



Notice is hereby given of an Audit and Risk Committee Meeting

Monday 11 March 2019

Commencing at 9.00am

Council Chamber Waimate District Council 125 Queen Street Waimate

www.waimatedc.govt.nz

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chamber, Waimate District Council, 125 Queen Street, Waimate, on Monday 11 March 2019, commencing at 9.00am.

Committee Membership

Stephen Halliwell	Chairperson
Sheila Paul	Deputy Chairperson
Craig Rowley	Mayor
David Anderson	Councillor
Jakki Guilford	Councillor

Quorum – no less than three members

Significance Consideration

Evaluation: Council officers, in preparing these reports have had regard to Council's Significance and Engagement Policy. Council and Committee members will make the final assessment on whether the subject under consideration is to be regarded as being significant or not. Unless Council or Committee explicitly determines that the subject under consideration is to be deemed significant then the subject will be deemed as not being significant.

Decision Making

The Council, in considering each matter, must be:

- i. Satisfied that it has sufficient information about the practicable options and their benefits, costs and impacts, bearing in mind the significance of the decision;
- ii. Satisfied that it knows enough about and will give adequate consideration to the views and preferences of affected and interested parties bearing in mind the significance of the decisions to be made.

Stuart Duncan Chief Executive

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OPENING

1 APOLOGIES

Cr David Anderson (for leaving early)

2 VISITORS

9.30am – Audit NZ visit

3 CONFLICTS OF INTEREST

As per the Local Authorities (Members' Interests) Act 1968 (as below), the Chair will enquire if there are any Conflicts of Interest to be declared on any item on the agenda, and if so, for any member to declare this interest.

Local Authorities (Members' Interests) Act 1968

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

4 IDENTIFICATION OF MAJOR (URGENT) OR MINOR ITEMS NOT ON THE AGENDA

1. The Chair will call for any major (urgent business) or minor items not on the agenda to be raised according to Standing Orders, as below:

a. Standing Orders 3.7.5 – Major Items

An item not on the agenda for a meeting may be dealt with at the meeting if the local authority by resolution so decides, and the presiding member explains at the meeting at a time when it is open to the public -

- i. The reason why the item was not listed on the agenda; and
- ii. The reason why discussion of the item cannot be delayed until a subsequent meeting.

b. Standing Orders 3.7.6 – Minor Items

An item not on the agenda for a meeting may be dealt with at the meeting if –

- i. That item is a minor matter relating to the general business of the local authority; and
- ii. The presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- iii. No resolution, decision, or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.

MINUTES

5 CONFIRMATION OF MINUTES

5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 3 DECEMBER 2018

Author: Karalyn Reid, Committee Secretary and PA to the Mayor

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Minutes of the Audit and Risk Committee Meeting held on 3 December 2018

PURPOSE

To present the unconfirmed Minutes of the Audit and Risk Committee Meeting held on 3 December 2018 for confirmation.

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held on 3 December 2018 be received and the recommendations therein be adopted



MINUTES

Audit and Risk Committee Meeting

3 December 2018

MINUTES OF WAIMATE DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD AT THE COUNCIL CHAMBER, WAIMATE DISTRICT COUNCIL, 125 QUEEN STREET, WAIMATE ON MONDAY 3 DECEMBER 2018, COMMENCING AT 9.00AM

- **PRESENT:** Chairperson Stephen Halliwell, Cr Sheila Paul, Mayor Craig Rowley, Cr David Anderson, Cr Jakki Guilford
- IN ATTENDANCE: Stuart Duncan (Chief Executive), Partial: Fiona Hester-Smith (Human Resources Manager), Partial: Carolyn Johns (Community and Strategy Group Manager), Michelle Jones (Executive Support Manager), Tina Stevenson (Corporate Services Manager), Melissa Thomson (Accountant)

OPENING

The Chair opened the meeting and welcomed Corporate Services Group Manager, Tina Stevenson to her first meeting of the Audit and Risk Committee.

1 APOLOGIES

There were no apologies.

2 VISITORS

There were no visitors scheduled at this meeting.

3 CONFLICTS OF INTEREST

The Chair informed the Committee that he has signed a contract to provide services to Timaru District Council, with a start date of Thursday 6 December 2018. He has discussed this contract with the Chief Executive of both organisations, and does not believe he has a conflict in either organisation.

4 IDENTIFICATION OF MAJOR (URGENT) OR MINOR ITEMS NOT ON THE AGENDA

There were no major (urgent) or minor items not on the agenda identified.

MINUTES

5 CONFIRMATION OF MINUTES

5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 17 SEPTEMBER 2018

COMMITTEE RESOLUTION 2018/23

Moved: Mayor Craig Rowley Seconded: Cr Sheila Paul

That the Minutes of the Audit and Risk Committee Meeting held on 17 September 2018 be received and the recommendations therein be adopted

CARRIED

REPORTS

6 **GENERAL REPORTS**

6.1 HUMAN RESOURCES & HEALTH AND SAFETY REPORT

The Chief Executive introduced Council's new Regulatory and Compliance Group Manager, Paul Cooper.

COMMITTEE RESOLUTION 2018/24

Moved: Cr David Anderson Seconded: Mayor Craig Rowley

That the Human Resources & Health and Safety Report is accepted

CARRIED

Note:

The Human Resources Manager was congratulated on the running of this year's Health and Safety Awareness Week.

6.2 COUNCIL'S POLICY STATUS

COMMITTEE RESOLUTION 2018/25

Moved: Cr Sheila Paul Seconded: Cr Jakki Guilford

That the Council's Policy Status report is accepted.

CARRIED

Note:

502 – Water Supply – Rural Policy is on hold awaiting the National Policy, and the Three Waters Review.

6.3 2018/19 MAJOR PROJECT UPDATE

COMMITTEE RESOLUTION 2018/26

Moved: Cr David Anderson Seconded: Mayor Craig Rowley

That the 2018/19 Major Project Update report is accepted.

CARRIED

Note:

The 'Water Supply' Capital Project is being closely monitored following the recent 'wash-out' to the Hook Waituna Rural Water Scheme intake caused by recent storms. The intake location will be reviewed as a result.

The Swimming Pool heating system upgrade will now be installed at the end of the current swimming season.

Waimate Library extension – As a result of another leak in the Council building roof advice from a

structural engineering will be sought and brought to the next Council Meeting.

A concern was raised over the delay in starting work on the public toilets review. It was suggested this could fit in with the Waimate Library extension/restructure of the Council building. The Chair asked for the 'price risk' to be noted on the comments.

The Chair asked for the colour of the white 'not started' boxes to be changed and text more reflective, i.e., 'scoping'

In light of recent rainfall events in neighbouring districts affecting urban water schemes, the Committee considered the current four-day water storage requirements on properties may need to be reviewed for new builds.

6.4 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 16 NOVEMBER 2018

COMMITTEE RESOLUTION 2018/27

Moved: Cr Jakki Guilford Seconded: Cr Sheila Paul

That the External Audit Recommendations Progress Update to 16 November 2018 report is accepted; and

That the following matters are resolved to the Committee's satisfaction:

- a. Annual Leave
- b. Procurement Policy

CARRIED

6.4.1 EXTERNAL AUDIT RECOMMENDATIONS ACTIONS POINTS

- a. Conflicts of Interest The Chair asked for a brief report on how Council is managing conflicts of interest
- b. Accounting for Property, Plant and Equipment The Chair asked for more narrative
- c. Project and Contract Management The Chair asked for more explanation that the risk has been identified and accepted
- d. Document of Financial Report and Internal Control Processes It was identified that Council has software documenting processes, and the controls were adequate. Evidence to be provided at the next meeting.

