

# Agenda

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

**Tuesday 20 August 2019**

To follow the Council Meeting

Council Chamber  
Waimate District Council  
125 Queen Street  
Waimate

[www.waimatedc.govt.nz](http://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 Tuesday 20 August 2019, To follow the Council Meeting.**

### **Committee Membership**

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

Quorum – no less than Three members

### **Significance Consideration**

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

### **Decision Making**

The Council, in considering each matter, must be:

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

Stuart Duncan  
Chief Executive

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**OPENING****1 APOLOGIES****2 VISITORS****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 11 MARCH 2019**

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

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

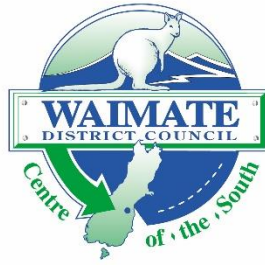
**Attachments:** 1. Minutes of the Audit and Risk Committee Meeting held on 11 March 2019

**PURPOSE**

To present the unconfirmed minutes of the Audit and Risk Committee Meeting held on 11 March 2019 for confirmation.

**RECOMMENDATION**

That the Minutes of the Audit and Risk Committee Meeting held on 11 March 2019 are adopted as a true and correct record.



# **MINUTES**

## **Audit and Risk Committee Meeting**

**11 March 2019**

**MINUTES OF WAIMATE DISTRICT COUNCIL  
AUDIT AND RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, WAIMATE DISTRICT COUNCIL, 125 QUEEN STREET,  
WAIMATE ON MONDAY 11 MARCH 2019, COMMENCING AT 9.05AM**

**PRESENT:** Chair Stephen Halliwell, Cr Sheila Paul, Mayor Craig Rowley, Cr David Anderson, Cr Jakki Guilford

**APOLOGIES:** Cr David Anderson (for early departure)

**IN ATTENDANCE:** Cr Tom O'Connor

Stuart Duncan (Chief Executive), Paul Cooper (Regulatory and Compliance Group Manager), Carolyn Johns (Community and Strategy Group Manager), Tina Stevenson (Corporate Services Group Manager), Melissa Thomson (Accountant), Karalyn Reid (Committee Secretary)

## **OPENING**

### **1 APOLOGIES**

It was noted that Cr David Anderson would leave the meeting early.

### **2 VISITORS**

Council's auditors – 9.30am

### **3 CONFLICTS OF INTEREST**

Chair Stephen Halliwell noted that he didn't consider any conflict of interest around his association with two items on the agenda relating to Alpine Energy and Downlands Water Scheme arising from his contract with the Timaru District Council.

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

Nil.

## **MINUTES**

### **5 CONFIRMATION OF MINUTES**

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

##### **COMMITTEE RESOLUTION 2019/1**

Moved: Cr David Anderson

Seconded: Cr Sheila Paul

That the Minutes of the Audit and Risk Committee Meeting held on 3 December 2018 be received and the recommendations therein be adopted, with the below amendment.

**CARRIED**

##### **Amendment:**

Item3 - Conflicts of Interest: That an 's' be added to Chief Executive.

**REPORTS****6 GENERAL REPORTS****6.1 HUMAN RESOURCES AND HEALTH AND SAFETY REPORT****COMMITTEE RESOLUTION 2019/2**

Moved: Cr Jakki Guilford  
Seconded: Cr David Anderson

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

**CARRIED****6.3 COUNCIL'S POLICY STATUS****COMMITTEE RESOLUTION 2019/3**

Moved: Cr David Anderson  
Seconded: Cr Jakki Guilford

That the Council's Policy Status report is accepted.

**CARRIED****6.4 CYBER SECURITY PROJECT UPDATE**

The Audit and Risk Committee were updated on progress with the Cyber Security Project.

**COMMITTEE RESOLUTION 2019/4**

Moved: Mayor Craig Rowley  
Seconded: Cr Sheila Paul

That the Cyber Security Project Update Report is accepted.

**CARRIED****6.9 2018/19 MAJOR PROJECT UPDATE**

The Audit and Risk Committee were updated on major projects.

