



AGENDA

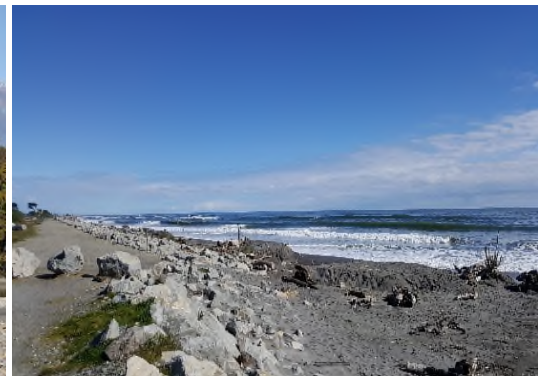
RĀRANGI TAKE

NOTICE OF AN ORDINARY MEETING OF

Audit and Risk Committee

to be held on **Tuesday, 9th February 2021** commencing at **1pm** in the Council Chambers, 36 Weld Street, Hokitika and via Zoom

Chairperson:	R. Dean – Independent Chair	
Members:	His Worship the Mayor	Cr Anna Hart
	Cr Jane Neale	Kw Francois Tumahai
	Kw Paul Madgwick	



In accordance with clause 25B of Schedule 7 of the Local Government Act 2002, members may attend the meeting by audio or audiovisual link.

Council Vision:

We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) To promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

1. NGĀ WHAKAPAAHA APOLOGIES

2. WHAKAPUAKITANGA WHAIPĀNGA DECLARATIONS OF INTEREST

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda, and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or the Group Manager: Corporate Services (preferably before the meeting). It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

3. NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE URGENT ITEMS NOT ON THE AGENDA

Section 46A of the Local Government Official Information and Meetings Act 1987 states:

- (7) An item that is not on the agenda for a meeting may be dealt with at the meeting if –
 - (a) the local authority by resolution so decides, and
 - (b) the presiding member explains at the meeting at a time when it is open to the public, -
 - (i) the reason why the item is not on the agenda; and
 - (ii) the reason why the discussion of the item cannot be delayed until a subsequent meeting.
- (7A) Where an item is not on the agenda for a meeting, -
 - (a) that item may be discussed 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

(b) 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.

4. **NGĀ MENETI O TE HUI KAUNIHERA MINUTES OF MEETINGS**

The Minutes of the previous meeting were circulated separately via Microsoft Teams.

- **Audit and Risk Committee Meeting Minutes – 5 November 2020**

5. **ACTION LIST** (Pages 5 – 6)

6. **NGĀ TĀPAETANGA PRESENTATIONS**

- NIL

7. **PŪRONGO KAIMAHI STAFF REPORTS**

- **Finance: Quarterly Report Q2 July – December 2020** (Pages 7 – 31)
Prabath Jayawardana, Finance Manager
- **Audit Management Report for the Year Ended 30 June 2020** (Pages 32 – 67)
Lesley Crichton, Group Manager: Corporate Services
- **Audit and Risk Committee Rolling Workplan 2021** (Page 68)
Lesley Crichton, Group Manager: Corporate Services

8. **KA MATATAPU TE WHAKATAUNGA I TE TŪMATANUI RESOLUTION TO GO INTO PUBLIC EXCLUDED**

(to consider and adopt confidential items)

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

The general subject of the matters to be considered while the public are excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of the resolution are as follows:

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
1.	Confidential Minutes – 5 November 2020	Good reason to withhold exist under Section 7	That 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 or withholding exists. Section 48(1)(a)

2.	Risk Report	Good reason to withhold exist under Section 7	That 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 or withholding exists.
			Section 48(1)(a)
3.	Quarterly Report on Whistleblower Services provided by PWC	Good reason to withhold exist under Section 7	That 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 or withholding exists.
			Section 48(1)(a)

This resolution is made in reliance on sections 48(1)(a) and (d) of the Local Government Official Information and Meetings Act 1987 and the particular interests or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Item No.	Interest
1,2,3	Maintain the effective conduct of public affairs through— (ii) the protection of such members, officers, employees, and persons from improper pressure or harassment. (Section 7(2)(f)(ii))
1,2,3	Maintain legal professional privilege. (Section 7(2)(g))
1,2,3	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities. (Section 7(2)(h))

**DATE OF NEXT AUDIT AND RISK COMMITTEE MEETING – 11 MAY 2021
COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA AND VIA ZOOM**

09.02.21 AUDIT AND RISK COMMITTEE – ACTION LISTING

Date	Item	Action Required	Status	Lead Officer
17.03.20	Terms of Reference – Audit and Risk Committee adopted 17.03.20	Terms of Reference to be included on the action list for review at the November 2020 meeting.	To be reviewed once action under point 05.11.20 committee structure has been completed	Group Manager: Corporate Services
17.03.20	Reserve Bank had undertaken community consultation on the use of cash.	Feedback on the outcome of the community consultation to be obtained from the Community Development Advisor. Suggest this is now removed from the action list	Work was halted due to COVID. Unknown when this project will resume. Not a Council project therefore no control over it.	Group Manager: Corporate Services
06.08.20	Audit Review Document	The Chair has requested the Audit Review Document from the Auditor General be made available to the committee. Suggest this is now removed from the action list	LTP 2018-28 was circulated.	Group Manager: Corporate Services
06.08.20	Risk Management Manual Amendment	Kw Madgwick noted that under section 8 in the Risk Management Manual the Key Stakeholders need to include Te Runanga o Makaawhio.	This has been updated in the draft. Will not be finalised until after risk workshop which has been on hold due to resurgence in COVID.	Group Manager: Corporate Services
06.08.20	Risk Management Workshop	For whole of Council to workshop key factors to be included in the risk manual.	Was on hold due to resurgence in COVID.	Group Manager: Corporate Services
05.11.20	Committee Structure Review	DRAFT Committee Structure at the next Audit and Risk Committee Workshop (Tuesday, 9th February 2021- TBC) for TOR review. Remuneration would need to be considered. To then be taken to the February Council Meeting on Thursday, 25 February 2021 for potential implementation from 1st July 2021.	Feb 2021 Structure review not yet taken place.	Group Manager: Corporate Services & CE

09.02.21 AUDIT AND RISK COMMITTEE – ACTION LISTING

05.11.20	Updated TOR in regards to the Authority the Audit and Risk Committee has.	Draft presented to Committee and then to Council for sign off. Suggest this is now removed from the action list. Included in the TOR review.	Feb 2021 Duplicate	Group Manager: Corporate Services & CE
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Report to Committee



DATE: 09 February 2021

TO: Audit and Risk Committee

FROM: Strategy and Communications Advisor and Accountant

Quarterly Report Q2 July – December 2020

1. Summary

- 1.1. The purpose of this report is to inform the Committee of Council's financial and service delivery performance for the six months ended 31 December 2020 (Q2).
- 1.2. This issue arises from a requirement for sound financial governance and stewardship with regards to the financial performance and sustainability of a local authority.
- 1.3. Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which are set out in the Long Term Plan 2018-28. Refer page 2 of the agenda.
- 1.4. This report concludes by recommending that Committee receive the Quarterly Report Q2 July – December 2020, attached as appendix 1.

2. Background

- 2.1 The reason the report has come before the Committee is due to the requirement for the Committee to have current knowledge of Council's financial performance. The quarterly report provides information against targets and objectives adopted in the Long Term Plan 2018-28.

3. Current Situation

- 3.1. The current situation is that the Committee receives a quarterly report in a consistent format.
- 3.2. The Quarterly Report Q2 July – December 2020 is attached as Appendix 1 and contains the following elements:
 - 3.2.1. Sustainability report on Financial Prudence.
 - 3.2.2. Whole of Council Statement of Comprehensive Revenue and Expenditure, including variance analysis.
 - 3.2.3. Capital Expenditure 2020/2021.
 - 3.2.4. Treasury report including loans, internal borrowing, cash investments, and debtors.
 - 3.2.5. Reserve Funds report.
 - 3.2.6. Statement of Service provision.

4. Options

4.1. Option 1: The Committee does not receive the Quarterly Report Q2 July – December 2020.

4.2. Option 2: The Committee receives the Quarterly Report Q2 July – December 2020.

5. Risk Analysis

5.1. Risk has been considered and the following risks have been identified:

5.1.1. Financial mismanagement through lack of awareness of the Council's financial position.

5.1.2. Poor activity performance through lack of oversight of how activity groups are tracking to their KPIs.

6. Health and Safety

6.1. Health and Safety has been considered and no items have been identified.

7. Significance and Engagement

7.1. The level of significance has been assessed as being low. The report is an administrative document for the Committee's information.

7.2. No public consultation is considered necessary.

8. Assessment of Options (including Financial Considerations)

8.1. Option 1: If the Committee does not receive the report there will be no oversight of the financial position of Council or whether the activity groups are achieving their KPIs.

8.2. There are no financial implications to this option.

8.3. Option 2: This report is for information only to ensure oversight of Council's financial position and activities. Staff welcome feedback for continuous improvement of the quality of the information provided.

8.4. There are no financial implications to this option.

9. Preferred Option(s) and Reasons

9.1. The preferred option is Option 2

9.2. The reason that Option 2 has been identified as the preferred option is that the report is administrative in nature and to do nothing would create a financial risk to Council.

10. Recommendation(s)

10.1. That the report be received.

Emma Rae
Strategy and Communications Advisor

John Kagagi
Accountant

Appendix 1: Quarterly Report Q2 – October - December 2020



Audit & Risk Committee Report

October 2020 – December 2020

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Whole of Council Financial Summary

Sustainability report

Total revenue	Total expenditure	Total surplus/(deficit)
\$18.50M	\$13.13M	\$5.37M
Is 46.57% more than the total budget of \$12.62M	Is 3.53% more than the total budget of \$12.68M	Is 8771% more than the total budget of \$(0.06)M

SUSTAINABILITY

Rates to operating revenue **42.69%**

Rates Revenue	\$7.90M
Operating Revenue	\$18.50M

42.69% of operating revenue is derived from rates revenue. Rates revenue includes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, and asset revaluation gains.

Balanced budget ratio **140.88%**

Operating revenue	\$18.50M
Operating expenditure	\$13.13M

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets and asset revaluation gains. Operating expenditure includes depreciation and excludes landfill liability and loss on asset revaluations. Year to date revenue is 140.88% of operating expenditure.

Interest to rates revenue (LGFA Cov.) **3.67%**

Net interest and finance costs	\$0.29M
Rates Revenue	\$7.90M

3.67% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue includes penalties, water supply by meter and gross of remissions.

Interest to operating revenue **1.57%**

Net Interest and finance costs	\$0.29M
Operating revenue	\$18.50M

1.57% of operating revenue is paid in interest. Our set limit is 10% of operating revenue. Net interest is interest paid less interest received.