6.5 CYBER SECURITY REVIEW

The Audit and Risk Committee received an update on the Cyber Security Project Plan.

COMMITTEE RESOLUTION 2018/28

Moved: Cr David Anderson Seconded: Cr Sheila Paul

- 1. That the Cyber Security Review report is accepted; and
- 2. That the Audit and Risk Committee considered the Cyber Security Project Plan, and agreed that the Stage 1 activity, as presented in the table on Page 31 of the agenda, was acceptable.

CARRIED

PUBLIC EXCLUDED

7 EXCLUSION OF THE PUBLIC REPORT

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION 2018/29

Moved: Mayor Craig Rowley Seconded: Cr David Anderson

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 September 2018	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.2 - Key Risk Register - December 2018 Update	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.3 - Alpine Energy (TDC Share Sale)	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
		CARRIED

8 RE-ADMITTANCE OF THE PUBLIC REPORT

COMMITTEE RESOLUTION 2018/30

Moved: Mayor Craig Rowley Seconded: Cr Sheila Paul

That Council moves out of Closed Council into Open Council.

CARRIED

MEETING CLOSURE

There being no further business, the Chair closed the meeting at 11.50am.

The minutes of this meeting are to be confirmed at the Audit and Risk Committee Meeting scheduled on 11 March 2019.

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CHAIRPERSON

REPORTS

6 **GENERAL REPORTS**

6.1 HUMAN RESOURCES AND HEALTH AND SAFETY REPORT

Author:	Fiona Hester-Smith, Human Resources Manager
Authoriser:	Fiona Hester-Smith, Human Resources Manager
Attachments:	Nil

PURPOSE

1. The Human Resources and Health and Safety Report is submitted for the information of the Audit and Risk Committee



Health and Safety Statistics

- 2. Since my last report in December 2018, there has been two near misses since in January and no incidents in February. In January, there was a slip on wet lino and a code brown at the Swimming Pool. It is pleasing to note this summer season there have been no accidents and less near misses at the Pool.
- 3. Responsibility for Health and Safety Change. From Monday 4 March 2019, Paul Cooper the Regulatory and Compliance Group Manager, will be responsible for Health and Safety in our workplace. He will have the assistance of Luci Swatton, our new Emergency Management and Health and Safety Officer, who starts on 11 March 2019. This change will enable Council to devote more time to the Health and Safety requirements than currently available. Fiona Hester-Smith, Human Resources Manager who has been responsible for Health and Safety in the past will still be available to support, assist and advise as required.
- 4. Staff training is being organised in the following areas.
 - a. First Aid Refresher
 - b. First Aid Full Course
 - c. Health and Safety Stage One (new staff)

Human Resources

5. Leave Liability Graphs





RECOMMENDATION

That the Human Resources and Health and Safety Report is accepted.

6.2 AUDIT NZ VISIT - DISCUSSION - 9.30AM

Author:Tina Stevenson, Corporate Services Group ManagerAuthoriser:Tina Stevenson, Corporate Services Group Manager

Attachments: Nil

PURPOSE

- 1. An opportunity for the Audit and Risk Committee to discuss the 2017/18 Audit with Council's Auditors, along with any related matters.
- 2. Dereck Ollsson and Debbie Bradfield from Audit New Zealand will be present.

6.3 COUNCIL'S POLICY STATUS

Author:	Carolyn Johns, Community and Strategy Group Manager
Authoriser:	Carolyn Johns, Community and Strategy Group Manager
Attachments:	Nil

INTRODUCTION

1. For the information of the Audit and Risk Committee, I present the Policy Status Report.

Policy – up to 1 March 2019

Legend				
Policy is current Policy review date has lapsed				
Policy review date is close / due		Proposed new policy		

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
200 Se	eries - Democracy	,			
201	Standing Orders	CE (LGA cl 27 sch 7)		October 2019	
202	Code of Conduct	CE (LGA cl 15 sch 7)		November 2019	
203	Governance Statement	CE (LGA s 40)		March 2020	
204	Triennial Agreement	CE (LGA s 15)		February 2020	
300 Se	eries – General Co	ouncil Policies			
301	Significance and Engagement Policy	Community and Strategy LTP (LGA sch 10)		October 2020	
305	Gambling Venue Policy	Regulatory and Compliance		November 2021	
306	Dog Control Policy	Regulatory and Compliance (Dog Control Act)		December 2021	

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
308	Delegations Policy	Corporate Services	An amendment to be presented to the Environmental Services and Finance Committee 12 March	June 2018 April 2019	
	Tak Daard	Development	Full review still required.		
309	Tab Board Venue Policy	Regulatory and Compliance		August 2021	
310	Elected Members Reimbursement and Expenses Policy	Corporate Services (LGA cl 6 sch 7)	As required by Remuneration Authority	June 2019	
311	Fraud Policy	Corporate Services		August 2019	
311	Fraud Response Plan	Corporate Services	Fraud response plan being reviewed and staff training/awareness to be delivered 26 March 2019	March 2019	
312	Smoke-free Environments Policy	Community and Strategy		February 2022	
313	Dangerous Buildings Policy	Regulatory and Compliance (Building Act)	Draft to be presented to the Environmental Services and Finance Committee 12 March. SCP to follow	December 2022	
314	Psychoactive Substances Local Approved Products Policy	Regulatory and Compliance (Psychoactive Substances Act)	Must be completed pre-elections (October 2019)	September 2019	
315	Insanitary Buildings Policy	Regulatory and Compliance (Building Act)		December 2022	
316	Procurement Policy	Corporate Services	Priority to review. Review has commenced.	October 2018 April 2019	
317	Unmanned Aircraft Policy	Asset Group (CAA Rules)		March 2019 April 2019	

AUDIT AND RISK COMMITTEE MEETING AGENDA

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
318	Subdivision Recreation Reserve Contribution Fund Policy	Corporate Services		February 2020	
319	Social Media and Communication Policy	Executive Support	New policy. Working on Strategy first – policy to follow	June 2019	
320	Vehicle Use and Monitoring Policy and Procedures	Corporate Services		June 2020	
321	Security Camera Policy	Corporate Services		August 2021	
323	Friends Organisations Policy	Community & Strategy		August 2021	
324	Community Housing Policy	Community & Strategy	New Policy. To be presented to the Community Services & Development Committee 12 March	March 2019	

400 Series – Financial Policies

Note: Policies 401 – 408 these policies are reviewed as part of each Long Term Plan process and are effective when the LTP is adopted in June.