**COMMITTEE RESOLUTION 2019/5**

Moved: Cr Jakki Guilford  
Seconded: Mayor Craig Rowley

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

**CARRIED**



**6.2 AUDIT NZ VISIT - DISCUSSION - 9.30AM**

Associate Audit Director Dereck Ollsson and Audit Manager Debbie Bradfield entered the meeting and participated in Agenda Items: 6.5 and 6.8.

Item - 6.3 Council's Policy Status - was moved to another part of the document.

Item - 6.4 Cyber Security Project Update - was moved to another part of the document.

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

The Audit and Risk Committee received the Audit New Zealand Management Report on the audit of Waimate District Council for the year ended 30 June 2018.

Council's Auditors were in attendance.

**COMMITTEE RESOLUTION 2019/6**

Moved: Mayor Craig Rowley

Seconded: Cr David Anderson

That the Audit New Zealand Management Report for the year ended 30 June 2018 report is accepted.

**CARRIED**

**Notes:**

The Associate Audit Director gave a summary of last year's annual audit.

Clarification was sought on the recommendation that Council obtain its own valuation for shares in Alpine Energy. Mr Ollsson clarified that a single valuation for all Councils could be obtained.

**6.8 AUDIT NEW ZEALAND ENGAGEMENT & ARRANGEMENTS**

The Audit and Risk Committee considered the terms of the auditor's appointment and engagement.

Council's Auditors were in attendance.

**COMMITTEE RESOLUTION 2019/7**

Moved: Cr Jakki Guilford

Seconded: Cr Sheila Paul

1. That the 'Audit New Zealand Engagement & Arrangements' report is accepted; and
2. That the Audit and Risk Committee confirms Audit New Zealand's Audit Plan for the year ending 30 June 2019, with minor amendments.

**CARRIED**

**Notes:**

There was discussion around a new focus area of 'bribery and corruption'. This will be initially introduced by looking at Council's policies and it was noted that Council are currently reviewing their Fraud Policy which includes staff training.

It was noted in the Audit Plan that Audit will be reviewing the Downlands Water Scheme and Council's potential change in accounting treatment. Council's Corporate Services Manager will look

into options.

A discussion was held on the changes Audit are undertaking to alleviate workload at various times of the year, with the Audit and Risk Committee requesting that Audit are sensitive to Council's Finance team and work expectations.

In the 'Reporting Protocols', 'Reports to Council' section it was proposed to remove the reference to Council in the first line so that the timing of the reporting to Council was clear. The references to 'The Board' were to be replaced with 'Council'.

From feedback from the previous Audit, the Chair of the Audit and Risk Committee asked for improved communication, particularly around rationales, and a review of processes.

The value in reporting of variances from the draft Annual Report provide to Audit at the start of the audit to the final audited Annual Report was discussed. The Committee did not consider this relevant governance level report and that, if necessary, it should be reported separately to the Chief Executive. The Committee understands the significance of changes and its impact on the cost of the audit.

At 10:20 am, Cr David Anderson left the meeting.

Derek introduced Audit Manager Debbie Bradfield.

It was noted that the below Council Resolution 2018/33 from the meeting on 3 December 2018 is no longer required and that the decision be noted and resolution finalised.

*"That the Chief Executive invites the Chief Executive of Audit NZ and the Assistance Auditor General (Local Government) to a meeting comprising of the Chair of the Audit and Risk Committee, Mayor and the Chief Executive at the earliest convenient time in the New Year."*

Council's auditors left the meeting at 10.30am.

## **6.6 AUDIT AND RISK MANAGEMENT REPORT**

### **COMMITTEE RESOLUTION 2019/8**

Moved: Mayor Craig Rowley

Seconded: Cr Jakki Guilford

That the Audit and Risk Management Report is accepted.

**CARRIED**

**6.7 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 1 MARCH 2019****COMMITTEE RESOLUTION 2019/9**

Moved: Cr Jakki Guilford

Seconded: Mayor Craig Rowley

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

**CARRIED**

**Notes:**

1. The Audit and Risk Committee agreed to close 'Conflicts of interest'.
2. The Audit and Risk Committee agreed to close 'Documentation of financial reporting and internal control processes'

Item - 6.8 Audit New Zealand Engagement & Arrangements - has been moved to another part of the document.

