

Agenda

Notice is hereby given of an Audit and Risk Committee Meeting

Monday 11 March 2019

Commencing at 9.00am

Council Chamber
Waimate District Council
125 Queen Street
Waimate

www.waimatedc.govt.nz

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

Committee Membership

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

Quorum - no less than three members

Significance Consideration

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

Decision Making

The Council, in considering each matter, must be:

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

Stuart Duncan Chief Executive

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OPENING

1 APOLOGIES

Cr David Anderson (for leaving early)

2 VISITORS

9.30am - Audit NZ visit

3 CONFLICTS OF INTEREST

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

Local Authorities (Members' Interests) Act 1968

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

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

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

a. Standing Orders 3.7.5 - Major Items

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

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

b. Standing Orders 3.7.6 - Minor Items

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

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

MINUTES

5 CONFIRMATION OF MINUTES

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

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

Authoriser: Tina Stevenson, Corporate Services Group Manager

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

December 2018

PURPOSE

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

RECOMMENDATION

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

Item 5.1 Page 6



MINUTES

Audit and Risk Committee Meeting 3 December 2018

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

PRESENT: Chairperson Stephen Halliwell, Cr Sheila Paul, Mayor Craig Rowley, Cr David

Anderson, Cr Jakki Guilford

IN ATTENDANCE: Stuart Duncan (Chief Executive), Partial: Fiona Hester-Smith (Human

Resources Manager), Partial: Carolyn Johns (Community and Strategy Group Manager), Michelle Jones (Executive Support Manager), Tina Stevenson

(Corporate Services Manager), Melissa Thomson (Accountant)

OPENING

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

1 APOLOGIES

There were no apologies.

2 VISITORS

There were no visitors scheduled at this meeting.

3 CONFLICTS OF INTEREST

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

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

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

MINUTES

5 CONFIRMATION OF MINUTES

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

COMMITTEE RESOLUTION 2018/23

Moved: Mayor Craig Rowley Seconded: Cr Sheila Paul

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

CARRIED

REPORTS

6 GENERAL REPORTS

6.1 HUMAN RESOURCES & HEALTH AND SAFETY REPORT

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

COMMITTEE RESOLUTION 2018/24

Moved: Cr David Anderson Seconded: Mayor Craig Rowley

That the Human Resources & Health and Safety Report is accepted

CARRIED

Note:

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

6.2 COUNCIL'S POLICY STATUS

COMMITTEE RESOLUTION 2018/25

Moved: Cr Sheila Paul Seconded: Cr Jakki Guilford

That the Council's Policy Status report is accepted.

CARRIED

Note:

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

6.3 2018/19 MAJOR PROJECT UPDATE

COMMITTEE RESOLUTION 2018/26

Moved: Cr David Anderson Seconded: Mayor Craig Rowley

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

CARRIED

Note:

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

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

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

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

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

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

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

6.4 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 16 NOVEMBER 2018

COMMITTEE RESOLUTION 2018/27

Moved: Cr Jakki Guilford Seconded: Cr Sheila Paul

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

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

- a. Annual Leave
- b. Procurement Policy

CARRIED

6.4.1 EXTERNAL AUDIT RECOMMENDATIONS ACTIONS POINTS

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

6.5 CYBER SECURITY REVIEW

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

COMMITTEE RESOLUTION 2018/28

Moved: Cr David Anderson Seconded: Cr Sheila Paul

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

CARRIED

PUBLIC EXCLUDED

7 EXCLUSION OF THE PUBLIC REPORT

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION 2018/29

Moved: Mayor Craig Rowley Seconded: Cr David Anderson

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

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

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

8 RE-ADMITTANCE OF THE PUBLIC REPORT

COMMITTEE RESOLUTION 2018/30

Moved: Mayor Craig Rowley Seconded: Cr Sheila Paul

That Council moves out of Closed Council into Open Council.

