratepayers, generally only through LTP process. Is a risk of financial loss - Council has made strategic decision to	Financial risk is well managed through setting of annual budgets - is recognised that the airport is a financial burden but Council has

													continue service to meet needs of community but comes at a costs - renewals can be expensive (eg current LTP provides in excess of \$500,000 for renewals). Risk to capacity unlikely to be an issue but is a risk in lack of continuity / if the service is cut in particular for medical transfers etc being a remote location	made strategic decision to continue. Annual plan and LTP processes do allow for the public to have a say
Cemetery	4	4	3	4	1	5	NA	NA	NA	NA	1	4	Key risk is lack of capacity in the future	The public will be key in deciding whether to

REPORT TO: FINANCE, RISK AND AUDIT COMMITTEE	
DATE: 29 JULY 2015	
SUBJECT: INTERNAL AUDIT PROGRAMME	FILE REF:
AUTHOR: A MORTON; CHIEF FINANCIAL OFFICER	ATTACHMENTS: None
RELATED COMMUNITY OUTCOME: Strong district leadership and a sense of belonging.	RELATED COUNCIL ACTIVITY: Community Representation.

PURPOSE:

The purpose of this report is to suggest to the Committee a process for the development of an Internal Audit Programme.

BACKGROUND:

At its Workshop held on Monday 22 June 2015 the Committee requested that a report on an Internal Audit Programme be a standard item on the Finance, Risk and Audit Committee Agenda.

COMMENTARY:

The Wairoa District Council (WDC) does not have an Internal Audit Programme and will need to develop such. The recent work programme (being largely dominated by the 2015-2025 Long Term Plan process) combined with vacancies in the Finance Team has not enabled the development of an Internal Audit Programme prior to this meeting of the Finance, Risk and Audit Committee. The development of an Internal Audit Programme and Function is a material operational project that requires planning and resourcing.

Given the potential scope of the Internal Audit Programme and the limited resources available to WDC it is suggested that the function be developed in a 'shared or reciprocal' service type arrangement with another local authority. The WDC is not of the scale, nor would affordability allow, the establishment of an internal audit role within its organisational structure. Further, WDC does not have the capacity within its existing structure to resource such a function. An arrangement with another local authority will not only allow WDC to take advantage of the scale of a larger unit of local government but will also provide the added advantage of bringing independence to the Internal Audit function.

Such an arrangement would see the WDC partnering with a unit of local government such as Napier City Council (NCC) in developing and implementing an Internal Audit Programme. Once established, the Councils could perhaps exchange appropriate staff at mutually acceptable times to work through the agreed internal audit programme.

Fundamental to such an arrangement will be the establishment of agreed priorities for Internal Audit based on best practice and knowledge of risk. These priorities will need to be developed jointly with the agreed partner then brought back to the Committee for review/endorsement.

The establishment of a joint Internal Audit Programme will take some time and can only be progressed as the current work programme and resources allow. Given the workload finalising the 2015-2025 Long Term Plan, year-end processes and the development of the 2014/15 Annual Report the development of an Internal Audit Programme is not likely to occur until later this calendar year. If the Committee agree with the concept of partnering with NCC in developing an Internal Audit Programme officers will initiate discussions with NCC with a view to bringing back a draft for consideration in October this year.

OPTIONS & ASSESSMENT:

The establishment of an Internal Audit Programme or Function is considered to be best practice in Local Government in New Zealand. Council has the option of developing an Internal Audit Programme and resourcing the function internally or seeking out a relationship with a neighbouring Local Authority with a view to establish a shared or reciprocal service. A shared or reciprocal service is considered to be not only more efficient but also effective in terms of bringing an element of independence to the monitoring and reporting function.

ASSESSMENT OF SUSTAINABILITY:

An Internal Audit Function contributes to the sustainability of the Wairoa District by helping to achieve the specified community outcome noted above. Further, an effective Internal Audit Function assists Council with its stewardship role in monitoring and managing risk.

SIGNIFICANCE & CONSULTATION:

The establishment of an Internal Audit Programme does not trigger WDC's Significance and Engagement Policy.

FINANCIAL IMPLICATIONS:

There are no known financial implications associated with the establishment of an Internal Audit Programme however it should be noted that it will draw on existing organisational capacity in terms of staff time.

RECOMMENDATIONS: That the report 'Internal Audit Programme' be received.

That the Committee agree in principle to the establishment of an Internal Audit Programme and Function in partnership with a neighbouring Local Authority, preferably Napier City Council.

That officers approach the Napier City Council with a view to establishing such an arrangement and Internal Audit Programme and report back to the Committee in due course.

A MORTON
CHIEF FINANCIAL OFFICER

REPORT TO: FINANCE, AUDIT & RISK COMMITTEE	
DATE: 29 JULY 2015	
SUBJECT: TREASURY POLICY COMPLIANCE	FILE REF:
AUTHOR: A MORTON: CHIEF FINANCIAL OFFICER	ATTACHMENTS: None
RELATED COMMUNITY OUTCOME: Strong district leadership and a sense of belonging.	RELATED COUNCIL ACTIVITY: Community Representation.