401	Revenue and Financing Policy	Corporate Services LTP (LGA sch 10)	June 2021	
402	Liability Management Policy	Corporate Services	June 2021	
403	Investment Policy	Corporate Services	June 2021	
404	Financial Contributions Policy	Corporate Services	June 2021	
406	Remission and Postponement of Rates on Maori Freehold Land Policy	Corporate Services	June 2024	

AUDIT AND RISK COMMITTEE MEETING AGENDA

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
407	Rates Remission Policy	Corporate Services		June 2024	
409	Statement of Accounting Policies	Corporate Services		June 2019	
411	Sensitive Expenditure Policy	Corporate Services		December 2021	
500 Se	eries – Infrastruct	ure Policies			
501	Dust Suppression Policy	Asset Group		August 2021	
410	Property and Land Sale, Purchase and Lease Policy	Asset Group		December 2021	
502	Water Supply - Rural	Asset Group	Originally not on the policy list. To be presented to a Council workshop in February. Awaiting on review of 3 waters.	December 2014 End 2019	
	Spraying on Roadsides	Asset Group			
	Development Contributions Policy	Corporate Services / Assets	In line with RMA ame 2022 Council would r collect Financial Con order to collect anyth negative effects of de Development Contrib would be required	not be able to tributions, so in ing to offset evelopment etc a	
600 Se	eries – Staff and I	nternal Policies & Manu	als (signed off by CE	E)	<u> </u>
603	Building Security & Key Policy	Corporate Services Group Manager	Currently being reviewed	September 2017 March 2019	
605	Health and Safety Manual	Human Resources	Review commenced and will include input by the new Health & Safety officer.	Due for significant amendments April/May 2019	

AUDIT AND RISK COMMITTEE MEETING AGENDA

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
608	Internet Usage Policy	Corporate Services	Cyber review complete – yet to determine actions	Review as part of Cyber review	
609	External Email Usage Policy	Corporate Services	Cyber review complete – yet to determine actions	Review as part of Cyber review	
613	Personnel Records Policy	Human Resources		August 2021	
614	Protected Disclosure Policy and Procedures	Human Resources (Protected Disclosures Act 2000)		September 2019	
615	Sun Protection Policy	Human Resources	Part of Health and Safety Manual	Due for review, in staff handbook	N/A
616	Drug and Alcohol Policy	Human Resources		March 2021	
618	Sick Leave Gifting Policy	Human Resources	New Policy	September 2021	
	Harassment and bullying in the workplace	Human Resources	Currently in staff manual. This will be enhanced by bringing it into the policy suite.	Mid 2019	

RECOMMENDATION

That the Council's Policy Status report is accepted.

6.4 CYBER SECURITY PROJECT UPDATE

Nil

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments:

PURPOSE

1. To update the Audit and Risk Committee regarding the progress of the Cyber Security Project.

BACKGROUND

- 2. As part of a South Island shared service programme that included seven regional and district councils, cyber security was identified as an area of risk and selected as one of the areas to be reviewed.
- 3. Waimate District Council participated in this review, which was undertaken by Deloitte. A copy of the Deloitte report, which includes detailed observations of their assessment along with recommendations, was shared with the Audit and Risk Committee at the September 2018 meeting.
- 4. Staff considered the recommendations and formulated a recommended approach in order to improve Council's protection from Cyber Threats.
- 5. The Cyber Security Project Plan was presented to the Audit and Risk Committee at the December 2018 meeting.

UPDATE

- 6. Clarity on how the project can be achieved, the resourcing required and the tasks to be completed were captured within the overarching project plan.
- 7. All staff and elected members are to undergo in-house cyber security training. To the end of February, 45% of staff have completed the training.
- 8. The training has contributed to staff understanding of cyber security threats and the common vectors of these threats, as well as the actions they should take when encountering cyber security threats.
- Increased communication to staff of cyber security related initiatives undertaken by IT has occurred. Cyber security threats change over time and this forces continual change within Councils IT environment. High-level details of these changes are being communicated with the Leadership Team.
- 10. Research of the latest cyber security threats and determination of their risk was an activity that occurred and this is now being documented.
- 11. Vendors who have remote access into Council to support their software are required to sign a document to ensure better protection for Council against any security threat, which originates from the vendor's premise.
- 12. Work has also progressed on the cyber security policy with an internal assessment of Deloitte's recommendation being completed.

RECOMMENDATION

That the Cyber Security Project Update Report is accepted.

6.5 AUDIT NEW ZEALAND MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

Author:	Tina Stevenson, Corporate Services Group Manager		
Authoriser:	Tina Stevenson, Corporate Services Group Manager		
Attachments:	1.	Audit New Zealand Management Report for the year ended 30 June 2018 J	

PURPOSE

1. To provide the Audit and Risk Committee with the Audit New Zealand Management Report on the audit of Waimate District Council for the year ended 30 June 2018.

BACKGROUND

- 2. Council's Annual Report for the year ended 30 June 2018 was adopted on 6 November 2018.
- 3. Audit New Zealand issued an unmodified audit opinion dated 6 November 2018.
- 4. Audit New Zealand issued the final Management Report on the audit of Waimate District Council for the year ended 30 June 2018, dated 12 December 2018.
- 5. The monitoring of recommendations for improvement comes under the authority of the Audit & Risk Committee. As the Audit & Risk Committee meetings are quarterly, the Audit Management Report was taken to the Environmental Services and Finance Committee Meeting on 22 January 2019 to ensure timeliness of delivery, with the following resolution:

That the Environmental Services and Finance Committee refers the Audit New Zealand Management Report to the next Audit & Risk Committee meeting.

PROPOSAL

6. That the Audit & Risk Committee receives the Audit New Zealand Management Report and provides feedback on any areas of note within the report and propose any related action items.

ASSESSMENT OF SIGNIFICANCE

7. This matter is not deemed significant under the Council's Significance and Engagement Policy.

FINANCIAL

8. There are no known budget considerations.

RECOMMENDATION

- 1. That the Audit New Zealand Management Report for the year ended 30 June 2018 report is accepted; and
- 2. That the Audit and Risk Committee provides feedback on any areas of note within the report and propose any related action items.

AUDIT NEW ZEALAND Mana Arotake Aotearoa

Report to the Council on the audit of

Waimate District Council

For the year ended 30 June 2018

Contents

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Appendix 1: Status of previous recommendations		
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Key messages

We have completed the audit for the year ended 30 June 2018. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued an unmodified audit opinion dated 6 November 2018.

Matters identified during the audit

This report summarises the outcome of audit risks identified in the Audit Plan and issues identified during the audit.

One of the key issues identified during the audit was around the Alpine Energy Limited (AEL) shares valuation. We identified that the prior year share valuation was overstated as new information became available in the current year. Some of the key considerations include:

- A better approach with the inclusion of price reset decisions which more accurately reflect AEL's regulatory environment.
- Extended forecasts for capex and revenue.
- Valuation of the different components of AEL separately and not as one business.
- Compliance with the fair value measurement accounting standard whereas the previous valuation was an indicative valuation.

Based on the above, we believe that the mid-point valuation from the external valuer of \$194 million is an acceptable value to use as no organisation has a controlling share. Council subsequently correctly recognised the decrease in value of its shareholding in other comprehensive revenue and expense, and not as a charge against the surplus, as it had sufficient accumulated reserves.

For further detail on this matter, you can refer to section 5.1 of this report.

Furthermore, a summary of progress regarding our previous recommendations is included in Appendix 1.

Thank you

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

2

Dereck Ollsson Appointed Auditor 12 December 2018

1 Recommendations



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

Explanation	Priority
Needs to be addressed urgently	Urgent
These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.	
Address at the earliest reasonable opportunity, generally within six months	Necessary
These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	
Address, generally within six to 12 months These recommendations relate to areas where the District Council is falling short of best practice. In our view it is	Beneficial
beneficial for management to address these, provided the benefits outweigh the costs.	

1.1 New recommendations

The following table summarises our recommendations and their priorities.