CARRIED

MEETING CLOSURE

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

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

| | CHAIRPERSON |
|--|-------------|

REPORTS

6 GENERAL REPORTS

6.1 HUMAN RESOURCES AND HEALTH AND SAFETY REPORT

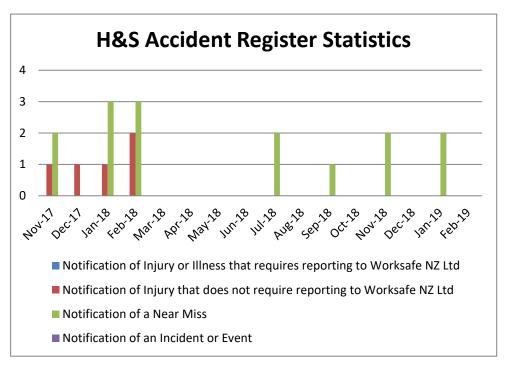
Author: Fiona Hester-Smith, Human Resources Manager
Authoriser: Fiona Hester-Smith, Human Resources Manager

Attachments: Nil

PURPOSE

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

Health and Safety Statistics



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

Human Resources

5. Leave Liability Graphs







RECOMMENDATION

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

6.2 AUDIT NZ VISIT - DISCUSSION - 9.30AM

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

Attachments: Nil

PURPOSE

1. An opportunity for the Audit and Risk Committee to discuss the 2017/18 Audit with Council's Auditors, along with any related matters.

2. Dereck Ollsson and Debbie Bradfield from Audit New Zealand will be present.

6.3 COUNCIL'S POLICY STATUS

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

Attachments: Nil

INTRODUCTION

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

Policy - up to 1 March 2019

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

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

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

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

400 Series - Financial Policies

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

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

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

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

RECOMMENDATION

That the Council's Policy Status report is accepted.

6.4 CYBER SECURITY PROJECT UPDATE

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

Attachments: Nil

PURPOSE

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

BACKGROUND

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

UPDATE

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

RECOMMENDATION

That the Cyber Security Project Update Report is accepted.

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

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Audit New Zealand Management Report for the year ended 30 June

2018 🔱 🍱

PURPOSE

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

BACKGROUND

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

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

PROPOSAL

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

ASSESSMENT OF SIGNIFICANCE

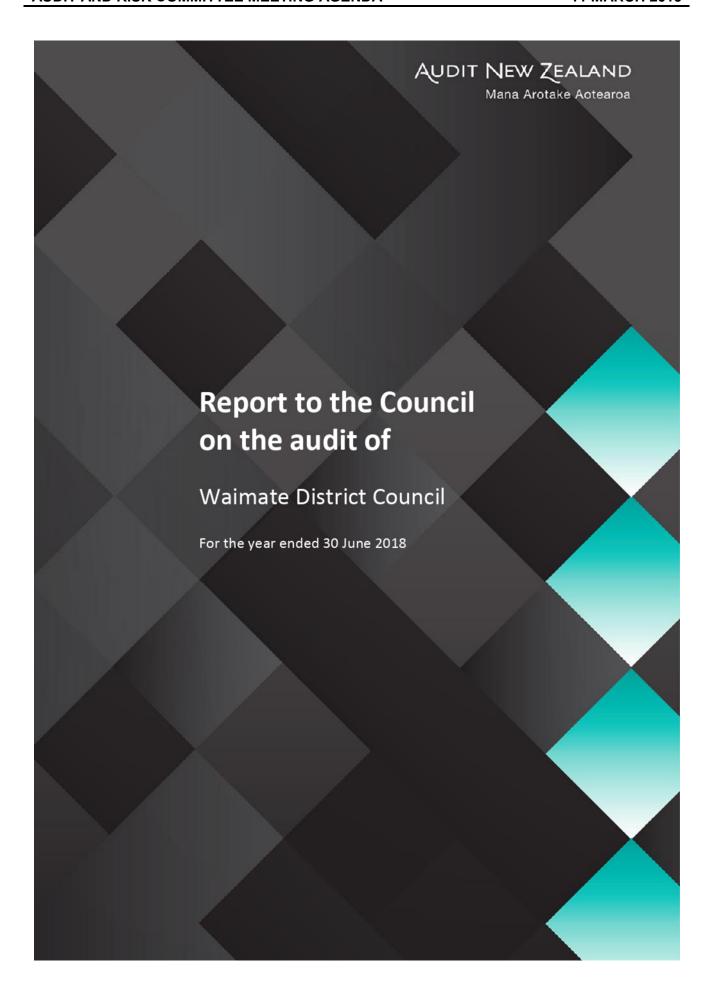
7. This matter is not deemed significant under the Council's Significance and Engagement Policy.