Liquidity Risk (LGFA Cov.) **163.00%**

Gross debt	\$23.82M
Undrawn committed facilities	\$3.98M
Cash and cash equivalents	\$13.98M

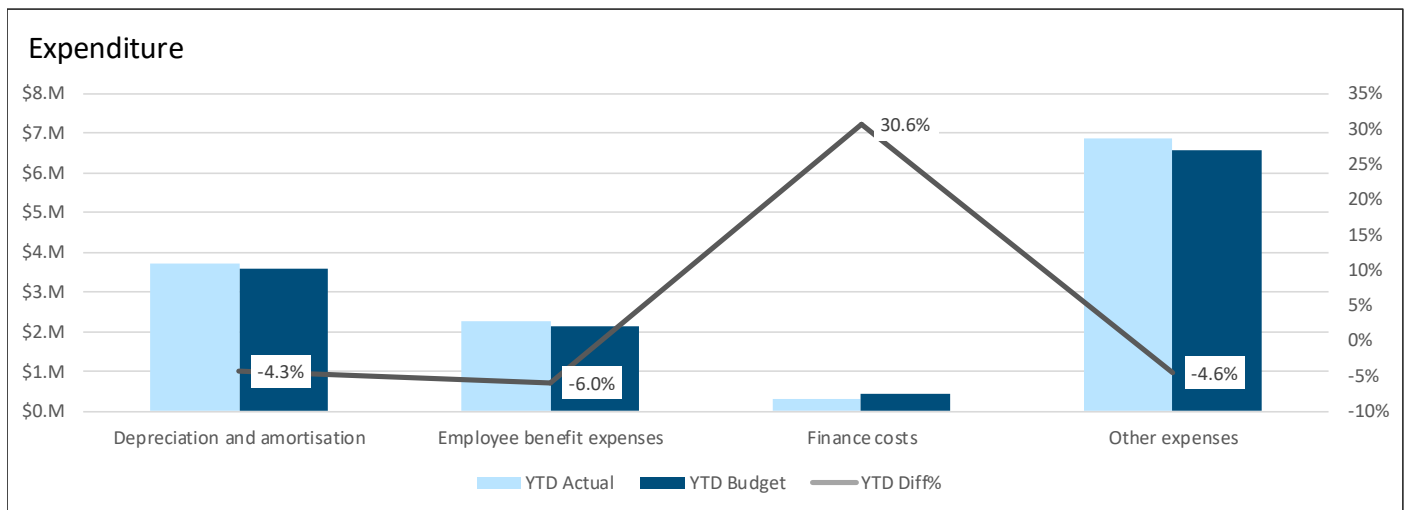
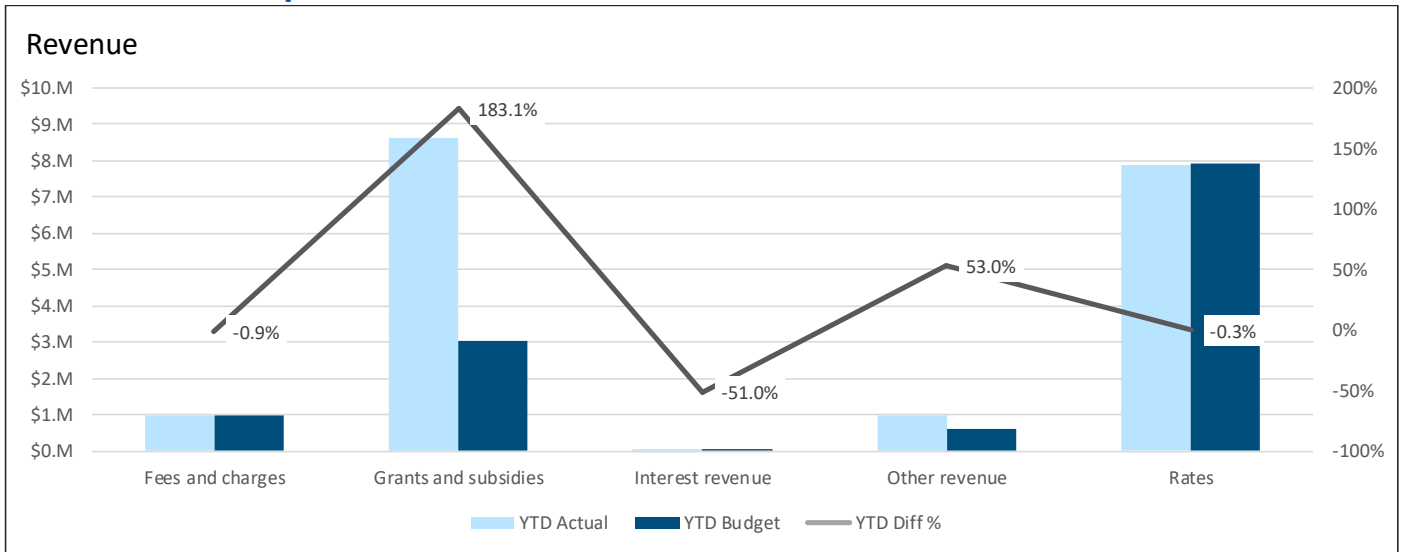
The liquidity risk policy requires us to maintain a minimum ratio of 110% which is also an LGFA covenant. Our current liquidity risk is 163%

Essential services ratio **113.48%**

Capital expenditure	\$3.29M
Depreciation	\$2.90M

Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 113.48% of depreciation. Essential Services are Water Supply, Wastewater, Stormwater, and Rooding.

Revenue and Expenditure



Statement of Comprehensive Revenue and Expenditure

Statement of Comprehensive Revenue and Expense							
For the period ended December 2020							
	Notes	Full Year Forecast (\$000)	Full Year Budget (\$000)	YTD Budget (\$000)	Actual YTD (\$000)	Variance YTD (\$000)	Var/Bud %
Revenue							
Rates	01	15,880	15,908	7,923	7,896	(27)	-0.34%
Grants and subsidies	02	11,178	5,593	3,051	8,636	5,585	183.06%
Interest Revenue	03	32	43	22	11	(11)	-50.95%
Fees and Charges	04	1,938	1,947	984	975	(9)	-0.94%
Other revenue	05	1,548	1,208	640	980	339	52.98%
Total operating revenue		30,576	24,700	12,619	18,496	5,877	46.57%
Expenditure							
Employee Benefit expenses	06	4,364	4,236	2,118	2,246	128	6.04%
Finance Costs	07	734	867	433	301	(133)	-30.62%
Depreciation	08	7,293	7,141	3,570	3,723	152	4.27%
Other expenses	09	12,672	12,373	6,560	6,859	300	4.57%
Total operating expenditure		25,063	24,616	12,681	13,129	447	3.53%
Operating Surplus/(Deficit)		5,513	84	(62)	5,368	5,429	-8770.90%

Notes to the Statement of Comprehensive Revenue and Expense

Comments are provided on permanent variances over \$25,000 only

Note 1 - Rates							
	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Rates	\$15,880	\$15,907	\$7,923	\$7,896	-\$27	0%	
Total - Rates	\$15,880	\$15,907	\$7,923	\$7,896	-\$27	0%	

Note 2 - Grants and Subsidies							
	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Grants & Contributions	\$4,043	\$2,896	\$1,753	\$2,900	\$1,147	65%	<ul style="list-style-type: none"> YTD actuals are higher than planned mainly due to unbudgeted grants received for these projects: Carnegie building \$319k, Mayors Taskforce Jobs Funding \$500k, Community Halls & War Memorials Renovations \$539k, Haast Potable Water Storage \$122 and West Coast Wilderness Trial \$92k. This favourable variance is partially offset by the budgeted Responsible camping operations grant not yet received, \$590k.
Capital Subsidies	\$7,135	\$2,697	\$1,298	\$5,735	\$4,438	342%	<ul style="list-style-type: none"> Actual grant income is higher than planned mainly due to unbudgeted grants received for these projects: Three water reform \$3.1M, Butlers landfill \$550k, Responsible camping \$250k, Jacksons Bay wharf \$400k, Sunset point \$128k, WCWT \$100k. This higher than planned variance is partially offset by budgeted but not yet received grant of \$150k for Cass Square conveniences.
Total - Grants and Subsidies	\$11,178	\$5,593	\$3,051	\$8,636	\$5,585	183%	

Note 3 - Interest Revenue							
	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Interest Revenue	\$32	\$43	\$22	\$11	-\$11	-51%	<ul style="list-style-type: none"> Interest revenue is lower than planned due to declining interest rates in the market.
Total - Interest Revenue	\$32	\$43	\$22	\$11	-\$11	-51%	

Note 4 - Fees and Charges

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Friends of the Library	\$3	\$2	\$1	\$1	\$	21%	
Inspection Fees	\$171	\$180	\$90	\$81	-\$9	-9%	
Rental	\$	\$	\$	\$	\$	0%	
Amusement Device Licence	\$	\$	\$	\$	\$	0%	
Building Accreditation	\$21	\$21	\$11	\$10	\$	-4%	
Building Checks	\$2	\$5	\$3	\$	-\$3	-100%	
Building Consents	\$67	\$63	\$31	\$36	\$5	14%	
Burial Fees	\$32	\$34	\$17	\$15	-\$1	-8%	
Camping Ground Licence Fee	\$7	\$7	\$	\$	\$	0%	
Car Parking Fees	\$26	\$	\$	\$26	\$26	0%	• Unbudgeted income received due to Fees charged to few customers in lieu of parking spaces.
Cass Square Hire Char	\$13	\$7	\$	\$6	\$6	3523%	
Compliance Certificates	\$45	\$42	\$21	\$24	\$3	15%	
Compliance Schedule Fees	\$31	\$28	\$25	\$29	\$3	13%	
DVD Rental	\$5	\$6	\$3	\$2	-\$1	-20%	
Land Information Memo	\$76	\$54	\$30	\$52	\$22	72%	
Liquor Licenses	\$134	\$132	\$66	\$68	\$2	3%	
Monitoring Revenue	\$1	\$5	\$3	\$	-\$3	-100%	
Photocopying Revenue	\$6	\$5	\$3	\$3	\$1	23%	
Plant Hire	\$128	\$130	\$65	\$64	-\$1	-2%	
Processing Fees	\$186	\$149	\$73	\$109	\$36	50%	• Processing fees have gone up due to increased building installations.
Project Information	\$	\$1	\$	\$	\$	-64%	
Refuse Site Fees	\$782	\$860	\$430	\$352	-\$78	-18%	• This is mainly due to lower than expected refuse fees received due to reduced tourism activities.
Resource Consents	\$75	\$73	\$45	\$47	\$2	4%	
Trade Waste Fees	\$88	\$109	\$54	\$34	-\$20	-37%	
Waste Levy	\$38	\$37	\$13	\$15	\$1	11%	
Total - Fees and Charges	\$1,938	\$1,947	\$984	\$975	-\$9	-1%	