Recommendation	Reference	Priority
 Alpine Energy shares valuation: Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years. 	5.1	Necessary
 Ensure that the valuation is reviewed, either internally or externally, so that the Council has sufficient assurance that it is appropriate to use in the annual report. 		

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous years' recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

This should be read in conjunction with the findings from our interim report to Council. Where recommendations were included and there has been no change per our interim report, they have not been repeated in Appendix 1.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		1	1	2
Implemented or closed	1	1	2	4
Total	1	2	3	6

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 6 November 2018. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3, 4 and 5 for further detail on these matters.

2.2 Uncorrected disclosure deficiencies

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There were no significant misstatements identified during the audit that have not been corrected.

2.3 Corrected misstatements

During the audit, we identified a small number of financial and disclosure misstatements which were subsequently corrected.

2.4 Quality and timeliness of information provided for audit



Management is required to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 10 July 2018. The Audit plan dated 4 April 2018 included the dates we required the

information to be provided to us.

The information provided to audit was on time, and of a high quality. Draft financial statements were completed to a high standard at the commencement of the audit and were supported with appropriate working papers. Further to this, all audit queries were also addressed in a timely manner.

3 Matters raised in the Audit Plan



In our Audit Plan dated 4 April 2018, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome	
Fair value assessment and revaluation of assets		
Revaluation The District Council periodically re-values its land, buildings and various infrastructure asset classes. <i>PBE IPSAS 17</i> Property, Plant and equipment requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Land and Building assets are due to be revalued at 30 June 2018. Roading, sanitation and three waters assets were revalued in the prior year, and are next due to be revalued at 30 June 2020. Where a class of assets is not subject to a revaluation in the current year, an assessment is required to confirm that the carrying value is not materially different from its fair value. It is important that the District Council makes this assessment at an early stage, to avoid the risk of this becoming a significant issue later during the audit. Impairment <i>PBE IPSAS 21</i> Impairment of Non-Cash- Generating Assets and <i>PBE IPSAS 26</i> Impairment of Cash-Generating Assets respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.	 The valuation was prepared by an independent valuer, QV. The valuation movement to the carrying value of land and buildings was an overall increase of \$1,284,000. In reviewing the District Council's valuation of land and building assets, we have: assessed the processes and procedures supporting the integrity of the underlying data and schedules; agreed the balances to underlying records and valuation reports; assessed the appropriateness of the valuation arrived at for compliance with the accounting standards; and confirmed that for the building assets, the depreciation rates applied are consistent with policy estimates of useful lives - and that these were assessed as reasonable. We held discussions with management to gain an understanding of the District Council's assessment of whether there were any impairment indicators and were satisfied that none existed. 	

Audit risk/issue	Outcome		
Development of internal policies and procedures			
Recently the District Council has had an increased focus on the development and review of internal policies and procedures.	This was followed up at our interim audit in April. We have included comments on this within section 3.1 of our interim management report.		
In particular, we understand the procurement and risk management areas have undergone a review.			
It is important that the District Council has a comprehensive set of policies that are known and implemented organisation-wide. It is also important that these reflect best-practice policies.			
Control environment			
Each year, we consider the District Council's control environment and assess the internal controls in place. During our previous audits we have identified some areas for improvement and our recommendations were included in the interim and final management reports.	This was followed up at our interim audit in April. We have included comments on this within sections 1 and 2 of our interim management report.		
The risk of management override of internal controls			
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	 We have addressed this by: testing the appropriateness of selected journal entries and other adjustments made in the preparation of the financial statements; reviewing accounting estimates, including the estimation of impairment, for indications of bias; and evaluating any unusual or one-off transactions, including those with related parties. We found no indications of management override that would result in a material misstatement in the financial statements, due to fraud. 		

4 Other areas of interest from the Audit Plan



Also in our Audit Plan dated 4 April 2018, we identified the following other areas as items of interest to the Local Government sector.

Audit risk/issue	Outcome	
Rates		
Rates are the District Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set	We have considered the District Council's compliance with aspects of the Local Government (Rating) Act 2002 (LGRA) that materially impact on the financial statements.	
and not at risk of challenge.	Our audit of rates focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS). We also reviewed a sample of differentially set and targeted rates to assess whether the matters and factors used are consistent with the LGRA.	
	We have no significant issues to report in relation to rates.	
Financial reporting disclosures		
Schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 detail disclosures to be included in the Annual Report. The District Council should review these requirements to ensure all disclosures have been included in the annual report.	We ensured that all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 have been appropriately included in the District Council's annual report.	
Funding impact statements (FIS)		
The District Council's annual report will identify and explain any significant financial and service performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and whole of District	We have considered the extent to which the District Council's activities are on track against the 2015/25 LTP. We have assessed the reasonableness and completeness of the variance analysis and explanations in the annual report and are satisfied that they are appropriate.	

Audit risk/issue	Outcome
Council will be against the 2015/25 Long- Term Plan (LTP).	
Possible LTP amendments	
 Every proposed amendment must be audited. An amendment arises where District Council proposes: a significant change to services levels - section 97 (1)(a); or to transfer ownership of a strategic asset - section 97(1)(b); or a significant change to the revenue 	During the course of our audit work, we have not noted any events that would trigger a potential amendment to the LTP.
and financing policy - section 103(4).	
Conflicts of interest	1
Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. During 2007 the Office of the Auditor General (OAG) published two sets of guidance for entities in this area.	We remained alert for potential conflicts of interest during the course of our audit. We did not identify any particular issues that we need to bring to your attention in relation to this.
Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.	
Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance for councillors. This is an updated version of previously published guidance about the legal requirements that apply to council members in formal decision making at meetings of their authority.	
The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the District Council and prevents councillors from participating in District Council	

Audit risk/issue	Outcome
matters in which they have a pecuniary interest.	
Elected members – remuneration and allow	vances
The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses. The District Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any District Council organisation of the local authority.	We have assessed the District Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination. Our audit did not identify any indication of non-compliance regarding elected members remuneration and allowances.

5

Other matters arising from the audit



The following matters were identified in our audit of the financial statements.

5.1 Alpine Energy shares valuation

Finding

During the 2017/18 financial year the audit team identified that the Alpine Energy Limited (AEL) shares valuation, prepared by Deloitte, may be materially overstated. Another shareholder invested in AEL had requested a new valuation to be completed, due to concerns raised by the Timaru District Holdings Limited (TDHL) directors in 2018, that the value by Deloitte was grossly overstated and as such TDHL wanted the Deloitte valuation to be independently reviewed.

Ernst and Young (EY) were subsequently engaged to perform an independent review of the Deloitte valuation and to then also undertake a valuation of their own.

EY, through discussions with AEL management, have been able to put together a much more compelling (albeit at a significantly reduced value) valuation compared to Deloitte. Key areas of the EY valuation include:

- A better approach such as the inclusion of price reset decisions which more accurately reflect AEL's regulatory environment.
- Extended forecasts for capex and revenue.
- Valuation of the different components of AEL separately and not as one business.
- Compliance with the fair value measurement accounting standard whereas the Deloitte valuation was an indicative valuation.

We believe that the mid-point valuation from the EY report of \$194 million is an acceptable value to use as no organisation has a controlling share. Council subsequently correctly recognised the decrease in value of its shareholding in other comprehensive revenue and expense, and not as a charge against the surplus, as it had sufficient accumulated reserves.

Recommendation

• Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years.