FINANCIAL

8. There are no known budget considerations.

RECOMMENDATION

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



Contents

| Key messages | | |
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| | | |
| | | |
| | | |

2

Key messages

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

Audit opinion

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

Matters identified during the audit

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

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

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

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

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

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

Thank you

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

Dereck Ollsson
Appointed Auditor

12 December 2018

3

1 Recommendations



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

| Explanation | Priority |
|--|------------|
| Needs to be addressed urgently | Urgent |
| These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay. | |
| Address at the earliest reasonable opportunity, generally within six months | Necessary |
| These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control. | |
| Address, generally within six to 12 months | Beneficial |
| 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. | |

1.1 New recommendations

The following table summarises our recommendations and their priorities.

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

4

1.2 Status of previous recommendations

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

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

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

2 Our audit report

2.1 We issued an unmodified audit report



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

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

2.2 Uncorrected disclosure deficiencies

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

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

2.3 Corrected misstatements

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

2.4 Quality and timeliness of information provided for audit



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

information to be provided to us.

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

3 Matters raised in the Audit Plan



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

Audit risk/issue

Outcome

Fair value assessment and revaluation of assets

Revaluation

The District Council periodically re-values its land, buildings and various infrastructure asset classes. *PBE IPSAS 17* Property, Plant and equipment requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

Land and Building assets are due to be revalued at 30 June 2018. Roading, sanitation and three waters assets were revalued in the prior year, and are next due to be revalued at 30 June 2020.

Where a class of assets is not subject to a revaluation in the current year, an assessment is required to confirm that the carrying value is not materially different from its fair value. It is important that the District Council makes this assessment at an early stage, to avoid the risk of this becoming a significant issue later during the audit.

Impairment

PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.

The valuation was prepared by an independent valuer, QV. The valuation movement to the carrying value of land and buildings was an overall increase of \$1,284,000.

In reviewing the District Council's valuation of land and building assets, we have:

- assessed the processes and procedures supporting the integrity of the underlying data and schedules;
- agreed the balances to underlying records and valuation reports;
- assessed the appropriateness of the valuation arrived at for compliance with the accounting standards; and
- confirmed that for the building assets, the depreciation rates applied are consistent with policy estimates of useful lives - and that these were assessed as reasonable.

We held discussions with management to gain an understanding of the District Council's assessment of whether there were any impairment indicators and were satisfied that none existed.

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Audit risk/issue Outcome

Development of internal policies and procedures

Recently the District Council has had an increased focus on the development and review of internal policies and procedures.

In particular, we understand the procurement and risk management areas have undergone a review.

It is important that the District Council has a comprehensive set of policies that are known and implemented organisation-wide. It is also important that these reflect best-practice policies.

This was followed up at our interim audit in April. We have included comments on this within section 3.1 of our interim management report.

Control environment

Each year, we consider the District Council's control environment and assess the internal controls in place. During our previous audits we have identified some areas for improvement and our recommendations were included in the interim and final management reports. This was followed up at our interim audit in April. We have included comments on this within sections 1 and 2 of our interim management report.

The risk of management override of internal controls

There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.