Note 5 - Other Revenue

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Imbalances	\$	\$	\$	\$	\$	0%	
Impounding Fees	\$4	\$5	\$3	\$2	-\$1	-29%	
Interloans	\$1	\$1	\$	\$	\$	42%	
Nomination Fees	\$	\$	\$	\$	\$	0%	
Petrol Tax Income	\$126	\$126	\$63	\$63	\$	0%	
Rental	\$7	\$1	\$1	\$7	\$6	789%	
Reserve Fund Revenue	\$47	\$62	\$31	\$16	-\$16	-50%	
Telephone	\$	\$	\$	\$	\$	17%	
Funeral Parlour Licences	\$	\$	\$	\$	\$	0%	
Capital Contributions	\$16	\$14	\$7	\$9	\$2	25%	
Dividends	\$220	\$250	\$250	\$220	-\$30	-12%	• This unfavourable variance is mainly due to lower than planned dividend declared by the Council controlled organization.
Dogs Registration	\$108	\$90	\$85	\$103	\$18	21%	
Fees-Other Activs	\$	\$	\$	\$	\$	0%	
Fees-TNZ	\$	\$	\$	\$	\$	0%	
Fines	\$11	\$15	\$7	\$3	-\$4	-54%	
Food Premises Licences	\$22	\$32	\$16	\$6	-\$10	-63%	
Gain on Swap	\$355	\$202	\$101	\$254	\$153	152%	• Swap values will change due to market forces which is difficult to estimate when setting the budget and hence the variance from the budget.
Hairdressers Licences	\$2	\$2	\$	\$	\$	0%	
Hawkers Licences	\$1	\$2	\$1	\$	-\$1	-75%	
Legal Fees Recovered	\$2	\$3	\$2	\$	-\$2	-100%	
LIBRAR - Donations	\$2	\$3	\$1	\$	-\$1	-75%	
Mobile Shop Licences	\$3	\$3	\$1	\$1	\$	36%	
Offensive Trade Licences	\$1	\$1	\$	\$	\$	0%	
PLBUILD - Commission	\$2	\$2	\$1	\$1	\$	-7%	
Postage recoveries	\$	\$	\$	\$	\$	0%	
Recoveries	\$325	\$119	\$53	\$259	\$206	389%	• Actual recoveries income is higher than planned mainly due to the claims made from NEMA for March/December 2019 flooding event and for March 2019 event which were not budgeted for.
Retail Sales	\$6	\$3	\$2	\$5	\$3	160%	
Other Revenue	\$240	\$240	\$	\$	\$	0%	
Sundry Income	\$45	\$31	\$16	\$29	\$14	87%	
Total - Other Revenue	\$1,548	\$1,208	\$640	\$980	\$339	53%	

Note 6 - Employee Benefit Expenses

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Salaries & Wages	\$4,216	\$4,092	\$2,046	\$2,170	\$125	6%	• Actual salary cost is higher than planned mainly due to following reasons; - Transfer of museum staff to Council from Destination Westland Limited during the year. - Library salary cost is higher than planned due to new recruitments which are fully funded by NZ Libraries Partnership Programme. - HR services salary cost is higher than planned as Council has an internal HR function now which was not budgeted.
Superannuation	\$128	\$124	\$62	\$65	\$3	5%	
ACC Levy	\$20	\$20	\$10	\$10	\$	1%	
Total -Employee Benefit Expenses	\$4,364	\$4,236	\$2,118	\$2,246	\$128	6%	

Note 7 - Finance Costs

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Finance Costs	\$734	\$867	\$433	\$301	-\$133	-31%	• This variance is mainly due to lower than expected interest rate prevailing in the market and efficient liquidity management.
Total - Finance Costs	\$734	\$867	\$433	\$301	-\$133	-31%	

Note 8 - Depreciation

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Depreciation and Amortisation	\$7,293	\$7,141	\$3,570	\$3,723	\$152	4%	• Due to higher than expected capitalisation of essential services assets in 2019/20 FY.
Total - Depreciation	\$7,293	\$7,141	\$3,570	\$3,723	\$152	4%	

Other expenses

Note 9 - Other expenses

	Forecast	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Administrative Expenses	\$606	\$628	\$354	\$332	-\$22	-6%	
Bad Debt Provision	\$	\$	\$	\$	\$	0%	
Contractors	\$706	\$637	\$325	\$394	\$69	21%	• Contractors cost is higher than planned mainly due to unbudgeted PGF related contractor costs which are fully funded by the government. • This funding is included in grants and contribution in Note 02.
Electricity	\$373	\$403	\$201	\$172	-\$30	-15%	• Timing difference
Honorarium	\$313	\$309	\$154	\$158	\$4	3%	
Insurance	\$382	\$353	\$344	\$374	\$29	9%	• Actual cost is higher than expected due to increase in premiums.
Loss on Swaps	\$54	\$	\$	\$54	\$54	0%	• Swap values will change due to market forces which is difficult to estimate when setting the budget and hence the variance from the budget. • This unbudgeted loss is fully offset by the unbudgeted gain on swaps in Note 05.
Maintenance	\$4,460	\$4,303	\$2,120	\$2,276	\$156	7%	• Maintenance cost is higher than planned due to unplanned Network asset maintenance (\$130k) and bridge inspections (\$26k).
Management Contracts	\$1,806	\$1,899	\$984	\$890	-\$94	-10%	• Management contract cost is lower than planned mainly due to reclassification of Museum management fees to grant and reduced rubbish claims by Butlers and Franz refuse sites due to low tourism activities in the area.
Other Expenses	\$2,583	\$2,571	\$1,305	\$1,317	\$13	1%	
Professional Services	\$362	\$271	\$160	\$251	\$90	56%	• This unfavourable variance is mainly due to the higher than planned Consultant fees. • The cost paid to recruitment agencies were higher than planned as most of the recruitments during the year were done through them to source the best people for the position. • Also the consultant fees charged by various consultants for other unbudgeted projects such as water services delivery option are also higher. • Most of these consultant costs are funded by the government either through PGF or 3water reforms funding.
Rates	\$251	\$227	\$227	\$251	\$23	10%	
Refuse Collections	\$778	\$772	\$385	\$391	\$6	1%	
Overheads	\$24	\$	\$	\$24	\$24	397517%	
Total - Other expenses	\$12,672	\$12,373	\$6,560	\$6,859	\$300	4.6%	

Statement of Financial Position

Statement of Financial Position			
For the period ended December 2020			
	December YTD (\$000)	Annual Plan 20/21 (\$000)	Actual 19/20 (\$000)
Current Assets			
Cash & cash equivalents	13,966	3,689	5,123
Debtors & other receivables	2,115	5,251	4,211
Other financial assets	-		48
Total Current Assets	16,082	8,941	9,382
Non-current Assets			
Council Controlled Organisation	8,695	8,695	8,695
Intangible assets	63	329	74
Assets Under Construction	7,680	1,474	2,955
Other Financial Assets	466	366	314
Property, Plant and Equipment	401,961	407,540	405,665
Total Non-current assets	418,865	418,405	417,703
Total Assets	434,947	427,346	427,085
Current Liabilities			
Creditors & other payables	797	2,807	3,407
Employee benefit liabilities	420	374	476
Tax payable	3	3	3
Borrowings	3,000	-	3,000
Derivative financial instruments	-		34
Other	1,601	395	425
Total Current Liabilities	5,821	3,579	7,345
Non-current Liabilities			
Borrowings	20,818	25,626	16,618
Employee benefit liabilities	41	38	42
Provisions	2,040	2,222	2,040
Derivative financial instruments	931	673	1,097
Other Non-current liabilities	32	32	32
Total Non-Current Liabilities	23,862	28,591	19,829
Total Liabilities	29,684	32,170	27,174
Net Assets			
	405,263	395,175	399,912
Equity			
Retained earnings	156,456	142,381	151,089
Restricted Reserves	9,022	10,774	9,038
Revaluation reserves	239,721	241,956	239,721
Other comprehensive revenue and expense reserve	64	64	64
Total Equity	405,263	395,175	399,912

Cash and Cash Equivalent:

Includes Term deposits of \$10.9m and a bank balance of \$3m. Some of the grant money received during the year and a prefunding of a current loan were invested in short term deposits.

Capital Expenditure

CAPITAL EXPENDITURE 2020-2021						
	Budgets		YTD Actual Expenditure	Budget Remaining	YTD Spent as a % of AP	Notes
	2019-2020 Carried Forward Budget	Full Year Annual Plan (AP)				
Leadership	51,810	371,112	56,693	366,228	13%	Main projects included in this section are Council HQ refurbishment project, Refurbishment of visitor area project, Council HQ generator project, Website development and teleconferencing equipment projects. All the projects are on track except for the refurbishment of the visitor centre area project which is on hold pending further discussions around the location of Council Chambers.
Planning & Regulatory Services	-	6,000	-	6,000	0%	This is the Noise meter project - not expecting any delays at this stage as per the project manager.
Leisure Services & Facilities - Park & Reserves	102,278	847,710	4,291	945,698	0%	The main projects included in this section are Cass Square development projects (New Toilet, upgrade of playground equipment etc.), Enhancement of WCWT project, Ross and Whataroa playground equipment upgrade projects. The Cass Square new toilets and the pavilion building improvements are now on hold as they are tied to the Masterplan for Cass Square and the race course. Apart from the proposed dog park which is not expected to be completed in this financial year, all projects are on track to be completed.
Leisure Services & Facilities - Other	615,857	1,264,895	288,132	1,786,337	15%	Some of the major projects included in this section are Carnegie building project, Civil Defence emergency projects (Containers & Operations centre), Hokitika swimming pool, and Hokitika and Franz Josef revitalization plan projects. The Hokitika swimming pool works will not commence until winter and is not expected to be completed in this financial year. Some minor museum works and the heatpump replacement at the library are all on hold. All other projects with the exception of Jacksons Bay Wharf, are expected to be completed as planned in this financial year.
Solid Waste	183,523	515,000	101,910	596,613	15%	The Butlers intermediate capping project has been postponed to 2022 due to post Covid stimulus funding received to transfer the Fox Landfill waste to Butlers Landfill. The Fox Glacier landfill armoring project has been cancelled also due to the PGF Funded programme. Franz Josef landfill armoring, Haast capping, Hari Hari and Neils Beach landfill are all on hold. The remaining projects have either been completed or are expected to be completed as planned.

Stormwater	1,625,312	1,382,240	100,364	2,907,188	3%	The Hokitika stormwater mains replacement and new developments are on hold and the Jollie St extension has been deferred until 2021/22. The design and scope of the Livingstone St pump upgrade is in progress but this project is not likely to be completed in this financial year. All other projects are on track for completion as planned.
Transportation	-	2,776,940	996,951	1,987,115	36%	All capital projects will be completed before the year end as planned. Some of the major projects included here are Sealed Road Resurfacing, Unsealed Road Metalling, Structures Component Replace project, Drianage Renewals, Sealed Road Pavement Rehabilitation project, Local and SPR Low Cost Low Risk projects.
Wastewater	1,532,881	2,681,156	306,132	3,907,905	7%	All the projects are on track to complete in this financial year except for the Hokitika Outfall structure project which was cancelled due to change in project scope. However this has been replaced by the WWTP upgrade project which is being funded by post Covid stimulus funding. Other Major projects included in here are Franz Josef Pump Station Upgrade project, Hokitika and Franz Josef Waste Water Mains Replacement projects.
Water Supply	1,144,069	1,335,550	334,861	2,295,302	14%	The Fox Glacier Plant and mains upgrade projects are now on hold. The Ross mains upgrade is also on hold until the completion of the Ross Intake. Construction has commenced at the Arahura water treatment plant and is expected to be completed in this financial year. Other projects are also on track to be completed.
Total Capital Expenditure	5,255,730	11,180,603	2,189,335	14,798,385	13%	Due to lags in receiving invoices from some major contractors, this 13% is not indicative of the physical stage of the completion of projects.
Projects in WIP from 2019-2020	656,901	-	652,422	120,245	99%	The main projects included in this section are Sunset point development project and Franz Josef - Mains upgrade programme. All project works are on track to be completed in this financial year.
Total Unbudgeted Capital Expenditure	11,272,139	-	1,883,520	9,886,200	17%	The main projects included here are the Butlers new cell development project (\$3.3M) which is on track but not expected to be completed in this financial year and the PGF Funded 3Waters Reform projects (\$6.9M) of which the Construction works are not expected to commence until March 2021 but must be completed within 1 year from commencement.
Total Capital Expenditure	17,184,769	11,180,603	4,725,277	24,804,830	17%	

Treasury Report

Summary

The purpose of this section of the Quarterly Report is to provide an update on Council's Treasury Position as at **31 December 2020**.

