



Mackenzie

DISTRICT COUNCIL

Notice is given of an Audit and Risk Committee Meeting to be held on:

Date: Tuesday, 5 April 2022

Time: 1.30pm

Location: On Zoom

AGENDA

Audit and Risk Committee Meeting

5 April 2022

Note: The public part of this meeting will be digitally recorded by the minute-taker and uploaded to YouTube after the meeting.

Audit and Risk Committee Membership:

Bruce Mincham (Chair)
James Leslie
Stuart Barwood
Anne Munro
Graham Smith
Emily Bradbury
Murray Cox
Matt Murphy

The purpose of local government:

(1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

(Local Government Act 2002)

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1 OPENING

2 APOLOGIES

3 DECLARATIONS OF INTEREST

4 VISITORS

Chris Genet from Audit New Zealand has been invited to the meeting.

5 REPORTS

5.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 14 DECEMBER 2021

Author: Arlene Goss, Governance Advisor

Authoriser:

Attachments: 1. Minutes of Audit and Risk Committee Meeting - 14 December 2021

RECOMMENDATION

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 14 December 2021 be received and confirmed as an accurate record of the meeting.



Mackenzie

DISTRICT COUNCIL

Unconfirmed MINUTES

Extraordinary Audit and Risk Committee Meeting

14 December 2021

**MINUTES OF MACKENZIE DISTRICT COUNCIL
EXTRAORDINARY AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, FAIRLIE
ON TUESDAY, 14 DECEMBER 2021 AT 2PM**

PRESENT: Bruce Mincham (Chair), Mayor Graham Smith, Cr Anne Munro, Cr Stuart Barwood, Cr Murray Cox, Cr Emily Bradbury

IN ATTENDANCE: Angela Oosthuizen (Acting Chief Executive), David Adamson (Acting General Manager Operations), Paul Numan (General Manager Corporate), Alexis Gray (General Manager People and Culture), Arlene Goss (Governance Advisor), Chris Clarke (Communications Advisor), Sandy Hogg (Finance Manager), David Codyre (Acting Finance Manager), Chris Genet (Audit New Zealand – by Zoom)

1 OPENING

The chairman opened the meeting and welcomed everyone.

2 APOLOGIES

Apologies were received from Cr James Leslie and Cr Matt Murphy.

3 DECLARATIONS OF INTEREST

The chairman declared that since October he has been the treasurer on the board of Twizel School.

4 REPORTS

4.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 7 SEPTEMBER 2021

COMMITTEE RESOLUTION AUD/2021/60

Moved: Mr Bruce Mincham

Seconded: Mayor Graham Smith

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 7 September 2021 be received and confirmed as an accurate record of the meeting.

CARRIED

4.2 ANNUAL REPORT PROJECT UPDATE

David Codyre updated the committee on progress with the annual report. Auditors would be visiting the council on February 8, 2022, and he hoped to adopt the report by late March.

Bruce Mincham asked how long until the annual report template and accounting policies would come before the audit and risk committee. Mr Codyre said he was still working on a change to the accounting policies.

Paul Numan said Council was well-prepared for the audit.

Angela Oosthuizen said the design and narrative were important and should be shared with the committee in advance.

Chris Genet explained that the timing of the audit had changed due to the scarcity of auditors, and this would be made clear in the report.

Discussion took part on last minute surprises and how these could be avoided.

4.3 ANNUAL PLAN 2022-2023 PROCESS AND PROPOSED TIMETABLE

This was the timetable for the next annual plan. Sandy Hogg introduced the timetable and said time had been included in the plan to cope if an amendment to the Long Term Plan and consultation was required.

Did Council have adequate resources to keep to this timetable? Yes at this stage. This project was being done at the same time as the annual report and outside resources were available for both projects.

Cr Munro asked if the finance team were managing with the new accounting system. Sandy Hogg said there was a degree of comfort. More training of managers was planned.

4.4 AUDIT PLAN - YEAR ENDED 30 JUNE 2021

Paul Numan thanked Chris Genet for sending the audit plan through. It's an easy to read document.

Cr Cox asked about internal control procedures. Paul Numan said he believed the internal control procedures were good and if not, audit would have noticed.