PURPOSE:

The purpose of this report is to suggest to the Committee a framework for the reporting against WDC's soon to be adopted Treasury Policy that forms part of the 2015-2025 draft Long Term Plan.

BACKGROUND:

At its Workshop held on Monday 22 June 2015 the Committee requested that a report on Treasury Policy Compliance be a standard item on the Finance, Risk and Audit Committee Agenda.

COMMENTARY:

The recent work programme (being largely dominated by the 2015-2025 Long Term Plan process) combined with vacancies in the Finance Team has not enabled the development of a report on Treasury Policy Compliance prior to this meeting of the Finance, Risk and Audit Committee.

Further, WDC's Treasury Policy (at the time of writing this report) is currently under formal review and is expected to be approved by Council as part of the adoption of the 2015-2025 Long Term Plan at the normal Council meeting on Tuesday 28 July 2015.

Given current workloads and imminent changes to the Treasury Policy (namely the Investment and Liability Policy) it is suggested that the first report on policy compliance be for the period ending 30 September 2015. The period ending 30 September 2015 will represent the first quarterly (operational) period for the newly adopted Treasury Policy framework (note: the draft Treasury Policy and best practice provides for a report on policy compliance to the Finance, Risk and Audit Committee on a quarterly basis).

In the interim period it is suggested that a Treasury Compliance reporting template be developed for consideration by the Committee.

OPTIONS & ASSESSMENT:

There are no options. WDC's draft Treasury Policy establishes a requirement for quarterly reporting as per best practice.

ASSESSMENT OF SUSTAINABILITY:

Quarterly reporting of compliance with WDC's Treasury Policy contributes to the financial sustainability of the Wairoa District and therefore to community outcome noted above. Further,

monitoring compliance with the Treasury Policy assists Council with its stewardship role in monitoring and managing risk.

SIGNIFICANCE & CONSULTATION:

The reporting on compliance with the Treasury Management Policy does not trigger WDC's Significance and Engagement Policy.

FINANCIAL IMPLICATIONS:

There are no known financial implications associated with the reporting of compliance with the Treasury Policy.

RECOMMENDATIONS: That the report 'Treasury Policy Compliance' be received.

That a suggested template for reporting against WDC's Treasury Policy (once adopted as part of the 2015-2025 Long Term Plan) be developed for consideration by the Finance, Audit and Risk Committee in anticipation of the first formal 'Treasury Policy Compliance' report for the period ending 30 September 2015.

A MORTON
CHIEF FINANCIAL OFFICER

REPORT TO: FINANCE, RISK AND AUDIT COMMITTEE	
DATE: 29 JULY 2015	
SUBJECT: EXPECTED CHANGES TO ACCOUNTING STANDARDS, POLICIES AND/OR LEGISLATION	FILE REF:
AUTHOR: A MORTON; CHIEF FINANCIAL OFFICER	ATTACHMENTS: Ernst and Young – Guidance on transition to PBE Standards
RELATED COMMUNITY OUTCOME: Strong district leadership and a sense of belonging.	RELATED COUNCIL ACTIVITY: Community Representation.

PURPOSE:

The purpose of this report is to brief the Committee on changes in Wairoa District Council's (WDC) Financial Reporting practices as a result of new accounting standards which must be complied with from 1 July 2014.

BACKGROUND:

At its Workshop held on Monday 22 June 2015 the Committee requested that a report on any changes to accounting policy/ies and accounting standards be a standard item on the Finance, Risk and Audit Committee Agenda. The only known change to WDC's Financial Reporting Practices at this point in time is the need for WDC to comply with the Public Benefit Entity Standards as of 1 July 2014.

WDC and its subsidiary (Quality Rooding Services) is a territorial authority governed by the Local Government Act 2002. WDC prepared its last financial statements (for the period ending 30 June 2014) in accordance with the New Zealand Equivalents to the International Financial Reporting Standards (NZ IFRS) as applicable to public benefit entities (PBE) and the Local Government Act 2002.

As of 1 July 2014, WDC is required to prepare its financial statements in accordance with a new set of accounting standards called 'Public Benefit Entity (PBE) Standards' and of course the Local Government Act 2002. These standards (issued in May 2013) are based on International Public Sector Accounting Standards with some modification for the New Zealand environment. WDC must use the new PBE Standards for the preparation of its financial statements for the financial year ended 30 June 2015 i.e. the 2014/15 Annual Report.

COMMENTARY:

In anticipation of this change officers commissioned a report on the impacts of transitioning to the PBE Standards from Ernst and Young, WDC's auditors. That report (attached) outlines the key implications for WDC and its subsidiary in the context of preparing the financial statements for the period ended 30 June 2015. The PBE Standards have a four tier structure, for the most part based on the size of an entity's expenditure. WDC falls into tier two as its expenditure is greater than \$2 million but less than \$30 million. Whilst WDC needs to move to these new set of accounting standards the impact of changes is somewhat reduced by it being a tier two entity. The key differences WDC will need to account for (outlined in further detail in the attached Ernst and Young report) are:

- A new way in which revenue is categorised
 - Methodology for determining the 'fair value' of property, plant and equipment
-

- Disclosures required for related parties
- The impairment of non-cash generating assets.