This section shows the Council's position for the following items:

- Loans
- Other Borrowings (if any)
- Swap
- Internal borrowing
- Cash Investments
- Deposits
- Debtors

Council has contracted PWC as an independent treasury adviser.

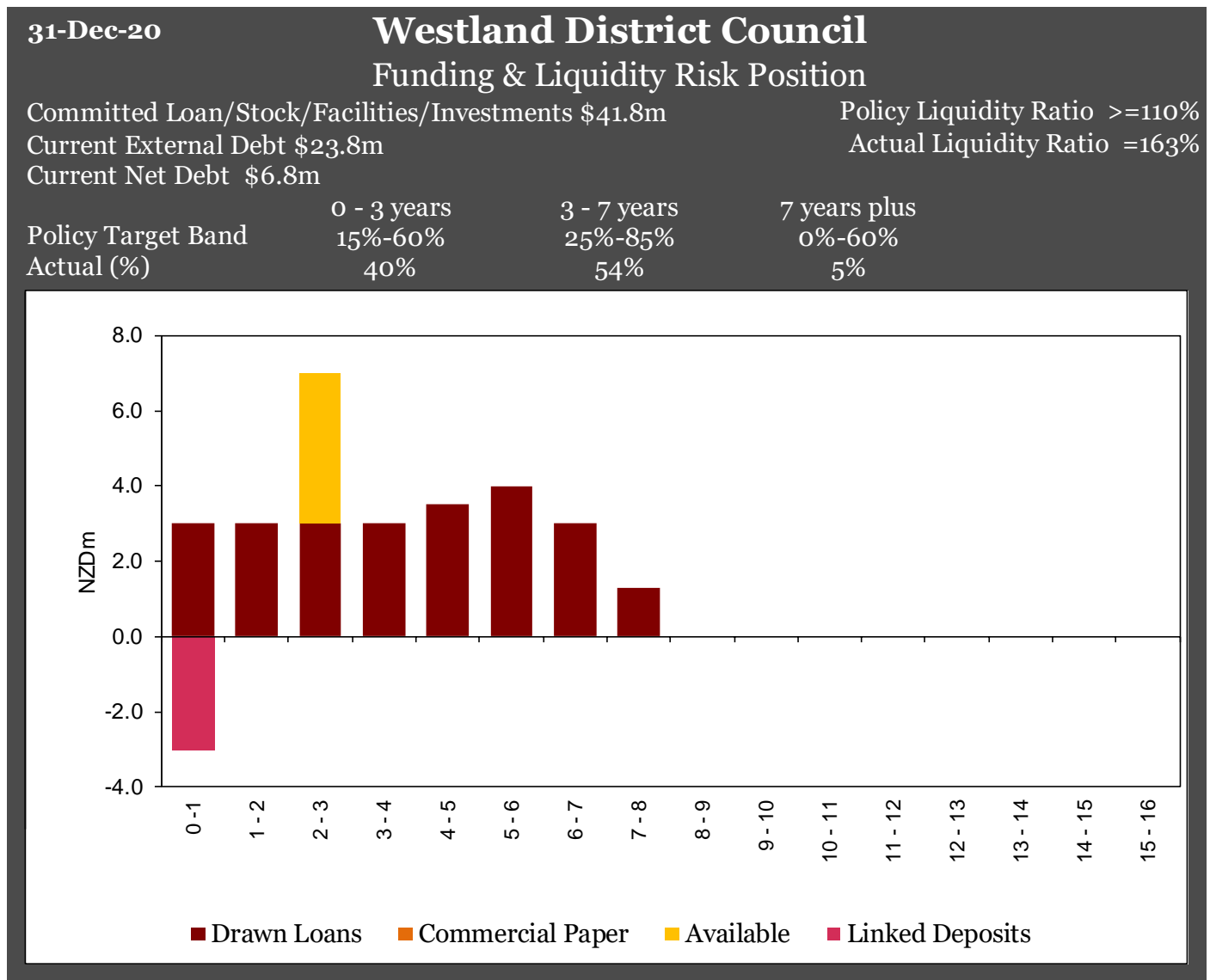
Loans

This chart illustrates the Council’s position in relation to the debt facility:

Liquidity and Funding Risk Control Limits:

Maturity band limits were amended in March 2020 to allow the council to have a greater flexibility while continue to enforce a spreading and smoothing approach to debt management. New bands are 0 - 3 years, 3 - 7 years and 7 years plus. Minimum and maximum percentage limits within each maturity band ensure a spread of maturities and reduces the risk of maturity concentrations.

Council’s policies require that we have liquidity cover of 110% of current debt. Council has \$14m of term deposits and cash at bank available as at 31 December 2020 and a \$4m credit facility with Westpac which resulted in a liquidity coverage ratio of 163%. The forecast debt for the current financial year is \$25.63m,



Borrowing as at 31 December 2020 are as follows:

Amount (\$)	Rate	Maturity
3,000,000	0.26%	17/05/2021
3,000,000	0.26%	16/05/2022
3,000,000	0.27%	17/04/2023
18,352	1.55%	1/07/2023
3,000,000	0.27%	15/04/2024
2,300,000	0.27%	15/04/2025
1,200,000	0.26%	15/04/2025
1,500,000	0.27%	15/04/2026
1,000,000	1.39%	15/04/2026
1,500,000	1.14%	15/04/2026
1,500,000	3.88%	15/04/2027
1,500,000	1.23%	18/04/2027
1,300,000	0.27%	18/04/2028
23,818,352	Total	

Except the fourth item in the table above rest of the loans are obtained from LGFA. The interest rates shown above for LGFA bonds do not include the 0.6% to 1.1% margins charged by LGFA.

Swaps in place to protect against fluctuating interest rates are as follows:

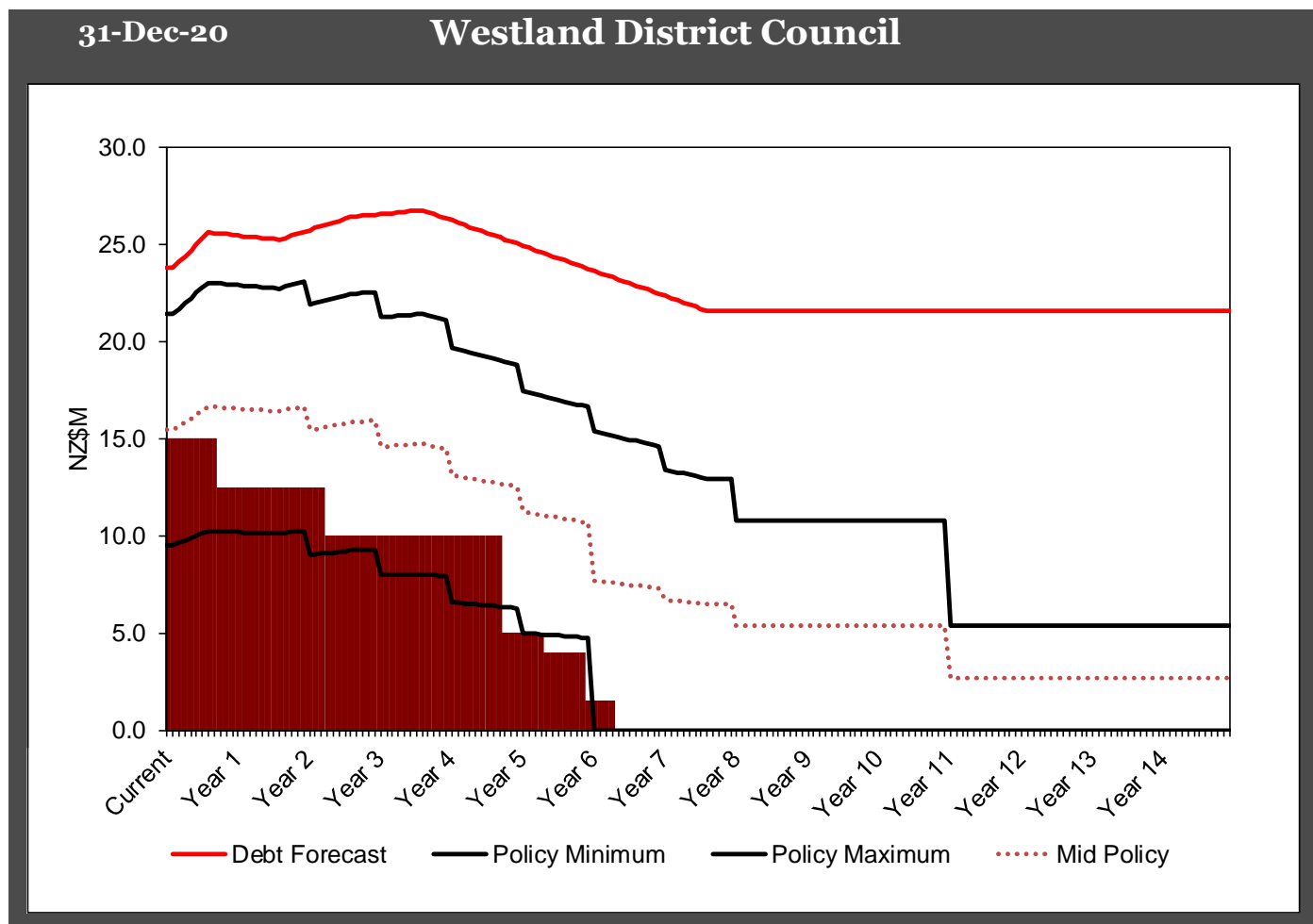
Amount (\$)	Rate	Maturity
2,500,000	0.67%	17/11/2026
5,000,000	3.67%	2/10/2025
5,000,000	3.34%	2/10/2023
2,500,000	2.98%	17/03/2023
5,000,000	4.10%	1/10/2021
20,000,000	Total	

Out of the \$20.0m Swaps portfolio above, \$10.0m Swaps have future effective dates and hence are not considered as live Swaps.

Interest Rate Risk Position

The interest rate risk position visually represents the Council's interest rate position within approved interest rate control limits as set out in Council's Liability Management Policy.

The following chart shows our projected debt position and compliance to the corridor policy implemented by the Audit and Risk Committee in 2020



The red part of the graph above shows the amount of debt which is fixed - (this includes fixed rate bonds together with payer swaps) meaning debt which gets repriced in one year's time or later. As shown in the above graph council is within the minimum and maximum policy limits as at 31 December 2020.