• Ensure that the valuation is reviewed, either internally or externally, so that the Council has sufficient assurance that it is appropriate to use in the annual report.

Management comment

Council will consider its options with regards to the engagement of an external expert to prepare a valuation of its shareholding for reporting purposes.

Council will consider undertaking a review of the valuation as appropriate, when there is sufficient cause or a significant movement in the valuation from the prior year.
6

Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and/or
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

As part of the audit, we assessed a range of different expenditure types to investigate the performance waste and probity of the District Council's spending. This included a high level review of the use of external consultants, travel, entertainment and use of credit cards. No instances of waste or probity concerns were identified. 7 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it						
Client updates							
In March 2018, we hosted a series of client updates. The theme was "Our high performing and accountable public sector". These included speakers from both Audit New Zealand and external organisations. Model financial statements	On our website under publications and resources. Link: <u>Client updates</u>						
 Our model financial statements reflect best practice we have seen to improve financial reporting. This includes: significant accounting policies are alongside the notes to which they relate; simplifying accounting policy language; enhancing estimates and judgement disclosures; and including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	On our website under publications and resources. Link: <u>Model Financial</u> <u>Statements</u>						
Matters arising from the 2016/17 audits							
The OAG has published a report on the results of the 2016/17 audits for the sector.	On the OAG's website under publications. Link: <u>Recent publications</u>						
Audit Committees							
The OAG has released various best practice information on Audit Committees.	On the OAG's website under "Our Work – Audit Committee Resources" Link: <u>Audit Committee Resources</u>						

Description	Where to find it		
Infrastructure as a Service			
The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.	On the OAG's website under publications. Link: <u>Infrastructure as a Service</u>		

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status					
Urgent							
No open recommendations.							
Necessary							
Property, Plant and Equipment revaluations	i						
 We recommended: The Council ensure all assets within an asset class are revalued when they perform revaluations. Valuations should be completed at an earlier stage to allow time for quality assurance processes and the figures to be included in the financial statements. 	2016/17	Pending. No issues were identified with the current year revaluation of Land and buildings. However the recommendation was made over infrastructure assets which are next due for revaluation in 2020. Audit will assess the implementation of the recommendation at the annual audit in for the year ending					
Beneficial		30 June 2020.					
Documentation of financial reporting and internal control processes							
The District Council consider formally documenting the Financial Reporting and internal control processes.	2014/15	Pending. No changes noted at our interim and final audits.					

Implemented or closed recommendations

Recommendation	First raised	Status
LTP, Annual Plan and Financial Statements r	nodel	
To ensure the model for LTP, Annual Plan and Financial Statements are consistent and allocations documented.	2016/17	Closed. The financial model used for the 2018/2028 LTP and the 2017/18 Annual Report are consistent. It is expected that the Annual Plan's going forward from

Recommendation	First raised	Status						
		2019/20 will also use the same model.						
Preparation of the financial statements	Preparation of the financial statements							
Prepare the draft financial statements in line with agreed dates and implement a quality assurance process before the audit.	2016/17	Closed. The draft financial statements received for 30 June 2018 were of a high quality						
 Statement of service performance We identified three areas of improvements for the service performance disclosures: Include the number of urgent and non-urgent faults in the Service Performance Statements. Response times be reviewed for reasonableness, and to ensure that resolution times are not less than response times. Report detailed comparative results for the statement of service performance measures. 	2016/17	Closed. Audit has suggested that the not measured results for the year include a more detailed comparative result to enhance a readers understanding of Councils performance. Management accepts that the current level of disclosure for all other measures is sufficient.						
Disclosure of water supply faults and respon	ise times							
 Include the number of urgent and non-urgent faults in the Service Performance Statements. Response times be reviewed for reasonableness, and to ensure that resolution times are not less than response times. 	2016/17	Closed. Management accepts that the current level of disclosure for all other measures is sufficient due to the additional resources required to enhance the measure.						

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.
	The audit of the financial statements does not relieve management or the Council of their responsibilities.
	Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that is immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Waimate District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners,</i> issued by New Zealand Auditing and Assurance Standards Board. Other than the audits, we have no relationship with, or
	interests in, the Waimate District Council.
Fees	The audit fee for the year is \$90,007 as detailed in our Audit Proposal Letter.
	Other fees charged in the period are \$71,000, for the audit of the 2018/2028 Long Term Plan

Area	Key messages
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Waimate District Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Waimate District Council during or since the end of the financial year.



6.6 AUDIT AND RISK MANAGEMENT REPORT

Author:	Tina Stevenson, Corporate Services Group Manager
Authoriser:	Tina Stevenson, Corporate Services Group Manager
Attachments:	1. External Audit Recommendations Actions Points I

PURPOSE

1. To present the Audit and Risk Management Report to the Audit and Risk Committee.

REQUESTS FOR ACTION

- 2. The External Audit Recommendations Action Point register is attached. The following Action Points were noted from the December 2018 Audit & Risk Committee Meeting:
 - a. Conflicts of Interest The Chair asked for a brief report on how Council is managing conflicts of interest.
 - b. Accounting for Property, Plant and Equipment The Chair asked for more narrative.
 - c. Project and Contract Management The Chair asked for more explanation that the risk has been identified and accepted.
 - d. Document of Financial Report and Internal Control Processes It was identified that Council has software documenting processes, and the controls were adequate. Evidence to be provided at the next meeting.

Commentary has been added in response as requested and is detailed in the attached report.

RECOMMENDATION

That the Audit and Risk Management Report is accepted.

00 D 10		
03-Dec-18	External Audit Recommendations Actions Points	Stevenson, Tina
6.4.1	04-Mar-19 4:33:16 PM - Tina Stevenson	
	a. Council manage Conflicts of Interest for Elected Members by	
	keeping a Members' Interest Register that incorporates the annual	
	Councillors Disclosures, including Pecuniary Interests. The	
	Councillors Code of Conduct outlines the guidelines which apply.	
	There is an opportunity to declare any Conflicts of Interest at the	
	commencement of each meeting of Council.	
	The guidelines for Potential Conflicts of Interest for staff are outlined in the Staff Manual which all employees are required to	
	read at the commencement of their employment. Staff in key	
	positions such as the Leadership and Finance Teams are acutely	
	aware so that any potential conflicts may be identified and	
	managed appropriately.	
	b. The IT Equipment asset stock take has been completed, and	
	further classes of assets will be assessed as resourcing allows	
	with priority given to asset classes of highest risk.	
	with phoney given to debet elabore of highest here.	
	Prior to the Audit NZ Interim Audit scheduled for 1st to 5th April	
	2019, the Finance Team plan to obtain a more detailed	
	understanding of the Asset Finda infrastructural assets software in	
	order to develop a mechanism to capture disposals of	
	infrastructure assets replaced during the year.	
	c. Council's major contracts are in the asset area and are	
	monitored by the activity managers who report to the Asset Group	
	Manager. Progress of major projects are reported to the Audit and	
	Risk Committee and a quarterly report of projects from all areas of	
	Council are included in the respective Council committee reports.	
	Council's contract for roading is the most significant and is	
	governed by processes that result in independent review through	
	collaboration.	
	Training has and is to be undertaken for the management of	
	contracts written under NZS3910.	
	When Audit NZ is next on site, the CE is to discuss why this item	
	has arisen and seek clarification of their expectations. With the	
	understanding at this time, the risk has been considered and	
	accepted.	
	d. Financial Reporting and Internal Control processes have been	
	documented and will continue to be added to and updated as	
	appropriate. The use of software for Financial Reporting has	
	reduced the risk associated with independent models (ie excel	
	based) as knowledge of the software is spread across staff and	
	the software provider.	
	The implementation of the Electronic Purchase Order software is	
	an example of increased internal controls to reduce risk. In this	
	example, the same person who initiates an order cannot also	
	authorise the same.	
Due:	00 2018	
Deferred to:	Not deferred	
Reason:		

6.7 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 1 MARCH 2019

Author:	Tina Stevenson, Corporate Services Group Manager							
Authoriser:	Tina Stevenson, Corporate Services Group Manager							
Attachments:	1.	Progress Recommer	Update ndations <u>J</u>		Audit	NZ	Management	Report

PURPOSE

To provide the Audit and Risk Committee with a progress update on the Audit New Zealand Interim Management Report recommendations for the year ending 30 June 2018. Please consider in conjunction with the Action Points and our response detailed in the Audit & Risk Management Report.