The other area of impact is on consolidation of Quality Roding Services (QRS) as a 100% owned subsidiary of WDC. It is expected that there will be a continued gap in the accounting standards for Public Benefit and for Profit Entities resulting in the differences on consolidation of accounts being more and more complex.

OPTIONS & ASSESSMENT:

There are no options. WDC must comply with accounting standards issues by the External Reporting Board and the Local Government Act 2002.

ASSESSMENT OF SUSTAINABILITY:

Complying with Accounting Standards contributes to the sustainability of the Wairoa District by helping to achieve the specified community outcome noted above. Further, reporting in accordance with accounting standards and the Local Government Act 2002 assists Council with its stewardship role and ensures that the Community's key accountability document (the Annual Report) is prepared in alignment with best practice.

SIGNIFICANCE & CONSULTATION:

The change to PBE Standards does not trigger WDC's Significance and Engagement Policy. Further, there is no requirement to consult on the 2014/15 Annual Report. The report will however, on adoption, be made available to the public as required by the Local Government Act 2002.

FINANCIAL IMPLICATIONS:

With the exception of advice received from Ernst and Young in relation to the impact of the new PBE Standards for WDC there are no financial implications.

RECOMMENDATIONS: That the report 'Expected Changes to Accounting Standards, Policies and/or Legislation' be received.

That the Committee note the changes in Accounting Standards and subsequent impact for financial reporting going forward as per the report from Ernst and Young.

A MORTON
CHIEF FINANCIAL OFFICER

REPORT TO: FINANCE, AUDIT & RISK COMMITTEE	
DATE: 29 JULY 2015	
SUBJECT: HEALTH & SAFETY REPORT – JULY 2015	FILE REF: C19.01
AUTHOR: J BATY, CORPORATE SERVICES MANAGER	ATTACHMENTS: 1. Wairoa District Council – Spark Exchange Building: Hazard Review 2. Health And Safety Reform Bill Update - 18 February 2015
RELATED COMMUNITY OUTCOME: All outcomes.	RELATED COUNCIL ACTIVITY: Health & Safety

PURPOSE:

The purpose of this report is to update the Finance, Audit & Risk Committee on health and safety (H&S) matters.

BACKGROUND:

The management of the Wairoa District Council is committed to providing and maintaining a safe and healthy working environment for its employees, visitors and all persons using the premises as a workplace.

To ensure a safe and healthy work environment, management will work towards developing, establishing and maintaining an H&S management system. Specifically, management will actively work towards achieving all of the following:

- Set H&S objectives and performance criteria for all managers and work areas, ensuring managers are continuously up skilled in H&S Management relative to their roles. Management performance is reviewed against H&S responsibilities whenever there is a regraded position or new appointment.
- Annually review H&S objectives and managers' performance.
- Actively encourage the accurate and timely reporting and recording of all incidents and injuries.
- Investigate all reported incidents and injuries to ensure all contributing factors are identified and, where appropriate, plans are formulated to take corrective action.
- Actively encourage early reporting of any pain or discomfort.
- Provide a treatment and rehabilitation plan that ensures a safe, early and durable return to work.
- Identify all existing and new hazards and take all practicable steps to eliminate, isolate or minimise the exposure to any hazard deemed to be significant.
- Ensure that all employees are made aware of the hazards in their work area and are adequately trained to enable them to perform their duties in a safe manner.
- Encourage employee consultation and participation in all matters relating to H&S.
- Enable employees to elect H&S representatives.
- Promote a system of continuous improvement, including the annual review of policies and procedures.
- Meet our obligations under the Health and Safety in Employment Act 1992 (and its Amendments), the Health and Safety Regulations 1995, Codes of Practice and any relevant Standards or Guidelines.

Every employee of the Council is expected to share in the commitment to H&S.

- Every manager, supervisor or foreperson has a responsibility for the H&S of those employees working under their direction.
- Each employee is expected to play a vital and responsible role in maintaining a safe and healthy workplace through:
 - observing all work procedures, rules and instructions,
 - the early reporting of any pain or discomfort,
 - taking an active role in any treatment and rehabilitation plan, to ensure an early return to durable work,
 - ensuring that all incidents, injuries and hazards are reported to the appropriate person.

The Health and Safety Committee

The H&S committee includes senior management representation and H&S representatives from across the organisation. The committee meets monthly and are responsible for the implementation, monitoring, review and planning of H&S policies, systems and practices.

CURRENT SITUATION:

Hazard Identification/Register/Accident or Near Miss Reports

There were no reported incidents etc. for the month of July 2015.

Recently a hazard review was undertaken in respect of the Spark Exchange Building that Council now occupies a level of. The resulting report is attached for your information. Officers are working their way through the recommendations.