We have addressed this by:

- testing the appropriateness of selected journal entries and other adjustments made in the preparation of the financial statements;
- reviewing accounting estimates, including the estimation of impairment, for indications of bias; and
- evaluating any unusual or one-off transactions, including those with related parties.

We found no indications of management override that would result in a material misstatement in the financial statements, due to fraud.

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4 Other areas of interest from the Audit Plan



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

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

| Audit risk/issue | Outcome | |
|--|--|--|
| Council will be against the 2015/25 Long- Term Plan (LTP). | | |
| Possible LTP amendments | | |
| Every proposed amendment must be audited. An amendment arises where District Council proposes: a significant change to services | During the course of our audit work, we have not noted any events that would trigger a potential amendment to the LTP. | |
| levels - section 97 (1)(a); or to transfer ownership of a strategic | | |
| asset - section 97(1)(b); or | | |
| a significant change to the revenue and financing policy - section 103(4). | | |
| Conflicts of interest | | |

Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks.

During 2007 the Office of the Auditor General (OAG) published two sets of guidance for entities in this area.

Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.

Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance for councillors. This is an updated version of previously published guidance about the legal requirements that apply to council members in formal decision making at meetings of their authority.

The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the District Council and prevents councillors from participating in District Council We remained alert for potential conflicts of interest during the course of our audit.

We did not identify any particular issues that we need to bring to your attention in relation to this.

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both the local authority and any District Council organisation of the local

authority.

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

5 Other matters arising from the audit



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

5.1 Alpine Energy shares valuation

Finding

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

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

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

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

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

Recommendation

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

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

Management comment

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

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

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6 Public sector audit



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

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

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

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

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

7 Useful publications



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

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

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

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Appendix 1: Status of previous recommendations

Open recommendations

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

Implemented or closed recommendations

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

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

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Appendix 2: Disclosures

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

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

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6.6 AUDIT AND RISK MANAGEMENT REPORT

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

Attachments: 1. External Audit Recommendations Actions Points U

PURPOSE

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

REQUESTS FOR ACTION

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

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

RECOMMENDATION

That the Audit and Risk Management Report is accepted.

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03-Dec-18 6.4.1

External Audit Recommendations Actions Points

04-Mar-19 4:33:16 PM - Tina Stevenson

a. Council manage Conflicts of Interest for Elected Members by keeping a Members' Interest Register that incorporates the annual Councillors Disclosures, including Pecuniary Interests. The Councillors Code of Conduct outlines the guidelines which apply. There is an opportunity to declare any Conflicts of Interest at the commencement of each meeting of Council.

The guidelines for Potential Conflicts of Interest for staff are outlined in the Staff Manual which all employees are required to read at the commencement of their employment. Staff in key positions such as the Leadership and Finance Teams are acutely aware so that any potential conflicts may be identified and managed appropriately.

b. The IT Equipment asset stock take has been completed, and further classes of assets will be assessed as resourcing allows with priority given to asset classes of highest risk.

Prior to the Audit NZ Interim Audit scheduled for 1st to 5th April 2019, the Finance Team plan to obtain a more detailed understanding of the Asset Finda infrastructural assets software in order to develop a mechanism to capture disposals of infrastructure assets replaced during the year.

c. Council's major contracts are in the asset area and are monitored by the activity managers who report to the Asset Group Manager, Progress of major projects are reported to the Audit and Risk Committee and a quarterly report of projects from all areas of Council are included in the respective Council committee reports.

Council's contract for roading is the most significant and is governed by processes that result in independent review through collaboration.

Training has and is to be undertaken for the management of contracts written under NZS3910.

When Audit NZ is next on site, the CE is to discuss why this item has arisen and seek clarification of their expectations. With the understanding at this time, the risk has been considered and accepted.

d. Financial Reporting and Internal Control processes have been documented and will continue to be added to and updated as appropriate. The use of software for Financial Reporting has reduced the risk associated with independent models (ie excel based) as knowledge of the software is spread across staff and the software provider.