Item - 6.9 2018/19 Major Project Update - has been moved to another part of the document.

**PUBLIC EXCLUDED****7 EXCLUSION OF THE PUBLIC REPORT****RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2019/10**

Moved: Mayor Craig Rowley

Seconded: Cr Sheila Paul

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
<b>7.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 3 December 2018</b>	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
<b>7.2 - Key Risk Register - March 2019 Update</b>	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	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	information would be likely otherwise to damage the public interest	
<b>CARRIED</b>		

## 8 RE-ADMITTANCE OF THE PUBLIC REPORT

### COMMITTEE RESOLUTION 2019/11

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 10.55am.

The minutes of this meeting are to be confirmed at the next Audit and Risk Committee Meeting.

.....  
**CHAIRPERSON**

**REPORTS****6 GENERAL REPORTS****6.1 CORPORATE SERVICES GROUP MANAGER REPORT**

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

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

**Attachments:** Nil

**PURPOSE**

To provide the Audit and Risk Committee with an update of the following Council activities:

**Audit and Risk Committee Independent Chair – Update from Chief Executive**

1. Recruitment has commenced for an Independent Chair of the Audit and Risk Committee for a 2-year fixed term. Applications close on Monday 26 August 2019.

**Building Consents Authority Accreditation – Update from Paul Cooper**

2. During June 2019, our Building Consents Authority received its two yearly assessment by IANZ. There were a moderate number of general non-compliances (GNC's) that once cleared, will secure our accreditation for a further two years. The great majority of the GNC's are of a minor administrative nature.

**Security Camera Footage Access Requests**

3. Council's 'Security Camera Policy' states that a report detailing the footage accessed will be provided to Council's Audit & Risk Committee meeting.

There has been no requests for access to the security camera footage, largely due to the Police monitoring their own cameras.

**Cyber Security Project Update**

4. The Cyber Security Project is nearing the end with the following illustrating the project status:
  - a. Customisation of reports to describe cyber security threats and incidents has been completed
  - b. Internet and email usage policies are also being reviewed to ensure they meet our Council's needs
  - c. Any further work to be considered on this project would require funding and external assistance so is being carefully considered

**RECOMMENDATION**

That the Corporate Services Group Manager Report is accepted.

**6.2 AUDIT AND RISK COMMITTEE WORKPLAN UPDATE**

**Author:** Tina Stevenson, Corporate Services Group Manager  
**Authoriser:** Tina Stevenson, Corporate Services Group Manager  
**Attachments:** Nil

**PURPOSE**

1. The Interim Chair of the Audit & Risk Committee wishes to discuss the potential duplication of the following reports in order to make a recommendation for the future.

**BACKGROUND****Human Resources Report**

- a. Currently the Human Resources Manager provides a report for each Council agenda.
- b. The Audit & Risk Committee have in the past received a similar report, with the Council report now being updated to include all information that was previously reported to the Audit & Risk Committee.

**Health & Safety Report**

- a. Currently the Health & Safety Officer provides a report for each Council agenda.
- b. The Audit & Risk Committee receive the same report.

**Council's Policy Status Report**

- a. Currently the Community and Strategy Group Manager provides a report for inclusion on each Community Services and Development Committee agenda.
- b. The Audit & Risk Committee receive the same report.

**Major Project Update Report**

- a. Currently each Group Manager provides a project report for inclusion on their respective Committee agendas, which includes projects they have identified as of significance to warrant an update to Council.
  - b. The District Infrastructure Committee receive four project reports - Roading, Water, Sewerage & Waste, Parks & Reserves, Property
  - c. The Community Services and Development Committee receive two project reports – Community & Strategy Group and Executive Support Group
  - d. The Environmental Services & Finance Committee receive two reports – Corporate Services Group and Regulatory and Compliance Group
  - e. The Audit & Risk Committee receive a 'Major Project Update Report' which is a summary of the most significant projects, all from the Asset Department. Presently this report does not include any identified projects from other areas of Council.
5. The Audit & Risk Committee's Terms of Reference specifically refers to monitoring of major projects and monitoring of policies, therefore the Audit & Risk Committee require sufficient information to monitor and review the status of the same.
  6. The Audit & Risk Committee is an independent committee. The committee will include an independent chair and/or members (as recommended by Audit NZ) who will require sufficient information to perform their review, monitoring and reporting to Council in their advisory role.