Accredited Employers Programme

Management is currently working towards achieving accreditation in the Accredited Employers Programme through the Accident Compensation Corporation (ACC).

The Accredited Employers Programme entitles Council to downward levy adjustments, in exchange for taking responsibility for our employees' work injury claims. Under the Programme, our existing levies can be adjusted by up to 90%. However, responsibilities include the delivery of all statutory entitlements, such as weekly compensation for lost earnings.

What are the benefits?

In addition to the levy savings we make by joining the Programme, we can have a direct input into managing the claim, and in reducing overall costs.

Both employers and employees benefit from effective injury prevention and management.

Well managed claims reduce work-related injury costs, including ACC levies, and promote the early and safe return to work of employees after an injury.

What are the risks?

Employers should be aware of all the implications of joining the Accredited Employers Programme.

As an example, if we join and one of your employees suffers a fatal or permanent disability injury, we could end up providing financial support to the claimant or their surviving dependants.

We would carry this responsibility for the period agreed to as part of your Accredited Employers Programme contract with ACC.

Napier City Council is assisting us with the accreditation process which will require a complete review of Council's current systems, policies and practices. Update reports will be forthcoming as we work through this process.

Workplace Health and Safety Reform

The Health and Safety Reform Bill has been introduced to Parliament, representing a major change to New Zealand's health and safety system.

The Bill is part of 'Working Safer: a blueprint for health and safety at work' and reforms New Zealand's H&S system following the recommendations of the Independent Taskforce on Workplace Health and Safety.

Working Safer is aimed at reducing New Zealand's workplace injury and death toll by 25% by 2020. Leadership and action from businesses, workers and Government will be needed to achieve this goal.

The Health and Safety Reform Bill will create the new Health and Safety at Work Act, replacing the Health and Safety in Employment Act 1992.

The Health and Safety Reform Bill is currently before Parliament and is expected to pass either later this year or early next year.

The Transport and Industrial Relations Select Committee has a revised report back of 24 July 2015 and then the Bill will continue its progression through the parliamentary process. There will be adequate time of some months between when the Bill is passed and when it comes into force to make sure duty holders are aware of their responsibilities under the new law.

The latest update report is attached and further information can be found at: <http://www.business.govt.nz/worksafe/about/reform>

ASSESSMENT OF SUSTAINABILITY:

Completing this project contributes to the sustainability of the Wairoa District by helping to achieve the all of Council's community outcome.

SIGNIFICANCE & CONSULTATION:

Decisions made by the Wairoa District Council affect the residents and ratepayers of Wairoa. Council is committed to building and maintaining good relationships with stakeholders and our community so that decisions are well informed. Wherever practical, we will engage with individuals, organisations and groups in our community in ways that give them the best opportunity to have their say.

Significance means the importance of an issue, proposal, decision, or matter, as assessed by Council. Council needs to take into account the following matters when assessing the degree of significance of proposals and decisions, and the appropriate level of engagement:

- The likely impact/consequences of the issue, proposal, decision or other matter, on the district.
- Whether the asset is a strategic asset as listed in schedule two of the Significance & Engagement Policy.
- The impact on levels of service provided by Council or the way in which services are delivered.
- The degree of impact on Council's debt or the level of rates it charges.
- The financial and non-financial costs and implications of the issue, proposal, decision or other matter having regard to Council's capacity to perform its role.
- Whether the decision is reversible and the likely impact on future generations.
- The impact on the community, how many people are affected and by how much.
- Whether the decision or action flows from, or promotes, a decision or action that has already been taken by Council or furthers a community outcome, policy or strategy.
- Is there a past history or reasonable expectation of the issue generating wide public interest within the district.
- The likely impact/consequences of the issue, proposal, decision or other matter, on youth, elderly and Māori.

It may be that only one of the criteria applies, but to such a high degree that the decision will be considered "significant". Conversely, several criteria may be applicable, but to only a low degree, and

therefore will be considered to have a lower level of significance. Each decision will involve staff making an assessment for consideration by elected members.

There are currently no matters of significance in this report which require Council to consult the public for the following reasons:

- There is a medium to low level of impact.
- There is a medium to low level of change to services.
- The impact on the community is medium to low.
- The decision does not impact on Council's ownership of an asset.
- The decision or action is consequential to, or promotes, a decision or action already taken by Council.
- There is no history of the matter generating widespread interest.
- The impact on youth, elderly and Māori is medium to low.

FINANCIAL IMPLICATIONS:

There is no financial impact at this stage of the process.

RECOMMENDATIONS: That:

1. The report be received.



J Baty
CORPORATE SERVICES MANAGER



INTRODUCTION

The building has been rented from Chorus to house the Engineering department of the Wairoa District Council (WDC).

There are 9 employees who work in this department with visitors regularly taking this number above 10. As the number of employees is under 10, a formal evacuation plan does not need to be submitted to the NZ Fire Service. However, it is good practice to conduct six-monthly evacuation drills as this assists in identifying potential areas for improvement in any plan/procedure.

The WDC staff work on the 1st floor of the building. They are restricted to this level, and on this level there are also restricted areas that are accessible only by Chorus staff/contractors.