5 PUBLIC EXCLUDED

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION AUD/2021/61

Moved: Cr Anne Munro

Seconded: Cr Emily Bradbury

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution

5.1 - Minutes of Public Excluded Audit and Risk Committee Meeting - 7 September 2021	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
5.2 - CouncilMark Assessment	s7(2)(f)(i) - the withholding of the information is necessary to allow free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
5.3 - Health, Safety and Wellbeing	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
5.4 - Annual Report 2019/2020 Audit Fee Recovery	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(f)(i) - the withholding of the information is necessary to allow free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
5.5 - Risk Management Report	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

COMMITTEE RESOLUTION AUD/2021/62

Moved: Cr Anne Munro

Seconded: Cr Emily Bradbury

That the committee moves out of closed meeting into open meeting.

CARRIED**The Meeting closed at 3.55pm.**.....
CHAIRPERSON

5.2 REVIEW OF THE COUNCIL ANNUAL REPORT 2020/21 FOR COUNCIL ADOPTION

Author: Paul Numan, General Manager Corporate Services

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Draft Annual Report 2020/21 (under separate cover) 

Council Role:

- ☐ **Advocacy** When Council or Committee advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- ☒ **Executive** The substantial direction setting and oversight role of the Council or Committee e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- ☐ **Legislative** Includes adopting District Plans and plan changes, bylaws and policies.
- ☐ **Review** When Council or Committee reviews decisions made by officers.
- ☐ **Quasi-judicial** When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice, e.g. resource consent or planning applications or objections, consents or other permits/licences (e.g. under Health Act, Dog Control Act) and other decisions that may be appealable to the Court including the Environment Court.
- ☐ **Not applicable** (Not applicable to Community Boards).

PURPOSE OF REPORT

The purpose of this report is to inform the Audit and Risk Committee that the Council plans to adopt the 2020/21 Annual Report in accordance with section 98 of the Local Government Act 2002 on 12 April 2022.

The Draft Annual Report is now presented to the Audit and Risk Committee for review - with a staff recommendation that the Audit and Risk Committee then recommend to Council that they adopt the Annual Report.

STAFF RECOMMENDATIONS

1. That the Audit and Risk Committee receives this draft report and attachment.
2. That the Audit and Risk Committee reviews the 20/21 Draft Annual Report.
3. That the Audit and Risk Committee recommends to Council that it adopts the 20/21 Draft Annual Report.

BACKGROUND

The Local Government Act 2002 (s98) specifies that the purpose of an Annual Report is:

- a) *To compare the annual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the Long-Term Plan (LTP) and the Annual Plan (AP); and*
- b) *To promote the local authority's accountability to the community for the decisions made through the year by the local authority.*

The Annual Report explains what we have achieved in the last year and explains how we spent rates and the value the community received. It compares our achievements and progress to what was planned to be achieved, in this case in Year Three of the Long-Term Plan 2018-2028.

A copy of the Annual Report for 2020/21 is attached to this report.

Council is also required to prepare a summary of the information contained in its full Annual Report within 30 days of adoption. The Annual Report Summary for 2020/21 is being prepared and will be provided to Council shortly.

Council is normally required to adopt its audited Annual Report within four months of the end of the financial year (30 June 2021). Due to the COVID-19 pandemic Parliament passed legislation in August to extend the statutory reporting timeframes by two months and Local Authorities new deadline was extended from 31 October to 31 December 2021.

Council did not meet the statutory deadline due to Auditor staff shortages due to Covid-19 and the Audit requested the audit be delayed until February 2022. The Executive Director from Audit New Zealand Stephen Walker advised Council the following in his letter dated 14 October 2021;

We will also support you when it comes to managing any implications resulting from the completion of your audit after statutory timeframes.

We will include a paragraph, in our audit report, where noting that the audit is completed later than is required by legislation, regulation, or your founding documents, because of the auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The audit process provides a level of comfort that the Council's assets both financial and non-financial are being prudently managed. The Annual Report has been audited by Audit New Zealand and an audit opinion will be issued upon adoption.

Within one month of the adoption of the Annual Report, the Annual Report and Summary is required to be made publicly available.

Our Project Manager has provided the following comments on the challenges with the 20/21 Annual Report.

- LTP encroached into the Annual Report programme and this provided capacity challenges.
- Staff turnover in key management positions with knowledge the Annual Report process including Manager Finance, Senior Corporate Planner, Financial Accountant, Engineering Manager and General Manager Operations.
- There were some complex issues to work through with Audit NZ including Albury Water Supply, Fair Value materiality, Transition to the new Financial Instruments Standard and Drinking Water Standards information.
- Council restated comparatives and changed note structures to reflect best practice. This created extra work from a workflow and audit perspective.
- Audit has been challenged resource wise - which has led to a delay of key testing.

