

Agenda

**Notice is hereby given of
an Audit and Risk Committee Meeting**

Tuesday 2 March 2021

To follow the Extraordinary Council Meeting

Function Room
Waimate Event Centre
Paul Street
Waimate

www.waimatedc.govt.nz

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Function Room, Waimate Event Centre, Paul Street, Waimate, on Tuesday 2 March 2021, to follow the Extraordinary Council Meeting.

Committee Membership

Damian Hogue	Chairperson
Sheila Paul	Deputy Chairperson
Craig Rowley	Mayor
Miriam Morton	Councillor
Tom O'Connor	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

Order Of Business

Opening	4
1 Apologies	4
2 Visitors	4
3 Conflicts of Interest	4
4 Identification of Major (Urgent) or Minor Items Not on the Agenda	4
Minutes	5
5 Confirmation of Minutes	5
5.1 Minutes of the Audit and Risk Committee Meeting held on 15 December 2020	5
Reports	14
6 General Reports	14
6.1 Outstanding Audit & Risk Committee Actions Report - Public	14
6.2 Health and Safety Report	16
6.3 OAG Forum - Verbal Report from the Chair	18
6.4 Council's Policy Status	21
6.5 Risk Tolerance	25
6.6 Risk Register	28
6.7 2020/21 Major Project Update	35
6.8 Audit NZ Presentation - 11.00am	38
6.9 Audit New Zealand Audit Report for the year ended 30 June 2020	39
6.10 External Audit Recommendations Progress Report to March 2021	75
Public Excluded	92
7 Exclusion of the Public Report	92
7.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 15 December 2020	92
7.2 Cyber Security - Public Excluded	92
8 Re-admittance of the Public Report	93
Meeting Closures	93

OPENING**1 APOLOGIES****2 VISITORS**

11.00am – Audit NZ

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 15 DECEMBER 2020**

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

Authoriser: Tina Stevenson, Corporate Services Group Manager

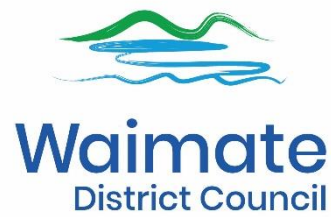
Attachments: 1. Minutes of the Audit and Risk Committee Meeting held on 15 December 2020

PURPOSE

To present the unconfirmed Minutes of the Audit and Risk Committee meeting held on 15 December 2020 for confirmation.

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held on 15 December 2020 be adopted as a true and correct record.



MINUTES

Audit and Risk Committee Meeting

15 December 2020

**MINUTES OF WAIMATE DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, WAIMATE DISTRICT COUNCIL, 125 QUEEN STREET,
WAIMATE ON TUESDAY 15 DECEMBER 2020, COMMENCING AT 9.30AM**

PRESENT: Chair Damian Hogue, Cr Sheila Paul, Mayor Craig Rowley, Cr Miriam Morton

APOLOGIES: Cr Tom O'Connor

IN ATTENDANCE: Deputy Mayor Sharyn Cain, Cr Sandy McAlwee, Cr David Owen,
Cr Colin Pankhurst
Stuart Duncan (Chief Executive), Paul Cooper (Regulatory and Compliance
Group Manager), Fiona Hester-Smith (Human Resources Manager), Carolyn
Johns (Community and Strategy Group Manager), Tina Stevenson (Corporate
Services Group Manager), Karalyn Reid (Committee Secretary)

OPENING

1 APOLOGIES

COMMITTEE RESOLUTION 2020/33

Moved: Mayor Craig Rowley

Seconded: Cr Sheila Paul

That an apology from Cr Tom O'Connor be received and accepted.

CARRIED

2 VISITORS

Nil

3 CONFLICTS OF INTEREST

The Chair called for Conflicts of Interests. There were no Conflicts of Interest identified.

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

There were no identified Major or Minor items not on the agenda.

MINUTES

5 CONFIRMATION OF MINUTES

5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 8 SEPTEMBER 2020

COMMITTEE RESOLUTION 2020/34

Moved: Cr Miriam Morton

Seconded: Mayor Craig Rowley

That the Minutes of the Audit and Risk Committee Meeting held on 8 September 2020 be
adopted as a true and correct record.

CARRIED

Note:

6.2: Chief Executive report on heavy staff workloads and incorporating risk in to the Risk Register – the Chief Executive will speak to this later in the meeting.

REPORTS**6 GENERAL REPORTS****6.1 HUMAN RESOURCES MANAGERS REPORT****COMMITTEE RESOLUTION 2020/35**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

That the Human Resources Manager's report is accepted.

CARRIED**6.2 HEALTH AND SAFETY REPORT****COMMITTEE RESOLUTION 2020/36**

Moved: Cr Sheila Paul

Seconded: Cr Miriam Morton

That the Health and Safety report is accepted.

CARRIED**6.3 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT TO DECEMBER 2020****COMMITTEE RESOLUTION 2020/37**

Moved: Chair Damian Hogue

Seconded: Cr Miriam Morton

That the External Audit Recommendations Progress Report to December 2020 report is accepted, as presented.

CARRIED**Note:**

The implementation of the new accounting standards to recognise the Downlands Rural Water Scheme as a joint operation has been completed and accepted by Audit NZ. Further work is being led by Timaru District Council to redraft the Downlands agreement to improve its clarity and responsibility of each party. The agreement is expected to be presented to Council in the first quarter of 2021.

6.4 AUDIT NEW ZEALAND ENGAGEMENT LETTER: LONG TERM PLAN 2021-31

The Audit and Risk Committee considered the terms of the auditor's appointment and engagement for the Long Term Plan (LTP) Audit.

COMMITTEE RESOLUTION 2020/38

Moved: Cr Miriam Morton

Seconded: Cr Sheila Paul

1. That the Audit New Zealand Engagement Letter: Long Term Plan 2021-31 report is accepted; and
2. That the Audit and Risk Committee recommends that the Mayor be authorised to sign the Audit Engagement Letter: audit of the consultation document and long-term plan for the period commencing 1 July 2021, thereby confirming the terms and arrangements of the audit engagement, and the letter is returned to Audit NZ.

CARRIED

Note:

The timetable in Page 10 of the Engagement letter is incomplete, as it is reliant on the availability of information from staff and Audit resources.

6.5 OFFICE OF THE AUDITOR GENERAL FORUMS - VERBAL REPORT FROM THE CHAIR

Chair Damian Hogue gave a verbal update on recent online OAG Forums highlighting the value of fraud training.

Note:

The Committee asked that fraud training for staff be considered in 2021, as there had been a number of new staff employed since the last training had been held, and that avenues for members of the public to raise concerns of fraud be identified and reviewed.

6.6 INFORMATION UPDATES – MEETING DATES & SECURITY CAMERA FOOTAGE REQUESTS

The Committee reviewed the 2021 meeting updates and requests for Security Camera Footage.

COMMITTEE RESOLUTION 2020/39

Moved: Mayor Craig Rowley

Seconded: Cr Sheila Paul

That the Information Updates report is accepted.

CARRIED

6.7 ANNUAL WORK PLAN REVIEW

The Committee were asked to review the frequency and level of reporting for the 2021 Work Plan.

COMMITTEE RESOLUTION 2020/40

Moved: Chair Damian Hogue

Seconded: Cr Miriam Morton

1. That the Annual Work Plan Review report is received, and
2. That the 2021 Annual Work Plan is approved, with modifications of reducing the reporting from quarterly to six-monthly in external audit recommendations, corporate policies, internal audit processes, regulatory compliance, health & safety and human resources.

CARRIED

Note:

The Committee requested the Audit & Risk Committee Chair receives all Council and Committee meeting agendas, in order to be kept informed on regular Council reporting.

6.8 2020/21 BUDGET CARRY FORWARDS**COMMITTEE RESOLUTION 2020/41**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

That the 2020/21 Budget Carry Forwards report is accepted.

CARRIED

Note:

The Committee expressed concern with Council's public perception in delays of consulted projects, as noted in the risk register, and asked for economic development projects (particularly signage) to be a priority for 2021.

6.9 CARBON FOOTPRINT**COMMITTEE RESOLUTION 2020/42**

Moved: Cr Miriam Morton

Seconded: Cr Sheila Paul

That the Carbon Footprint Report is accepted.

CARRIED

Note:

The Committee noted Council had a positive contribution towards climate change by achieving negative net carbon emissions throughout its everyday activities, and asked that the report be made available to the public on the website.

Council are moving to purchasing hybrid vehicles, where appropriate, and considering staff education to look at the environment in Council's day to day work activities.

6.10 RISK REGISTER**COMMITTEE RESOLUTION 2020/43**

Moved: Cr Miriam Morton

Seconded: Chair Damian Hogue

That the Risk Register Report is accepted, with the below amendments.

Amendments:

R0003: Correction to the wording, should be 'irreconcilable'

R0020: Pandemic – add supply chain disruption to the risk description

Note:

R0014: Cyber Security (prior to mitigation) had been moved from moderate to significant.

The Chief Executive verbally updated the Committee on his opinion of risk involved with staff work overload and high leave balances. He reiterated the reason has been mostly unanticipated large work projects undertaken this year, staff turnover and Covid-19, and suggested a need for additional resourcing in the finance area. He noted that he will be encouraging key staff to take leave by mid-2021, but in the meantime will continue to monitor the situation.

The Committee asked for a separate Council workshop to be held around risk management, and that the Chief Executive lead a discussion as an agenda item at the upcoming Council Retreat scheduled for 2 February 2021, possibly using outside assistance through the Office of the Auditor General, or LGNZ policy team.

The Committee asked that future changes to the risk register be tracked.

6.10.1 NEW MOTION**COMMITTEE RESOLUTION 2020/44**

Moved: Mayor Craig Rowley

Seconded: Chair Damian Hogue

That the Audit & Risk Committee recommend to Council that an additional staff resource be urgently investigated in the finance team.

CARRIED**6.11 RISK MANAGEMENT POLICY REVIEW****COMMITTEE RESOLUTION 2020/46**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

1. That the Risk Management Policy Review Report is received; and
2. That the Audit & Risk Committee confirms the Risk Scoring Criteria is retained; and
3. That the Audit & Risk Committee makes a recommendation to Council to develop a Risk Management Policy for adoption.

CARRIED

The meeting was adjourned at 12.07pm for lunch.

The meeting reconvened at 12.30pm.

6.12 COUNCIL'S POLICY STATUS**COMMITTEE RESOLUTION 2020/47**

Moved: Cr Sheila Paul

Seconded: Chair Damian Hogue

That the Council's Policy Status report is accepted.

CARRIED**6.13 2020/21 MAJOR PROJECT UPDATE****COMMITTEE RESOLUTION 2020/48**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

That the 2020/21 Major Project Update report is accepted.

CARRIED**PUBLIC EXCLUDED****7 EXCLUSION OF THE PUBLIC REPORT****RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2020/49**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

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 8 September 2020	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 - Outstanding Audit & Risk Committee Actions Report - Public Excluded	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	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 - Cyber Security - Public Excluded	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	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
7.4 - Alpine Energy Limited Valuation - Public Excluded	<p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	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

<p>COMMITTEE RESOLUTION 2020/50</p> <p>Moved: Cr Sheila Paul</p> <p>Seconded: Cr Miriam Morton</p> <p>That Council moves out of Closed Council into Open Council.</p> <p>CARRIED</p>
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MEETING CLOSURE

There being no further business, the Chair closed the meeting at 1.02pm.

The Minutes of this meeting are to be confirmed at the Audit and Risk Committee Meeting scheduled on 2 March 2021.

.....
CHAIRPERSON

REPORTS**6 GENERAL REPORTS****6.1 OUTSTANDING AUDIT & RISK COMMITTEE ACTIONS REPORT - PUBLIC**

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

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Outstanding Audit and Risk Actions Report - Public [↓](#) 

PURPOSE

For the Outstanding Audit & Risk Committee Actions Report – Public to be presented for the information of the Audit & Risk Committee.

RECOMMENDATION

That the Outstanding Audit & Risk Committee Actions Report – Public is accepted.

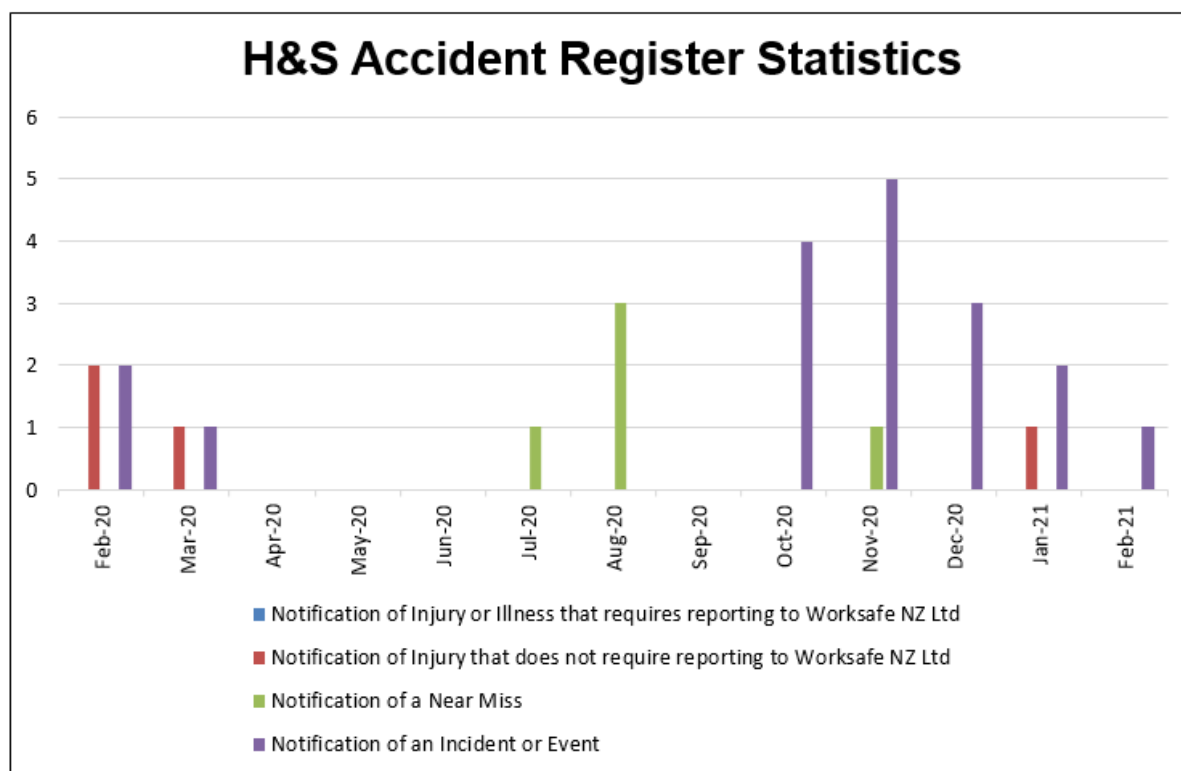
Meeting	Officer/Director	Section	Subject
Audit and Risk Committee 15-Dec-20	Stevenson, Tina	General Reports	Risk Register
COMMITTEE RESOLUTION 2020/43			
That the Risk Register Report is accepted, with the below amendments.			
Amendments:			
R0003: Correction to the wording, should be 'irreconcilable'			
R0020: Pandemic – add supply chain disruption to the risk description			
Note:			
R0014: Cyber Security (prior to mitigation) had been moved from moderate to significant.			
The Chief Executive verbally updated the Committee on his opinion of risk involved with staff work overload and high leave balances. He reiterated the reason has been mostly unanticipated large work projects undertaken this year, staff turnover and Covid-19, and suggested a need for additional resourcing in the finance area. He noted that he will be encouraging key staff to take leave by mid-2021, but in the meantime will continue to monitor the situation.			
The Committee asked for a separate Council workshop to be held around risk management, and that the Chief Executive lead a discussion as an agenda item at the upcoming Council Retreat scheduled for 2 February 2021, possibly using outside assistance through the Office of the Auditor General, or LGNZ policy team.			
The Committee asked that future changes to the risk register be tracked.			
Note:			
The requested amendments to R0003 and R0020 have been incorporated into the Risk Register.			
A recommendation was taken to the Council Meeting of 26 January where a resolution was passed for the Chief Executive to recruit an additional staff member to the finance team.			
A Council Workshop on Risk Management was explored and initially planned to coincide with the Councillors Retreat. The Retreat has since been postponed. It was also determined that a Risk Management Workshop should include staff and that a separate one-day workshop would be the most appropriate forum, with a management session followed by a governance session with management also in attendance. A proposal for this workshop to be led by a Risk Management specialist has been requested.			
Future changes to the Risk Register are to be reported as 'tracked changes' as requested.			