There is a main entrance used by staff – located on the main WDC building side of the structure and nearest the assembly area (refer to Appendix 1 – Evacuation Map). The other exit is not used to gain access to or exit the building as regularly.

There is no lift available. All access to the office is via a stairwell that has under 30cm depth tread and railings that meet the NZ Building Code 900mm -1100 mm requirement (refer to Appendix 2 – Railing Requirements). There is no suitable access for disabled persons.

Staff may access the building 24 hours a day. Being called out after normal business hours as required is part of their role.

The current Evacuation Plan is posted on the wall with emergency procedures. I would recommend adding the designated assembly point (rose garden area) to this plan.

The fire extinguishers clearly outline their intended purpose, relevant signage is at the correct height and are current in regard to their contracted testing/tagging.

1. EMERGENCY ESCAPE ROUTES

a. Stairwell Lighting

The stairwells are poorly lit. It is unknown if the building has emergency lighting for the two emergency escape routes because the building fitness certificate expired in June 2014. On this expired certificate it is not noted as an existing feature (however, it may have been added with the refurbishing of the first floor for tenanting). (Specified System SS4). Only until the new certificate has been received will this be confirmed.

As a control measure for this hazard, I suggest improving the lighting in the stairwells. Installing motion activated LED lights, plus the existing lighting being fully functional will ensure an environmentally friendly approach, potentially save money on electricity if not all lighting is on constantly and remove the hazard.



b. Hallway Emergency Exit Signage

The hallway is very dark as a result of very little natural light. In the event of an emergency people can easily panic, and if the emergency situation resulted in power supply being lost it would be easy to be disorientated as well.

The use of emergency signage illuminated by a bulb (as opposed to having been exposed to UV light) at either end of the hallway to clearly highlight the escape route. UV dependent illuminated signage may not work in an area with such limited natural light.

c. Main Office Emergency Exit Signage

There is no signage above the primary exit from the main office area. Escape route signage (minimal), UV Light Illuminated would suffice.

d. Building Exit Procedures/Security Requirements

Consideration should be given to the exit procedures. Currently the only access into or exit out of the building is via a security swipe card system. You can exit the building without a swipe card if you use the emergency button.

However, in the (rare) situation where a visitor is left to their own devices to escape the building in an emergency (e.g. their host was rendered unconscious) unless they had been inducted thoroughly as to how to escape it could cause some problems.

2. OTHER RISKS IDENTIFIED

a. Server Room

The server is stored in a small cupboard to the left of the main office entry. Such a small space that is also utilised as stationery storage may warm up quickly. It would be good practice to install a simple vent above the door to allow warm air to escape.

b. First Aid Kit

The First Aid kit has clear signage as to its location in the staff room, but it is a very small kit designed for vehicle use.

Suggested remedy: current kit be replaced with a larger kit which consists of/is contained in a waterproof plastic casing as it is stored in a potential wet area. Also notice to be put with current emergency procedures to identify 1st aid certificate holders on site and emergency warden/s.

c. Refrigerator

Currently awaiting cabinetry work to be done so it can sit under the staff room kitchen bench. Its current position on top of the kitchen bench is unsafe.

Suggested remedy: relocate on to floor level.



d. Building Certificate of Fitness

The certificate currently on display expired 28 June 2014.

e. Visitor Register

The visitor register is utilised to record who is on site that are not WDC employees. This is a good way to account for people who are in the building and considered under WDC 'care' during an emergency situation. I noted there was a visitor on site that had not been signed in, even though there was a printed sign clearly requesting this be done upon arrival.

Suggested remedy: staff promote this register being used correctly. Alternatively visitors are met at the main building and are signed in/out in the main visitor register.

If the second option is chosen then the emergency wardens of both sites will have to take this into account.

f. External Lighting

The most frequently used door to access the building is poorly lit. This could result in security (personal and Property) issues, as well as slip, trip and fall concerns due to the concrete stairs leading to the entry which is shaded due to a large deciduous tree.