In summary a positive result given Council are looking at adopting on 12 April – noting Council have effectively worked through an interim and final audit in two months which is significant when you consider what other Councils have experienced.

Key Information Contained in the Annual Report***Snapshot of the Year***

The Annual Report and Annual Report Summary tell the story of Council's performance over the last financial year, from 1 July 2020 to 30 June 2021 and covers both financial and non-financial performance for the year. The emphasis in the front section of the Annual Report is on informing the community of progress made with Council's major projects as well as stories and highlights of the past year.

The focus of the 2020/2021 Annual report is "Laying the Foundations" and reflects on what we have achieved on behalf of our communities over the past financial year. The following are the key highlights;

Financial Performance

Council achieved a before tax surplus of \$1.737 million (favourable against budget of \$1,449) and we struck a lower than planned rates increase of 6.26% for 2020/21 after considering the impact that COVID is having on our community.

Development of the 2021-2031 Long term Plan - "Time for a Change"

The management team worked on finalizing and delivering our Long-Term Plan 2021 -2031 during 2020/2021, with the final plan being adopted in December 2021.

Good progress was made in moving Te Manahuna Ki Uta forward

We actively progressed our Te Manahuna Ki Uta project as we partnered with Iwi and other key stakeholders to develop a destination plan for Tourism for our district.

Planning projects to deliver critical Improvements in Infrastructure

Although the physical delivery of the Three Waters Stimulus Projects was delayed, we focused on the design and planning to ensure once this was finalised effective project management could effectively deliver these critical improvements in Three Waters infrastructure.

Development of Spatial plans to help frame our future

Following on from the commencement of the spatial planning work in 2019/20, the spatial planning project went through a multistage process for each township that included substantial engagement with each community around the spatial plan development. This consultation culminated in the adoption of the Spatial Plans by Council on 29 June 2021.

Plan Change 18

On 22 June 2021 Council adopted Plan Change 18 which addresses the management of Indigenous Biodiversity within the Mackenzie District.

Staffing and Reform

Finding the right people for available jobs is an ongoing challenge and in the local government sector there is significant reform. We continue to monitor and provide feedback on these reforms as maintaining a strong local voice for our communities needs remains paramount.

Non-financial Performance

Each of Council's activities, or group of activities, has performance measures with targets to determine the quality and effectiveness of the services provided by Council. These measures, which are set in the Long-Term Plan, include mandatory performance measures.

The following shows Council performance against the 56 measures set in the Long-Term Plan 2018-28:

The results against the performance measures and targets for the 2020/21 year are shown as Achieved, Not Achieved or Not Applicable, if the target relates to a different time period.

Results for 2020/21

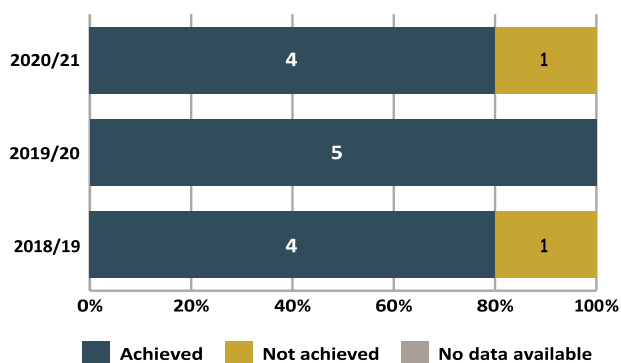
Achieved	43
Not Achieved	13
Not Applicable until 2021/22	0

Overall, the year-end result for the 2020/21 performance targets is a 77% (43 of 56) achievement level. This compares with 77% (2019/20) and 76% (2018/19) and is reflective of some targets being aspirational and others having dependencies outside of our control

Assessment of performance against measures and targets for 2020/21

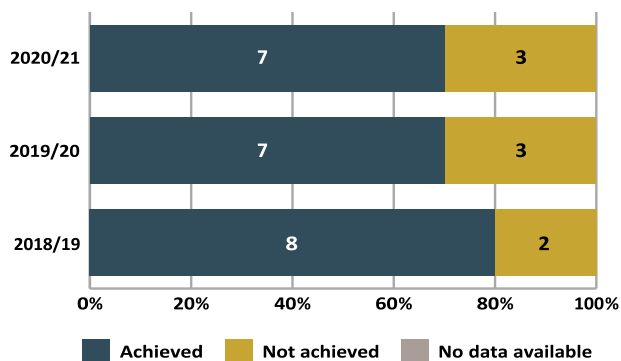
Governance and Corporate Services

We achieved 80% of our non-financial performance standards in the governance and corporate services activity.