6.2 HEALTH AND SAFETY REPORT

Author: Nick Fazakerley, Emergency Management and Health & Safety Advisor
Authoriser: Paul Cooper, Regulatory and Compliance Group Manager
Attachments: Nil

PURPOSE

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

Health and Safety Statistics

2. Since December 2020, there have been seven incidents or events. Two of the incidents were members of the public with minor injuries that required basic first aid at the Norman Kirk Swimming Pool. One incident resulting in an injury (not requiring reporting to WorkSafe NZ) involved a grazed shin at the Resource Recovery Park, when a desk being carried disintegrated into multiple pieces. Two of the incidents were on other Council properties (LGC – tripped, Tennent Street Yard – bumped head on machinery guard). One incident occurred while driving on Tavendale Road (dog ran out in front of a Council vehicle).
3. Our new Emergency Management and Health and Safety Advisor has started, relocating to Waimate from Napier from a role within the New Zealand Red Cross. He is looking forward to improving Health and Safety within Council.
4. An internal audit of First Aid Kits on Council property and vehicles has begun. So far this has identified a small number of kits with a significant number of items missing, which has been remediated. This process is currently ongoing.

5. Work is ongoing to continue with the Poolsafe Accreditation for the Norman Kirk Memorial Swimming Pool. This has been 90% completed and now only requires an audit by Poolsafe in order to complete the process. A date for audit has been set for 5 March, to be confirmed.
6. Work has begun to review and update the Health and Safety Policy in relation to the use of external contractors. Subject to previous conversations with Sitewise carried out by the former Emergency Management and Health and Safety Advisor, our incumbent has begun exploring options for contractor prequalification and approval processes with a view to offer a range of pathways for contractors to become pre-approved with regard to Health and Safety.

RECOMMENDATION

That the Health and Safety report is accepted.

6.3 OAG FORUM - VERBAL REPORT FROM THE CHAIR

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

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Notes for the Role of an Audit & Risk Committee in LTP preparation and adoption [↓](#) 

PURPOSE

For the Chair to give the Audit and Risk Committee a verbal report from the Office of the Auditor General (OAG) Forum held remotely for Audit and Risk Committee Chairs.

For the information of the Committee, we attach notes supplied to participants at the OAG Zoom Forum on 2 February 2021 on the Role of an Audit and Risk Committee in LTP preparation and adoption.



The role of an Audit and Risk Committee in LTP preparation and adoption



Komiti Tātari me te Mātai Raru Tūpono / Audit and Risk Committee

Purpose

The purpose of the Audit and Risk Committee is **to assist and advise the Governing Body** in discharging its responsibility and ownership of governance, risk management, and internal control.

- The committee will review the effectiveness of the following aspects of governance, risk management and internal control:
- enterprise risk management (ERM) across the Auckland Council group
- internal and external audit and assurance
- health, safety and wellbeing
- business continuity and resilience
- integrity and investigations
- monitoring of compliance with laws and regulations
- significant projects, programmes of work and procurement focussing on the appropriate management of risk
- **oversight of preparation of the LTP, Annual Report, and other external financial reports required by statute.**

Statutory Reporting

Review and monitor the integrity of the Long-term Plan, interim and annual report including statutory financial statements and any other formal announcements relating to the council's financial performance, focussing particularly on:

- **compliance with**, and the appropriate application of, relevant accounting policies, practices and accounting standards
- compliance with applicable legal requirements relevant to statutory reporting
- the **consistency of application** of accounting policies, across reporting periods, and the Auckland Council group
- changes to accounting policies and practices that may affect the way that accounts are presented
- **any decisions involving significant judgement, estimation or uncertainty**
- the extent to which financial statements are affected by any unusual transactions and the way they are disclosed
- the disclosure of contingent liabilities and contingent assets
- **the clarity of disclosures generally**
- **the basis for the adoption of the going concern assumption [financial prudence]**



- significant adjustments resulting from the audit.

Comments on areas of audit emphasis

COVID 19	<ul style="list-style-type: none"> • impact on 'best estimates' - accounting • the pressure for artificially suppressed rate requirements (or fees and charges) • the cost on rate relief • impact on council business (supply chains, availability of resources compounded by <i>shovel ready</i> and PGF funding) • the 'unknown' – dealing with enforced change
Climate change	<ul style="list-style-type: none"> • it is an assumption! • the impacts of change identified – events and economy • vulnerable assets and networks • regulation – Climate Commission
Condition and performance of critical assets	<ul style="list-style-type: none"> • an estimate – depreciation • an assumption – effective performance • what level of investment constitutes sustainability? • Year 11+ and financial condition • topical – bridges, 3W assets [what strategy is right?], community assets
Capex <i>doability</i>	<ul style="list-style-type: none"> • this is most likely one of the issues • credible plans vs optimism bias • programme and project management disciplines
Consultation Document	<ul style="list-style-type: none"> • leadership of councillors vs vanilla options • engagement – critical compliance issues • councillor contribution to engagement

6.4 COUNCIL'S POLICY STATUS

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

INTRODUCTION

1. The Policy Status Report is presented for the information of the Audit and Risk Committee.

Policy – up to 24 February 2020

Waimate District Council Policy Index

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

Code	Title	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
200 Series					
(DEMOCRACY)					
201	Standing Orders	Chief Executive (LGA cl 27 sch. 7)		October 2022	
202	Code of Conduct	Chief Executive (LGA cl 15 sch. 7)		October 2022	
203	Governance Statement	Chief Executive (LGA s 40)		March 2023	
204	Triennial Agreement	Chief Executive (LGA s 15)		February 2023	
300 Series					
(PUBLIC POLICIES)					
301	Significance and Engagement Policy	Community and Strategy	Reviewed November 2020 - To be included in the LTP	To be adopted June 2021	

Code	Title	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
303	Media Policy	Executive Support	Under development	2021	
304	Social Media Policy	Executive Support	Under development	2021	
305	Gambling Venue Policy	Regulatory and Compliance		November 2021	
306	Dog Control Policy	Regulatory and Compliance		December 2021	
307	Sustainability Policy	Asset Group	Under development	April 2021	
308	Delegations Policy	Corporate Services		August 2022	
309	Tab Board Venue Policy	Regulatory and Compliance		August 2021	
310	Elected Members Reimbursement and Expenses Policy	Corporate Services		March 2023	
311	Fraud Policy	Corporate Services		October 2022	
312	Smoke-free Environments Policy	Community and Strategy		February 2022	
313	Dangerous Buildings Policy	Regulatory and Compliance		December 2022	
314	Local Approved Products Policy	Regulatory and Compliance		10 December 2024	
315	Insanitary Buildings Policy	Regulatory and Compliance		December 2022	
316	Procurement Policy	Corporate Services		October 2022	
317	Unmanned Aircraft Policy	Asset Group		April 2022	
321	Security Camera Policy	Corporate Services		August 2021	
323	Friends and Voluntary Organisations Policy	Community & Strategy		August 2021	
324	Community Housing Policy	Community & Strategy		March 2022	
325	Enforcement Policy	Regulatory & Compliance		June 2022	
326	Protected Disclosures Policy	Human Resources		October 2022	

Code	Title	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
328	Information Management Policy	Corporate Services	under development	April 2021	
	Risk Management Policy	Corporate Services	Recommended by Audit and Risk Committee for development	2021	
400 Series (FINANCIAL POLICIES)					
Note: Policies 401 – 409 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)	Currently under review	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	
407	Rates Remission Policy	Corporate Services	Currently under review	June 2024	
409	Statement of Accounting Policies	Corporate Services	Reviewed for each annual plan and annual report	June 2021	
410	Property and Land Sale, Purchase and Lease Policy	Asset Group		December 2021	
411	Sensitive Expenditure Policy	Corporate Services	To include AuditNZ feedback	December 2021	
500 Series (INFRASTRUCTURE POLICIES)					
501	Dust Suppression Policy	Asset Group		August 2021	

Code	Title	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
502	Water Supply - Rural	Asset Group	Awaiting on review of 3 waters.	December 2014 2021	
503	Asset Management Policy	Asset Group		March 2023	
600 Series (INTERNAL POLICIES)					
601	Harassment Policy	Human Resources		June 2023	
602	Policy Authorisation and Validation Procedure	Community & Strategy		October 2023	
603	Building Security & Key Policy	Corporate Services		April 2022	
604	Personal Accident Insurance Policy	Corporate Services		2021	
605	Dress Code Policy	Human Resources	Draft formulated	Early 2021	
606	Lockdown Procedure	Regulatory & Compliance		2021	
607	Computer Systems Use Policy	Corporate Services		February 2023	
608	Staff Gift Policy	Chief Executive		2021	
609	Vehicle Use Policy	Corporate Services		March 2021	
613	Personnel Records Policy	Human Resources		August 2021	
616	Drug and Alcohol Policy	Human Resources		March 2021	
618	Sick Leave Gifting Policy	Human Resources		September 2021	

RECOMMENDATION

That the Council's Policy Status report is accepted.

6.5 RISK TOLERANCE

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Categories of Risk  

PURPOSE

1. For the Audit and Risk Committee to recommend an appropriate level of risk tolerance to Council.

BACKGROUND

2. In accordance with the Audit and Risk Committee Annual Work Plan, the Committee is to 'recommend to Council an appropriate level of risk tolerance' annually at the March meeting.
3. At the December 2020 meeting the Committee made a recommendation to Council to develop a Risk Management Policy for adoption.
4. The Committee confirmed the Risk Scoring Criteria is to be retained. The scoring criteria will be incorporated into the policy in due course.
5. Risk tolerance, or appetite, usually applies to the category of risk and features in a Risk Management Policy. The level of risk tolerance will be incorporated into the policy.
6. While it is acknowledged that the work in developing a Risk Management Policy will in many respects replicate the resulting outcomes of this discussion, the consideration of the Risk Tolerance for each category of risk is important in advance of this policy development and to immediately assist the Committee with its monitoring of Council risks, by applying an agreed level of tolerance.
7. The development of the Risk Management Policy will provide an opportunity to improve on our Risk Management framework, including the categorisation of types of risk.
8. The ISO 31000 risk management standard defines risk appetite as the "Amount and type of risk that an organization is prepared to pursue, retain or take to achieve its objectives". It reflects the organisation's risk management philosophy and, in turn, influences the organisation's culture and operating style.
9. For any business the taking on of risk to achieve objectives is at times necessary. Every business will also recognise that in taking on any risk (with positive or negative outcomes) the exposure to risk is expected to be managed.
10. The proposed risk profile is generally 'risk adverse', which is common for public sector organisations given the obligations around transparency and accountability.
11. With most operational and Council decisions, there are a mix of risks that touch on different risk categories, requiring balancing and prioritisation.
12. The risk appetite profile can help to balance these risks and ensure they are viewed subjectively.
13. Risk appetite has been graded into three categories – 'averse', 'balanced' and 'tolerant'.
14. Averse means being unwilling to take on anything other than small risks. Balanced means having an appetite between averse and tolerant (a flexible approach). Tolerant means being willing to take on significant risks to exploit opportunities despite potentially major consequences if the risk is realised.

15. The broad categories of risk that were identified when the Risk Register was introduced to Council are as follows:
 - Strategic
 - Operational
 - Human Resources
 - Financial
 - IT and Information
16. The detailed descriptions are attached for the Committee's information.
17. When applied to the various categories of risk in the nature of our business, we build a profile for acceptable risk appetite and tolerance across the Council. This shapes our risk management culture, planning, operations, decision making process and guidance.
18. It would be expected that the identified risks across the various categories are assessed, treated and managed within these appetite levels.
19. The following table summarises the recommended Risk Tolerance for discussion:

Risk Category	Risk Appetite		
	Averse	Balanced	Tolerant
Strategic		•	
Operational		•	
Human Resources	•		
Financial		•	
IT & Information		•	

PROPOSAL

20. We ask the Committee to recommend the level of risk tolerance that is acceptable for each category of risk.

Options

21. The Committee may choose to recommend to Council the appropriate level of risk tolerance as presented, or
22. The Committee may decide to make amendments to the risk tolerance profile before confirming their recommendation.

RECOMMENDATION

1. That the Risk Tolerance report is accepted; and
2. That the Audit and Risk Committee recommends an appropriate level of risk tolerance to Council, as presented or with modifications.