**OPTIONS**

7. The Audit and Risk Committee may decide that the 4 reports are removed from the Workplan as standing agenda items and that managers provide reports to the committee only if a significant matter arises.
8. The Audit and Risk Committee may decide to retain the status quo and continue to receive the 4 reports. There may be potential to align the reports so that the same information is provided to both Council and the Audit and Risk Committee to alleviate additional report preparation.
9. The Audit and Risk Committee may advise what specific information is required in order that they can undertake their review and advise Council on the committee's assessment.

**RECOMMENDATION**

1. That the Audit and Risk Committee Workplan Update report is accepted; and
2. The Audit and Risk Committee consider the requirement to receive the Human Resources Report, Health & Safety Report, Council's Policy Status Report and Major Project Update Report thereby removing them from the Workplan as standing agenda items, with reports to the Committee prepared only if a significant matter arises; or
3. The Audit and Risk Committee retain the status quo with receiving the Human Resources, Health & Safety, Policy Status and Major Project Update reports, with the reports aligned so that the same information is available to both the Council and Audit & Risk Committee forums; or
4. The Audit & Risk Committee advise the specific information required.

**6.3 AUDIT NEW ZEALAND INTERIM AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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

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

**Attachments:** 1. **Audit New Zealand Interim Audit Report for the year ended 30 June 2019** [!\[\]\(96cc62f861fdd6e50510c0224a756dff\_img.jpg\) !\[\]\(e658400d40ca763c7cf4c8c420885c6a\_img.jpg\)](#)

**PURPOSE**

1. To provide the Audit and Risk Committee with the Audit NZ report on the interim audit of Council for the year ended 30 June 2019.

**BACKGROUND**

2. Audit New Zealand conducted their annual on-site interim audit during April 2019.
3. Council staff have provided management comments and these are incorporated into the attached report.
4. The Audit New Zealand team will complete the final audit of Council's Annual Report 2019 during September 2019, with adoption of the report scheduled for 8 October 2019.

**PROPOSAL**

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

**ASSESSMENT OF SIGNIFICANCE**

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

**FINANCIAL**

7. There are no known budget considerations.

**RECOMMENDATION**

1. That the Audit New Zealand Interim Audit Report for the year ended 30 June 2019 report is accepted; and
2. That the Audit and Risk Committee provides feedback on any areas of note within the report and propose any related action items.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# **Report to the Council on the interim audit of**

Waimate District Council

For the year ending 30 June 2019

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## Key messages

We have completed our interim audit for the Waimate District Council for the year ending 30 June 2019. This report sets out our findings from the interim audit.

As part of the interim audit we updated our understanding of the control environment, the issues facing the Waimate District Council and how they will be addressed. We have assessed and, where appropriate, tested internal controls.

This report summarises the work performed, and notes audit issues and recommendations identified during our interim audit. There are also a number of other recommendations raised in prior years where we have updated Council progress. These are summarised in Appendix 1.

Overall, Council continues to have an effective control environment for audit purposes.

## Thank you

We would like to thank management and staff for on assistance received during the audit, and preparedness for audit.



Dereck Ollsson  
Appointed Auditor  
21 June 2019

## 1 Recommendations



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

Explanation	Priority
<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the Waimate District Council to significant risk or for any other reason need to be addressed without delay.	<b>Urgent</b>
<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> 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.	<b>Necessary</b>
<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the Waimate 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.	<b>Beneficial</b>

### 1.1 New recommendation

The following table summarises our recommendation and their priority.

Recommendation	Reference	Priority
<b>Correctly recording incidents in Asset Finda</b> To ensure staff correctly enter information into Asset Finda the Waimate District Council should develop a handbook and educate staff on its use.	2.3	<b>Necessary</b>

**1.2 Status of previous recommendations**

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		2	2	4
Implemented or closed		6	1	7
<b>Total</b>		8	3	11

## 2 Assessment of internal control



The Waimate District Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

### Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Waimate District Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Waimate District Council and management to establish and maintain effective management procedures and internal controls.