RECOMMENDATION

That the External Audit Recommendations Progress Update to 1 March 2019 report is accepted

Audit New Zealand Interim Management Report Recommendations For Year Ending 30 June 2018

Progress Report to 1 March 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update	
Conflicts of interest					
We understand that the District Council has started making changes in how information regarding conflicts of interest is collected and recorded. However, the District Council would benefit from further improving processes that identify and manage potential conflicts of interests. In particular:	<i>In progress</i> These recommendations still remain a work in progress as at the time of our interim audit.	Necessary	Management will review the recommendations and incorporate them into the ongoing process of improving our conflict of interest recording and monitoring procedures.	Council manage Conflicts of Interest for Elected Members by keeping a Members' Interest Register that incorporates the annual Councillors Disclosures, including Pecuniary Interests. The Councillor's Code of Conduct outlines the guidelines which apply. There is an opportunity to declare any Conflicts of Interest at the commencement of each meeting of Council. The guidelines for Potential Conflicts of Interest for staff are outlined in the Staff Manual which all employees are required to read at the commencement of their employment. Staff in key positions such as the Leadership and Finance Teams are acutely aware so that any potential	

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
				conflicts may be identified and managed appropriately.
				Council discussed the extension of the Conflicts of Interest Register to include employees and agreed that the Members Interest Register would not be modified to include staff.
 extending the interests register to include employees involved in regulatory or procurement areas where conflicts would be more sensitive; 				As above
 including description of the nature of disclosed interests in the interest register. For example whether the interest is pecuniary, non- pecuniary and whether it is an actual/potential or perceived conflict; 			The Register of Members' Interest will be monitored to ensure the annual Councillors Disclosure of Pecuniary Interests (completed March 2018) are captured in the Members' Interest Register.	The Members' Interest Register has been updated to incorporate the annual Councillors Disclosures.
 recording mitigations/ responses to the interest identified within the interest register and a subsequent review of actions taken; and 				No further progress.
 developing a mechanism to handle any breaches of the conflict of interest policy and 				The Councillors Code of Conduct should include any consequence of non-

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
the consequences of non- compliance.				compliance. This is to be reviewed.
Accounting for property, plant a	ind equipment			
Strengthen internal controls around property plant and equipment:	Pending	Necessary		
 Regular stocktakes and timely reconciliations between the general ledger and fixed assets register should be performed to the existence and accuracy of records over those assets. 			Management will ensure that, where possible, resources are employed to address the areas of highest risk with regard to stock-take, asset recs and write offs.	A stocktake of the IT equipment asset class is to be completed by the end of the year. The IT equipment asset stock take has been completed, and further classes of assets will be assessed as resourcing allows with priority given to asset classes of highest risk.
 Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year. 				Discussions are advancing with regards to a consistent and practical process which can be implemented. Prior to the Audit NZ Interim Audit scheduled for 1 st to 5 th April 2019, the Finance Team plan to obtain a more detailed understanding of the Asset Finda infrastructural assets software in order to develop a mechanism to capture disposals of infrastructure assets replaced during the year.

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Project and contract manageme	nt			
Consideration to be given to enhancing contract management and project management policies and practices.	Pending	Beneficial	Policies around Contract Management are expected to be developed in conjunction with the forthcoming Procurement Policy review.	When Audit NZ is next on site, the CE is to discuss why this item has arisen and seek clarification of their expectations. With the understanding at this time, the risk has been considered and accepted.
For contract management Council could:	No changes noted at our interim audit.			
 having an overall policy outlining an organisationally consistent approach to contract management; 			Council have recently formalised the role of IT Project Manager whose core role is to apply Prince2 project methodologies to new and existing technology projects. Since tech projects represent a priority area for Council, we believe this represents a significant step in Project management maturity for Council.	Council's contract for roading is the most significant and is governed by processes that result in independent review through collaboration.
 more detailed reporting of contract monitoring to Council; 			Independent QA (by Deloitte) was applied to the recent Performance Reporting & LTP system project. Council will continue to give consideration to independent QA where projects are deemed significant enough to justify this additional outlay.	Council's major contracts are in the asset area and are monitored by the activity managers who report to the Asset Group Manger. Progress of major projects are reported to the Audit & Risk Committee and a quarterly report of projects from all areas of Council are included in the respective Council committee reports.

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
 ensure contract managers have sufficient skills and expertise to effectively manage contracts. This could be achieved by formal training and identification of training needs (i.e. structured instead of ad hoc); and 				Training has and is to be undertaken for the management of contracts written under NZS3910.
 complete a self-review to identify areas for improvement. 				
For project management Council's grading here could be improved by:				
 development of District Council wide formal project management practices; 				
 conduct of post implementation reviews on completed projects; 				
 consideration of independent quality assurance over projects; and 				

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
 more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports. 				
Documentation of financial repo	rting and internal control proces	ses		
The District Council consider formally documenting the Financial Reporting and internal control processes.	<i>Pending</i> No changes noted at our interim audit.	Beneficial	Management will endeavour to progress formal document as recommended.	Financial Reporting and Internal Control processes have been documented and will continue to be added to and updated as appropriate. The use of software for Financial Reporting has reduced the risk associated with independent models (ie excel based) as knowledge of the software is spread across staff and the software provider. The implementation of the Electronic Purchase Order software is an example of increased internal controls to reduce risk. In this example, the same person who initiates an order cannot also authorize the same.

Audit New Zealand Management Report Recommendations For Year Ending 30 June 2018

Progress Report to 1 March 2019

AUDIT NEW ZEALAND		WAIMATE DISTRICT COUNCIL		
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Alpine Energy Shares Valuation	I			
 Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years. 		Necessary	Management will consider its options with regards to the engagement of an external expert.	The process for the future valuation of Alpine Energy Shares is to be discussed with the shareholders in conjunction with discussions with Audit NZ.
 Ensure that the valuation is reviewed, either internally or externally, so that it is appropriate to use in the annual report. 			Management will consider a review of the valuation as appropriate, when there is sufficient cause or a significant movement in the valuation from the prior year.	

6.8 AUDIT NEW ZEALAND ENGAGEMENT & ARRANGEMENTS

Author:	Tina Stevenson,	Corporate	Services	Group Manager
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Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Audit NZ Audit Plan Year Ending 30 June 2019 🕂 🛣

PURPOSE

1. That the Audit and Risk Committee confirms the terms of the auditor's appointment and engagement.

BACKGROUND

- 2. The Audit and Risk Committee's Terms of Reference state that 'The Committee, in conjunction with the Chief Executive, will: engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit, timetable and fees.
- 3. Audit New Zealand have prepared the audit plan for the year ending 30 June 2019 and this is attached for the Committee's consideration.