The implementation of the Electronic Purchase Order software is an example of increased internal controls to reduce risk. In this example, the same person who initiates an order cannot also authorise the same.

Due: Deferred to: Reason:

00 2018

Not deferred

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Stevenson, Tina

6.7 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 1 MARCH 2019

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

Attachments: 1. Progress Update on Audit NZ Management Report

Recommendations J

PURPOSE

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

RECOMMENDATION

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

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

Progress Report to 1 March 2019

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

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

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

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

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

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

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

Progress Report to 1 March 2019

| AUDIT NEW ZEALAND | | | WAIMATE DISTRICT COUNCIL | | |
|--|----------------|-----------|---|--|--|
| Recommendation | Current Status | Priority | Management's Proposed Action | Progress Update | |
| Alpine Energy Shares Valuation | 1 | | | | |
| Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years. | | Necessary | Management will consider its options with regards to the engagement of an external expert. | The process for the future valuation of Alpine Energy Shares is to be discussed with the shareholders in conjunction with discussions with Audit NZ. | |
| Ensure that the valuation is reviewed, either internally or externally, so that it is appropriate to use in the annual report. | | | Management will consider a review of the valuation as appropriate, when there is sufficient cause or a significant movement in the valuation from the prior year. | | |

6.8 AUDIT NEW ZEALAND ENGAGEMENT & ARRANGEMENTS

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

Attachments: 1. Audit NZ Audit Plan Year Ending 30 June 2019 🗓 🖺

PURPOSE

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

BACKGROUND

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

RECOMMENDATION

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

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Mana Arotake Aotearoa

Audit plan

Waimate District Council

For the year ending 30 June 2019

Audit plan

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

| 1. | Audit risks and issues2 |
|----|-------------------------|
| 2. | Group audit6 |
| 3. | Our audit process |
| 4. | Reporting protocols |
| 5. | Audit logistics |
| 6. | Expectations |
| 7. | |

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

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

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

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

Yours sincerely

Dereck Ollsson Appointed Auditor 21 February 2019

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Audit risks and issues

Focus areas



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

8. Audit risk/issue

9. Our audit response

The risk of management override of internal controls

There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud. The Council has a key role in mitigating this risk through the control environment in place at the Council. The control environment includes the governance and management functions and the attitudes, awareness, and actions of the Board and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its people.

Our audit response to this risk includes:

- reviewing the control environment;
- testing the appropriateness of selected journal entries;
- reviewing accounting estimates for indications of bias;
- evaluating any unusual or one-off transactions, including those with related parties;
- evaluating significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the entity and its environment; and
- review of any changes in accounting policies.

Alpine Energy Share Valuation

During 2017/18 the audit team was informed that the Alpine Energy Limited (AEL) valuation prepared by Deloitte may be materially overstated and that another shareholder had requested a new valuation to be completed. Due to concerns raised by the Timaru District Holdings Limited (TDHL) directors in 2018 that the value by Deloitte was grossly overstated, TDHL wanted the Deloitte valuation to be independently reviewed.

Ernst & Young (EY) were engaged to perform an independent review of the Deloitte valuation and to

We will meet with management and update our understanding of the approach being taken for the AEL shares.

We will review the Councils assessments and any formal valuations prepared for the AEL shares.

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

Fair value assessment and revaluation of assets

Revaluation

10. Other focus areas

The Council periodically re-values its land, buildings and various infrastructure asset classes. *PBE IPSAS 17* Property, Plant and equipment requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

Land and Building assets were revalued at 30 June 2018. Roading, sanitation and three waters assets are next due to be revalued at 30 June 2020.

Where a class of assets is not subject to a revaluation in the current year, an assessment is required to confirm that the carrying value is not materially different from its fair value. It is important that the Council makes this assessment at an early stage, to avoid the risk of this becoming a significant issue later during the audit.

Impairment

PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.

