



Mackenzie

DISTRICT COUNCIL

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

Date: Tuesday, 13 September 2022

Time: 9.30am

Location: Council Chambers

Fairlie

AGENDA

Audit and Risk Committee Meeting

13 September 2022

Note: This meeting will be digitally recorded by the minute-taker .

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

Stephen Walker and Chris Genet from Audit NZ have been invited to attend the Audit and Risk meeting at 9.30am.

5 REPORTS

5.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 21 JUNE 2022

Author: Arlene Goss, Governance Advisor

Authoriser:

Attachments: 1. Minutes of Audit and Risk Committee Meeting - 21 June 2022

RECOMMENDATION

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 21 June 2022 be received and confirmed as an accurate record of the meeting.



Mackenzie

DISTRICT COUNCIL

Unconfirmed MINUTES

Audit and Risk Committee Meeting

21 June 2022

**MINUTES OF MACKENZIE DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, FAIRLIE
ON TUESDAY, 21 JUNE 2022 AT 9.30AM**

PRESENT: Mr Bruce Mincham (chairperson), Deputy James Leslie, Cr Stuart Barwood, Mayor Graham Smith, Cr Murray Cox, Cr Matt Murphy

IN ATTENDANCE: Angela Oosthuizen (Chief Executive), David Adamson (Acting General Manager Operations), Paul Numan (General Manager Corporate), Alexis Gray (Manager People and Culture), Arlene Goss (Governance Advisor), Sandy Hogg (Finance Manager), Chris Clarke (Manager IT and Engagement), Wendy Thompson (Corporate Planner), Chris Genet and Anna Jones (AuditNZ), Jerard Coburn (Marsh Insurance).

1 OPENING

The chairperson opened the meeting and welcomed everyone.

2 APOLOGIES

Apologies were received from Cr Anne Munro and Cr Emily Bradbury.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 VISITORS

Chris Genet and Anna Jones from Audit New Zealand were welcomed to the meeting. Jerard Coburn from Marsh would attend at 11am to discuss insurance.

5 REPORTS

5.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 5 APRIL 2022

COMMITTEE RESOLUTION AUD/2022/64

Moved: Mr Bruce Mincham
Seconded: Mayor Graham Smith

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 5 April 2022 be received and confirmed as an accurate record of the meeting.

CARRIED

5.2 REVIEW OF THE COUNCIL ANNUAL PLAN 2022/23 FOR COUNCIL ADOPTION

The purpose of this report was to inform the Audit and Risk Committee that the Council plans to adopt the 2022-2023 Annual Plan pursuant to section 95(1) of the Local Government Act 2002 on 28 June 2022.

Paul Numan outlined the contents of his report. The chairman had provided some edits to Mr Numan and these would be made before the plan was adopted by council. The chairman asked Mr Genet if he had any observations. There was nothing Mr Genet wanted to raise.

The chief executive said Council had landed close to what was predicted in the Long Term Plan. She thanked the finance manager for her work on this, especially while she was suffering from Covid. It was good to meet statutory deadlines. The Mayor also thanked the team and chief executive.

The Mayor asked about the operating surplus. Finance manager Sandy Hogg said Council had not taken up borrowings as indicated but had been using cash. The interest rates weren't great so it was better to use cash. Borrowing was still available if needed.

Further discussion was held on future plans and communication of the annual plan to the public. Three waters projects were on track, and other projects were being pushed.

There had not been much public feedback to date on the projected rates rises.

COMMITTEE RESOLUTION AUD/2022/65

Moved: Mr Bruce Mincham

Seconded: Cr Stuart Barwood

1. That the Audit and Risk Committee receives this report and attachment.
2. That the Audit and Risk Committee reviews the 22/23 Annual Plan.
3. That the Audit and Risk Committee recommends to Council that it adopts the 22/23 Annual Plan at the Council meeting on 28 June 2022.

CARRIED

COMMITTEE RESOLUTION AUD/2022/66

Moved: Cr Murray Cox

Seconded: Mayor Graham Smith

4. That the Council agrees that the Chief Executive be delegated authority to make minor editorial changes to the Annual Plan 2022-2023 document ahead of the Annual Plan being provided to the Council for adoption.

CARRIED

5.3 AUDIT PLAN - YEAR ENDED 30 JUNE 2022

Paul Numan introduced this report and went over the main points. This process has already started and staff were uploading documents to the audit dashboard. The final audit was booked

for October 11. Council was hoping to adopt the annual report by the end of November, within the statutory deadline.

Chris Genet raised current risks to be aware of and said they were in hand. Sector risks included Three Waters Reform. There would be an audit focus on the capital programme and the funding of that.

There was still an auditor shortage and Covid was still having an impact on audit staff. Auditors would be sourced from overseas. Mr Genet was working towards the dates in the report but was awaiting confirmation regarding staff.