RECOMMENDATION

- 1. That the 'Audit New Zealand Engagement & Arrangements' report is accepted; and
- 2. That the Audit and Risk Committee confirms the terms of Audit New Zealand's engagement for the audit for the year ending 30 June 2019.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Audit plan

Waimate District Council

For the year ending 30 June 2019

Audit plan

I am pleased to present our Audit Plan for the audit of Waimate District Council (the Council) for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

1.	Audit risks and issues	2
2.	Group audit	6
3.	Our audit process	7
4.	Reporting protocols	11
5.	Audit logistics	12
6.	Expectations	14
7.		

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Dereck Ollsson Appointed Auditor 21 February 2019

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

8. Audit risk/issue	9. Our audit response
The risk of management override of internal control	S
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud. The Council has a key role in mitigating this risk through the control environment in place at the Council. The control environment functions and the attitudes, awareness, and actions of the Board and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its people.	 Our audit response to this risk includes: reviewing the control environment; testing the appropriateness of selected journal entries; reviewing accounting estimates for indications of bias; evaluating any unusual or one-off transactions, including those with related parties; evaluating significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the entity and its environment; and review of any changes in accounting policies.
Alpine Energy Share Valuation	
During 2017/18 the audit team was informed that the Alpine Energy Limited (AEL) valuation prepared by Deloitte may be materially overstated and that another shareholder had requested a new valuation to be completed. Due to concerns raised by the Timaru District Holdings Limited (TDHL) directors in 2018 that the value by Deloitte was grossly overstated, TDHL wanted the Deloitte valuation to be independently reviewed.	We will meet with management and update our understanding of the approach being taken for the AEL shares. We will review the Councils assessments and any formal valuations prepared for the AEL shares.
Ernst & Young (EY) were engaged to perform an independent review of the Deloitte valuation and to	

AUDIT AND RISK COMMITTEE MEETING AGENDA

8. Audit risk/issue	9. Our audit response
then also undertake a valuation of their own. A substantial amount of work was carried out over the Deloitte and EY valuations. PricewaterhouseCoopers (PwC) also completed a peer review of the valuation undertaken by EY. An audit recommendation was made in the prior year that Council consider engaging their own expert to value the shareholding for Waimate	

10. Other focus areas	11. Our audit response
Fair value assessment and revaluation of assets	
Revaluation The Council periodically re-values its land, buildings and various infrastructure asset classes. <i>PBE IPSAS</i> <i>17</i> Property, Plant and equipment requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Land and Building assets were revalued at 30 June 2018. Roading, sanitation and three waters assets are next due to be revalued at 30 June 2020. Where a class of assets is not subject to a revaluation in the current year, an assessment is required to confirm that the carrying value is not materially different from its fair value. It is important that the Council makes this assessment at an early stage, to avoid the risk of this becoming a significant issue later during the audit.	For asset classes that are not proposed to be revalued this year, we will review the Council's assessment of whether there is any significant difference between the carrying amount and fair value of these assets. We will review the Council's assessment of whether there are any indicators of impairment, and the resulting accounting treatment if applicable.
Impairment PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash- Generating Assets respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired. In conjunction with completing the fair value	

AUDIT AND RISK COMMITTEE MEETING AGENDA

10. Other focus areas	11. Our audit response
assessment, we expect the Council to have completed an impairment assessment to determine whether any assets will need to be impaired.	

12. Sector focus areas	13. Our audit response
Bribery and corruption	
Parliament's Finance and Expenditure Committee are interested in understanding whether the public sector has effective corruption prevention and detection processes in place. As a result, the Office of the Auditor-General (OAG) is gathering initial information relating to how public entities address these risks, including what processes are used to prevent bribery and corruption. This work will be used to inform whether further investigation is undertaken by the OAG.	We will enquire as to what controls are in place at the Institute to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector. Our findings will be reported to the OAG.
Accepting bribes and taking part in a corrupt act is a crime in both the public and private sectors in New Zealand. Offences apply to transactions that happen domestically and those that occur overseas. A New Zealander or NZ organisation may also be prosecuted under overseas legislation.	
Organisations must take reasonable steps to prevent corruption and bribery. This includes:	
 robust anti-corruption compliance procedures for preventing, detecting and responding to corruptions; and 	
 leadership must be committed to preventing corruption and actively promote a zero tolerance culture. Senior leadership (Chief Executive or the Board) should own the policy and procedures. 	
Organisations should assess the risk of corruption and bribery. Their focus should then be on the areas of higher risk.	

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. We have also identified areas of focus common to the Local Government sector within Appendix 1 of this plan. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

1.1.1 *Our responsibility*

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at <u>oag.govt.nz/reports/fraud-reports</u>.

Group audit



Waimate District Council holds an 18.4% shareholding in the Downlands Water Scheme (DWS). DWS financial information has formally been consolidated into the Waimate District Council's (parent) financial statements, comprising a group.

For the current year, the DWS will be equity accounted for. We will assess the control environment and review the transition from the proportionate consolidation method, to equity accounting method and the disclosures made in the Waimate District Council financial statements.

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

14. Significant component	15. Work to be performed
2. Downlands Water Scheme	3. Although not assessed as a significant component of the Waimate District Council, some of the balances within the DWS are material. We will require assurance and an understanding over property, plant and equipment, expenditure and revenue.
	4. The DWS is not separately audited, however Audit New Zealand will perform assurance procedures through our annual attest audit for the Timaru District Council (the major shareholder).
	5. The audit work on this component will be specified scope procedures relating to the auditing of material balances.
	6. For other non-material balances in the DWS financial statements, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at the component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Our audit process



Conclude and report We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring forward audit procedures to earlier in the year. This will be focused on year-to-date transactions for revenue and expenditure, if time allows at our interim audit. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to facilitate getting the information if the timing is suitable and resources are available.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgments*, provides guidance on how to make materiality judgments from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Waimate District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Waimate District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Waimate District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Waimate District Council or by one of more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

Reports to Council



We will provide a draft of all reports to Council and management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

As part of our final reporting to the Board we set out non-trivial unadjusted misstatements, along with reasons that the adjustments have not been made. As part of our continued focus on improving the efficiency of the annual reporting and audit process, this year we will also report adjusted misstatements in the report to the Board. The adjusted misstatements will be any made to the draft annual report received at the start of the audit.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Dereck Ollsson	Appointed Auditor
Athol Graham	Engagement Quality Control Review Director
Debbie Bradfield	Audit Manager
Richard Ng	Assistant Manager

The Engagement Quality Control Review (EQCR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQCR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQCR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable is:

Interim audit begins	1 April 2019
Interim report to Council issued	30 April 2019
Full annual report/substantiation file available for audit	29 August 2019
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	2 September 2019
Final audit begins	2 September 2019
Final financial statements available, incorporating all the amendments agreed to between us	16 September 2019
Annual report available, including any Chair and Chief Executive's overview or reports	16 September 2019
Summary annual report	16 September 2019
Verbal audit clearance given	30 September 2019
Draft report to Council issued	30 September 2019
Audit opinion issued	8 October 2019
Report to Council issued	8 October 2019

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:





Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 1: Areas of interest

As well as the risks and issues noted in section 1, there are also a number of other general concerns common to the Local Government sector. The table below outlines our other areas of interest for this year's audit. The left-hand column describes each matter and the reasons for our interest. In the right-hand column, we describe how we plan to address each matter during the audit.