In conjunction with completing the fair value

11. Our audit response

For asset classes that are not proposed to be revalued this year, we will review the Council's assessment of whether there is any significant difference between the carrying amount and fair value of these assets.

We will review the Council's assessment of whether there are any indicators of impairment, and the resulting accounting treatment if applicable.

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

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

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

Fraud risk

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

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

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

1.1.1 Our responsibility

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

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

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

Group audit



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

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

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

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

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

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

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

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Waimate District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we will be auditing the balances, disclosures, and other information included in the Waimate District Council's financial statements and performance information.



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

Enhancing year-end processes

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

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

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

Materiality

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

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

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

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

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

Misstatements

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

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

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Reporting protocols

Communication with management and the Council



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

Reports to Council



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

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

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

1

Audit logistics

Our team



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

Our senior audit team members are:

Dereck Ollsson Appointed Auditor

Athol Graham Engagement Quality Control Review Director

Debbie Bradfield Audit Manager

Richard Ng Assistant Manager

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

Timetable



Our proposed timetable is:

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

Expectations



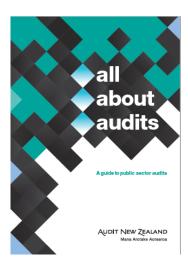
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

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

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





Health and safety



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

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

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

Appendix 1: Areas of interest

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

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

16. Areas of interest

performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and whole of Council will be against the 2018 2028 LTP.

17. Our audit response

We will assess the reasonableness and completeness of the variance analysis and explanations in the annual report.

We will also consider the implications and impact, of any significant variations from the LTP's planned performance, on the financial strategy.

Possible LTP amendments

Every proposed amendment must be audited. An amendment arises where Council proposes:

- a significant change to services levels section 97 (1)(a); or
- to transfer ownership of a strategic asset section 97(1)(b); or
- a significant change to the revenue and financing policy - section 103(4).

We will remain alert for possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.

Conflicts of interest

Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks.

During 2007 the Office of the Auditor General (OAG) published two sets of guidance for entities in this area.

Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.

Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance for councillors. This is an updated version of previously published guidance about the legal requirements that apply to council members in formal decision making at meetings of their authority.

The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.

While it is primarily the responsibility of the Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest.

If we identify particular risks related to the management of conflicts of interest, we may carry out further work to review the Council's systems and processes.

16. Areas of interest

17. Our audit response

Emissions Trading Scheme (Forestry)

Forestry entered the Emissions Trading Scheme (ETS) on 1 January 2008. The ETS classifies forests differently depending on whether they were first established after 1989 or before 1990.

Owners of pre-1990 forest land are required to surrender New Zealand Units (NZUs) to the Crown if they deforest (change land use). They can apply for a one-off allocation of New Zealand Units (NZUs) to help offset the decrease in land value due to decreased land-use flexibility, or alternatively for small forest holdings (less than 50 hectares in total) can apply for an exemption from the ETS.

Owners of post-1989 forests can choose to enter the ETS. They will then earn NZUs as their forests grow (backdated to 1 January 2008). They will have obligations to surrender NZUs at harvest. Post-1989 forest owners do not receive free NZUs as part of the forestry allocation.

We will review the Council's assessment of which category applies to its forests and the decisions it has made in relation to each forest type.

We will confirm whether any NZUs received, or that need to be surrendered to the Crown are appropriately accounted for, that forest crop and forest land valuations reflect the ETS, and that appropriate disclosures are made.

Elected members – remuneration and allowances

The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.

The Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any District Council organisation of the local authority.

We will assess the Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.



6.9 2018/19 MAJOR PROJECT UPDATE

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

Attachments: 1. 2018/19 Major Project Report as at 31 January 2019 😃 🖺

PURPOSE

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

RECOMMENDATION

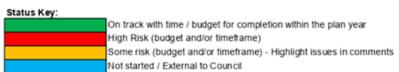
That the 2018/19 Major Project Update report is accepted.