Strategic - Stakeholders, Governance, Market Forces

- Strategic Planning
- Governance
- Stakeholder relations
- Legislation and compliance
- Reputation
- Business Continuity
- Market Forces
- Natural Resources
- Funding and Sustainability
- Environmental changes
- Social changes

Operational - Processes, Physical, Legal, People and Culture

- HR and Training
- Health and Safety
- Suppliers
- Legal and Contractual
- Asset Management
- Facility Management

Human Resources - People and Culture, Health and Safety, Skill development

- Health and Safety
- Employment
- Skill recognition/development
- Staff turnover
- Payroll system
- Time recording

Financial - Processes, Reporting, Liquidity/Credit, Debt structure, Market Forces

- Process design - efficient and effective
- Fraud and theft
- Budgeting
- Reporting - Timeliness and Accuracy
- Debtors - Invoicing and recovery
- Liquidity and Credit - Payables
- Debt Structure
- External Market forces

IT and Information - Systems, Information Management, Intellectual Property

- System design
- Information Security
- Information Quality
- Intellectual Property

6.6 RISK REGISTER

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Risk Register - March 2021 [↓](#) 

PURPOSE

1. To provide the Audit and Risk Committee with Council's updated Risk Register for consideration.

Risk Register

2. In accordance with the Audit and Risk Committee Annual Work Plan, the Committee is to 'monitor corporate risk assessment' at each meeting. We provide the register to the Audit and Risk Committee regarding Council's key risks and mitigation measures.
3. The updates to the register are 'tracked' for easy identification.
4. The updates include some minor amendments suggested by the Committee at the December 2020 meeting.
5. There has been no significant amendments since the last Committee Review.
6. We ask the Committee to consider the updated Risk Register and provide any feedback or suggested amendments.

RECOMMENDATION

That the Risk Register Report is accepted.

PUBLIC KEY RISK REGISTER – MARCH 2021~~DECEMBER 2020~~

RISK IMPACTS

Rating Level	Consequence Description	Score
Catastrophic	<ul style="list-style-type: none"> • Catastrophic loss of public or stakeholder confidence, or breakdown in standards, which requires major recovery action to restore reputation or effectiveness; or • Clearly threatens operations or ability of organisation over an extended period to achieve its objectives, or • Major unexpected financial overspend or loss of \$1 million or above • Loss of life • Prolonged national media and political attention 	5
Major	<ul style="list-style-type: none"> • Major unexpected financial overspend or loss of \$500,000 to \$1 million • Significant dissatisfaction expressed by stakeholders, • Serious harm, or • Unexpected failure to meet a standard and/or legislation. 	4
Moderate	<ul style="list-style-type: none"> • Failure leading to review of project or operation that will require changes to processes or goals; or • Likely to cause some damage or, disruption or breach of controls; or • Moderate financial overspend or loss of \$100,000 to \$500,000 • Regional media attention, loss of image • Injury to staff or contractor 	3
Minor	<ul style="list-style-type: none"> • Localised or isolated failure to meet stakeholder requirements or standards, • Unlikely to cause damage or threaten the effectiveness of the project, • Minor financial impact, involves management time, up to \$100,000 	2
Insignificant	<ul style="list-style-type: none"> • Very low impact that will not be visible, negligible 	1

RISK LIKELIHOOD

Likelihood	Likelihood Description	Scoring	Probability % (to assist assessment)
Frequent	Will almost certainly occur, and at least once in a month	5	91-100
Often	Will probably occur 6-12 times per year	4	71-90
Likely	1-5 times per year – likely to occur at least once in the next two - three months. There is a chance in the foreseeable future	3	51-70
Possible	May occur at least once in the next year. Little chance of occurrence in foreseeable future	2	21-50
Rare	Not expected to occur this year but may occur in a future period – unlikely in foreseeable future	1	1-20

SCORING RISKS

Likelihood	Consequence				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Frequent (5)	5	10	15	20	25
Often (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

Risk Score	Level of risk	Action Required	Attention of / assigned to
15-25	Extreme risk	Requires immediate assessment of actions	Audit and Risk Committee / Council / Chief Executive (as required), statutory bodies
8-12	Significant risk	Requires remedial assessment and action via the annual planning process	Chief Executive / Leadership Team
4-6	Moderate risk	Address via new procedures and/or modification of existing practices and training	Group Manager, programme manager, work stream leaders
1-3	Low risk	No formal requirement for further action, unless escalation of risk is possible	Work stream leaders, project managers

RISK AREAS

Risk ID	Type of Risk	Category	Division	Who is responsible for following up and managing this risk	What could happen?	How likely is it to occur?	How severe is it when it does occur	Risk Matrix value	Combined rating	What are we doing about the risk?	What other actions need to happen to manage this risk	Risk Rating with Risk Mitigation actions applied	Any occurrence of events	Comments
R0001	Strategic	Business Continuity	All	Chief Executive	Impact of severe weather, fire, natural disasters on Council infrastructure, Council-owned Forestry	3	4	12	Significant	<ul style="list-style-type: none"> Policies Asset Management Plans Civil Defence Phone-In Facilities Insurance Cover Secondary Ops centre (Gorge Road) 	Consider contingency fund to cover unbudgeted repair works to protect existing works program.	Significant		Flooding is the highest risk/impact - we need to be prepared Wind secondary Infrastructure survives very well at present
R0002	Strategic	Governance	Mayor	Mayor	Councillors: confidentiality, conflicts of interest, bad decisions, ignorance of ignoring statute, failing to meet timelines, "loose tongues", disposal of papers (particularly sensitive council papers)	2	4	8	Significant	<ul style="list-style-type: none"> Workshop topics Publications (Auditor General) Email to Councillors via Council network Education Professional Advice LGNZ Advice Members handbook Legal opinions Identify conflicts of interest Use of Council facilities Leadership 	<ul style="list-style-type: none"> Continuation of Formal and Informal training Being transparent / information sharing 	Moderate		Individuality will always come in to play
R0003	Strategic	Reputation	Councillors	Councillors	Non-functional Council (Council unable to make resolutions due to irreconcilable differences)	1	4	4	Moderate	<ul style="list-style-type: none"> Councillor workshops, Councillor retreats and keeping all elected members informed (no surprises) 	<ul style="list-style-type: none"> Government intervention General Elections 	Moderate		
R0004	Strategic	Reputation	All	Chief Executive	<ul style="list-style-type: none"> Neglecting to act at correct or prescribed time Tending towards Customer Service issue predominantly We do not react when we should 	2	5	10	Significant	<ul style="list-style-type: none"> Appropriate relationship maintained between Mayor and CE Regular timeline reviews Open communication between Leadership Team and Elected Members Evidence based reporting to Council 	Regular Planning meetings	Moderate		
R0005	Strategic	Business Continuity	All	Chief Executive	Local Government Building destroyed by Earthquake/ Fire	1	5	5	Moderate	<ul style="list-style-type: none"> IT Information recovery (off-site back-ups) Insurance coverage Impact on staff from injury, lack of workplace Business Continuity plan Secondary Ops centre (Gorge Road) 	Availability of Waimate Event Centre and Works yard as secondary operational centres	Moderate		Fire is major issue - other events likely to impact whole District
R0006	Strategic	Business Continuity	Planning and Regulatory	Regulatory and Compliance Manager	IANZ Accreditation - potential loss of accreditation	2	3	6	Moderate	<ul style="list-style-type: none"> Constant monitoring of IANZ assessments. To be reviewed by CE and Audit Committee 		Low		
R0007	Strategic	Strategic Planning	All	Chief Executive	Non-completion of Performance measures and failure to understand their significance	1	1	1	Low	<ul style="list-style-type: none"> Good procedures and systems in place Better understanding of measures 	Audit Team monitoring	Low		
R0008	Strategic	Legislation and compliance	All	Chief Executive	<ul style="list-style-type: none"> Compliance with all Statutes Government's 3 waters review may result in new regulation and aggregation Four wellbeing's 	2	3	6	Moderate	<ul style="list-style-type: none"> Archive mechanisms in place CE Review Audit and Risk Committee Legislation/LGNZ newsletters regularly Published timelines Working to due process and prescribed timelines Liaise with Audit NZ 	<ul style="list-style-type: none"> Distribute Anderson Lloyd newsletters to Councillors Internal Audit projects 	Low		Revisit pending Aon Insurance conversation
R0009	Strategic	Market Forces	Finance	Corporate Services Group Manager	<ul style="list-style-type: none"> Insurance cost and changes in nature of the cost Other standard costs on the increase Changes in property Valuations (QV) 	2	3	6	Moderate	<ul style="list-style-type: none"> LAPP Use of Insurance Broker All of Government Contracts availability 	<ul style="list-style-type: none"> Review insurance cover required. Review what needs to be fully insured, have limited cover, have fire cover only, or be self-insured. Other Shared Services/All of Government contracts that may become available 	Moderate		Further "Pick and Mix" reviews required on insurance covers with Probability/Consequences to be reviewed during insurance renewal process.

Risk ID	Type of Risk	Category	Division	Who is responsible for following up and managing this risk	What could happen?	How likely is it to occur?	How severe is it when it does occur	Risk Matrix value	Combined rating	What are we doing about the risk?	What other actions need to happen to manage this risk	Risk Rating with Risk Mitigation actions applied	Any occurrence of events	
Risk ID	Type of Risk	Category	Division	Who is Accountable?	Risk Description	Likelihood	Impact		Risk level	Current risk mitigation	Future risk mitigation		Incidents	Comments
R0010	Operational	Legal and Contractual	All	Chief Executive	<ul style="list-style-type: none"> Incurrence of Legal costs Minimise the cost of Legal Opinions, mitigate conflicting opinions and monitor New Legislation Breach of Public Liability creating exposure and cost 	3	4	12	Significant	<ul style="list-style-type: none"> Up to date Policies, specifically Procurement, HR and Delegations Policy Standard Conditions of contract File of Legal opinions maintained. Legal activity to be approved by CE (re delegations Policy) Annual report of legal matters discussed with Council (confidential) 	CE with sole delegation to instruct Legal advisors and involved in all litigation	Moderate		Predicting occurrence of events not easy
R0011	Operational / Strategic	Fraud / Theft / Bribery / Corruption	All	Chief Executive / Corporate Services Group Manager	<ul style="list-style-type: none"> Theft of assets, portable & attractive items or cash Acceptance of bribes Acceptance of Gifts 	3	3	9	Significant	<ul style="list-style-type: none"> Review Councils Fraud Policy and training for the nominated fraud officers Maintain accurate asset registers and asset owners Staff awareness and training Whistle blower policy 		Moderate		Fraud awareness and Bribery & Corruption training was undertaken by all available staff and elected members in March 2019. Council's Fraud Policy was reviewed and adopted by Council in October 2019. Asset stocktakes are undertaken by class of asset as appropriate.
R0012	Operational	Non Compliance	Assets	Asset Group Manager	Supply of non-potable water	3	5	15	Extreme	<ul style="list-style-type: none"> SCADA monitoring and reporting Testing for bacterial compliance Monitoring adverse weather events Monitoring and regulating catchment activities (Regional and District Plans) Maintenance of approved Water Safety Plans alongside regular implementation reviews Inclusion of "Critical Control Points" and associated procedures Residual chlorination 	Programmed upgrades of all supplies to achieve compliance with the Health Act 1956, Health (Drinking Water) Amendment Act 2007, and the Drinking Water Standards for New Zealand 2005 (Revised 2008) (DWSNZ). See Waimate District Council 2018-28 Long Term Plan.	Moderate	Bacterial transgressions have occurred in the past with appropriate measures implemented. These include the transgression response procedures required by DWSNZ or the issue of Boil Water Notices (Permanent and Temporary) where controls are considered inadequate.	Predicting occurrence of events not easy. Council has participated in the Canterbury Drinking Water Reference Group and the CE Forum directed investigation into voluntary aggregation of water services (attended by DIA and ECan representatives). Enhanced monitoring and control implemented for high risk schemes prior to full upgrades to meet DWSNZ.
R0013	Strategic / Operational	Financial	Finance	Corporate Services Group Manager	<ul style="list-style-type: none"> Unaffordable rates Not operate within budget Unable to maintain agreed levels of service Increased borrowing / debt limits Alpine Energy share revaluation 	4	3	12	Significant	<ul style="list-style-type: none"> Report income and expenditure against budget monthly and annually Performance reporting quarterly and annually 	Continually monitor internally	Moderate		Budget variation reports are provided to Council on a quarterly basis
R0014	Operational	Cyber security	All	Corporate Services Group Manager	<ul style="list-style-type: none"> Cyber threats Compromised availability of systems Sensitive information exposed 	3	3	9	Significant	<ul style="list-style-type: none"> Commissioning of Cyber Security Review Report Cyber Security Project Preventative operational processes 	Completion of Cyber Security Project to achieve project outputs	Moderate		The Cyber Security Project has been completed. Training was delivered to staff and elected members during February and March 2019. Customisation of reports to describe cyber-security threats and incidents has progressed. A Computer Systems Use policy was reviewed and completed in February 2020. Further prioritised options to mitigate have been identified.
R0015	Operational	Roading Quality Assurance	Assets	Asset Group Manager	<ul style="list-style-type: none"> Contracts not being performed to the standard required Unsafe bridges 	3	2	6	Moderate	<ul style="list-style-type: none"> Audits carried out Inspections completed Failures identified 	<ul style="list-style-type: none"> Increased audit numbers Increased work inspections 	Low		
R0016	Operational	Management of Closed Landfill Sites	Assets	Asset Group Manager	<ul style="list-style-type: none"> Illegal dumping at closed sites Exposure of legacy materials Leachate causing contamination 	2	3	6	Moderate	<ul style="list-style-type: none"> Sites are visually monitored by staff Some sites groundwater monitored Identify contingent liability associated with sites 	Increase monitoring frequency	Moderate	Hook landfill where erosion exposed old material. River realigned to protect edge of closed landfill.	Once new contract commences 1 Jul2021, provision of CCTV will be considered after an operational period is complete.
R0017	Operational and reputational	Compliance & Enforcement	Regulatory & Compliance	Regulatory & Compliance Group Manager	Conduct a regulatory function subsequently found in proceedings to be in error or ultra	3	3	9	Significant	<ul style="list-style-type: none"> Follow enforcement policy guidance Provide appropriate and current training to staff 	<ul style="list-style-type: none"> Provide training for staff and managers Continued vigilance to ensure 	Moderate		Council may choose to warrant enforcement officers to issue