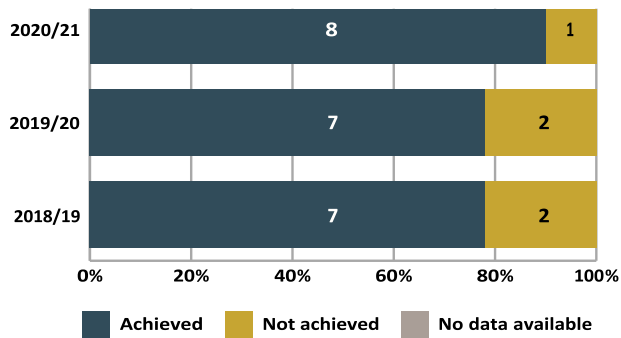
Water Supplies

We achieved 60% of our non-financial performance standards in the water supply activity



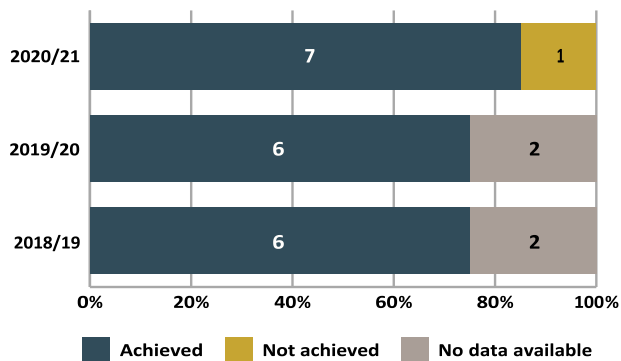
Wastewater

We achieved 89% of our non-financial performance standards in the wastewater activity.



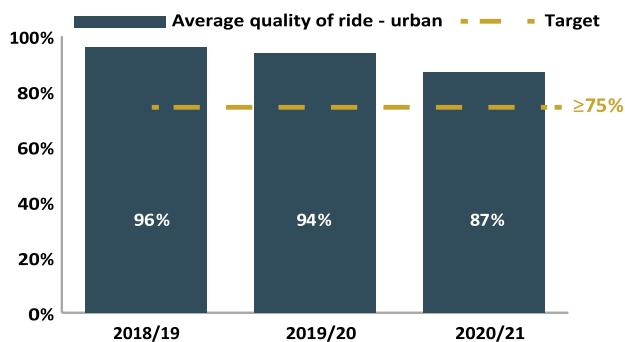
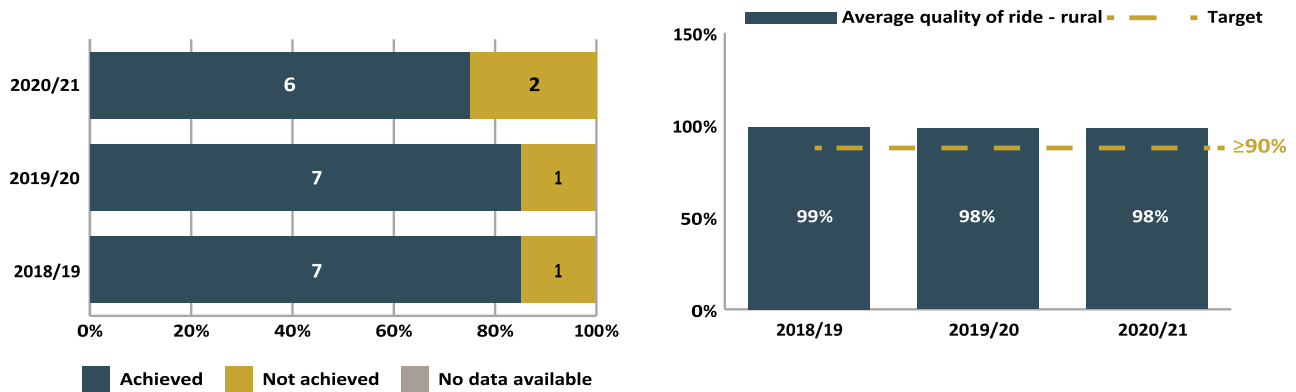
Stormwater

We achieved 87.5% of our non-financial performance standards in the stormwater supply activity