Internal Borrowing

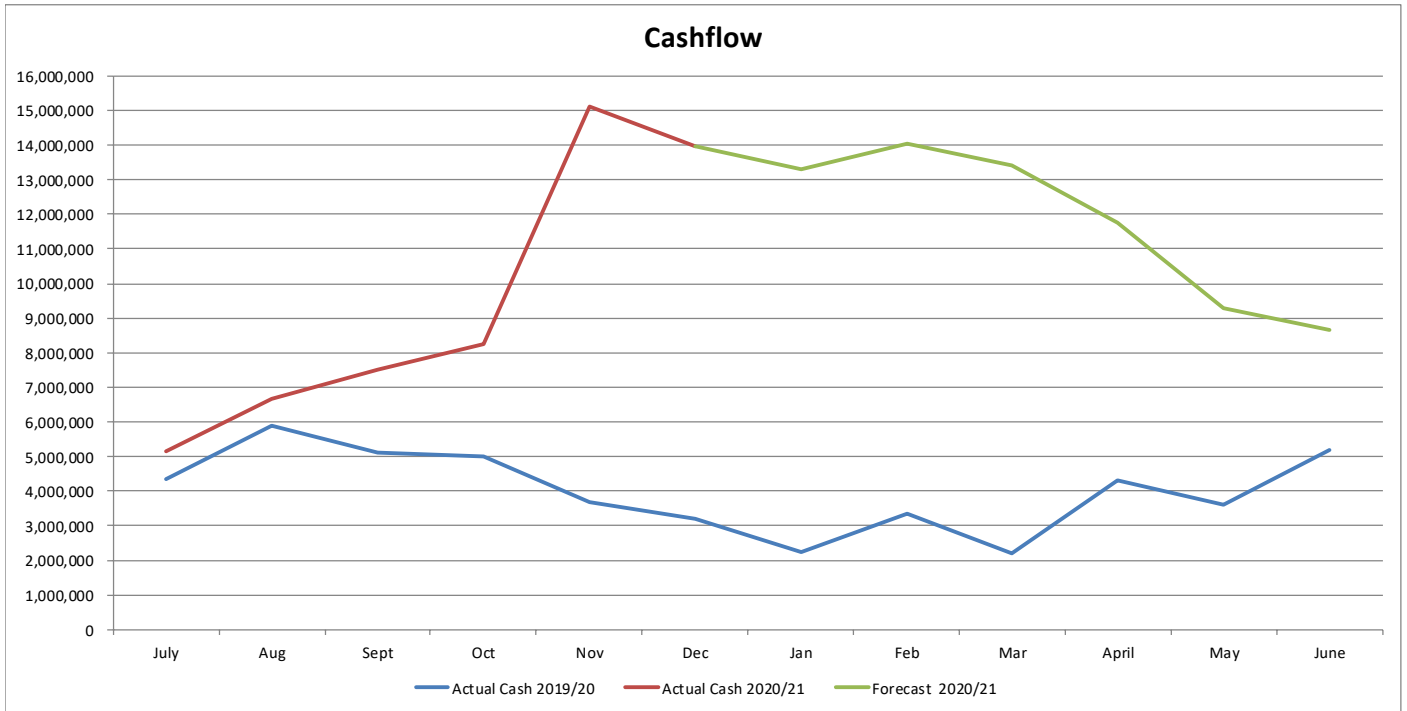
Kaniere Sewerage as at 31 December 2020 is \$84,151.44

Cash Investments

Cash Deposits as at 31 December 2020

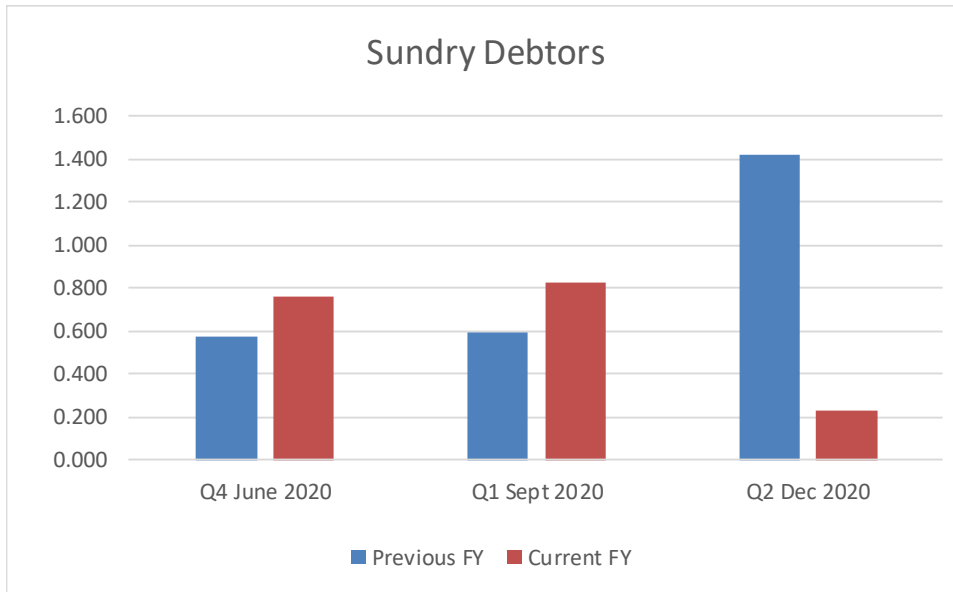
Cash flow is managed on a weekly basis. A loan drawdown of \$4.2M was made in November and a further drawdown is expected towards the end of the year. The above loan drawdown (\$4.2m) made in November includes pre funding of a current loan (\$3m) that is due to mature in May 2021. This was prefunded due to low interest rates existing at the time and invested in a term deposit until May 2021.

Closing balance of WDC Operational Account: \$3,004,138



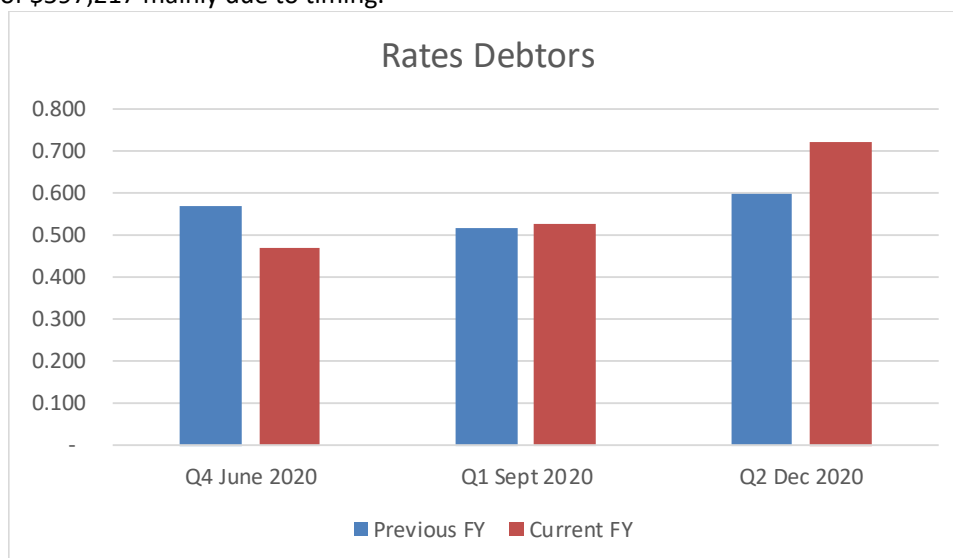
Sundry Debtors

Outstanding Sundry debtors as at 31 December 2020 total \$230,523 which is \$1,186,991 lower than Q2 2019/20 financial year sundry debtor balance of \$1,417,514. This is mainly due to timing and faster payment by government agencies recently.



Rates Debtors

At 31 December, rates debtors figure total \$721,374 which is \$124,157 more than Q2 2019/20 financial year rates debtors of \$597,217 mainly due to timing.



Debt Collection

Credit Recoveries performance as at 31 December for active debt:

The relationship between Council and the debt recovery agency is being actively managed with regular meetings and guidance from Finance. This proactive approach has assisted with the success of the debt management process and reduction of overdue debtors.

Date Debt Sent	Debt	Collected	Recovery Rate
Pre 2017	75,179	47,686	63%
2017-2018	11,089	7,307	66%
2018-2019	7,381	2,948	40%
2019-2020	3,205	295	9%
Current	2,783	-	0%
Total	99,636	58,236	58%

Further debts will be referred to debt recovery only where internal processes have proven unsuccessful.

Reserve Funds Report

Summary

Reserves are divided into two categories:

Restricted Reserves: These reserves can only be used for the purpose as set out in either legislation or by the funder.

Council Created Reserves: These reserves exist solely at the discretion of Council, as a matter of good business practice.

Financial Management Principles for Reserve Funds

- There are no reserves that are required to be represented by specific cash funds. Council therefore takes a portfolio approach to treasury management.
- Reserves are funded by interest income from investments and available borrowing capacity.
- Reserve balances will grow by interest calculated at the weighted average 90 day bill rate, transferred quarterly into the reserve.
- During 2020/21 new depreciation reserves will grow quarterly. Interest will be earned on those reserves calculated based on the average 90 day bill rate. This will be funded from external interest revenue (or deficit reserves – internal borrowing) for 2020/21.
- Interest will be charged on any reserve in deficit at Council's weighted average cost of asset term debt.
- No funds shall be withdrawn from any reserve unless provided for in the Annual Plan or by Council resolution.

Council Created Reserve Funds

Reserve	Purpose of each reserve fund	Balance 1	Transfers	Transfers	Balance 31
		July 2020	into fund	out of fund	Dec 2020
		\$000	\$000	\$000	\$000
Kumara Township fund	Township funding for the purpose of community related projects		14	- 14	
HariHari township	Township funding for the purpose of community related projects	2	14	- 14	2
Whataroa township	Township funding for the purpose of community related projects	2	8	- 5	5
Ross township	Township funding for the purpose of community related projects	1	14	- 14	1
Haast township	Township funding for the purpose of community related projects	- 3	14	- 14	- 3
Franz township	Township funding for the purpose of community related projects	2	35	- 35	2
Fox township	Township funding for the purpose of community related projects	1	35	- 35	1
Kokatahi community fund	Township funding for the purpose of community related projects	1	8	- 8	
Foreshore	Foreshore Protection for groyne replacement on the foreshore.	20			20
Glacier country promotions	Targeted rates collected from Glacier Country to provide funding for marketing projects.		33	- 13	20
Prestons bush	Mr Preston donated the reserve to Council. This fund was for the community to beautify the bush with tracks and interpretation boards.	1	6	- 3	4
HariHari community complex	The Harihari Pony Club land was sold and the funding was to go towards a new community complex. (Another \$100,000 is allocated from the Reserve Development Fund.)	68			68
Westland Racing Club	Westland Racing Club transferred the racecourse and \$250k to WDC	250		- 20	230
Guy Menzies trust	Surplus from Guy Menzies Day Event.	1			1
Emergency contingency fund	Fund to support Westland in a Civil Defence emergency.	63			63
Marks Road reserve fund	Net Sale proceeds of section of Marks Road Reserve to be split between Haast Civil Defence and the Haast Community	168		- 12	156
Transport renewals	For funding the renewal of roads and bridges.	658	1,053	- 790	921
Water renewal	For funding the renewal of water supplies networks	3,076	590	- 86	3,579
Waste water renewal	For funding the renewal of sewerage and sewage networks	1,828	287	- 303	1,812
Stormwater renewal	For funding the renewal of stormwater systems	771	176	- 5	942
Parks and Reserves renewals	For funding Parks, Reserves, Public Toilets, Ross Pool and Cemeteries Asset Renewal	- 52	226		174
Building renewals	For renewal of all Council operational buildings.	678	137	- 15	802
Administration renewals	For renewal of office equipment, furniture, technical equipment, vehicles and technology	367	109	- 30	447
Library renewals	To replace library books	211	58	- 27	242
Total Council Created Reserves		8,114	2,816	- 1,442	9,489

Restricted Reserve Funds

Reserve	Purpose of each reserve fund	Balance 1	Transfers	Transfers	Balance 31
		July 2020	into fund	of fund	2020
		\$000	\$000	\$000	\$000
Offstreet Parking	Collected from developments in town to pay for off-street parking. Imposed by RMA/District Plan	33	26	-	60
Reserve Development	Monies collected from developments. Imposed by RMA/District Plan	317	16	- 69	264
Museum Assistance Fund	Originally the Museum Bequest Fund	21	-	-	21
Kumara Endowment Fund	Proceeds from sale of Endowment land. Our brief research has not identified the specific terms of the endowment.	356	1	-	357
Euphemia Brown Bequest	Interest earned on funds administered by Public Trust Offices for the estates of Euphemia & William E Brown.	24	-	-	24
Mayoral Relief Funds	Contributions from James & Margaret Isdell Trust; Coulston Herbert Trust;	28	-	- 1	27
Three Mile Domain	To fund three mile domain costs.	74	-	-	76
Ross Endowment Land	Various endowment land parcels in Ross sold over time.	68	-	- 16	52
Graffiti		4	-	-	4
Big Brothers Big Sisters		- 1	-	-	- 1
Taxi Chits		- 3	-	- 1	- 3
Total Restricted Reserves		922	43	- 85	880
Total Reserves		9,036	2,859	- 1,528	10,369

Statement of Service Performance

During this quarter, no Activity group has reported any concerns with meeting their performance measures for the year.