Risk ID	Type of Risk	Category	Division	Who is responsible for following up and managing this risk	What could happen?	How likely is it to occur?	How severe is it when it does occur	Risk Matrix value	Combined rating	What are we doing about the risk?	What other actions need to happen to manage this risk	Risk Rating with Risk Mitigation actions applied	Any occurrence of events	
Risk ID	Type of Risk	Category	Division	Who is Accountable?	Risk Description	Likelihood	Impact		Risk level	Current risk mitigation	Future risk mitigation		Incidents	Comments
					vires (done beyond one's legal power or authority).					<ul style="list-style-type: none"> • Liaise closely with manager around work being conducted so assess risk to organisation • Seek legal advice where appropriate 	<ul style="list-style-type: none"> • current best practice is followed • Monitor current case law • Ensure regular meetings occur between manager and regulatory practitioners to ensure on going risk assessment is undertaken 			infringement notices under section 372 of the Act. Any enforcement activities are to follow policy guidelines, and any enforcement action beyond minor instances should be backed by legal advice.
R0018	Strategic / Operational	Investments	Finance	Corporate Services Group Manager	<ul style="list-style-type: none"> • Lesser return on investment compared to that anticipated, resulting in reduced income to use to potentially offset against rates • Loss on value of investment • Volatility of market prices i.e. forestry 	3	3	9	Significant	<ul style="list-style-type: none"> • Follow our Investment Policy • Monitoring returns on investments • Participation in Shareholder, company and board represented meetings for Alpine Energy Limited to ensure District's wishes are heard • Engaged Forestry Consultants to provide advice 	<ul style="list-style-type: none"> • Consider alternative investment opportunities • Ensure active participation in Shareholder, company and board represented meetings for Alpine Energy Limited • Reduce reliance on investment returns used to offset rates 	Moderate	<ul style="list-style-type: none"> • Present economic climate is exhibiting low returns on investments due to low interest rates • Reduction of Alpine Energy Dividend in 2020/21 financial year expected to continue for the foreseeable future. 	The 2020/21 Annual Plan, and 2021-31 Long Term Plan budgets incorporated a reduction in reliance on Alpine Energy Dividend funds used to offset rates in order to spread our exposure to the anticipated income reduction.
R0019		Climate mitigation and adaptation		Chief Executive	<ul style="list-style-type: none"> • Higher proportion of extreme weather events • Financial (from disaster mitigation and recovery and transitioning to low carbon economy) • Legal - Planning provisions need to recognise for the management of significant risks from natural hazards. 	3	4	12	Significant	<ul style="list-style-type: none"> • Update planning and GIS provisions including possible prohibition of building in certain areas or restricted designs. • Liaise with Ecan, LGNZ and other TA's • Show leadership through action 	<ul style="list-style-type: none"> • Flood erosion protection • Infrastructure relocation • Map carbon footprint and identify opportunities to reduce emissions 	Significant	<p>We are experiencing a change in climatic conditions.</p> <p>Under the Resource Management Act 1991 (RMA) local government is required to consider the effects of a changing climate on communities. It is also required to incorporate climate change into existing frameworks, plans, projects and standard decision-making procedures. A climate change perspective is now integrated into activities such as flood management, water resources, planning, building regulations and transport</p>	<p>Council is about to review its District Plan.</p> <p>Climate mitigation and adaptation requires global investment and is a long-game.</p> <p>New Zealand accounts for 0.17% of the world's greenhouse gases, but we rank much higher on a per capita basis (18 per person per year)</p> <p>WDC as a minor player in the overall ability to reduce this risk, therefore the risk is assessed at remaining Significant.</p>
R0020	Operational	Pandemic		Chief Executive	<ul style="list-style-type: none"> • Part or all of community locked down for extended periods, including Council. • Inability to deliver statutory functions. • Loss of revenue. • Potential high levels of sickness/mortality across all of staff, leadership and governance. • Significant impacts on corporate planning cycle (A/P's & LTP's) • Council heavily relied on to provide for welfare needs in the community (food, shelter and access to medical services). • Supply Chain Disruption 	1 to 2	4 to 5	8 to 10	Significant	<ul style="list-style-type: none"> • Completed a Pandemic Plan that aligns with the National Pandemic Plan and has incorporated local learnings from the COVID-19 response. 	<ul style="list-style-type: none"> • Consider developing some generic business continuity planning to provide a high level framework across a number of scenarios. 	Significant	<p>COVID-19 had all Council sites closed for 7 weeks and only very limited services available throughout the lockdown period – particularly at Alert Level 4.</p>	The Waimate District Council Pandemic Plan was developed at the beginning of the COVID-19 lockdown period and updated after the lockdown period to incorporate the learnings from it.
R0021	Operational	Human Resources Stress and Work Overload	All	Chief Executive	<ul style="list-style-type: none"> • Potential high levels of sickness/depression/mortality across all of staff, leadership and governance • Decision making impaired • Vehicle/workplace accident increase • High staff turnover 	4	3	12	Significant	<ul style="list-style-type: none"> • Ensuring adequate staff resources • Job descriptions are reviewed for impact employees • Communication across the organisation manager / staff regular meetings • Maintain positive work culture and team building • Encourage breaks/leave • Workplace Support available • Health Monitoring • Communication is vital! 	<ul style="list-style-type: none"> • Constantly monitor staff to ensure the steps minimise harm • Review levels of resourcing • Monitor workload of staff • Continuation of wellbeing / team building events 	Significant	<p>Two external / unplanned events have created massive work streams for Councils, COVID-19 being a large disrupter; and the Three Waters Reforms being a large unplanned work stream.</p> <p>1. The disruption from COVID primarily impacted on Councils BAU and more directly on the Annual Plan and LTP productivity with this project being set-back approximately six weeks.</p> <p>2. The Governments Three Waters Reform, scoping, planning, design and associated Request for</p>	<p>Both of these disrupters are external and beyond the control of the WDC. It is disappointing that the Government is fast-tracking the implementation of major policy changes beyond Local Governments ability to adapt, scope, plan, build and adopt these changes in a controlled and timely manner and no relief to existing statutory deadlines.</p> <p>With regards to staff health and wellbeing, we expect to be operating at maximum capacity until June 2021. It is clear that WDC requires additional resources in the</p>

				Who is responsible for following up and managing this risk	What could happen?	How likely is it to occur?	How severe is it when it does occur	Risk Matrix value	Combined rating	What are we doing about the risk?	What other actions need to happen to manage this risk	Risk Rating with Risk Mitigation actions applied	Any occurrence of events	
Risk ID	Type of Risk	Category	Division	Who is Accountable?	Risk Description	Likelihood	Impact		Risk level	Current risk mitigation	Future risk mitigation		Incidents	Comments
													Information (RFI) added approximately 800 hours work (or two staff at 10 weeks)	finance area. Council can expect leave liabilities to grow and remain high for the short to medium term (8 months). All staff will be closely monitored.

6.7 2020/21 MAJOR PROJECT UPDATE

Author: Dan Mitchell, Asset Group Manager

Authoriser: Dan Mitchell, Asset Group Manager

Attachments: 1. Major Projects Report [!\[\]\(a03a7eb2f4046e1d3c76772003e549ea_img.jpg\)](#) 

PURPOSE

The 2020/21 Major Project list as at 31 December 2020 is submitted for the information of the Audit and Risk Committee.

RECOMMENDATION

That the 2020/21 Major Project Update report is accepted.

2020-21 Major Project Report
As at 31 December 2020

Financial Year	Project	Project Description	Budget	Spend to Date	% Complete	Status		Comments / Issues / Risks / Reasons
						Time	Budget	
Water Supply								
2016/17 (carry forward)	Lower Waihao DWSNZ CAP funded upgrade	Planned project that will increase service levels for 2016/17	Subsidised	\$350,798	25%			A joint Request for proposal (Early Contractor Involvement) has been started. Timeline has been put at risk due to Government's RFI. Staff resources were diverted away from project. Some analytical monitoring equipment has been installed in previous year.
2018/19 (carry forward)	Cannington DWS NZ Compliance upgrade	Drinking Water Standards upgrades to meet compliance. (Install Monitoring and Control in the interim, while waiting for Government direction on legislation and standards).	\$700,000	\$15,181	50%			On hold until Government can give clear direction on Drinking Water Standards changes and funding. Monitoring and control is planned to be installed. However Monitoring and control is being installed for greater control of site in agreement with the MoH and DWA. A new shed, power to site and telemetry have been installed.
2019/20 (carry forward)	Hook / Waituna - Drinking Water Intake/Plant Compliance Upgrade	Drinking Water Standards upgrades to meet compliance	\$399,300	\$0	0%			Carried over from 2018/19. A joint Request for proposal (Early Contractor Involvement) has been started. Timeline has been put at risk due to Government's RFI. Staff resources were diverted away from project.
2020/21	Lower Waihao - Drinking Water Intake/Plant Compliance Upgrade	Drinking Water Standards upgrades to meet compliance	\$921,000	\$15,690	2%			Carried over from 2018/19. Planning Request for Proposal to upgrade both Hook and Lower Waihao. A joint Request for proposal (Early Contractor Involvement) has been started. Timeline has been put at risk due to Government's RFI. Staff resources were diverted away from project.
2019/20	Otaio / Makikihi - Tavistock Bore - Treatment Filter & UV	Drinking Water Standards upgrades to meet compliance	\$143,400	\$51,577	80%			Nearing Completion. Project managed in house. Medium Pressure UV and analytical equipment have been purchased and analytical equipment installed. Pipework and electrical control in progress.
2020/21	Waihaorunga - Drinking Water Intake/Plant Compliance Upgrade	Drinking Water Standards upgrades to meet compliance. (Install Monitoring and Control in the interim, while waiting for Government direction on legislation and standards).	\$526,500	\$3,038	80%			On hold until Government can give clear direction on Drinking Water Standards changes and funding. Monitoring and control has been installed at Waihaorunga Main. Currently monitoring and control is also being installed at Tavendales Plant, in agreement with the MoH and DWA.
2020/21	Waikakahi - Drinking Water Intake/Plant Compliance Upgrade		\$1,474,200	\$0	0%			Note, New Treatment Plant upgrade is on hold with the agreement of DWA until 2020/21 and clearer direction on legislation and standards. Investigation has started into alternate source, which did not yield any usable water. Turbidity meter installed at shed. Further investigation on source as part of stimulus funding (Delivery Plan).
2019/20	Urban Water - Rising Main Renewals		\$130,400	\$7,038	5%			Easements for Stage 5 Rising Main. Remaining to be used for Urban pipe renewal / pressure management.
2020/21	Urban Water - Lateral Renewals		\$61,680	\$11,369	18%			Ongoing Toby and lateral renewals
2019/20	Urban Water - Tim Rd Plant - Treatment Filter & UV		\$278,588	\$98,083	35%			Project managed in house. Medium Pressure UV and analytical equipment have been purchased, and analytical equipment installed. Pipework in progress. Three contractors were asked to quote Electrical and control work. <i>Note</i> , there have been further developments around quoting. Only one quote came in out of three, and at a high than expected figure, which has lead to open tender being put out to public. There is potential for some risk to budget.
2020/21	Urban Water - AC Water Main Renewals		\$115,830	\$7,791	7%			Contract 19/24 Parsonage Road, and 20/23 Paul St water mains renewal.
2020/21	Urban Water - CI Water Main Renewals		\$212,780	\$167,117	79%			Contract 19/24 Parsonage Road, and 20/23 Paul St water mains renewal.
Sewerage and Sewage								

Financial Year	Project	Project Description	Budget	Spend to Date	% Complete	Status		Comments / Issues / Risks / Reasons
						Time	Budget	
2019/20	Investigate inflow and infiltration	Infiltration investigation from surface influences i.e. illegal storm water connections	\$6,169	\$0	0%			Project now part of delivery plan. Consultant engaged and work has commenced.
2020/21	Sewer - Waimate Urban Renewals		\$530,897	\$272,944	51%			High Street Upgrade(s) complete. Remainder re-allocated to Queen Street Upgrade. New enabling manhole on Queen Street installed. Contract ready to be tendered.
2018/19	Sewer - Edward Street Upgrade (Renewal)		\$551,000	\$22,405	4%			Project to be informed by inflow investigation works. Contingent on latter works being completed before committing to final design
Storm water Drainage								
2019/20	Storm water - Consent & Management Plan		\$30,000	\$119,287	70%			Consent application lodged and currently on hold. Some difficulty in obtaining approval from land owners at the various points of discharge.
2019/20	Storm water - Queen Street Upgrade		\$133,640	\$17,255	13%			Project now part of delivery plan. Tender documents ready to go to market.
No Major projects planned for 2020/21								
Delivery Plan - Stimulus Funded								
2020/22	Delivery Plan Works	Various Projects	\$4,600,000	\$2,958	5%			Stimulus Funding is \$3.36M. Council Funding is \$1.24M. Projects started include Reform Consultancy, New Staff, Reservoir and Break Tank Upgrades, Desludging of WWTP Ponds, Update of Rural and Urban Hydraulic Models, Sewer Inflow Investigation and Queen Street Upgrade. A number of transactions not reflected in financials presented as they relate to early purchase of stock (water meters, tanks etc.) Some projects contingent on others and therefore pose a risk if not managed well. Detailed report to be presented at next available meeting
Waste Management								
2020/21	Weighbridge	The installation of a weighbridge at the RRP so a weight based charging system can be introduced.	\$120,000	\$0	5%			Supplier selected. Weighbridge, booth and software to be operational prior to 1 July 2021.
Property								
2018/19	Waimate Library extension		\$1,400,000	Nil	0%			Delayed due to investigation into Library / LGC redevelopment proposal
2016/17 (carry forward)	Public toilets (new) Waimate town and review of District toilets		\$200,000	Nil	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

6.8	AUDIT NZ PRESENTATION - 11.00AM
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Author: Karalyn Reid, Committee Secretary and PA to the Mayor
Authoriser: Tina Stevenson, Corporate Services Group Manager
Attachments: Nil

PURPOSE

Audit NZ Director Rudie Tomlinson and Manager Debbie Bradfield will be in attendance to present to the Audit and Risk Committee on the Report to Council that covers the 2020 audit and to discuss the proposed Long Term Plan timing and clarify and answer any related questions.

6.9 AUDIT NEW ZEALAND AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. **Audit NZ Report for the Year Ended 30 June 2020**  

PURPOSE

1. To provide the Audit and Risk Committee with the Audit NZ report on the audit of Council for the year ended 30 June 2020.