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AUDIT AND RISK COMMITTEE MEETING AGENDA 11 MARCH 2019

2018/19 Major Project Report As at 31 January 2019

| Financial Year | Project | Project Description | Budget | Spend to Date | % Complete | Status | Comments / Issues / Risks / Reasons |
|----------------|--|--|-------------|---------------|------------|------------|---|
| | | | | | | Time Budge | 1 |
| Water Supply | | | | | | | |
| 2018/19 | Cannington DWS NZ Compliance upgrade | | \$700,000 | \$0 | 0% | | Capex programme adjusted to reflect risk associated with the 3 |
| | | | | | | | Waters review. Water Safety Plan to be adjusted accordingly. |
| 2018/19 | Hook / Waituna - Drink Water Intake/Plant Compliance | | \$400,000 | \$0 | 0% | | Investigatory work complete. Supplier scoping physical work |
| | Upgrade | | | | | | required to achieve compliance. |
| 2018/19 | Otaio / Makikihi - Tavistock Bore - treatment - filter & UV | | \$167,000 | | 0% | | Investigation into UV Reactor concurrent with Manchester Road |
| 2018/19 | Waimate Urban Water - rising main renewals | | \$379,000 | | 100% | | |
| 2018/19 | Capital - Urban water supply - AC Water main renewals | | \$190,000 | 4 1 1 | 100% | | Contract 18/21. Complete all bar one lateral connection |
| 2018/19 | Capital - Urban water supply - Cl Water main renewals | | \$320,000 | \$147,488 | 100% | | Contract 18/21. Complete all bar one lateral connection |
| 2018/19 | Capital - Urban water supply - Manchester Road bore replacem | | \$250,000 | \$107,755 | 42% | | New bore in place, retaining wall about to be constructed, tender documents for full upgrade of site almost complete |
| Sewerage and | Sewage | | | | | | |
| 2018/19 | Capital - Sewer - Waimate Urban Renewals | | \$197,299 | \$93,630 | 47% | | New milliscreen, aerator and various upgrades completed or underway |
| 2018/19 | Sewer - Edward Street Upgrade (Renewal) | | \$551,000 | \$8,250 | 25% | | Modelling report complete, further tweaking of model required before comitting to capital works required |
| Stormwater Dra | ainage | | | | | | |
| 2018/19 | Capital - Stormwater - Manse Street (Town Belt to Harris), New | To alleviate surface flooding within the urban | \$474,000 | \$477,889 | 99% | | Project all but complete. Some shoulder sealing still required. |
| | Sumps | area | | | | | |
| 2018/19 | Stormwater - Pipeline, New Sumps Intersection | | \$104,000 | \$0 | 0% | | |
| | Shearman/Glasg | | | | | | |
| Parks and Rese | erves | | | | | | |
| 2017/18 | Swimming pool - replace heating system | | \$243,000 | \$10,000 | 10% | | Contract awarded, likely to be completed at end of season |
| | | | \$48,000 | \$0 | 0% | | To be completed post May 2019 - Likely to bridge financial years |
| 2018/19 | Waitaki Lakes - Chlorine Dosing UV | Increase Water Quality Standard | | | | | |
| Property | | | | | | | |
| 2018/19 | Waimate Library extension | | \$1,500,000 | \$0 | 5% | | Delayed due to investigation into Library / LGC redevelopment proposal. Revised seismic evaluation of building sought. |
| | | | | | | | proposal. Revised seisifile evaluation of building sought. |
| 2016/17 (carry | Public toilets (new) Waimate town and review of District toilets | | \$200,000 | \$0 | 0% | | Investigation and option presentation delayed due to Library |
| forward) | | | | | | | project options |



Item 6.9 - Attachment 1

PUBLIC EXCLUDED

7 EXCLUSION OF THE PUBLIC REPORT

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

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

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

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

8 RE-ADMITTANCE OF THE PUBLIC REPORT
MEETING CLOSURES