The elements of the control environment provide an appropriate foundation for other components of internal control.

### Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Waimate District Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

Mostly, the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

We have identified the following areas where improvements can be made:

## 2.1 Correctly recording incidents in Asset Finda

### Recommendation

To ensure staff correctly enter information into Asset Finda, the Waimate District Council should develop a handbook and educate staff on its use.

### Findings

When reviewing the system for recording urgent waste water faults, we identified (in one of the samples we tested) that the classification of a work request was incorrectly recorded as urgent.

The work request in question, was received on 9 October 2018 at 2:43pm. The request was for a sinkhole developing near the middle of intersection of Queen Street and Hillary Street. The Waimate District Council staff had correctly classified this as an urgent sewerage issue in Asset Finda based on the available information.

After the Waimate District Council's asset team investigated the site it was deemed as a non-urgent maintenance issue, but not changed from urgent in Asset Finda, and the site was appropriately cordoned off for safety reasons. A technician from Council went back to the site to repair the hole and closed the job request at 4:26pm on 15 October 2018.

The time and date the team arrived on site time was entered as 15 October 2018 at 4:23pm instead of the time and date when the site was cordoned off. The classification of the job request should have been updated from an urgent request to non-urgent maintenance, as it was assessed by the assets team.

Recording correct information in Asset Finda is vital for Council to accurately report performance information. It is also important in ensuring Council can report against the mandatory service performance measures required by the Non-Financial Performance Measures Rules 2013.

### Management comment

*Additional training for utilities staff has now been undertaken and staff now possess a much better understanding of the service request system. The training focus identified the issues highlighted and in particular focussed on the fault/request type and the calculation of the appropriate response times.*

*A reference guide for the population of service requests will be produced in order to prevent incorrect data entry in the future.*

### 3 Other matters

#### 3.1 Downlands Water Scheme Joint Venture

##### Recommendation

The Waimate District Council must design and perform steps to confirm that the value of the investment is accurate, perform an impairment assessment over assets held by Downlands Water Scheme (DWS) and consider the risks of the possible change in the accounting treatment.

##### Findings

The DWS has been accounted for using the proportionate consolidation method (PBE IPSAS 8) for the year ended 30 June 2018. Waimate District Council have opted to early adopt PBE IPSAS 36, this means that from the current year, DWS will be accounted for using the equity method. The transitional provisions as set out in PBE IPSAS 37 for changing from the proportionate consolidation method to the equity method, this method will need to be applied in preparing the financial statements for the year ending 30 June 2019.

We performed a high level review of the proposed application of the equity method in the prospective financial statements, included in the 2020 Annual Plan. We have not audited any of the balances, but based on our high level assessment we are satisfied that the equity method of accounting, has been appropriately applied.

DWS is not deemed to be a public entity and there is no requirement for DWS to be audited. Only those charged with governance can decide if DWS should or should not be audited.

DWS does not prepare GAAP compliant financial statements or have documented accounting policies. This indicates that Waimate District Council is reliant on the work performed by Timaru District Council for ensuring that the information included in the financial statements is accurate and complete.

Waimate District Council should perform steps to confirm that the value of the investment is accurate and gaining an understanding over potential impairment of the assets held by DWS. Further to this, we have been advised that Timaru District Council is reconsidering the future accounting treatment of the DWS. It is important that Waimate District Council be involved in the decisions pertaining to the investment in DWS so that the associated risks and rewards of the ownership can be appropriately reflected in financial reporting and for effective decision making.

##### Management comment

*We acknowledge the reliance on the information supplied by Timaru District Council as the scheme managers and propose that we obtain more detailed information regarding the value of the investment on an annual basis, so as to then review and make an assessment of*



*any potential impairment. We propose to review TDC's internal controls and processes to gain assurance of the accuracy of our investment. This, alongside our understanding of the Waimate Rural Water Supplies, should give clarity around the financial management of the Downlands Scheme.*

*Waimate District Council is involved in decisions pertaining to DWS through its representation on the joint committee. We will continue communications at a management level in addition, to increase our awareness and understanding so that risks and rewards are considered and are appreciated in Council's decision-making.*