BACKGROUND

2. Audit New Zealand conducted their annual interim audit remotely due to COVID-19 by mutual agreement, commencing 30 March 2020. Their interim audit report was considered at the 9 June 2020 Audit & Risk Committee Meeting.
3. Audit New Zealand returned to complete the final audit of Council's Annual Report 2020 from 31 August 2020.
4. Council adopted the audited 2020 Annual Report on 15 December 2020, within the statutory timeframe which was temporarily extended to 31 December 2020 due to the impact of COVID-19.
5. Council staff have provided management comments in response to those recommendations identified by Audit NZ with these comments incorporated into the attached report.
6. The new and updated recommendations have been incorporated into the Audit NZ Recommendations report, to be discussed in a separate agenda item within this meeting.

PROPOSAL

7. That the Audit & Risk Committee receives the Audit New Zealand Audit Report and provides feedback on any areas within the report, giving direction for any related actions.

ASSESSMENT OF SIGNIFICANCE

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

FINANCIAL

9. There are no known budget considerations.

RECOMMENDATION

1. That the Audit New Zealand Audit Report for the year ended 30 June 2020 report is accepted; and
2. That the Audit New Zealand Audit Report for the year ended 30 June 2020 is received.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Waimate District Council

For the year ended 30 June 2020

Contents

Key messages	3
1 Recommendations.....	4
2 Our audit report.....	6
3 Matters raised in the Audit Plan.....	8
4 Other important matters	12
5 Public sector audit	19
6 Useful publications	20
Appendix 1: Status of previous recommendations	24
Appendix 2: Corrected misstatements.....	28
Appendix 3: Disclosures	34

Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where Waimate District Council (the Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued an unmodified audit opinion dated 11 December 2020.

Without modifying our audit opinion, we included an emphasis of matter paragraph. The paragraph draws the reader's attention to the Council's disclosure regarding the actual and possible impacts of the COVID-19 pandemic.

Matters identified during the audit

This report focuses mainly on audit risks and issues identified in our audit plan, how we addressed these during the audit, and the outcomes from our audit responses.

The interim audit focused on the Council's control environment and systems of internal controls. This report complements our Report to the Council on our interim audit dated 5 May 2020.

Thank you

We would like to thank the Council, management and staff for the assistance received throughout the audit.



Rudie Tomlinson
Appointed Auditor
22 January 2021

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 use the following priority ratings for our recommended improvements.

Explanation	Priority
Needs to be addressed <i>urgently</i> 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.	Urgent
Address at the earliest reasonable opportunity, <i>generally within six months</i> 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.	Necessary
Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view, it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Accounting for the interest in Downlands Water Scheme (DWS) That discussions between Waimate District Council, Mackenzie District Council and Timaru District Council continue with the aim of clarifying the terms of the Downlands Water Scheme joint committee agreement to mitigate the risk of political, accounting and auditing issues going forward.	4.2	Necessary
Vested assets Ensure that the historic courthouse/museum is included in the land and buildings valuation as at 30 June 2021. Also ensure that the valuer performs a retrospective valuation to accurately determine the property's fair value as at the vesting date of 25 September 2014, so that the prior period error can be fully resolved in the 2020/21 financial statements.	4.3	Necessary

Recommendation	Reference	Priority
Non financial performance reporting Council implements a formal traffic count programme to ensure that sufficient coverage of the roading network is achieved on a regular basis for smooth travel exposure reporting and to reliably inform asset management decisions. Council implements processes to ensure that traffic count data is accurately input into RAMM and to ensure that the judgements behind each estimate are documented and backed up by supporting evidence. That the draft performance reporting section of the annual report is subject to a rigorous quality review process.	4.4	Necessary
Property, plant and equipment reconciliations Regular reconciliations are performed between the fixed asset register and the asset management databases. All reconciliations are formally documented and independently reviewed and dated by another staff member.	4.5	Necessary
Sensitive expenditure approvals A one-up approval process for expenditure incurred by the Mayor and Deputy Mayor is implemented.	4.6	Necessary
Number of draft annual reports reviewed That the annual report and summary annual report are subject to appropriate quality review processes prior to release to the auditors.	4.7	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	0	5	2	7
Implemented or closed recommendations	0	3	0	3
Total	0	8	2	10

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 11 December 2020. This means we were satisfied that the financial statements and Council activities performance reporting present fairly the Council's activities for the year and its financial position at the end of the year.

Without modifying our audit opinion, we included an emphasis of matter paragraph. The paragraph draws the reader's attention to the Council's disclosure regarding the actual and possible impacts of the COVID-19 pandemic.

2.1 Uncorrected misstatements

The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Historic courthouse/ museum asset	1	TBC			
Vested asset revenue					\$333,900
Revaluation reserve				TBC	
Total parent					

Explanation of uncorrected misstatements

We have shown above an example of the required journals to correct the accounting for the historic courthouse/museum asset, which vested to the Council in the 2014/15 financial year – please refer to section 4.3 for further information.

We have not populated all of the values as we are not able quantify all of the exact amounts. The value of \$333,900 is management's best estimate of the property's fair value at the date of vesting (25 September 2014), being the rateable value as at 1 July 2013.

As noted in section 4.3, management needs to ensure that current and retrospective valuations of this property are performed as part of the land and buildings revaluation d to occur in 2020/21.

2.2 Corrected misstatements

We also identified misstatements that were corrected by management. The corrected misstatements are listed in Appendix 2. We have not reported the corrected misstatements that relate to minor edits of a presentation or grammatical nature.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 7 August 2020. This included the dates we required the information to be provided to us.

The draft annual report and supporting workpapers were provided in a timely manner at the commencement of the audit. However, the financial disclosures and non-financial performance reporting information were of a poor quality, as evidenced by the significant number of adjustments required (refer to Appendix 2).

Further to this, a significant amount of time was spent auditing certain sections, including the non-financial performance reporting, accounting for the Council's interest in the Downlands Water Scheme, and the Alpine Energy share valuation (refer also to sections 3 and 4 of this report). This has resulted in an overrun on the proposed fee, which we plan to seek a recovery on.

We would like to thank Tina Stevenson (Corporate Services Group Manager) and Melissa Thomson (Accountant), as well as other finance staff and the asset team, for their assistance provided throughout the audit.

3 Matters raised in the Audit Plan



In the table below, we set out the outcomes of our responses to the main risks and issues advised to the Council in our Audit Plan dated 1 April 2020.

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>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.</p> <p>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.</p> <p>The Council has a key role in mitigating this risk through the control environment in place at the Council. The control environment includes the governance and management functions and the attitudes, awareness, and actions of the Council 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.</p>	<p>We performed audit procedures to address the risk of management's ability to override controls. To address this risk, we:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; • evaluated any unusual or one-off transactions, including those with related parties; • reviewed the appropriateness and application of accounting policies to particular transactions including, for example, the treatment of costs as capital rather than operating expenditure and vice versa, and • reviewed the reasonableness of management judgements for accounting estimates, particularly accruals, provisions, impairments and fair value assessments. <p>We noted no indicators of management override in our audit.</p>
Valuation of property, plant and equipment	
<p>Fair values</p> <p>The Council periodically re-values its land, buildings and various infrastructure asset classes.</p> <p>PBE IPSAS 17 <i>Property, Plant and Equipment</i> requires that valuations are carried out with sufficient regularity to</p>	<p>Fair values</p> <p>Formal revaluations of the Council's roading, three waters, and sanitation infrastructural assets were undertaken by independent valuers as at 30 June 2020. These assets were previously revalued in the 2017 financial year.</p> <p>Roading assets were revalued by WSP (formerly Opus) resulting in a fair value</p>

Audit risk/issue	Outcome
<p>ensure that the carrying amount does not differ materially from fair value.</p> <p>Roading, sanitation and three waters assets will be revalued as at 30 June 2020. Management will be using this information to update the fixed asset register and underlying asset records. These revaluations have a significant impact on the overall carrying value of the Council's infrastructural assets, future depreciation charges, and rates set, this indicates that the valuations should be considered by the Council before acceptance.</p> <p>Where a class of assets is not subject to a revaluation in the current year, a formally documented assessment is required to confirm that its 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 in the audit.</p> <p>Impairment</p> <p>PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset must be estimated.</p> <p>The Council needs to prepare a formally documented impairment assessment to confirm whether any material impairment is required to be recognised in the financial statements.</p>	<p>increase of approx. \$19.6 million; three waters assets were revalued by BECA resulting in a fair value increase of approx. \$2.4 million; and sanitation assets were also revalued by WSP resulting in a \$nil fair value increase.</p> <p>We reviewed the valuation reports, and liaised with the valuers, to gain assurance over the appropriateness and reliability of source data, assumptions, and methodologies applied. This included understanding the key drivers of fair value movements, performing detailed testing of a sample of assets, and specifically considering the impact of COVID-19. We also obtained formal representations from the valuers regarding the suitability of the valuations for financial reporting purposes and their compliance with applicable accounting and valuation standards.</p> <p>Based on the audit evidence obtained, we gained assurance that revalued amounts are correctly recorded and disclosed in the financial statements.</p> <p>Land and buildings were not subject to a formal revaluation in 2019/20. Instead, the Council engaged Quotable Value (QV) to provide an indicative percentage movement in the value of these assets between 30 June 2018 (the date of the last revaluation) and 30 June 2020. We reviewed the reasonableness of QV's assessment and agreed with management's conclusion that there was no indication of a material fair value movement that would require a complete revaluation assessment.</p> <p>Impairment</p> <p>Management prepared an impairment assessment in relation to plant and equipment. This review, combined with verbal discussions and our own analysis, enabled us to gain sufficient assurance that recognition of a \$34k impairment in the financial statements is appropriate.</p>

Audit risk/issue	Outcome
Alpine Energy share valuation	
<p>The Council has 7.54% shareholding in Alpine Energy Limited (AEL). This investment is measured at fair value with gains/losses recognised in other comprehensive revenue and expense in accordance with the requirements of PBE IPSAS 29 Financial Instruments: Recognition and Measurement.</p> <p>We expect the Council to complete a valuation of their share of the investment to determine its fair value as at 30 June 2020.</p>	<p>Ernst & Young (EY) were engaged by the shareholders of AEL to perform a valuation of AEL as at 31 March 2020. The valuation showed that the fair value of the Council's shareholding had increased by \$0.57 million to \$15.2 million.</p> <p>We reviewed the valuation report and liaised with the valuer to gain assurance over the appropriateness and reliability of the source data, assumptions, and methodologies applied.</p> <p>In particular, we considered possible impacts of COVID-19 on the valuation, including the risk of heightened estimation uncertainty. Based on engagement with energy sector experts within Audit NZ and discussions with the valuer, we concluded that COVID-19 was unlikely to have had a material impact on the valuation.</p> <p>The EY valuation report was dated 31 March 2020. We therefore had to perform additional audit procedures in order to gain assurance that, had the valuation been performed at 30 June 2020, it would not have resulted in a value that is materially different from the midpoint value determined by EY as at 31 March 2020. This included obtaining specific representation from EY concerning both these matters.</p> <p>Based on this work, we gained sufficient assurance that the fair value of the Council's shareholding in AEL is fairly stated in the financial statements, and that the increase in value has been correctly recognised.</p> <p>In order to reduce required audit work and costs, we recommend that in future, when requesting the valuation, this is done early and it is made clear to AEL that the valuation report date should be 30 June.</p> <p>Management comment</p> <p><i>The recommendation is noted with options to address this to be considered and assessed in conjunction with AEL and the valuer.</i></p>

Audit risk/issue	Outcome
Accounting for the interest in Downlands Water Scheme	
<p>The Council has a 14% interest in the Downlands Water Scheme (DWS) which is jointly governed and administered with Timaru District Council (82% interest) and Mackenzie District Council (4% interest) under a joint standing committee agreement.</p> <p>In prior years, this interest has been accounted for using the proportionate consolidation method under PBE IPSAS 8 <i>Interests in Joint Ventures</i>. However, for 2019/20, the interest needs to be accounted for in accordance with the following new accounting standards:</p> <ul style="list-style-type: none"> • PBE IPSAS 36 Investments in Associates and Joint Ventures; • PBE IPSAS 37 Joint Arrangements; and • PBE IPSAS 38 Disclosure of Interests in Other Entities. <p>PBE IPSAS 36 redefines joint control, so it is important that the Council assesses whether its interest in the DWS meets the definition of a joint arrangement (the sub-categories of which are joint ventures and joint operations), or whether it constitutes an associate.</p> <p>This assessment should be performed in conjunction with a cross-Council review of the joint standing committee's terms of reference to confirm that they remain appropriate.</p> <p>It is important that the Council substantially completes this work prior to balance date to minimise the risk of disruption to the annual report timetable.</p>	<p>Please refer to section 4.2 below.</p>

4 Other important matters

4.1 Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic and two weeks later, the New Zealand government declared a State of National Emergency. The country was then in lockdown at alert level 4 for the period 26 March to 27 April and remained in lockdown at alert level 3 until 13 May. Restrictions were gradually lifted as the country then moved to alert level 2 on 13 May and alert level 1 on 8 June 2020.

The pandemic has had a significant impact on many public sector entities, both from an operational perspective as well as from a financial reporting and audit perspective.

Throughout the audit, we engaged with management to understand the impact of COVID-19 on the Council. Key areas of focus were:

- Confirming that in spite of remote working arrangements, management was able to maintain an effective control environment.
- Assessing the impact of economic uncertainties on the valuations of infrastructural assets, forestry assets and the Council's shareholding in AEL, as well as on the fair value assessment performed in respect of land and buildings, as discussed above.
- Understanding the extent to which the Council's levels of service were impacted.

We ensured that the annual report contains a separate disclosure, which adequately communicates both the financial and non-financial impacts of COVID-19 on the Council.

4.2 Accounting for the interest in Downlands Water Scheme (DWS)

Finding

Subsequent to our interim audit, Timaru District Council obtained legal advice from Anderson Lloyd, which specifically addressed the queries raised by our technical team and communicated to Council via our interim audit report.

Key conclusions reached by Anderson Lloyd were:

- The three councils jointly own the assets of the whole scheme; rather than each council owning only the assets physically located within their district.
- The joint committee is a committee of each of the three councils (a subordinate decision making body). It is not a separate legal entity and cannot acquire or hold assets in its own right.