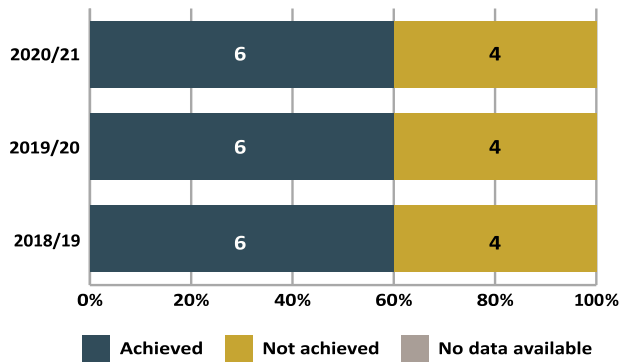
Roading

We achieved 75% of our non-financial performance standards in the roading activity



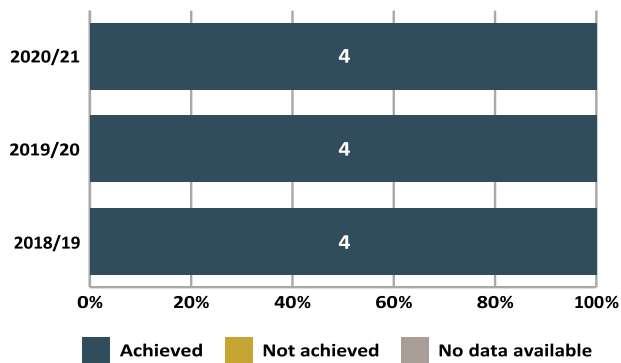
Regulatory Services

We achieved 67% of our non-financial performance standards in the regulatory services activity.



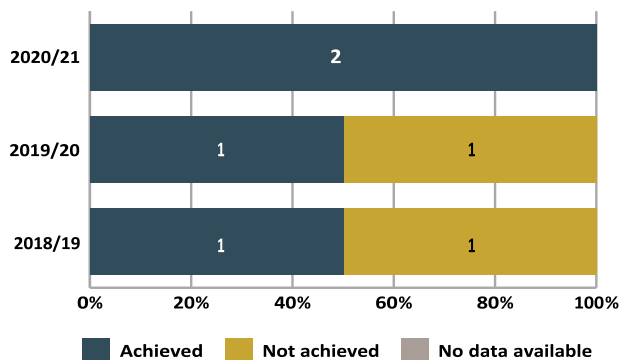
Community & Township Services

We achieved 100% of our non-financial performance standards in the community and township services activity.



Tourism, Economic Development and Commercial Activities

We achieved 100% of our non-financial performance standards in the tourism, economic development and commercial activities



Financial Performance and highlights

- The financials reflect increased activity in the district over the previous year with an overall surplus before tax of \$1.844 million compared with the anticipated surplus of \$1.449 million with total revenue of \$24.7 million, and total expenditure of \$22.9 million.
- Subsidies and Grants received totalled \$4.16 million. This was received primarily from Central Government and helped co fund investment in Tourism, Camping, the Mayoral taskforce for Jobs initiative as well investing in our roading and 3 waters infrastructure.
- We struck a lower than planned rates increase of 6.26% for 2020/21 after considering the impact that COVID is having on our community.
- We continue to run a strong balance sheet with cash reserves of \$11.6 million at 30 June 2021.
- We invested \$6 million in capital expenditure (excluding vested assets)
- We continue to hold no external debt although this will change in 2021/2022 as our Capex programme ramps up.
- The value of the of our Land and Buildings increased by \$2.3 million, our Forestry Plantations value by \$886,000 and we received \$757,000 worth of carbon credits.

CONCLUSION

The Audit and Risk Committee is asked to review the Annual Report for the 2020/21 financial year in accordance with the requirements of the Local Government Act 2002 – noting that the audit is still ongoing and that we will update you on any changes at the 5 April 2022 meeting.

Following review, the Audit and Risk Committee is requested to recommend that the Council adopt the 20/21 Annual Report at their meeting on 12 April 2022.

5.3 ANNUAL PLAN 2022-2023 PROCESS AND PROPOSED TIMETABLE**File Reference:** PAD**Author:** Sandy Hogg, Manager - Finance**Authoriser:** Paul Numan, General Manager Corporate Services**Attachments:** 1. Annual Plan 2022/23 Timetable [↓](#) **STAFF RECOMMENDATIONS**

That the information and updated timetable be noted.