## 4 Useful publications



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

Description	Where to find it
<b>Client updates</b>	
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: <a href="#">Client updates</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice we have seen to improve financial reporting. This includes: <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	On our website under publications and resources. Link: <a href="#">Model Financial Statements</a>
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under publications and resources. Link: <a href="#">Tax Matters</a>

Description	Where to find it
<b>Data in the public sector</b>	
<p>The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover:</p> <ul style="list-style-type: none"> <li>• functional leadership;</li> <li>• building capability and capacity;</li> <li>• collaboration; and</li> <li>• security.</li> </ul>	<p>On the OAG's website under publications. Link: <a href="#">Data in the public sector</a></p>
<b>Matters arising from the 2016/17 audits</b>	
<p>The OAG has published a report on the results of the 2016/17 audits for the sector.</p>	<p>On the OAG's website under publications. Link: <a href="#">Recent publications</a></p>
<b>Audit Committees</b>	
<p>The OAG has released various best practice information on Audit Committees.</p>	<p>On the OAG's website under "Our Work – Audit Committee Resources". Link: <a href="#">Audit Committee Resources</a></p>
<b>Infrastructure as a Service</b>	
<p>The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.</p>	<p>On the OAG's website under publications. Link: <a href="#">Infrastructure as a Service</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Payroll processing super users</b>		
The Waimate District Council should complete a periodic comparison of approved timesheets compared to what has actually been processed to ensure any anomalies or changes can be adequately explained.	2017/18	<b>Open</b>  <b>Management comment</b>  <i>Management are implementing a cyclical process which will involve the Corporate Services Group Manager review of pays processed compared to approved timesheets.</i>
<b>Accounting for Property, Plant and Equipment</b>		
Strengthen internal controls around property plant and equipment: <ul style="list-style-type: none"> <li>The reconciliations between the fixed assets register, the general ledger and assets suspense accounts (including WIP) are performed on a timely basis.</li> <li>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.</li> <li>Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year.</li> </ul>	2013/14	<b>Pending</b>  <b>Closed</b> This is being completed on a regular basis.  <b>Pending</b> <b>Management comment</b>  <i>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. The IT equipment asset stock take has been completed this year, and further classes of assets will be assessed as resourcing allows with priority given to asset classes of highest risk.</i>  <i>Management are gaining an understanding of how the Asset Finda system can be used to aid this, in order to develop a mechanism to</i>

Recommendation	First raised	Status
		<i>capture disposals of infrastructure assets replaced during the year.</i>
<b>Beneficial</b>		
<b>Project and Contract management</b>		
<p>Consideration to be given to enhancing contract management and project management policies and practices.</p> <p>For contract management the Waimate District Council could:</p> <ul style="list-style-type: none"> <li>• having an overall policy outlining an organisationally consistent approach to contract management;</li> <li>• more detailed reporting of contract monitoring to Council;</li> <li>• 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</li> <li>• complete a self-review to identify areas for improvement.</li> </ul> <p>For project management the Waimate District Council's grading here could be improved by:</p> <ul style="list-style-type: none"> <li>• development of District Council wide formal project management practices;</li> <li>• conduct of post implementation reviews on completed projects;</li> <li>• consideration of independent quality assurance over projects; and</li> <li>• more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports.</li> </ul>	2013/14	<p><b>Pending – progress made</b></p> <p>Based on audit assessment of Project and Contract management, risks have been reduced from prior years. Contract management specifically has improved and is regularly reported with sufficient levels of oversight and project management has a dedicated staff member for technological projects.</p> <p>However, the procurement policy is due for review. It is our understanding that the prior audit recommendations will be considered with the procurement policy review.</p> <p><b>Management Comment</b></p> <p><i>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 &amp; Risk Committee and a quarterly report of projects from all areas of Council are included in the respective Council committee reports.</i></p> <p><i>Training has and is to be undertaken for the management of contracts written under NZS3910.</i></p> <p><i>Council's contract for roading is the most significant and is governed by processes that result in independent review through collaboration.</i></p> <p><i>Council will continue to give consideration to independent QA where projects are deemed significant enough to justify this additional outlay.</i></p>

Recommendation	First raised	Status
		<b>Auditors comment</b> We will follow up with management at the year-end audit on how they have addressed the findings relating to the project management matters.
<b>Procurement policy</b>		
The procurement policy should include conditions relating to, set value, quantity limits and restrictions on the use of purchasing privilege for third parties such as family and friends.	2013/14	<b>Pending</b> This is currently due for review.