- With joint ownership, the default position is that decisions need to be made by the unanimous consent of the three councils. The three councils have unanimously agreed to delegate certain decision making to the joint committee. However, the wording of the 2015 joint committee agreement is not sufficient to delegate *all* decision making regarding DWS to that joint committee. For other responsibilities not delegated to the joint committee or to Timaru District Council as manager, decisions would need to be made by the three councils jointly. This includes major decisions, such as divestment of the scheme, purchases of new land, and raising finance.

We also sought advice from the OAG's Legal Team who concurred with the conclusions reached by Anderson Lloyd.

Based on the legal advice and the requirements of the new accounting standards, management concluded that the Council's interest in DWS meets the definition of a joint arrangement and, more specifically, of a joint operation. In effect, this means that the same accounting treatment as applied in prior years can be continued – the impact of the new standards is negligible. We agreed with this assessment.

Our audit work involved confirming that updated disclosures in the financial statements are appropriate and comply with the accounting statements.

From a wider perspective, we understand that Timaru District Council is planning significant development of the scheme and plans to borrow funds to finance this capex. This prompts the question: which council(s) will legally own these improvements and is the obligation for the borrowings solely with Timaru District Council? As noted by Anderson Lloyd, the wording of the 2015 Agreement could be clearer regarding the scope of, and limits to, the responsibilities that have been delegated to the joint committee and to Timaru District Council as manager. From discussions with management, we understand that discussions are underway between the three councils to decide how the scheme should be managed going forward.

Recommendation

Discussions between the three councils continue with the aim of clarifying the terms of the agreement to mitigate the risk of political, accounting and auditing issues going forward.

Management comment

It is agreed that the terms of the agreement require clarification to mitigate the risks identified. Discussions with all three councils commenced in September 2020 and will be progressed early in the 2021 year.

4.3 Vested assets

Finding

In a Gazette Notice dated 25 September 2014, the Department of Conservation (DOC) revoked the appointment of the Waimate Historical Society Inc. to control and manage “the Waimate Court House Historic Reserve” and instead vested the reserve to the Council in trust for historic reserve purposes.

The Council has not previously accounted for the vesting of the historic reserve (which comprises land the historic courthouse/museum building), hence the property has not been reflected in the fixed asset register or general ledger. The property was also not included in the most recent land and buildings valuation as at 30 June 2018.

There appears to be no certificate of title for the property, hence no ‘official’ change of ownership came through the usual channel, which has resulted in management not accounting for the vesting. A review of Council meeting minutes and news media articles also highlighted delays and complications in the original plan to the vest the property to the Council, which, in turn, gave rise to confusion over who ended up owning it.

Due to the complexity of the matter, we sought technical advice. Key conclusions reached were that the Council assumed control and responsibility of the historic reserve from the vesting date of 25 September 2014. In the absence of a certificate of title, the Gazette Notice, which is issued under section 26 of the Reserves Act 1977, is the relevant legal documentation. This, in combination with the expenditure incurred by the Council on a roof upgrade and insurance, provides evidence that the Council has accepted the risks and rewards of ownership of the asset.

In order to correctly account for the property, its fair value as at the vesting date needs to be determined. Had the asset been accounted for correctly in the 2013/14 financial year, an asset and a corresponding fair value gain (through surplus/deficit) would have been recorded at this date. The property would then have been subject to subsequent revaluations as at 30 June 2015 and 30 June 2018 as part of the three yearly land and buildings revaluations for financial reporting purposes.

Management’s best estimate of the property’s fair value as at the vesting date is the rating valuation as at 1 July 2013 of \$333,900. Based on our materiality thresholds, we have not required management to restate prior year comparatives in the financial statements. The error has not been corrected in the 2019/20 financial year either because the exact amounts cannot currently be quantified in the absence of formal revaluations. We have therefore noted this as an uncorrected misstatement.

Management will be performing a full revaluation of all land and buildings as at 30 June 2021. The historic courthouse/museum needs to be included in this valuation in order to bring the asset into in the fixed asset register and general ledger at the appropriate amount. Management also needs to engage their valuer to perform a retrospective valuation of the property in order to accurately determine its fair value at the date of vesting.

Recommendation

Ensure that the historic courthouse/museum is included in the land and buildings valuation as at 30 June 2021. Also ensure that the valuer performs a retrospective valuation to accurately determine the property's fair value as at the vesting date of 25 September 2014, so that the prior period error can be fully resolved in the 2020/21 financial statements.

Management comment

The former courthouse will be included in the 2021 land and buildings valuation and a retrospective valuation as at 25 September 2014 will also be requested.

Furthermore, Council will work through the process of legal ownership, which will include considering the impact of ownership and engaging with the community.

4.4 Non-financial performance reporting**Finding**

Our review of the Council's performance reporting took longer than anticipated due to incorrect interpretation of the Department of Internal Affairs' (DIA's) mandatory measures relating to three waters complaints and fault response times. Although the Asset Team's interpretation of the measures was not unreasonable, we obtained further clarification from DIA regarding their measurement and disclosure requirements, which enabled workings to be revised.

In regard to roading measures, while auditing the smooth travel exposure calculation, we identified that only 12 traffic counts on sealed roads were completed during 2019/20 (the 21 traffic counts completed on unsealed roads are not relevant to this measure). All of these were completed between December 2019 and February 2020. We understand that the low number of counts was primarily attributable to staff changes/shortages and the COVID-19 lockdown period. However, such a small number of counts creates a risk that the smooth travel exposure result (a mandatory DIA measure), as well as roading management decisions, are not being based on robust data. We also identified that one of the 12 counts had not been input accurately into RAMM. Furthermore, we noted that the smooth travel exposure result is calculated based not only on traffic counts but also on traffic estimates. No documentation is maintained to support how the staff member determined the estimate, which reduces their auditability.

From an overall perspective, the first draft of the performance reporting section of the annual report did not appear to have gone through a rigorous quality review process. Consequently, we identified a number of errors, including inconsistencies in reported results, incomplete sentences, and basic formatting issues. It is good practice for the draft provided at the commencement of the audit to be scrutinised through an effective review process before release to the auditors.

Recommendation

Council implements a formal traffic count programme to ensure that sufficient coverage of the roading network is achieved on a regular basis for smooth travel exposure reporting and to reliably inform asset management decisions. We understand that since 1 July 2020, efforts have been underway to increase the frequency of traffic counts; however, a formal system for maximising regular coverage of the network has yet to be established.

Council implements processes to ensure that traffic count data is accurately input into RAMM and to ensure that the judgements behind each estimate are documented and backed up by supporting evidence. Reliance on traffic estimates should be reduced by ensuring that sufficient traffic counts are performed per above.

That the draft performance reporting section of the annual report is subject to a rigorous quality review process.

Management comment

The recommendation is noted. Staff intend to implement weekly quality assurance checks relating to data entered in to the corporate asset management system (AssetFinda). This action will reduce errors and omissions "at source" and provide for more accurate performance reporting.

Staffing levels essentially affected the number of traffic counts performed during the reporting year. Since 30 June 2020, staff levels have increased and this has enabled more traffic counts to be programmed. Quality assurance measures have also increased with checks now performed by the Roading Manager to ensure accurate information is held within RAMM software. The methodology utilised in the population of traffic count estimates will also be documented.

Robust quality assurance processes will undoubtedly increase the quality of performance reporting. This, paralleled with a rigorous final review, should deliver a much better outcome in future annual reports.

4.5 Property, plant and equipment reconciliations**Finding**

The fixed asset register and AssetFinda (asset management system) are reconciled for three waters assets on an annual basis. No formal reconciliations are currently performed on an annual or more frequent basis between the fixed asset register and RAMM for roading assets. However, during the revaluation process, various data verification checks are performed, and the revalued amounts are reflected in both RAMM and the general ledger, hence the two systems are effectively reconciled on a three yearly basis.

We also noted that the year-end reconciliation between the fixed asset register and the general ledger was not independently reviewed.

Recommendation

Regular reconciliations should be performed between the fixed asset register and the asset management databases, given that the former is used for financial reporting purposes and the latter form the basis of the Council's asset management activities and three yearly infrastructural revaluations.

All reconciliations should be formally documented and independently reviewed and dated by another staff member.

Management comment

The recommendation is noted. The assets and finance departments will consider how to improve their processes to enable regular reconciliations to occur and that they are documented and independently reviewed.

4.6 Sensitive expenditure approvals**Finding**

While performing sensitive expenditure testing, we noted that the Mayor and Deputy Mayor's expenditure is approved by the Chief Executive.

It is best practice for sensitive expenditure to be approved on a one-up basis which, in this situation, means that the Mayor's expenditure should be approved by two Councillors, and the Deputy Mayor's should be approved by the Mayor.

Recommendation

Implement a one-up approval process for sensitive expenditure incurred by the Mayor and Deputy Mayor.

Management comment

When next reviewing the Sensitive Expenditure Policy we will incorporate Audit New Zealand recommendations, that is, closer alignment to the OAG guidelines and best practice.

4.7 Number of draft annual reports reviewed**Finding**

In order to limit the number of draft financial statements (including summary financial statements) to be reviewed by Audit, it is important that the audit team receives an annual report and summary annual report that have been through the required quality control processes. As an example, ensuring consistency of disclosures throughout the documents and making sure that the full annual report and summary annual reports are aligned. We acknowledge that some drafts included changes that were the result of information

received late from Timaru District Council in respect of DWS and/or changes that related to our suggested improvements.

Recommendation

That the annual report and summary annual report are subject to appropriate quality review processes prior to release to the auditors.

Management comment

We concur with the comment that some of the drafts were due to information received late from Timaru District Council, or advice from the auditor's technical team or other third parties such as the DIA.

We note in previous years the Annual Report Summary has not been presented to Audit until clearance was provided on the Annual Report document. This year we were asked to have the Annual Report Summary ready much earlier to be reviewed alongside the full Annual Report document. This change in process resulted in a number of amendments and versions of the Summary and additional work for us also.

We will consider our review processes in order that improvements can be made.

5 Public sector audit



The Council is accountable to Parliament and 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 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 Council carrying out its activities effectively and efficiently;
- the 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 Council or by one or more of its members, office holders, or employees; and
- 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 reviewed the Council's compliance with significant legislation relevant to the annual report. No instances of non-compliance were identified.

We also performed a high level review of expenditure relating to air travel, accommodation, and training/conferences. No concerns regarding waste, probity or financial prudence were noted. However, we have raised a recommendation regarding sensitive expenditure approval processes as noted in section 4.5 above.

6 Useful publications



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

Description	Where to find it
COVID-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the COVID-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We are developing a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of property, plant and equipment and investment property; • service performance reporting; and • financial reporting. 	<p>On our website under good practice.</p> <p>Link: COVID-19 bulletins</p>
Client updates	
<p>As part of our response to the COVID-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to COVID-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p>	<p>Link: Model Financial Statements</p>

Description	Where to find it
<ul style="list-style-type: none"> 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. 	
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
Long-term plans and consultation documents	
<p>Having audited Long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP.</p> <p>We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to:</p> <ul style="list-style-type: none"> understand our responsibilities and our main focus areas in the audit; prepare better documents for their communities; and develop project plans that make their LTP process go smoothly. 	<p>On our website under good practice.</p> <p>Link: Long-term plans and consultation documents</p>
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p>

Description	Where to find it
<p>conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>Link: Conflicts of interest</p>
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: Severance payments</p>
Matters arising from the 2018/19 audits	
<p>The OAG has published a report on the results of the 2018/19 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Link: Local Government</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>

Description	Where to find it
<ul style="list-style-type: none">• severance payments.	
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p>	<p>On the OAG's website under publications.</p> <p>Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Compliance with Investment Policy		
To ensure compliance with the Investment Policy.	2019/20 interim report	Open recommendation No further instances of non-compliance were identified during our final audit visit. We will re-review as part of the 2020/21 interim audit.
Quality assurance review of the draft Council activities performance reporting		
Subject the draft Council activities performance reporting to an effective review process.	2018/19	Open recommendation Please refer to section 4.3 above.
Correctly recording incidents in Asset Finda		
To ensure that staff correctly enter information into Asset Finda, the Council should develop a handbook and educate staff on its use.	2018/19	In progress – improvements noted When reviewing the population of water faults recorded in Asset Finda for 2019/20, we identified 34 works requests where the resolution time was less than the attendance time due to inaccurate input of dates/times. Based on a total population of 636 works requests for urban and rural water, this equates to 5.3%. This is an improvement on the prior year rate of 7.3%. For sewerage faults, we noted that one out of 14 works requests had a resolution time less than the attendance time, which equates to 7.1% compared to 0% in prior year. We recommend that the Council continues to remind staff about the importance of accurate data recording in AssetFinda given that this data forms the basis for

Recommendation	First raised	Status
		reporting against DIA's mandatory performance measures.
Payroll processing super users		
The Council should complete a periodic comparison of approved timesheets to what has actually been processed to ensure any anomalies or changes can be adequately explained.	2017/18	In progress – improvements noted Based on correspondence with the HR Manager, we understand that a new control has been implemented in 2019 to address this risk as it pertains to manual timesheets. However, we have been advised that there is presently no control around employees who complete electronic timesheets.
Internal controls regarding property, plant and equipment		
Strengthen internal controls around property plant and equipment: <ul style="list-style-type: none"> Regular stocktakes and timely reconciliations between the general ledger and fixed assets register should be performed to confirm the existence and accuracy of these asset records. Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year. 	2013/14	Open recommendation Please refer to section 4.4 above.
Beneficial		
Enhancing sensitive expenditure policies		
Consider updating the sensitive expenditure policies to fully comply with the OAG's good practice guidelines, as applicable to the Council.	2019/20 interim report	Open recommendation We will re-review as part of the 2020/21 interim audit.
Project and contract management		
Consideration to be given to enhancing contract management and project management policies and practices. For contract management, the Council could:	2013/14	In progress – improvements noted The Council's procurement policy was updated in October 2019. It establishes a comprehensive list of principles to guide procurement, which are based on the Government Procurement Principles and Charter.