BACKGROUND

At the 14 December 2021 a report was provided to the Committee on the process and proposed timetable for the 2022/23 Annual Plan.

The draft budget has been worked through with Council at several workshops.

The proposed rates increase for 2022/23 is 17.0%. In 2022/23 (Year 2) of the Long Term Plan (LTP) the proposed rates increase was 17.3%.

The draft budget has not identified any significant changes in either rates increases or levels of service from those identified in the LTP for year 2 (2022/23) and therefore Council will not be required to consult on the 2022/23 Annual Plan. The timetable has been updated to reflect this.

The timetable does include community engagement during May 2022 for the draft 2022/23 Annual Plan proposed work programmes and projects.

CONCLUSION

The Committee is asked to note the information regarding the upcoming 2022/23 Annual Plan process.

Annual Plan 2022-2023 Timetable

Executive

Governance

Deadline for decision on whether budget will trigger an LTP Amendment requiring audit and consultation

		Process	Who's Responsible	Completed
1 November 2021	29 November 2021	LTP model transferred to Magiq Performance and Budget model for 2022-2023 initialised in Magiq	Finance	
10 November 2021		Draft Annual Plan Timetable to Executive	Manager Finance / GM Corporate Services	
30 November 2021	24 December 2021	Budget Training and Budget Templates available for managers Draft budgets completed	Finance/Budget holders	
30 November 2021	24 December 2021	Setup Annual Plan template	Corporate Planner	
24 December 2021	4 January 2022	Christmas/New Year Shutdown		
14 January 2022		Budgets to Executive for review	Manager Finance	
20 January 2022		Executive meeting to review draft budgets	Finance / Executive Team	
24 January 2022	28 January 2022	Budget collation, indicative rates and variance analysis (significant or material) Pre-engagement with Community Boards for potential community projects, Albury Water Supply and Downlands Water Supply for draft budgets	Finance	
7 February 2022		Waitangi Day - Observed		
8 February 2022		Council Workshop - draft budgets	Manager Finance / GM Corporate Services	
9 February 2022	25 February 2022	Required changes to budgets made and final draft rates modelling with variance analysis	Finance	
23 February 2022		Meeting with Iwi – discussion on draft budget projects		
28 February 2022	3 March 2022	Revised budgets to Executive with discussion on 3 March 2022	Finance / Executive	
15 March 2022		Council Workshop – revised budgets and confirmation of rates impacts and variances from LTP Year 2	Manager Finance / GM Corporate Services	

15 March 2022	14 April 2022	Draft Annual Plan preparation	Manager Finance
11 April 2022		Twizel Community Board – budgets presented (info only)	Manager Finance / GM Corporate Services
13 April 2022		Tekapo Community Board – budgets presented (info only)	Manager Finance / GM Corporate Services
14 April 2022		Fairlie Community Board – budgets presented (info only)	Manager Finance / GM Corporate Services
15 April 2022	18 April 2022	Easter	
19 April 2022		Draft Annual Plan – workshop on information excluding financials	Manager Finance / GM Corporate Services
15 March 2022	28 April 2022	Preparation of final financials including rating definitions, sample rates etc.	Finance
19 April 2022	28 April 2022	Annual Plan Preparation post Council workshop	Manager Finance / GM Corporate Services
25 April 2022		Anzac Day observed	
19 April 2022	28 April 2022	CE and Mayor introduction to Annual Plan prepared	CEO/Mayor
10 May 2022		Draft Annual Plan – adoption by Council	Manager Finance / GM Corporate Services
11 May 2022	8 June 2022	Community Engagement with draft annual plan	Executive / Finance / Communications
11 May 2022	8 June 2022	QA Review of Annual Plan	Executive / Finance / Communications
6 June 2022		Queen's Birthday	
8 June 2022		Circulate final draft Annual Plan to Councillors	Manager Finance / GM Corporate Services
15 June 2022	19 June 2022	Prepare media release, website, Facebook, adverts in Accessible/Update/Tekapo Scene	Communications
28 June 2022		Council meeting – adopt Annual Plan, Rates resolution	Manager Finance / GM Corporate Services
28 June 2022		Circulate AP, website, media release	Communications
30 June 2022		Send to Statutory parties	Communications

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Long Term Plan 2021-2031 Audit Fee Recovery	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(f)(i) - the withholding of the information is necessary to allow free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.2 - Risk Management Report	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.3 - Minutes of Public Excluded Audit and Risk Committee Meeting - 14 December 2021	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	disadvantage, commercial activities	
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