### Implemented or closed recommendations

Recommendation	First raised	Status
<b>Review the payroll update report each pay period</b>		
Ensure that the reviewer signs and dates the reports as evidence of review.	2017/18	<b>Closed</b>
<b>Conflicts of interest</b>		
<p>We understand that the Waimate District Council has started making changes in how information regarding conflicts of interest is collected and recorded. However, the Waimate District Council would benefit from further improving processes that identify and manage potential conflicts of interests. In particular:</p> <ul style="list-style-type: none"> <li>• extending the interests register to include employees involved in regulatory or procurement areas where conflicts would be more sensitive;</li> <li>• 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;</li> <li>• recording mitigations/responses to the interest identified within the</li> </ul>	2013/14	<b>Closed</b> Appropriate interests registers are in place that include elements of good practise. Procedures in place are sufficient to mitigate risks.

Recommendation	First raised	Status
<p>interest register and a subsequent review of actions taken; and</p> <ul style="list-style-type: none"> <li>developing a mechanism to handle any breaches of the conflict of interest policy and the consequences of non-compliance.</li> </ul>		
<b>Timeliness of manual journal reviews</b>		
Manual journals should be independently reviewed on a timely basis. They should be signed and dated as evidence of the review.	2017/18	<p><b>Closed</b></p> <p>No issues were identified during our review.</p> <p>All though the finding has been closed, it's important to note that have not tested the controls throughout the period.</p>
<b>Review of journal runfiles</b>		
<p>Ensure that regular reconciliations are performed between the system generated runfile numbers in the manual journal Excel workbook to those recorded in the journal tracking account in NCS. This identifies any journals that have been posted to the GL but not recorded in the manual journal Excel workbook.</p> <p>This is an important control from a completeness perspective and should be performed regularly.</p>	2017/18	<p><b>Closed</b></p> <p>No issues were identified during our review.</p> <p>All though the finding has been closed, it's important to note that have not tested the controls throughout the period.</p>
<b>Holiday pay compliance</b>		
The Waimate District Council should assure themselves that they are correctly and accurately paying staff what they are entitled to within the Holidays Act 2003.	2017/18	<p><b>Closed</b></p> <p>Report has been received by the payroll processing provider DataCom and an internal review performed.</p>
<b>Annual Leave</b>		
<p>For good practice management of annual leave, we recommend:</p> <ul style="list-style-type: none"> <li>a policy is established for the management of annual leave balances, this may be incorporated into existing leave policies, and</li> </ul>	2015/16	<p><b>Closed</b></p> <p>A regular report of excessive leave balances is distributed to management on a regular basis. Management take responsibility for reducing high leave balances of their staff.</p>

Recommendation	First raised	Status
<p>should include the use of leave plans for staff with high balances; and</p> <ul style="list-style-type: none"> <li>annual leave is monitored regularly, and staff with high leave balances are encouraged to reduce their balances regularly.</li> </ul>		
<b>Documentation of financial reporting and internal control processes</b>		
The Waimate District Council consider formally documenting the Financial Reporting and internal control processes.	2014/15	<p><b>Closed</b></p> <p>Use of the FMIS, MagiQ performance reporting tool provides a holistic and documented approach to preparing the financial reports.</p>



## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry 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. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Waimate District Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Waimate District Council.</p>
Auditing standards	<p>We carry 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 are immaterial to your financial statements. The Waimate District Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Waimate District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the Waimate District Council.</p>
Fees	<p>The audit fee for the year is \$99,895 as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, 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.</p> <p>We are not aware of any situations to date 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.</p>



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**6.4 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 31 JULY 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  

**PURPOSE**

To provide the Audit and Risk Committee with a progress update on the Audit New Zealand Management Report recommendations for the year ending 30 June 2018 and Interim Report recommendations for the year ending 30 June 2019.