Report to Committee



DATE: 9 February 2020
TO: Audit and Risk Committee
FROM: Group Manager, Corporate Services

AUDIT MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2020

1. Summary

- 1.1. The purpose of this report is to present the Audit Management Report attached as **Appendix 1**, for the year ended 30 June 2020.
- 1.2. The report contains the observations and comments from the audit of the financial statements for the year ended 30 June 2020.
- 1.3. Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which are set out in the Long Term Plan 2018-28. Refer page 2 of the agenda.
- 1.4. This report concludes by recommending that Committee receive the Audit Management Report for the year ended 30 June 2020 and approves it for public release.

2. Background

- 2.1 Audit management reports are provided after the interim audit and the final audit of Councils financial statements, they provide commentary and recommendations on observations made by the audit team during the annual report audit process.
- 2.2 In the first instance, the CE and Group Manager, Corporate Services receive a draft report for staff to provide a management response to the comments. This then enables elected members to receive a full report on the issues and recommendations and the action being taken by staff to address them.

3. Current Situation

- 3.1. The Finance team and the Strategy and Communications Advisor provided a report in a timely manner in order for Audit NZ to undertake the final audit process.

3.2. The Audit Management Report acknowledges improvements in timing and information provided to Audit for the start of the audit process. Audit NZ also comment positively on Councils preparedness for the audit.

3.3. Audit NZ issued an unmodified audit opinion, however there is a matter of emphasis included. The matter of emphasis refers to the COVID-19 disclosure. This was an approach that Audit NZ have taken for all public entities and nothing specific to Westland District Council.

3.4. The report is very positive, there are a number of recommendations for areas for Council to improve;

3.4.1 There are 6 new recommendations of which 4 are deemed necessary and 2 as beneficial.

3.4.2 There are 16 previous recommendations outstanding of which 14 are deemed necessary and 2 are beneficial.

3.4.3 4 necessary recommendations and 1 beneficial recommendation have been implemented or closed during the year.

3.5 There are no items described as 'Urgent' in the report.

3.6 Updates on the recommendations will be brought to the Audit and Risk Committee quarterly.

4. Options

4.1. Option 1: Receive the Audit Management report for the year ended 30 June 2020 and approve for public release.

4.2. Option 2: Do not receive the report.

5. Risk Analysis

5.1. Reputational risk has been considered and has been deemed low risk since the report is positive and no lapses in internal control have been identified.

6. Health and Safety

6.1. Health and Safety has been considered and no items have been identified.

7. Significance and Engagement

7.1. The level of significance has been assessed as being low as the report is for information purposes only.

7.2. No public consultation is considered necessary.

8. Assessment of Options (including Financial Considerations)

8.1. Option 1 – Receive the Audit Management report for the year ended 30 June 2020 and approve for public release. There is no reason not to receive the report, the terms of reference for the Audit and Risk Committee require review of audit recommendations and managements responses. Should the committee decide not to release the report to the community it would

sacrifice the opportunity to provide a useful and objective perspective on how Council is discharging its obligations of financial stewardship and control over service delivery.

8.2. There are no financial implications to this option.

9. Preferred Option(s) and Reasons

9.1. The preferred option is Option 1.

9.2. The reason that Option 1 has been identified as the preferred option are stated under section 8.1 above.

10. Recommendation(s)

10.1. That the report be received.

10.2. That the committee approve the Audit Management Report for the year ended 30 June 2020 for public release.

Lesley Crichton
Group Manager, Corporate Services

Appendix 1: Audit Management Report for the year ended 30 June 2020

Report to the Council on the audit of

Westland District Council

For the year ended 30 June 2020

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Key messages

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

Audit opinion

We have issued an unmodified audit opinion dated 2 November 2020.

Without modifying our opinion, the audit report also includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the Covid-19 pandemic. This approach was adopted for all public entities.

Matters identified during the audit

Property plant and equipment (PPE)

The Council's infrastructure assets were last revalued as at 30 June 2019 and its land and buildings at 30 June 2018. Council carried out assessments to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2020. The assessments indicated no material movement since the valuations were last undertaken. Our audit work concluded that the overall difference from fair value, for both land and buildings and infrastructure assets, was not material.

Rates

We identified minor rating matters, including rounding differences between the FIS and rates resolution and some trivial differences between the rates resolution and the rates actually charged to ratepayers. Our findings from the audit are detailed within section 3 of this report.

Other matters

We set out the areas of focus, for the 2020 audit, in the Audit Plan. The outcome of this work, as well as other findings from the audit, are summarised in sections 2 to 5 of this report. In Appendix 1, we summarise the progress made in addressing prior recommendations. Of those recommendations, there are two in particular that we consider should be focussed on in the short term – improving the NZTA grants claims process and enforcing on-up approvals for sensitive expenditure.

Thank you

We would like to thank the Council, management and staff for the assistance provided throughout the audit. The Council's preparation to support the audit continues to improve and is appreciated.

A handwritten signature in black ink, appearing to read 'S. Tobin', with a long horizontal stroke extending from the top of the 'n'.

Scott Tobin
Appointed Auditor
11 December 2020

1 Recommendations



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

Explanation	Priority
<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason need to be addressed without delay.</p>	Urgent
<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>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.</p>	Necessary
<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Note that these are recommendations that were identified after the interim audit and the final audit phase.

Recommendation	Reference	Priority
<p>Reporting all DIA mandatory performance measures</p> <p>Council measure and report performance on all aspects of the DIA mandatory performance measures.</p>	3	Necessary
<p>Councillor remuneration overpayment</p> <p>Discuss the matter with the Remuneration Authority to confirm whether there is an overpayment and consider the implications for amounts paid and for the 2020/21 financial year.</p>	4.1	Necessary

Recommendation	Reference	Priority
Westroads profit margin elimination Ensure that internal profits, from assets constructed by Westroads for the Council, are being eliminated in the group financial statements.	4.2	Necessary
Afterhours service requests Improve processes to ensure all afterhours calls for service requests are recorded and captured into MagiQ.	4.3	Necessary
Publication of CCO information Ensure the publication of CCO information is completed in accordance with the LGA.	4.4	Beneficial
Declaration of interests Ensure all interests held by members of Key Management Personnel are disclosed in the interests register.	4.5	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	14	2	16
Implemented or closed	0	4	1	5
Total	0	18	3	21

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 2 November 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

Without modifying our opinion, the audit report also includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the Covid-19 pandemic.

In forming our audit opinion, we considered the matters below in section 2.2 and in sections 3 and 4.

2.2 Uncorrected misstatements

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

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Property plant and equipment	1	168,480			
Expenditure					(168,480)
Total parent		168,480			(168,480)
Creditors & other payables	2		192,000		
Provision for disputed costs				(192,000)	
Total group			0		

Explanation of uncorrected misstatements

- 1 To correctly classify the expenditure for repairs and maintenance for rockworks for Milltown Road as capital expenditure.
- 2 To correctly classify the Churchill Street Dispute as a provision rather than a contract liability. This is a balance sheet misclassification only.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The significant corrected misstatements related to the landfill provision, consolidating figures relating to for-profit accounting standards into the group, and various performance reporting disclosures. There were also minor edits of a presentation and disclosure nature, which were corrected by management. Overall the Council has continued to improve the quality of the preparation of its annual report. These efforts should be continued.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 7 September 2020. This included the dates we required the information to be provided to us. We received a draft annual report on 21 September 2020, with our on-site visit commencing on 29 September 2020. Council was well prepared for the audit.

3 Matters raised in the Audit Plan



In our Audit Plan of 30 July 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Fair value and impairment assessments	
<p>The Council periodically revalues specific classes of its property, plant and equipment. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amounts do not materially differ from fair value.</p> <p>Land and buildings were last valued at 30 June 2018 and infrastructure assets in the 2019 financial year. Fair value assessments will be required by the Council to determine whether the carrying value as at 30 June 2020 continues to represent the fair value for assets held at fair value.</p> <p>PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash Generating Assets require assets held at cost to be assessed for indicators of impairment on an annual basis. We expect the District Council to have completed an impairment assessment to determine whether any assets will need to be impaired.</p>	<p>The Council carried out assessments to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2020. The assessments involved applying an applicable index (CGPI or property price movements from Quotable Value) to the carrying values of the Council's assets at 30 June 2020 and determining whether any movement in the value of the assets would lead to a material difference in the financial statements. The assessment indicated no material difference arising due to changes in construction costs.</p> <p>We verified Council's assessment and agreed that the overall difference from fair value, for both land and buildings and infrastructure assets, was not material for the financial statements.</p>
Statement of Service Performance	
<p>Council's statement of service performance is the primary means of reporting to ratepayers its performance for the year. Council is continuing to improve its systems for capturing the underlying data for this reporting.</p> <p>During our review in 2019 we noted a number of DIA's mandatory performance measures could not be reported on. This included measures relating to footpaths, maintenance of the reticulation network (water supply), demand management</p>	<p>We reviewed the Council's reported performance measures and results against its annual plan, the 2018-28 LTP and relevant supporting documentation.</p> <p>Although we found that some of the reported results were not captured and reported correctly to begin with, we confirmed that the performance information is now fairly stated in the annual report. All performance measures from the LTP were reported against in the annual report and the level of detail provided</p>

Audit risk/issue	Outcome
<p>(water supply), water supply response times (attendance times), dry weather overflows (Council reports all overflows), and response times relating to storm water and wastewater.</p>	<p>to the reader of the annual report was appropriate.</p> <p>We identified that the Council was still unable to report on the following DIA mandatory measures:</p> <ul style="list-style-type: none"> • Percentage of real water loss. • Attendance times for urgent and non-urgent call-outs to water supply faults. • Average consumption of drinking water per day per resident. • Attendance times for sewerage faults. • Percentage of footpaths that fall within the level of service or service standard for the condition of footpaths. <p>In addition, surveys relevant to the following measures were not completed, and therefore unable to be reported against:</p> <ul style="list-style-type: none"> • Tenant satisfaction with elderly housing. • Resident satisfaction with Hokitika Wildfoods Festival. • Resident satisfaction with Hokitika Pool. <p>We note that overall the level of reporting is an improvement on the prior year. This is largely attributable due to the two yearly resident satisfaction survey, which is relevant to a large number of measures, being successfully carried out in 2020.</p> <p>Management comment</p> <p><i>Percentage water loss and average consumption requires a costly equipment and modelling not affordable and not a major concern for Council.</i></p> <p><i>Attendance time logging for call-outs/faults are recorded in MagiQ since quarter 4, but not enough data was available yet to report on during this period.</i></p>
Rates	
<p>Rates are the Council's primary funding source.</p>	<p>We identified a variety of minor rating matters, including:</p>