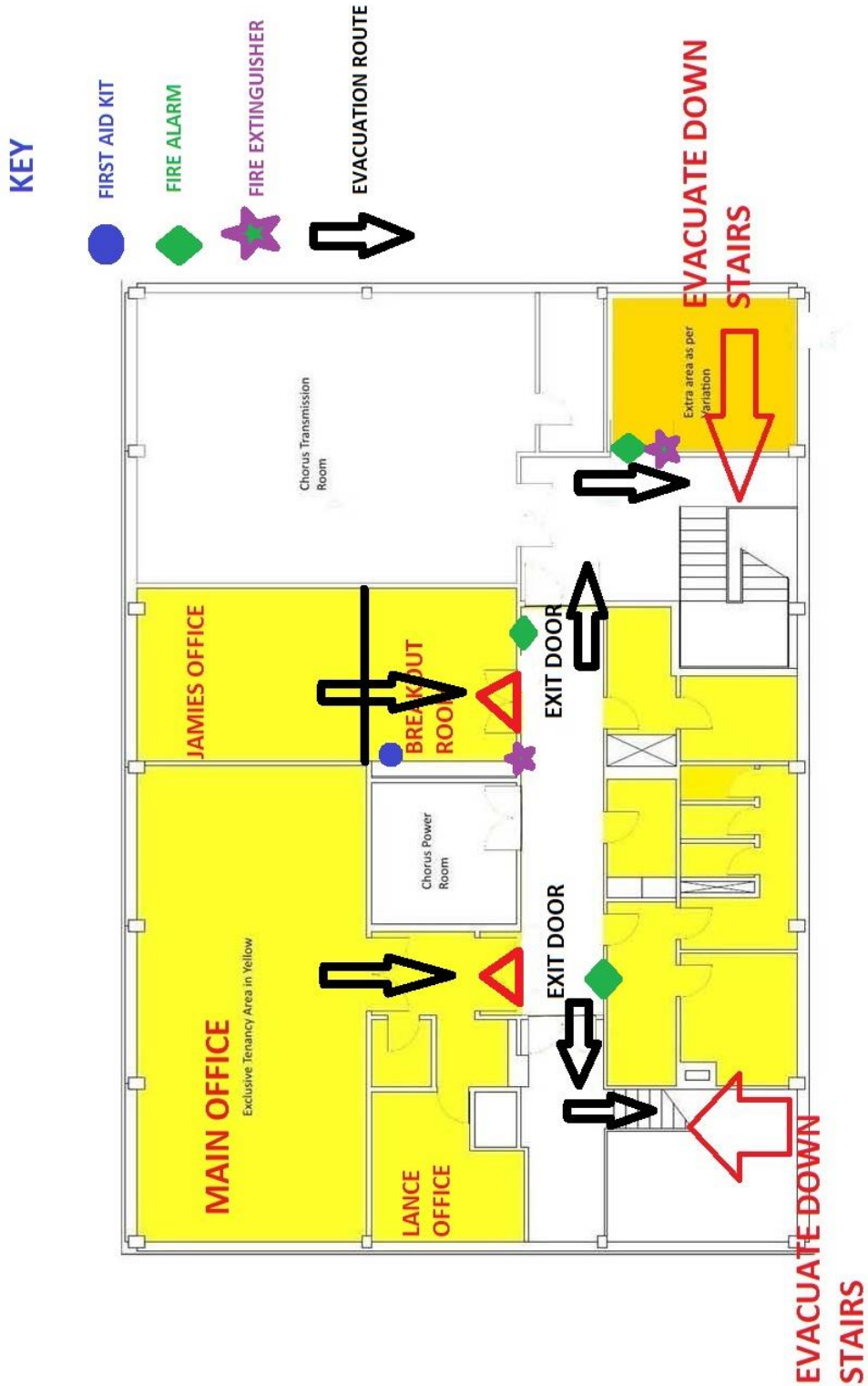
There are existing spotlights on the corner of the building above the entrance, but they are not functioning (as indicated by staff when I questioned them).

I suggest remedying this by installing a motion sensor system so staff are accessing the building in a well-lit situation – so they can visually assess the safety concerns if they are alone, or if the conditions are not ideal (bad weather).

The other exit is not used by staff regularly, but has a motion sensor activated external lighting for safe access. The duplication of this at the main entrance (closest the main WDC building) would be beneficial for staff.



Appendix 1 – Evacuation Plan





Appendix 2 - Stairwell Handrail Heights

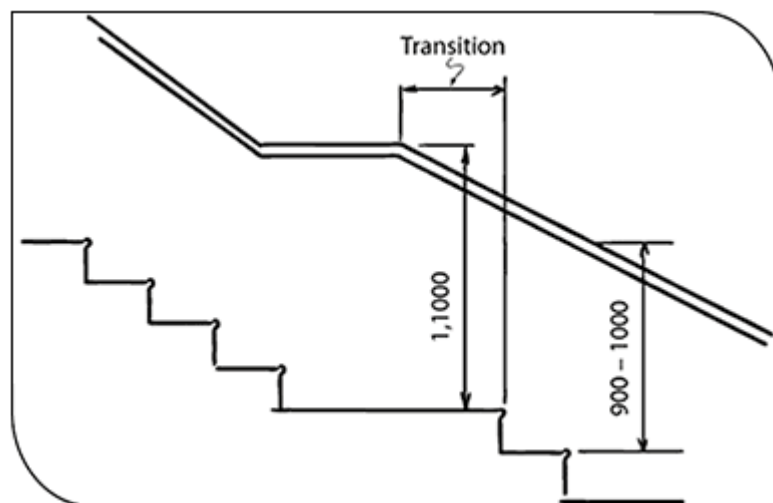
It came to my attention that the handrails seemed very low in relation the railings on the landings. I ascertained that this is acceptable:

The Acceptable Solution (NZBC) D1/AS1 says that Clause D1 requires handrails on all stairs. Handrails must be 'positioned between 900 and 1000 mm above the pitchline'. The pitchline is defined as 'the line joining the leading edge or nosings of successive stair treads'.