**RECOMMENDATION**

That the External Audit Recommendations Progress Update to 31 July 2019 report is accepted.

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

### Progress Report to 31 July 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<b>Accounting for property, plant and equipment</b>				
<p>Strengthen internal controls around property plant and equipment:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year.</li> </ul>	<b>Pending</b>	Necessary	<p>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.</p>	<p>A stocktake of the IT equipment asset class is to be completed by the end of the year.</p> <p>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.</p> <p>Discussions are advancing with regards to a consistent and practical process which can be implemented.</p> <p>The Finance Team have obtained a better understanding of Asset Finda software in order to aid in the assessment of infrastructural assets for impairment as at 30 June each year. Further investigation into the RAMM software used for</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
				Roading assets is required. The development of a mechanism to capture disposals of infrastructure assets replaced during the year is continuing.
<b>Project and contract management</b>				
<p>Consideration to be given to enhancing contract management and project management policies and practices.</p> <p>For contract management Council could:</p> <ul style="list-style-type: none"> <li>having an overall policy outlining an organisationally consistent approach to contract management;</li> <li>more detailed reporting of contract monitoring to Council;</li> </ul>	<p><b>Pending</b></p> <p>No changes noted at our interim audit.</p>	Beneficial	<p>Policies around Contract Management are expected to be developed in conjunction with the forthcoming Procurement Policy review.</p> <p>Council have recently formalised the role of IT Project Manager whose core role is to apply Prince2 project methodologies to new and existing technology projects. Since tech projects represent a priority area for Council, we believe this represents a significant step in Project management maturity for Council.</p> <p>Independent QA (by Deloitte) was applied to the recent Performance Reporting &amp; LTP system project. Council will</p>	<p>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.</p> <p>Council's contract for roading is the most significant and is governed by NZTA processes that result in independent review through collaboration.</p> <p>Council's major contracts are in the asset area and are monitored by the activity managers who report to the</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<ul style="list-style-type: none"> <li>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</li> <li>complete a self-review to identify areas for improvement.</li> </ul> <p>For project management Council's grading here could be improved by:</p> <ul style="list-style-type: none"> <li>development of District Council wide formal project management practices;</li> <li>conduct of post implementation reviews on completed projects;</li> <li>consideration of independent quality assurance over projects;</li> </ul>			<p>continue to give consideration to independent QA where projects are deemed significant enough to justify this additional outlay.</p>	<p>Asset Group Manager. Progress of major projects are reported to the Audit &amp; Risk Committee and a quarterly report of projects from all areas of Council are included in the respective Council committee reports.</p> <p>Training has and is to be undertaken for the management of contracts written under NZS3910.</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
and				
<ul style="list-style-type: none"> <li>more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports.</li> </ul>				

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

### Progress Report to 31 July 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<b>Alpine Energy Shares Valuation</b>				
<ul style="list-style-type: none"> <li>Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years.</li> </ul>		Necessary	Management will consider its options with regards to the engagement of an external expert.	The process for the valuation of Alpine Energy Shares was discussed with the shareholders in conjunction with discussions with Audit NZ. It was agreed that one valuation would be obtained for all shareholders and this would be a Desktop Review. If a material movement in value was identified an independent valuation would be considered.

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<ul style="list-style-type: none"> <li>Ensure that the valuation is reviewed, either internally or externally, so that it is appropriate to use in the annual report.</li> </ul>			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.	

## Audit New Zealand Interim Management Report Recommendations For Year Ending 30 June 2019

### Progress Report to 31 July 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<b>Correctly Recording Incident in Asset Finda</b>				
To ensure staff correctly enter information into Asset Finda the Waimate District Council should develop a handbook and educate staff on its use.	<b>Pending</b>	Necessary	Training for Utilities staff for the service request system. Production of a reference guide in order to prevent incorrect data entry in the future.	Additional training for utilities staff has now been undertaken and staff now possess a much better understanding of the service request system. The training focus identified the issues highlighted and in particular focused on the fault/request type and the calculation of the appropriate response times.



**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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>7.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 11 March 2019</b>	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
<b>7.2 - Corporate Services Group Manager Report - Public Excluded</b>	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  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

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