Audit risk/issue	Outcome
<p>Compliance with the Local Government (Rating) Act 2002 (LGRA) with rates setting and collection requirements is critical to ensure that rates are validly set. At an extreme, errors in rates setting processes can mean rates cannot be legally collected. The Council has the ultimate responsibility to ensure that it complies with applicable laws and regulations.</p> <p>During the 2019 financial year, we observed that the ratepayers were invoiced at per factor rates different to those in the approved rates resolution and in the Funding Impact Statement (FIS).</p>	<ul style="list-style-type: none"> • Rounding differences between the Funding Impact Statement (FIS) and rates resolution. For example, general rates are rounded to five decimal places in the FIS, whereas the rates resolution rounds to seven decimal places. For other rates, the FIS rounds to zero decimal places, whereas the rates resolution rounds to two decimal places. • Minor discrepancies were noted for the Hokitika Community Rate: <ul style="list-style-type: none"> ○ The rural residential rate is \$411 per the FIS, compared to \$412.02 per the rates resolution. ○ The commercial rate is \$1,103 per the FIS compared to \$1,104.36 per the rates resolution. ○ The rural rate is \$413 per the FIS compared to \$413.53 per the rates resolution. <p>The total expected revenue for all the rates is the same in both the FIS and rates resolution.</p> • The unconnected sewerage rate is \$186 per the FIS compared to \$187.95 per the rates resolution. Total expected revenue is the same in both the FIS and rates resolution. • Rates for which the total required revenue is \$nil are included in the rates resolution but not the FIS. • Total expected revenue from the UAGC is \$4,227,719 per the rates resolution vs \$4,261,835 per the FIS. <p>We also assessed that the FIS correctly identifies the amount each funding source is expected to generate and noted the following areas for improvement:</p> <ul style="list-style-type: none"> • Total expected revenue is disclosed in total for targeted water rates, but not for individual categories (i.e. treated compared to untreated and commercial compared to non-commercial).

Audit risk/issue	Outcome
	<ul style="list-style-type: none"> Metered water rates are listed in the FIS, but the rate of \$1.80/m³ is not specified and only total expected revenue is shown. <p><i>Invoicing amounts different from the rates resolution</i></p> <p>In prior years, we found that ratepayers have been invoiced at per factor rates different to those in the approved rates resolution and FIS. Where there were differences, in nearly every instance they were invoiced a very small amount less than the amount per the resolution. This remained an issue for 2020.</p> <p><i>Rates for 2020/21</i></p> <p>As per the 2020/21 Annual Plan consultation process, the Council committed to not increase rates in 2020/21. Therefore, the expectation was that ratepayers would be charged the same rate per factor as 2019/20, with any changes to the invoiced amount being due to changes in the factors (i.e. increases in capital value, a new water connection etc.). On this basis, the 2020/21 rates resolution adopted by Council should have contained the rates that were actually charged in 2019/20 (e.g. \$548.91 for the Community Rate Hokitika Residential). Instead it contained the same rates as the 2019/20 rates resolution, some of which were higher than the amounts actually charged (e.g. \$549.79 for the Community Rate Hokitika Residential). Therefore, the 2020/21 rates resolution inadvertently provides for an increase to certain rates (e.g. \$0.88 for the Community Rate Hokitika Residential). To rectify this issue and ensure that inadvertent increases were not passed on to ratepayers, the rates assessment notices include a "remission" amount - i.e. \$0.88 shown above to ensure ratepayers paid the lower amount.</p> <p>Based on the above, the Council is likely under-collecting on several rates as it has ultimately charged less than in the rates resolution. The only rate charged which exceeds the rates resolution is the Kokatahi Community Rate, and the difference is trivial. However, Council has also adhered to the promise of a rates freeze</p>

Audit risk/issue	Outcome
	per the Annual Plan. We note that Council has tried to address the issues noted in prior years regarding discrepancies between the rates resolution vs rates charged by ensuring that rates in the assessment notice agree to the rates resolution and then applying a remission to cover the difference.
Impact of COVID-19	
The COVID-19 pandemic has had a significant impact on the majority of organisations and their people across the globe. We expect management and the Councillors to formally assess whether the pandemic has had any impacts on the operations and finances of the Council.	<p>Overall, there appears to be limited impact on the Council to date. The operating characteristics of the Council have remained the same and the Council believes this is likely to be the case going forward.</p> <p>The wage subsidy was able to be utilised at a group level during the stricter alert levels and this was audited as part of the subsidiary audits.</p> <p>The Council has appropriately described the possible effects that it has identified, as a result of the Covid-19 pandemic, in the notes to the financial statements. We agree, given the uncertainties that still exist, that this is a reasonable assessment of the probable impacts.</p>
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.	<p>We:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. <p>Our audit work completed did not find any indication of management override that would result in a material misstatement to the financial statements.</p>

4 Other matters arising from the audit



During our final audit, we identified the following matters:

4.1 Councillor remuneration overpayment

Findings

The regime for Councillor remuneration involves the Remuneration Authority setting remuneration for Mayors and Council Chairs. A pool is then allocated among the other Councillors, with the amounts payable depending on the position held and a minimum entitlement for Councillors with no additional responsibilities. This is done in consultation with each council and the whole pool must be allocated.

In Westland District Council's case, the Determination for 2019/20 (and continued in 2020/21) provides for the Deputy Mayor to receive less remuneration than the named Committee Chairs. The Remuneration Authority presumably set these amounts on the understanding that different people would occupy the roles. However, after the 2019 elections the Deputy Mayor also holds the role of Chair of the Capital Projects and Tenders Committee.

We identified that the Deputy Mayor has been paid 100% of his Deputy Mayor's entitlement plus 50% of the entitlement for his role as Chair of the Capital Projects and Tenders Committee. The Determination does not support this approach and in our view this does result in an overpayment. The approach also raises the question of whether the Council is allocating the whole governance pool, unless the other Councillors received a top up because of the Deputy Mayor holding two roles.

Recommendation

Discuss the matter with the Remuneration Authority to confirm whether there is an overpayment and consider the implications for amounts paid and for the 2020/21 financial year.

Management comment

The payments are correct based on the Councillors decision and resolution. The determination does not state that there can be only a Deputy Mayor fee or a Chair, therefore it is allowable for both to be paid.

The whole of the governance pool has been used.

Staff will discuss with remuneration committee.

4.2 Westroads profit margin elimination

Findings

In consolidated financial statements transactions within the group need to be eliminated. Where an asset is constructed by Westroads for the Council, the revenue earned and costs incurred by Westroads are eliminated. The profit element capitalised into the assets also needs to be eliminated, but has not been. This leaves profits from the group trading with itself included in group surplus before tax – overstating that figure.

This has been an issue for a number of years, but has become more significant as Westroads increasingly completes more capital work for the Council.

Recommendation

Ensure that internal profits, from assets constructed by Westroads for the Council, are identified and eliminated in the consolidation.

Management comment

If this had been an issue for a number of years, staff should have been informed and could have ensured it was dealt with. It has never been an item on the audit management report. This was however, only mentioned towards the end of the audit when staff consolidated the group.

4.3 Afterhours service requests captured in MagiQ

Findings

Our review of the reported performance information identified a risk that not all service requests are recorded in MagiQ. The Council places reliance on the on-call staff and Westroads staff to record all service requests that don't come in directly to the Council during business hours. However, improvements are required to ensure that all afterhour's calls are recorded in MagiQ. This process should include the Council receiving the manual forms completed by Westroads to do a cross check against what has been input into MagiQ, and comparing service request information to the amounts invoiced by Westroads.

Recommendation

Improve processes to ensure all afterhours calls for service requests are recorded and captured into MagiQ.

Management comments

Afterhours service calls recording has been improved, is mandatory and logged since quarter 4 captured into MagiQ system. There was not enough data recorded to report during this reporting period but will be reported in future.

4.4 Publication of CCO information

Findings

Our legislative compliance review identified two matters relating to CCOs. The Council needs to ensure its website is kept up to date with the following:

- Section 64(9) of the Local Government Act 2002 (LGA) states that each shareholding local authority must publish the CCO's adopted statement of intent on an internet site maintained by or on behalf of the local authority within one month of adopting it, and must maintain the statement on that site for a period of no less than seven years.
- Section 67(1)(b) of the LGA requires the board of a CCO to deliver the annual report to its shareholders and, in the case of an organisation that is indirectly controlled by one or more local authorities (for example, a subsidiary of a holding company owned by a local authority), to each local authority that indirectly controls the organisation. Section 67(4) requires the local authority to publish it on its website within one month of receiving it and maintain the report on the site for no less than seven years.

Recommendation

Ensure the publication of CCO information is completed in accordance with the LGA.

Management comments

Westland Holdings Ltd is the subsidiary of Council, the latest Statement of Intent and Annual Reports for this company are always on the Council website.

DWL and Westroads current SOI's are also on the website.

However, it is acknowledged that previous reports have been removed.

Staff will address this.

4.5 Declaration of interests

Findings

Our review of the Companies Office Register identified a number of interests held by members of Key Management Personnel that were missing from the Council's interest register. Although no transactions existed between the outside entities and the Council, this exposes the Council to potential risk if left undisclosed. In our experience, full disclosure of all interests is the first step in managing conflicts of interest.

Recommendation

Ensure all interests held by members of Key Management Personnel are disclosed in the interests register.

Management comments

Council has a conflict of interest policy which is part of the induction process, staff have also been required to read this policy and acknowledge reading the policy.

The interest register for staff is sent out every six months, and staff are required to complete this even if the response is nil. These forms are then received by the Executive team for review.

Councillors have all been through an induction process which included conflict of interests, the interest register is circulated at each and every Council and Committee meeting.

The onus is on Councillors and staff to complete these forms fully.

The Mayor is to discuss with the Councillors individually to remind them of their duties to inform of conflicts of interest, the CE is to discuss with the noted staff.

5 Public sector audit



The 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 Council said it would be spent.

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

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

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

From our review we found no issues that the Council needs to consider.

6 Group audit



The group comprises:

- Westland District Council; and
- Westland Holdings Limited, including its two subsidiaries Westroads Limited and Destination Westland Limited.

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

6.1 Westland Holdings Limited (WHL)

Similar to the prior year, the component auditor issued a modified audit report for WHL due to the scope of the audit being limited in respect of the carrying value of the WHL group's airport assets. The basis for this qualification is as follows:

- Given the "for-profit" status of the WHL group, it needed to consider impairment for the cash generating airport assets when there are impairment indicators. There were impairment indicators this year in light of the continued poor financial performance of the airport.
- Despite the evidence that the airport related assets included in property, plant and equipment may be impaired, WHL did not determine the recoverable amount of the relevant assets in accordance with the relevant accounting standards. The component auditor was unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. An "except for", limitation of scope opinion was issued on WHL's financial statements regarding the uncertainty over the appropriate carrying value of the airport assets.