The Acceptable Solution F4/AS1 ... requires barrier heights in buildings other than housing to be 900 mm on stairs and ramps, and 1100 mm elsewhere. Thus the barrier height on a landing, other than in housing, must be 1100 mm.

If the stair handrail is fixed on the top of the stair barrier and carried onto the landing barrier, it will be 1100 mm high on the landing. This height is acceptable because the function of a handrail is to provide safety on a stair flight and its height on a landing is not critical.

The handrail (and barrier) can rise to the 1100 mm height over a transition zone about 300 mm long, depending on the stair slope."



Taken from: <http://www.dbh.govt.nz/codewords-32-12>

Hazard Register - Engineering Department (Spark Exchange Building)



Area	Hazard Type	Hazard Description	Potential Harm/Risk	Initial Risk Rating	Control Type (E, I, M)	Control Details	Residual Risk Rating	Person Responsible
All	Electrical	Electrical extension leads	Trips, falls/personal injury, electrocution		E, I, M	Check condition of cords before using. Ensure are not coiled/frayed, damaged in any way. When in use ensure leads are not in a walkway but securely fastened to the floor (under a rug/mat) or affixed by cord holders to a wall or permanent fixture where practicable.		Department Manager
All	Electrical	Electrical multi block socket use	Electrocution, equipment damage		E, M	Ensure only multi socket board with the automatic overload cutouts are used on site. Do not use if damaged.		Department Manager
All	Electrical	Electrical appliances (including computers and peripheral equipment) and extension leads not tested and tagged	Electrocution, equipment damage, fire		E	Have all equipment tested and tagged by a registered electrician to minimise the chance of faulty equipment being used which could cause fire or equipment damage.		Department Manager
All	General	Wet floors during cleaning process	Slips trips and falls		I, M	Cleaners to utilise wet floor signs during floor mopping as staff have access 24 hours per day for purpose of after hours call outs.		Cleaning Staff
All	Emergency	Inadequate Exit Signage	Unable to locate exit during an emergency		E	Exit signage missing from under air conditioner in main office area.		
All	Regulatory	Building Act 2004 (section 108.1, 108.3 and 108.4) states that the Building Warrant of Fitness must be current and displayed where building users have ready access. The one currently on display is out of date (expired 28 June 2014)	Fines up to \$20,000.00. Danger to occupants if building is not considered safe by inspecting authority.			Building Act 2004 (section 108.1, 108.3 and 108.4) states that the Building Warrant of Fitness must be current and displayed where building users have ready access. The one currently on display is out of date (expired 28 June 2014)		
All	Security	Security issues when working after hours	Personal safety, property damage, theft, assault		M	Notice near emergency procedures on who staff call if working after hours and encounter a situation where a person or property is at threat. Ensure all entry and exit points are well lit. Notify someone where you are going and expected duration if on a call out. Working alone safety plan in place?		

Emergency Exits	Emergency egress	Security card or alarm activation required to exit building.	In an emergency this could prove dangerous if visitors are having to escape without assistance from staff for whatever reason		E, M	Remove the swipe exit system altogether so exit is not hampered, only entry into the building. ALTERNATIVELY: All visitors must sign in upon arrival and be inducted into site specific hazards such as emergency procedures/exit procedures. If the person they are with is injured during emergency situations then they would have to escape the building by themselves.		
Exit Points (Hallway)	Emergency	Hallway is dark. No illuminated signage highlighting emergency exits.	Unable to locate exit during an emergency		E, M	Install illuminated signage in hallway as per NZS/AS standards 2293.1-3		
Exit Points (Stairwells)	Emergency	Poorly lit emergency exit route down stairway with shallow tread depth of approx 26 cm	Slips, trips, falls and potential serious harm/fatality		M	Ensure emergency lighting is sufficient for staff to see clearly the escape route outside and during daylight hours as per NZBC Clause F6: "VISIBILITY REQUIREMENTS (F6.3.1) DO NOT APPLY in THE INITIAL 20 METRES OF AN ESCAPE ROUTE IF THE RISK OF INJURY OR IMPEDIMENT TO MOVEMENT OF PEOPLE DUE TO THE SPECIFIED FEATURES NOT BEING VISIBLE IS LOW (FOR EXAMPLE BECAUSE PEOPLE ARE FAMILIAR WITH THE ESCAPE ROUTE, THE ESCAPE ROUTE IS LEVEL, AND PEOPLE DO NOT REQUIRE ASSISTANCE TO ESCAPE). STEPS AND RAMPS ARE THEREFORE REQUIRED TO BE VISIBLE "		
Exit/Entry Points (External)	Emergency/Regular Building access	The access for staff (on the emergency assembly area side of building) is poorly lit.	Security, personal safety, slip trip and fall, hindered emergency services		E	Installation of motion sensor activated spotlighting to increase sense of personal safety and provide light when attempting to unlock and gain access. Also important to locate assembly point in case of emergency (similar to alternative exit/entry point for the building)		
Internal Restricted Areas (Chorus access only)	Security	Access to restricted areas which only Landlords employees or contractors may enter	Equipment damage, breach of tenancy agreement, security breach.		E	Ensure all restricted access areas are clearly marked as such.		Chorus/Landlord
Main Office	Emergency	No exit sign above entrance	Unable to locate exit during an emergency			Put arrow signage up to indicate correct emergency exit direction.		
Managers Office	General	Unsecured shelving	Crush injuries, damage		E	Secure shelving over waist height to ensure no movement during earthquake. Do not overload shelving.		Department Manager