16. Areas of interest	17. Our audit response		
Rates			
Rates are the Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.	For 2019 we will again consider the Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.		
Asset Management Plans			
Asset Management Plans (AMPs) play an integral part in the maintenance of the Council's significant infrastructure assets. These assets deliver most of the quality-of-life services that are critical to the community.	We will assess and review the Council's progress in relation to the development and maintenance of its AMPs in line with the improvement plans.		
During the last Long Term Plan (LTP) audit we reviewed the AMPs and provided feedback on these.			
The Council needs to ensure that the timetables outlined in the improvement plan are aligned to the 2018-2028 LTP timetable.			
Annual report disclosures			
Schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 detail disclosures to be included in the Annual Report. The Council should review these requirements to ensure all disclosures have been included in the annual report.	We will ensure all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 have been appropriately included in the Council's annual report.		
Funding impact statements (FIS)			
The Council's annual report will identify and explain any significant financial and service	We will consider the extent to which the Council's activities are on track against the 2018 2028 LTP.		

AUDIT AND RISK COMMITTEE MEETING AGENDA

16. Areas of interest	17. Our audit response
performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and whole of Council will be against the 2018 2028 LTP.	We will assess the reasonableness and completeness of the variance analysis and explanations in the annual report. We will also consider the implications and impact, of any significant variations from the LTP's planned performance, on the financial strategy.
Possible LTP amendments	
 Every proposed amendment must be audited. An amendment arises where Council proposes: a significant change to services levels - section 97 (1)(a); or to transfer ownership of a strategic asset - section 97(1)(b); or a significant change to the revenue and financing policy - section 103(4). 	We will remain alert for possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.
Conflicts of interest	
Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. During 2007 the Office of the Auditor General (OAG) published two sets of guidance for entities in this area. Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest. Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance for councillors. This is an updated version of previously published guidance about the legal requirements that apply to council members in formal decision making at meetings of their authority. The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.	While it is primarily the responsibility of the Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest. If we identify particular risks related to the management of conflicts of interest, we may carry out further work to review the Council's systems and processes.

AUDIT AND RISK COMMITTEE MEETING AGENDA

16. Areas of interest	17. Our audit response			
Emissions Trading Scheme (Forestry)				
Forestry entered the Emissions Trading Scheme (ETS) on 1 January 2008. The ETS classifies forests differently depending on whether they were first established after 1989 or before 1990. Owners of pre-1990 forest land are required to surrender New Zealand Units (NZUs) to the Crown if they deforest (change land use). They can apply for a one-off allocation of New Zealand Units (NZUs) to help offset the decrease in land value due to decreased land-use flexibility, or alternatively for small forest holdings (less than 50 hectares in total) can apply for an exemption from the ETS. Owners of post-1989 forests can choose to enter the ETS. They will then earn NZUs as their forests grow (backdated to 1 January 2008). They will have obligations to surrender NZUs at harvest. Post-1989 forest owners do not receive free NZUs as part of the forestry allocation.	We will review the Council's assessment of which category applies to its forests and the decisions it has made in relation to each forest type. We will confirm whether any NZUs received, or that need to be surrendered to the Crown are appropriately accounted for, that forest crop and forest land valuations reflect the ETS, and that appropriate disclosures are made.			
Elected members – remuneration and allowances				
The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.	We will assess the Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.			
The Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any District Council organisation of the local authority.				

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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6.9 2018/19 MAJOR PROJECT UPDATE

Author:	Tina	Stevenson, Corporate Services Group Manager	
Authoriser:	Tina Stevenson, Corporate Services Group Manager		
Attachments:	1.	2018/19 Major Project Report as at 31 January 2019 🕂 🛣	

PURPOSE

The 2018/19 major project list as at 31 January 2019 is submitted for the information of the Audit and Risk Committee.

RECOMMENDATION

That the 2018/19 Major Project Update report is accepted.

2018/19 Major Project Report As at 31 January 2019

Financial Year	Project	Project Description	Budget	Spend to Date	% Complete	Status	Comments / Issues / Risks / Reasons
						Time Budget	
Nater Supply							
2018/19	Cannington DWS NZ Compliance upgrade		\$700,000	\$0	0%		Capex programme adjusted to reflect risk associated with the 3 Waters review. Water Safety Plan to be adjusted accordingly.
2018/19	Hook / Waituna - Drink Water Intake/Plant Compliance Upgrade		\$400,000	\$0	0%		Investigatory work complete. Supplier scoping physical work required to achieve compliance.
2018/19	Otaio / Makikihi - Tavistock Bore - treatment - filter & UV		\$167,000	\$0	0%		Investigation into UV Reactor concurrent with Manchester Road
2018/19	Waimate Urban Water - rising main renewals		\$379,000		100%		
2018/19	Capital - Urban water supply - AC Water main renewals		\$190,000	\$69,217	100%		Contract 18/21. Complete all bar one lateral connection
2018/19	Capital - Urban water supply - CI Water main renewals		\$320,000	\$147,488	100%		Contract 18/21. Complete all bar one lateral connection
2018/19	Capital - Urban water supply - Manchester Road bore replacem		\$250,000	\$107,755	42%		New bore in place, retaining wall about to be constructed, tende documents for full upgrade of site almost complete
Sewerage and	Sewage						
2018/19	Capital - Sewer - Waimate Urban Renewals		\$197,299	\$93,630	47%		New milliscreen, aerator and various upgrades completed or underway
2018/19	Sewer - Edward Street Upgrade (Renewal)		\$551,000	\$8,250	25%		Modelling report complete, further tweaking of model required before comitting to capital works required
Stormwater Dra	ainage						
2018/19	Capital - Stormwater - Manse Street (Town Belt to Harris), New Sumps	To alleviate surface flooding within the urban area	\$474,000	\$477,889	99%		Project all but complete. Some shoulder sealing still required.
2018/19	Stormwater - Pipeline, New Sumps Intersection Shearman/Glasg		\$104,000	\$0	0%		
Parks and Rese	erves						
2017/18	Swimming pool - replace heating system		\$243,000	\$10,000	10%		Contract awarded, likely to be completed at end of season
2018/19	Waitaki Lakes - Chlorine Dosing UV	Increase Water Quality Standard	\$48,000	\$0	0%		To be completed post May 2019 - Likely to bridge financial year
Property				LI			
2018/19	Waimate Library extension		\$1,500,000	\$0	5%		Delayed due to investigation into Library / LGC redevelopment
							proposal. Revised seismic evaluation of building sought.
2016/17 (carry forward)	Public toilets (new) Waimate town and review of District toilets		\$200,000	\$0	0%		Investigation and option presentation delayed due to Library project options

Status Key:



On track with time / budget for completion within the plan year

High Risk (budget and/or timeframe) Some risk (budget and/or timeframe) - Highlight issues in comments

Not started / External to Council

PUBLIC EXCLUDED

7 EXCLUSION OF THE PUBLIC REPORT

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 3 December 2018	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.2 - Key Risk Register - March 2019 Update	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
	information would be likely otherwise to damage the public	

8 **RE-ADMITTANCE OF THE PUBLIC REPORT**

MEETING CLOSURES