Recommendation	First raised	Status
<ul style="list-style-type: none"> • have an overall policy outlining an organisationally consistent approach to contract management; • implement more detailed reporting of contract monitoring to Council; • 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 • complete a self-review to identify areas for improvement. <p>For project management, the Council's grading here could be improved through:</p> <ul style="list-style-type: none"> • development of Council wide formal project management practices; • conducting post implementation reviews on completed projects; • consideration of independent quality assurance over projects; and • more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports. 		<p>The revised policy retains the same supplier selection process, which specifies certain procurement methods based on the nature and value of procurement.</p> <p>There have been no substantial changes to the Council's contract and project management practices since prior year.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Property, plant and equipment revaluations		
<p>We recommended:</p> <ul style="list-style-type: none"> 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	<p>Closed</p> <p>No issues noted in relation to incomplete revaluations or poor quality assurance processes in 2019/20.</p> <p>Please also refer to section 3 above.</p>
Property, plant and equipment fair value and impairment assessments		
<p>The Council needs to prepare a formally documented fair value assessment for each revalued asset class that is not subject to a revaluation in the current financial year, in order to determine whether there are any indications that the carrying values recorded in the general ledger are no longer materially consistent with the fair values.</p> <p>Similarly, for assets recorded at cost, the Council needs to prepare a formally documented impairment assessment in order to determine whether there are any indications of impairment.</p>	2013/14	<p>Closed</p> <p>Management prepared a formally documented fair value assessment for land and buildings as well as an impairment assessment for plant and equipment.</p> <p>Please also refer to section 3 above.</p>
Interest in Downlands Rural Water Scheme (DWS)		
<p>Assess whether the Council's interest in the DWS meets the definition of a joint arrangement and, if so, whether it is a joint venture or a joint operation, or whether it is that of an associate.</p> <p>Design and perform steps to confirm that the value of the investment is accurate, including consideration of impairment indicators.</p>	2018/19	<p>Closed</p> <p>The Council has implemented the new accounting standards in 2019/20.</p> <p>Please refer to section 4.2 above.</p>

Appendix 2: Corrected misstatements

Corrected disclosure deficiencies

Detail of disclosure deficiency
<ul style="list-style-type: none"> • Message from the Mayor and Chief Executive - Underspend on water supply capex should be \$1.75 million rather than \$1.95 million per the capex disclosure on p. 78 (i.e. currently does not factor in the Downlands update). • About the Annual Report – Should refer to year two of the LTP rather than year one. • COVID-19 impact disclosure: <ul style="list-style-type: none"> ○ Needs to include impact on rates given that this is Waimate District Council (WDC's) main revenue stream. Wording can be similar to the impact assessment prepared by management. ○ Wording around employee benefit expenses to be revised. TOIL was expensed in FY20 so technically there is an "additional cost", just not a cash outflow - i.e. increased leave liability. The impact on employee entitlements liability due to TOIL earned and staff not taking annual leave over lockdown should also be disclosed. Wording can be similar to the impact assessment prepared by management. ○ Disclosure needs to explain how COVID-19 impacts were considered in the infrastructural asset revaluations, e.g. summary of the COVID-19 comments in each of the valuation reports - incl. reference to BECA's significant valuation uncertainty paragraph. Similarly, this disclosure needs to explain how COVID-19 impacts were considered in the forestry and Alpine Energy shares valuations as well as the fair value assessment for land and buildings. These disclosures can be included in full in the COVID-19 impact disclosure, or in the relevant notes and then cross-referenced in the COVID-19 impact disclosure. • Standard note - All financial statements (excluding the Statement of Accounting Policies) need to contain the following or similar sentence: "The accompanying notes form an integrated part of these financial statements". • Totals per the whole of Council funding impact statement and the reconciliation to net surplus do not agree. There is a variance of \$90k, which relates to funding received for the Waimate Event Centre Community garage. • Debt control benchmark – Wording to be revised to reflect 2019 position. • Essential services benchmark – FY20 result is incorrect due to the amount of water supply capital expenditure in the workings being overstated. • Statement of Accounting Policies: <ul style="list-style-type: none"> ○ The section titled "Standards issued but not yet effective, and not early adopted" needs to be moved to above the "Significant accounting policies" heading. ○ Need to add in a sentence regarding planned adoption date and expected effects of the standards referenced in the above disclosure e.g. see Audit NZ model financial statements.

Detail of disclosure deficiency

- Inventory – Paragraph from prior year financial statements has been omitted and should be included.
- Budget figures – Should refer to the 2019/20 Annual Plan, as this is the source of the budget figures presented on the face of the financial statements.
- Cost of service statements – To be deleted.
- Foreign currency transactions – To be deleted.
- PPE accounting useful lives to be updated to align with the valuation reports (including DWS).
- Critical accounting estimates and assumptions - In addition to the landfill aftercare provision and infrastructural assets, the following key estimates and assumptions need to be disclosed:
 - Alpine Energy - determining fair value of investment - Note 13.
 - Forestry - determining fair value of the forestry estate - Note 15.
 - Land and buildings (operational PPE) - determining fair value of assets in a revaluation year and assessing carrying values annually to ensure they do not differ materially from fair values - Note 14.
- WDC has disclosed that DWS is a joint arrangement based on binding agreement and requirement for unanimous consent. However, disclosure needs to be added explaining why DWS is a joint operation rather than a joint venture. There needs to be disclosure somewhere in the financial statements of Timaru District Council's and Mackenzie District Council's respective interests in DWS (i.e. the other entities with whom WDC shares joint control). The financial statements should also disclose the domicile and legal form of joint arrangements - i.e. that DWS is a joint committee domiciled in NZ and established under the Local Government Act 2002 (clause 30 of schedule 7).
- Significant variations from the Annual Plan 2020 - Last sentence should refer to water supply spend being \$1.75 million under budget per the capex disclosure on p. 78.
- Downlands Water Scheme - A disclosure should be added to explain what the share adjustment of \$168k relates to, e.g. the following wording drafted by WDC but not yet included in the financial statements: The Downlands Water Supply Joint Operation was accounted for using the proportionate consolidation method with a 14.81% share recorded for the June 2019 year. Following review of this venture, it was agreed that Waimate's share for June 2020 is 14.0%.
- Note 7 (Depreciation and amortisation by activity) – Total expense does not agree to Note 14 (PPE) and Note 16 (Intangibles).
- Note 11 (Trade and the receivables):
 - Sentence around impairment of one rate receivable needs to be updated.
 - Presentation of aging of receivables to be updated to align with trial balance.
- Note 13 (AEL) - One of the subsidiaries, Infratec, was valued by adopting the net asset value (NAV) on an orderly realisation method. WDC should include this in their disclosure or otherwise state that the primary methods applied are DCF and CME, e.g. "The fair values have been

Detail of disclosure deficiency

determined primarily by using " 10.6% earnings multiple appears in the comparable transactions but is not specifically applied in any of the valuations. Wording to be revised.

- Note 14 (PPE):
 - Core assets disclosure - DWS should be incorporated into the "Treatment plants and facilities" and "Other assets" lines, in accordance with s. 6 of the Local Government (Financial Reporting and Prudence) Regulations 2014.
 - The disclosure regarding the valuation of infrastructural assets should not say "except Downlands water scheme".
 - The summary of valuations should be amended to incorporate DWS – "Wastewater, urban and rural water, and stormwater" section.
 - The value for sanitation assets in the summary of valuations should be \$483,232 per the valuation report rather than the 2019 closing cost/valuation of \$572,158.
 - Should disclose that the measurement base for DWS assets was changed from historical cost to the revaluation model in the 2019/20 financial year in agreement with the other parties to the joint arrangement.
- Note 20 (Public debt):
 - Comparatives should be "2019" rather than "2018".
 - Should refer to one loan only rather than multiple.
 - Overdraft interest rate to be updated.
- Note 21 (Equity):
 - Various presentation changes.
 - Revaluation surplus for DWS as a separate asset class should be specifically disclosed in the breakdown of reserve balances. This is required by PBE IPSAS 17 para. 92(e).
- Note 22 (Capital commitments and operating leases):
 - Time periods in the narrative disclosures do not correspond to the figures presented in each of the time bands.
 - Total of capital commitments per asset category should match total of capital commitments per time band.
- Note 24 (Related party transactions):
 - The first sentence of the note should refer to "joint arrangements" rather than "joint ventures". Also reference to DWS being a "joint venture" needs to be replaced with "joint operation".
 - The number of FTEs within key management personnel needs to be disclosed under PBE IPSAS 20.34.
 - The following disclosure per the Audit NZ model FS should be added: "Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors".

Detail of disclosure deficiency

- Note 25 (Remuneration) - 2019 comparatives for Tom O'Connor and Sheila Paul are around the wrong way based on last year's financial statements.
- Note 26 (Employee staffing levels and remuneration) – FTE number for two employees to be corrected.
- Note 31 (Explanations for major variances against budget):
 - "Targeted rates" line item also includes general rates so should be re-labelled.
 - 2020 actual Councillor remuneration should be \$286k per Note 25.
 - Wording about Downlands needs to be updated to reflect adoption of the new accounting standards.

Corrected performance reporting misstatements**Detail of misstatement**

- Given that prior year results are simply recorded as "Achieved" or "Not achieved", a disclosure needs to be included to state that the targets provided for each measure are the same for both the current year and the prior year.
- Under the Local Government Act 2002, the four well-beings have been reinstated. Additional disclosure which specifically addresses the four well-beings needs to be added.
- Water supply - The overall result for protozoa compliance (water supply) should be "Not achieved" rather than "Partially achieved" given that only one out of nine schemes were compliant. The result for bacteria compliance can remain as "Partially achieved" because the majority of schemes were compliant. The prior year comparative for protozoa compliance may be amended to "Not achieved" also as otherwise there would be an indication of deterioration despite the same number of schemes being non-compliant.
- Water supply – Median attendance and resolution times for urgent and non-urgent call outs to be updated based on recalculations.
- Water supply - Numbers of complaints to be updated based on recalculations. Regarding reporting results as achieved or not achieved, WDC must report against the targets it set in the LTP (i.e. "justified complaints"). It must also report on all complaints, as per DIA guidance. In respect of the issue of a target for all complaints, WDC may either: (a) set a target now, using if for both FY20 and FY21 reporting with appropriate disclosure about not having set a target for the total number of complaints in the LTP; or (b) not set a target and disclose that a target will not be set until the next LTP.
- Water supply – Real water loss - Result should be "Achieved" based on the reported result of 14.3% vs target of <35%. Disclosure should be added to explain the significant variance compared to PY (significant decrease from 42.0% in 2018/19 to 14.3% in 2019/20). Disclosure needs to explicitly state the methodology being applied – i.e. minimum night flow (MNF) method. Also, the disclosure needs to clarify that the reported result relates only to the urban network and explain the reasons for not being a rural network calculation (e.g. lack of meters).

Detail of misstatement

- Water supply - Points of interest – Various wording changes required, as narrative does not make sense.
- Water supply FIS – Variance explanation for local authority fuel tax, fines, infringement fees, and other income currently relates to roading so needs to be revised.
- Waste management – Wording around the timing of compliance monitoring reports from ECAN to be clarified.
- Waste management – Explain who MSL is (i.e. provide full name, then “MSL” in brackets).
- Stormwater – Reported result should be one complaint per 1714 properties, which is equal to one per 1000 properties. Therefore, achieved.
- Stormwater - Points of interest – Simply states “Three Waters Reform Programme”. Some further detail should be provided to clarify why this is a point of interest for the stormwater group.
- Sewerage – Wording regarding capital works programme to be clarified.
- Sewerage - The total number of sewerage connections in the dry weather sewerage overflows measure should be 1714 rather than 1772.
- Sewerage – Median attendance and resolution times to sewerage overflows - There are actually no faults within the scope of the measure, hence the median response and resolution times should be nil, with a comment added in the SSP stating that there were no sewerage overflows during FY20.
- Sewerage - Numbers of complaints to be updated based on recalculations.
- Sewerage - Points of interest – Simply states “Three Waters Reform Programme”. Some further detail should be provided to clarify why this is a point of interest for the sewerage group.
- Roading and footpaths – Licensing and monitoring of cow crossings - “Not achieved” result is inconsistent with narrative. Consider also disclosing the total number of known cow crossings so that this can be compared to the number that have been licensed.
- Organisation and Governance - Response to LGOIMA - “Not achieved” result is inconsistent with narrative.
- Organisation and Governance FIS – Paras. 4 and 5 of the variance explanation refer to reduced capital spends; however the FIS shows that capex was higher than budgeted.
- Organisation and governance FIS – Variance explanation for payments to staff and suppliers refers to District Plan review of expenditure of actual \$nil vs LTP \$190k; however, actual variance for this line item is only \$7k compared to LTP. This variance explanation is also included in the “district planning and regulatory services” FIS and makes more sense there.
- District planning and regulatory services – Narrative for district plan and bylaws measure to be clarified.
- Community services - Creative NZ Communities Grant - Comparative result in brackets should be “2018/19” rather than “2017/18”.
- Community services – Educational programmes at the library – Narrative to be amended as result is currently presented twice.
- Community services – Points of interest – Disclose more detail on COVID-19 response achievements, such as what was posted on the Facebook page on 2 July 2020.

Detail of misstatement

- Community facilities - Swimming pool utilisation - Reported result should be "Not achieved" based on 13,436 visits vs 14,022 last year.
- Community facilities – Narrative for the measure about compliance with legislative requirements does not address the "Fire Regulations and Licence requirements" aspect of the target.
- Community facilities FIS – Donation for the Waimate Community Vehicle garage should be a source of capital funding.

Corrected summary annual report misstatements**Detail of misstatement**

- P. 2: Opening sentence should be "Welcome to Waimate District Council's Summary Annual Report 2019/20".
- P. 2: Gorge Road property paragraph from the full annual report is missing.
- P. 5: Service performance percentages should be as follows:
 - Waste management = $4/6 = 66\%$.
 - Stormwater drainage = $5/6 = 83\%$.
 - Sewerage and sewage = $5/7 = 71\%$.
 - Roding and footpaths = $6/10 = 60\%$.
 - District planning and regulatory services = $10/13 = 77\%$.
- P. 6:
 - Wording about unofficial bacterial compliance results to be deleted.
 - References to explanatory notes to be deleted, as the supporting information is not included in the summary.
 - Number of connections for the dry weather overflows measure should be 1714 rather than 1772.
 - Comparative date for the dry weather overflows measure should be 2018/19 rather than 2018/18.
 - The sewerage attendance time measure is incomplete. The following text needs to be added to provide context: "*Median attendance time to sewerage overflows resulting from blockages or other faults (M)*".
 - The result for the sewerage attendance time measure should be 0:00 with the following explanation noted: "*There were no sewerage overflows during the year, hence the median response time is nil*".
- P. 15: "Proceeds from sale of Eric Batchelor subdivision sections" line item can be deleted (same as has been done in the full financial statements).