Staff Room / Meeting Room	Electrical	Sockets near sink in kitchen	Electrocution, equipment damage		E, M	Extension cord for refrigerator to be under the bench not running along the top across wet area. Dishrack to be located away from hot water boiler to ensure water splashes in this area are minimised. Relocate power socket to other end of bench for refrigerator if practicable.		All staff
Staff Room / Meeting Room	Equipment	Refrigerator on bench (bench not deep enough)	Fall/crush injuries, refrigerator damage		E	Place refrigerator on ground until underbench space is cleared for it as planned		Department Manager
Storage Hallway Room	Chemical	Aerosol Paint (Haz ID 2.1, UN 1950) stored without MSDS	Misuse, incorrect storage conditions, manual handling		E	Print MSDS for the product and have on hand with product. Advise staff of this information.		
Storage Hallway Room	Manual Handling	No shelving - all items stored on floor	Manual Handling sprains strains, slips trips and falls, personal injury		M	Install suitable shelving, secured.		Department Manager
Storage Hallway Room	Chemical	Miscellaneous chemicals belonging to landlord on floor in cupboards within storage room	Incompatible chemicals stored together, no bunding.		E	Place items in two bins (one for chemicals one for other) and return to landlord.		Department Manager

HEALTH AND SAFETY REFORM BILL UPDATE



18TH FEBRUARY 2015

Welcome to the fourth in a series of regular updates from WorkSafe New Zealand on the Health and Safety Reform Bill.

These updates will give you an overview of the key parts of the Bill as introduced to Parliament, to help you understand some of its key concepts. This will help ensure you're prepared for when the law comes into effect later this year. That won't be until the second half of 2015 and we'll inform you when the date is finalised. The Bill is part of the Working Safer reform package announced by the Government in 2013.

What The Bill Proposes



This update focuses on Point 10 and explains the new Regulations & Guidance in the bill.

Disclaimer: this document does not constitute formal guidance on the application of the Health and Safety at Work Bill. The Bill is still subject to the legislative process and accordingly may differ in content between now and its passage into law. This document is intended to be used for information purposes only, to enable readers to understand key concepts and provisions in the Bill, in its current form.

10. Guidance on the Health and Safety Reform Bill

WorkSafe New Zealand is currently developing guidance to help people understand and meet their obligations under new Health and Safety law. Right now the Health and Safety Reform Bill is working its way through Parliament. We expect it to pass in mid-2015 and take effect later on in the year. This is to give people time to become familiar with the changes.

We are working closely with key industry stakeholders from a number of sectors to make sure that all new guidance is clear, accurate and simple to use.

WHAT GUIDANCE WILL BE AVAILABLE?

Guidance on the new law (which will be known as the Health and Safety at Work Act) will include:

- > A comprehensive Guide to the Act, covering what everyone needs to know about general workplace health and safety
- > Factsheets on key topics including:
 - What is a PCBU and what are its duties?
 - Who is an officer and what are their duties?
 - What are the notification requirements for workplace incidents?
 - What does “reasonably practicable” mean?
- > An Approved Code of Practice (ACOP), outlining the Worker Engagement, Representation and Participation requirements in the Act.
- > An ACOP giving practical information for the Management and Removal of Asbestos.
- > A Good Practice Guide (GPG), explaining how workplace risks can be managed, and the requirements under the Health and Safety at Work (General Risk and Workplace Management) Regulations.
- > Guidance on major hazard facilities and the changes to the hazardous substances regime.
- > Factsheets to support the ACOPs and GPGs.

WHEN WILL THE GUIDANCE BE AVAILABLE?

We expect the new law to pass in mid-2015, and we’ll start publishing guidance soon after that. The legislation will come into effect later on in the year, to give people time to become familiar with the changes.

You can sign up to find out more about what guidance is coming by visiting worksafe.govt.nz.

WHAT CAN YOU DO IN THE MEANTIME BEFORE THIS GUIDANCE IS AVAILABLE?

There’s already an [extensive range of guidance on the WorkSafe website](#) that can help you right now with many different industries and topics.

Some recently released guidance that may be useful is listed below.

Agriculture

- > [Managing Health and Safety: A Guide for Farmers](#)
- > [Safe Use of Quad Bikes](#)
- > [Safe Use of Tractors](#)

Construction

- > [Asbestos toolkit](#)
- > [Mobile Elevating Work Platforms](#)
- > [Safe Use of Safety Nets](#)

Manufacturing

- > [Safe Use of Machinery](#)