At the group level, the impairment issue is not applicable for the Council as the assets are not held as cash generating and do not have to be assessed for impairment based on the associated future cash flows. Instead the airport assets are held for strategic purposes by

the Council to allow for better access to the district, not to make a profit. Therefore the carrying value of the assets in WHL's financial statements, which is cost, is appropriate for inclusion in the Council's group financial statements.

6.2 Destination Westland Limited (DWL)

The company's status as a going concern was only accepted based on WHL's letter to the DWL directors committing to provide ongoing financial support if required.

The financial viability of DWL continues to be a matter of significant audit focus for the audit of the group.

7 Useful publications



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

Description	Where to find it
Client updates	
<p>As part of our response to the COVID-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to COVID-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>

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

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

Description	Where to find it
<ul style="list-style-type: none"> • sensitive expenditure; and • severance payments. 	
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Asset information and valuations		
Valuation process and underlying assets information improve in the following areas: <ul style="list-style-type: none"> • Internal review processes. • The retention/creation of supporting information for unit rates, asset lives and changes to other assumptions. • Continued improvement of asset data, including inclusion and capture of all asset additions into Assetfinda and RAMM. • Updating replacement cost unit rates in future valuations subject to indexing in 2019. • Reviewing road surfacing base lifecycles based on condition-based renewals. • Reviewing the engineering margin at 5-8% which is generally at the low end of ranges we have seen elsewhere. 	2019	In progress. Recommendations were noted by management during the 2019 audit and these will be followed up the next time infrastructure assets are revalued.
Statement of Service Performance		
<ul style="list-style-type: none"> • Ensure systems are implemented to enable Council to report on measures set within the long-term and annual plans. • Complete the residents' survey in 2020 as planned. 	2019	In progress. The status of this recommendation is documented in detail in Section 3 of the report.
Rates		
<ul style="list-style-type: none"> • Ensure rates and per factor amounts are consistent. 	2019	In progress.

Recommendation	First raised	Status
<ul style="list-style-type: none"> Council collect the per factor amounts included in the resolution. Address the other issues noted in the 2021 rates setting and invoicing processes. 		The status of this recommendation is documented in detail in Section 3 of the report.
NZTA revenue systems and claims process		
<ul style="list-style-type: none"> Improve the NZTA revenue system and implement controls. Improve the process for compiling NZTA subsidy claims to ensure they align to the GL. Introduce an independent, evidenced review of the claim before it is submitted. 	2019	<p>In progress.</p> <p>No reconciliation between expenditure per the June 2020 NZTA claim and expenditure per the GL was prepared. We noted a large number of variances which, in aggregate, were larger than in prior year. However, our analysis suggested that overall the Council is under-claiming rather than over-claiming. We continue to recommend that systems and controls over the NZTA claim process are improved and formalised.</p>
Monitoring asset revaluation reserves		
Determine the asset revaluation reserve attributable to each revalued class of assets.	2019	<p>In progress.</p> <p>Recommendation was noted by management during the 2019 audit and this will be followed up the next time infrastructure assets are revalued.</p>
Sensitive expenditure approval		
<ul style="list-style-type: none"> Ensure expenditure incurred by the Chief Executive is reviewed by the Mayor or Chair of the Finance, Audit and Risk Committee. Ensure expenditure incurred by the Mayor is approved by the Deputy Mayor or Chair of the Finance, Audit and Risk Committee. 	2019	<p>In progress.</p> <p>Our work performed over sensitive expenditure in 2020 noted similar issues to what has been raised previously with CEO expenditure being self-approved or approved by less senior staff, and mayoral expenses approved by the CEO or other management. This is not appropriate.</p>
Service request system		
<ul style="list-style-type: none"> Implement systems and controls to ensure the information recorded in 	2018	In progress.

Recommendation	First raised	Status
<p>the service request system is complete and accurate.</p> <ul style="list-style-type: none"> Implement clear guidance outlining what constitutes a customer complaint in line with DIA requirements. 		<p>We understand the IT department is looking to see if there is an option to make enable fields like, “attendance time” and “resolution time” in the service request system compulsory before signing off on the request.</p> <p>The Council has updated its internal reporting guidance document to align with DIA guidelines.</p>
Traffic counts		
<p>As part of the new arrangements with Beca, the Council put in place an appropriate, formal traffic count programme for calculating smooth travel exposure reporting.</p>	2018	<p>In progress.</p> <p>We obtained confirmation from Beca that 15 traffic counts were performed by Westroads and uploaded into RAMM between 1 July 2019 and 30 June 2020. We recommend that the Council continues to work on implementing the traffic count strategy and programme prepared by Beca to ensure that there is regular and more extensive coverage of the roading network.</p>
Asset and Asset revaluation		
<p>Management carry out regular reviews of the fixed assets register (FAR) to confirm the existence and ownership of assets.</p>	2018	<p>In progress.</p> <p>Finance staff regularly review the FAR, however until a revaluation takes place, Finance is unlikely to be able to determine whether an asset still exists as a physical stock take is not undertaken. Smaller value non-infrastructure assets are easier to track and are regularly disposed of.</p>
Information systems		
<p>Increase the maturity of the information systems management framework and supporting processes by:</p> <ul style="list-style-type: none"> Developing an information systems strategic plan. Developing an information security policy. 	2018	<p>In progress.</p> <ul style="list-style-type: none"> The Strategic Plan draft document is completed and awaiting final checks. The plan was put on hold in order to align with WC4 strategic plan, however the WC4 plan is on hold so the Council is

Recommendation	First raised	Status
<ul style="list-style-type: none"> Documenting user account security criteria and improve password strength. Reviewing vendor support accounts and ensure access is required Improving change management processes – perhaps through the use of Spiceworks. Tracking and managing incidents – perhaps through the use of Spiceworks. Periodically testing back-ups. Updating the Disaster Recovery and IT Business Continuity Plans. 		<p>continuing with their own plan.</p> <ul style="list-style-type: none"> The information security policy is not yet started/established. Management are satisfied that there are no problems with password strength and that the policy needs to be updated. Vendor support accounts are now monitored to ensure only verified contractors can log on with credentials that allow for limited access. Change management processes are in progress using a new purpose built helpdesk and knowledge base. Tracking and management incidents are in progress. Periodic testing backup has been completed and is an on-going process. The Disaster Recovery Plan Business Continuity Plan will commence once the strategic plan is completed.
Group accounting policy		
That the Council ensures consistency in group accounting policies going forward.	2018	<p>In progress.</p> <p>WHL recorded land and building assets at cost again in 2018/19.</p>
Renewals under expenditure		
Ensure that planned renewal expenditure is sufficient to avoid significant failure of assets in future years due to delayed maintenance not being carried out.	2018	<p>In progress.</p> <p>Renewals expenditure is an area of ongoing focus for both Council and management.</p> <p>The Council is carrying forward approximately \$6.8 million of capital expenditure to the next financial year. Resource restraints and</p>

Recommendation	First raised	Status
		Covid-19 disruptions contributed negatively to this area.
Timely review of balance sheet reconciliations		
Ensure that balance sheet reconciliations are reviewed on a timely basis.	2018	<p>In progress, to be followed up during our 2021 interim audit.</p> <p><u>Status per our 2020 interim report</u></p> <p>During the interim phase of the audit, we observed that Suspense accounts and Bank reconciliations were prepared. The reconciliations are now prepared in MS-Excel, however we were unable to the date of review and the name of the person performing the review.</p> <p>For Excel based reconciliations, we recommend a cover sheet be included which would allow the preparer and review to document an audit trail of the controls operating.</p>
Legislative compliance		
<p>Council develops and implements a sound legal compliance system for identifying and recording potential risks and assessing the likelihood of those risks across all activities of the organisation.</p> <p>Relying solely on the knowledge of staff exposes the organisation to risk, especially when staff change.</p>	2016	<p>In progress.</p> <p>The Electronic Document Management System is still being considered as an opportunity to assist once implemented.</p>
Beneficial		
Project management		
Introduce, document and apply a formal policy and approach for overseeing project delivery across the Council.	Interim 2020	<p>In progress.</p> <p>Microsoft projects have been rolled out to all staff involved in project management. Process documentation needs to be produced and is a work in progress.</p> <p>Key roles are undertaking project management training and recruitment is underway to appoint</p>

Recommendation	First raised	Status
		a full-time project manager to support projects.
Sensitive expenditure policies		
<p>We recommend that management ensure that their sensitive expenditure policies are aligned with OAG good practice guidelines. (https://oag.parliament.nz/2020/sensitive-exoenditure)</p>	Interim 2020	<p>In progress.</p> <p>Group Manager Corporate Services to carry out a full review of the sensitive expenditure policy and process and incorporate the relevant recommendations.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Creditor Masterfile review		
Restrict access to the Creditor Masterfile to 'read only' for staff who independently review the Masterfile changes.	Interim 2020	Implemented. Confirmed that the Finance manager now has read only access.
Conflicts of interest		
The interest register should be further enhanced by: <ul style="list-style-type: none"> disclosing the type of interest (pecuniary and non-pecuniary); and disclosing the potential conflict that can arise and how to manage this. 	Interim 2020	Implemented.
Infrastructure Asset Disposals		
<ul style="list-style-type: none"> Ensure that disposals are identified by the District Assets team and the Finance team is notified for removal from the fixed asset register. Ensure the asset revaluation reserve related to disposed assets is identified and transferred to retained earnings. 	2019	Implemented. Disposal forms are being received, with regular reminders also being sent out to staff about completing the forms. We noted no issues from our review of assets disposed of in 2019/20.
Reimbursement of Mayor's expenditure		
Raise the issue of the Mayor's expenditure reimbursement with the Remuneration Authority to determine how it should be resolved.	2019	Implemented. We sighted the calculation behind the overpaid allowance and the subsequent invoice raised to the Mayor to recover.
Preparation for the audit		
<ul style="list-style-type: none"> A complete substantiation file be produced to support the information in the Annual Report. Review year-end adjustments and the completeness and accuracy of accruals and changes to provisions. 	2018	Resolved Substantiation information was available.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in relation to the Council's Debenture Trust Deed and LTP amendment, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$142,100, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$3,500, for the audit of the Debenture Trust Deed and \$12,729 for the audit of the LTP amendment.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council or its subsidiaries during or since the end of the financial year.</p>

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AUDIT AND RISK COMMITTEE ROLLING WORK PLAN

Item	Feb-21	May-21	Aug-21	Sept-21	Oct-21
External Audit	Audit Management Report 2019/20	Interim Audit 2020/21 – to be confirmed Update on Management actions on Audit NZ recommendations Audit management report 2019/20	Interim Audit Management Report 2020/21 – review action to be taken by management	FYI Final Audit Annual Report 2020/21 begins Note: (Over month end)	Cont, Final Audit Annual Report 2020/21
Financial Reporting	Quarterly Report to December 2020 LTP project update	Quarterly Report to March 2021 Review draft LTP 2021-31 for recommendation of adoption to Council	No June quarter financial report		Review Audited Annual Report 2020/21 – for recommendation of adoption to Council
Insurance		Workshop on insurance renewals			
Risk Management Framework	Review Risk Register	Review Risk Register Health & Safety Report	Review Risk Register Health & Safety Report		
Internal Control Framework	PwC quarterly Whistleblower Report Workshop: Fraud policy review New policy - CCTV	PwC quarterly Whistleblower Report Workshop: Protected Disclosures Policy review	PwC quarterly Whistleblower Report		