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>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.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>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 all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the 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.</p> <p>Other than the audit, we have no relationship with, or interests in, the Council.</p>
Fees	<p>The audit fee for the year is \$92,461, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>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 Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>



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6.10 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT TO MARCH 2021

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. **External Audit Recommendations Progress Report - March 2021** [↓](#)


PURPOSE

1. To provide the Audit and Risk Committee with a progress update on recommendations from Audit New Zealand.

BACKGROUND

2. Audit NZ identifies recommendations through their audit process which may be classified as:
 - 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. These recommendations need to be addressed urgently.
 - 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. These recommendations should be addressed at the earliest reasonable opportunity, generally within 6 months.
 - Beneficial: These recommendations relate to areas where the District Council is falling short of best practice. In the view of Audit NZ, it is beneficial for management to address these, provided the benefits outweigh the costs. These recommendations should generally be addressed within 6 to 12 months.
3. The recommendations are followed up by Audit NZ during each interim and final audit and if sufficiently remedial action has occurred, they may be closed due to their implementation.
4. New recommendations may be added as a result of an audit.
5. Council staff have updated progress on the open External Audit Recommendations where appropriate, for the Audit and Risk Committee's information and any relevant feedback.
6. New recommendations from the audit of the 2020 Annual Report have also been incorporated, with closed recommendations noted.

RECOMMENDATION

That the External Audit Recommendations Progress Report to March 2021 report is accepted.

AUDIT NEW ZEALAND RECOMMENDATIONS – PROGRESS REPORT TO MARCH 2021

Open recommendations as per 2020 Final Audit

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Necessary				
Compliance with Investment Policy				
Ensure compliance with the Investment Policy.	2019/20	Open recommendation No further instances of non-compliance were identified during our final audit visit. We will re-review as part of the 2020/21 interim audit.	We acknowledge the three month Term Deposit limitation was exceeded due to making an investment for a 120 day term to optimise the best available interest rate at that time. We do not presently have any Term Deposits with a term of more than three months. We propose to update our Investment Policy to allow for more flexibility to obtain the best return on our term deposit investments, when next reviewing our Policy.	Council's Investment Policy is to be reviewed as part of the Long Term Plan 2021-2031 process with the policy review due by June 2021.

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Necessary				
Quality assurance review of the draft Council activities performance reporting				
Subject the draft Council activities performance reporting to an effective review process.	2018/19	Open recommendation <i>Please refer to new non financial performance reporting recommendation.</i>		
Necessary				
Correctly recording incidents in Asset Finda				
To ensure that staff correctly enter information into Asset Finda, the Council should develop a handbook and educate staff on its use.	2018/19	In progress – improvements noted When reviewing the population of water faults recorded in Asset Finda for 2019/20, we identified 34 works requests where the resolution time was less than the attendance time due to inaccurate input of dates/times. Based on a total population of 636 works requests for urban and rural water, this equates to 5.3%. This is an improvement on the prior year rate of 7.3%. For sewerage faults, we noted that one out of 14 works requests had a resolution time less than the attendance time, which equates to 7.1% compared to 0% in prior year.	Training for Utilities staff for the service request system. Production of a reference guide in order to prevent incorrect data entry in the future.	Additional training for utilities staff has been undertaken and staff now possess a much better understanding of the service request system. The training focus identified the issues highlighted and in particular focused on the fault/request type and the calculation of the appropriate response times. Ongoing training and quality assurance is to occur. New staff

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
		We recommend that the Council continues to remind staff about the importance of accurate data recording in AssetFinda given that this data forms the basis for reporting against DIA's mandatory performance measures.		resources have added additional capacity to provide real-time quality assurance.
Necessary				
Payroll processing super users				
The Council should complete a periodic comparison of approved timesheets to what has actually been processed to ensure any anomalies or changes can be adequately explained.	2017/18	In progress – improvements noted Based on correspondence with the HR Manager, we understand that a new control has been implemented in 2019 to address this risk as it pertains to manual timesheets. However, we have been advised that there is presently no control around employees who complete electronic timesheets.	Management are implementing a cyclical process which will involve the Corporate Services Group Manager review of pays processed compared to approved timesheets.	New control implemented for manual timesheets during 2019. Presently exploring options for controls around amendments to electronic timesheets as a result of a new version of payroll software.
Necessary				
Internal controls regarding property, plant and equipment				
Strengthen internal controls around property plant and equipment:	2013/14	Open recommendation	Management will ensure that, where possible, resources are employed	In conjunction with fair value and impairment assessments, assets were

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
<p>Regular stocktakes and timely reconciliations between the general ledger and fixed assets register should be performed to confirm the existence and accuracy of these asset records.</p> <p>Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year.</p>		<p><i>Please refer to new Property, plant and equipment reconciliations recommendation.</i></p>	<p>to address the areas of highest risk with regard to stock-take, asset reconciliations and write offs.</p>	<p>reviewed and assets no longer held identified and adjusted accordingly.</p> <p>The Finance Team have obtained a better understanding of Asset Finda software in order to aid in the assessment of infrastructural assets for impairment as at 30 June each year.</p> <p>A mechanism to capture disposals of roading infrastructure assets replaced during the year is yet to be developed.</p>
Beneficial				
Enhancing sensitive expenditure policies				
Consider updating sensitive expenditure policies to fully comply with good practice guidelines.	2019/20	<p>Open recommendation</p> <p>We will re-review as part of the 2020/21 interim audit.</p>	<p>When next reviewing the Sensitive Expenditure Policy we will incorporate Audit New Zealand's recommendations, that is, closer alignment to the OAG guidelines.</p>	<p>Council's Sensitive Expenditure Policy is due for review by December 2021.</p>

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Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Beneficial				
Project and contract management				
<p>Consideration to be given to enhancing contract management and project management policies and practices.</p> <p>For contract management, the Council could:</p> <ul style="list-style-type: none"> have an overall policy outlining an organisationally consistent approach to contract management; implement more detailed reporting of contract monitoring to Council; 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 complete a self-review to identify areas for improvement. <p>For project management, the Council's grading here could be improved through:</p> <ul style="list-style-type: none"> development of Council wide formal project management practices; 	2013/14	<p>In progress – improvements noted</p> <p>The Council's procurement policy was updated in October 2019. It establishes a comprehensive list of principles to guide procurement, which are based on the Government Procurement Principles and Charter.</p> <p>The revised policy retains the same supplier selection process, which specifies certain procurement methods based on the nature and value of procurement.</p> <p>There have been no substantial changes to the Council's contract and project management practices since prior year.</p>	<p>Policies around Contract Management are expected to be developed.</p> <p>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.</p>	<p>With the understanding at this time, the risk has been considered and was accepted by the Audit & Risk Committee.</p> <p>Council's contract for roading is the most significant and is governed by NZTA processes that result in independent review through collaboration.</p> <p>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 & Risk Committee and a quarterly report of</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
conducting post implementation reviews on completed projects; consideration of independent quality assurance over projects; and more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports.			Independent QA (by Deloitte) was applied to the 2018-28 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.	projects from all areas of Council are included in the respective Council committee reports Training has and is to be undertaken for the management of contracts written under NZS3910 and NZS3917

Implemented or closed recommendations as per 2020 Final Audit

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Property, plant and equipment revaluations				
We recommended: The Council ensure all assets within an asset class are revalued when they perform revaluations.	2016/17	Closed No issues noted in relation to incomplete revaluations or poor		Infrastructure assets valuation work progressed through June, July and August with

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
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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.		quality assurance processes in 2019/20.		<p>some delays due to COVID-19 and competing priorities.</p> <p>Council uses BERL adjustment factors (LGCI) and other indices and will need to monitor these and to whether an intermediate revaluation may be required.</p> <p>Recommendation closed following completion of the 2020 Annual Report Audit which included consideration of the 2020 asset revaluations.</p>
Property, plant and equipment fair value and impairment assessments				
The Council needs to prepare a formally documented fair value assessment for each revalued asset class that is not subject to a revaluation in the current financial year, in order to determine whether there are any indications that the carrying values recorded in the general ledger are no longer materially consistent with the fair values.	2013/14	Closed Management prepared a formally documented fair value assessment for land and buildings as well as an impairment assessment for plant and equipment.	Council acknowledges the recommendation and will take steps to include consideration of construction indices as required, and formally document impairment reviews prior to the commencement of audit.	In conjunction with the preparation of the 2020 Annual Report, various reviews have been undertaken to complete fair value and impairment assessments for the asset classes not subject to revaluation

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
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Similarly, for assets recorded at cost, the Council needs to prepare a formally documented impairment assessment in order to determine whether there are any indications of impairment.				<p>this year. In 2020 this has included comparisons of motor vehicles to relative market values, plant and equipment assessments and reviews and obtaining market movements from our land and building valuer to apply in order to identify any material movements.</p> <p>Council prepared a formally documented fair value assessment for land and buildings and impairment assessment for plant and equipment. Recommendation closed following completion of the 2020 Annual Report Audit.</p>
Interest in Downlands Rural Water Scheme (DWS)				
Assess whether the Council's interest in the DWS meets the definition of a joint arrangement and, if so, whether it is a	2018/19	Closed	Waimate District Council will enter into discussions with Timaru District	Timaru District Council engaged Anderson Lloyd for an opinion on the

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
<p>joint venture or a joint operation, or whether it is that of an associate.</p> <p>Design and perform steps to confirm that the value of the investment is accurate, including consideration of impairment indicators.</p>		<p>The Council has implemented the new accounting standards in 2019/20.</p>	<p>Council and Mackenzie District Council so all three parties can conclude the basis of their interest in the Downlands Water Scheme and use this assessment to determine how the scheme is accounted for in the financial statements.</p> <p>We acknowledge the recommendation around an assessment of the value of the investment and consideration of impairment.</p>	<p>ownership of the Downlands Scheme and the Joint Committee's authority to operate the scheme. This has clarified the position upon which to base our assessment of the new PBE accounting standards on interests in other entities.</p> <p>We, and the other parties, have interpreted the Anderson Lloyd legal advice received by Timaru District Council as confirming Downlands is a 'Joint Operation' and under PBE IPSAS 37 have recognised the portion of its assets, liabilities, revenue and expenses relating to our 14% interest in the scheme.</p> <p>Representatives from all stakeholders attended a Workshop on 10</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
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				<p>September 2020 with Anderson Lloyd to help us to work collectively through the scheme Ownership and Management in order that the documents that govern this entity are updated to clearly reflect the status. A redrafting of the Downlands agreement is required to improve its clarity. The revised agreement will be required to be adopted by each respective Council.</p> <p>Council has implemented the new accounting standards in 2019/20 and the recommendation has been closed following completion of the 2020 Annual Report Audit.</p>

New recommendations as per 2020 Final Audit

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Necessary				
Accounting for the interest in Downlands Water Scheme (DWS)				
That discussions between Waimate District Council, Mackenzie District Council and Timaru District Council continue with the aim of clarifying the terms of the Downlands Water Scheme joint committee agreement to mitigate the risk of political, accounting and auditing issues going forward.	2019/20	New	It is agreed that the terms of the agreement require clarification to mitigate the risks identified. Discussions with all three councils commenced in September 2020 and will be progressed early in the 2021 year.	<p>In February 2021, Timaru District Council advised work has been done on the proposal for documenting ownership/decision making arrangements, and also the funding arrangements for the current scheme upgrade.</p> <p>A draft is expected to be shared in order that our Council can consider and undertake our own due diligence before presenting to Council for approval.</p>

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Necessary				
Vested Assets				
Ensure that the historic courthouse/museum is included in the land and buildings valuation as at 30 June 2021. Also ensure that the valuer performs a retrospective valuation to accurately determine the property's fair value as at the vesting date of 25 September 2014, so that the prior period error can be fully resolved in the 2020/21 financial statements.	2019/20	New	The former courthouse will be included in the 2021 land and buildings valuation and a retrospective valuation as at 25 September 2014 will also be requested. Furthermore, Council will work through the process of legal ownership, which will include considering the impact of ownership and engaging with the community.	
Necessary				
Non financial performance reporting				
Council implements a formal traffic count programme to ensure that sufficient coverage of the roading network is achieved on a regular basis for smooth travel exposure reporting and to reliably inform asset management decisions. Council implements processes to ensure that traffic count data is accurately input into RAMM and to ensure that the	2019/20	New	The recommendation is noted. Staff intend to implement weekly quality assurance checks relating to data entered in to the corporate asset management system (AssetFinda). This action will reduce errors and	

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<p>judgements behind each estimate are documented and backed up by supporting evidence.</p> <p>That the draft performance reporting section of the annual report is subject to a rigorous quality review process.</p>			<p>omissions “at source” and provide for more accurate performance reporting.</p> <p>Staffing levels essentially affected the number of traffic counts performed during the reporting year. Since 30 June 2020, staff levels have increased and this has enabled more traffic counts to be programmed. Quality assurance measures have also increased with checks now performed by the Roding Manager to ensure accurate information is held within RAMM software. The methodology utilised in the population of traffic count estimates will also be documented.</p> <p>Robust quality assurance processes will undoubtedly increase the quality of performance reporting. This, paralleled with a rigorous final</p>	

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
			review, should deliver a much better outcome in future annual reports.	
Necessary				
Property, plant and equipment reconciliations				
Regular reconciliations are performed between the fixed asset register and the asset management databases. All reconciliations are formally documented and independently reviewed and dated by another staff member.	2019/20	New	The recommendation is noted. The assets and finance departments will consider how to improve their processes to enable regular reconciliations to occur and that they are documented and independently reviewed.	
Necessary				
Sensitive expenditure approvals				
A one-up approval process for expenditure incurred by the Mayor and Deputy Mayor is implemented.	2019/20	New	When next reviewing the Sensitive Expenditure Policy we will incorporate Audit New Zealand recommendations, that is, closer alignment to the OAG guidelines and best practice.	Council's Sensitive Expenditure Policy is due for review by December 2021.

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Recommendation	First raised	Status	Managements Initial Response to Recommendation	Progress
Necessary				
Number of draft annual reports reviewed				
That the annual report and summary annual report are subject to appropriate quality review processes prior to release to the auditors.	2019/20	New	We concur with the comment that some of the drafts were due to information received late from Timaru District Council, or advice from the auditor's technical team or other third parties such as the DIA. We note in previous years the Annual Report Summary has not been presented to Audit until clearance was provided on the Annual Report document. This year we were asked to have the Annual Report Summary ready much earlier to be reviewed alongside the full Annual Report document. This change in process resulted in a number of amendments and versions of the	

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			Summary and additional work for us also. We will consider our review processes in order that improvements can be made.	

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 15 December 2020	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 - Cyber Security - Public Excluded	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	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

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