The chief executive said meeting the statutory deadlines was a non-negotiable this year. She also asked about Three Waters which was fast moving and difficult to predict. It was difficult to understand what impact that would have on a small council. She asked Mr Genet to flag issues early to allow the small team time to address these.

Chris Clarke updated the committee on a project management tool that was being trialled by his team within the council. This would be used for the annual report.

The chairman asked for clarification on drinking water quality performance. David Adamson said a third party was doing this and council was buying into a system used by other councils. This work was underway. Mr Genet would send questions to Mr Adamson on this matter to make it clear what was being requested.

5.4 INDEPENDENT ASSURANCE REPORT FOR THE DEBENTURE TRUST DEED OF MACKENZIE DISTRICT COUNCIL FOR THE YEAR ENDED 30 JUNE 2021

This report was received.

5.5 2022 ANNUAL REPORT TIMETABLE AND RISK REGISTER

Corporate Planner Wendy Thompson joined the table. She said staff are meeting regularly on the annual report. She introduced herself to the members and then introduced the new project management software being used to manage the annual report process.

Some tasks were already completed with others being worked on.

The Mayor was heartened to get the processes in order so staff were on top of things.

Cr Barwood asked about an item that showed as overdue and this was updated by Sandy Hogg, who said the matter was in hand but she had not updated the software.

5.6 HEALTH, SAFETY AND WELLBEING

Alexis Gray took her report as read and asked for any questions.

Council has just hired a health and safety coordinator who will start on July 6.

An update on the use of Sitewise was provided, and also an update on hiring.

The councillors asked for an update on a staff road accident that occurred recently. The driver was ok and the car was being repaired.

Communication issues caused by a lack of mobile phone coverage were discussed. Work was being done on deploying civil defence radios in staff cars to help address this. This would also help staff learn how to use the radios in case of a civil defence emergency.

Further discussion took place on GPS alarms in cars and how GPS tracking worked.

The meeting adjourned at 10.37am for morning tea and reconvened at 10.50am.

5.7 WAKA KOTAHI - INVESTMENT AUDIT REPORT

The purpose of this report was to provide the Audit and Risk Committee with the outcome of an investment audit report carried out by Waka Kotahi regarding funding received by the Council as part of the National Land Transport Programme (NLTP).

Sandy Hogg spoke to this report. The Mayor asked about funding at risk. Sandy Hogg said a new process had been put in place to address this. The audit was prompted by a mistake that resulted in a double claim, which had been refunded. Council had a very good relationship with Waka Kotahi and would meet with them to work out the repayment.

COMMITTEE RESOLUTION AUD/2022/67

Moved: Mr Bruce Mincham

Seconded: Mayor Graham Smith

1. That the report be received.
2. That the Audit and Risk Committee notes the review and findings as outlined in the audit investment report.
3. That the Audit and Risk Committee endorses the recommendations as detailed in the report and the proposed improvements from Council staff, noting that the payment arrangements for the overpayment are currently being worked through with Waka Kotahi.

CARRIED

5.8 PUBLIC EXCLUDED RESOLUTION

COMMITTEE RESOLUTION AUD/2022/68

Moved: Mayor Graham Smith

Seconded: Mr Bruce Mincham

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:

COMMITTEE RESOLUTION AUD/2022/69

Moved: Mr Bruce Mincham

Seconded: Mayor Graham Smith

That the Audit and Risk Committee moves out of closed meeting into open meeting.

CARRIED

The chairman thanked Sandy Hogg for her report.

5.10 HOLIDAY PAY ASSESSMENT REPORT

The purpose of this report was to provide the Audit and Risk Committee with the outcome of a holiday pay assessment that was undertaken by PricewaterhouseCoopers (PWC).

Council instigated an assessment of the payroll system and these were the findings. The chairman said the results showed Council payroll was in good shape. It showed there were some old allowances that could have caused problems, so it was a good stock take and learning experience.

A tax compliance review to ensure tax was correctly paid also needed to be carried out.

COMMITTEE RESOLUTION AUD/2022/70

Moved: Mr Bruce Mincham

Seconded: Deputy James Leslie

1. That the report be received.
2. That the Audit and Risk Committee notes the review and findings as outlined in the holiday pay assessment report.
3. That the Audit and Risk Committee endorse the recommendations and the actions completed by Council and MagiQ staff.

CARRIED

The meeting adjourned for lunch at 12.43pm and reconvened at 1.17pm.

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION AUD/2022/71**

Moved: Deputy James Leslie

Seconded: Cr Matt Murphy

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 - Minutes of Public Excluded Audit and Risk Committee Meeting - 5 April 2022	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege 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	
6.2 - Review of Sensitive Expenditure - Use of Credit Cards	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
6.3 - Corporate and Finance Team Review	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
6.4 - 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/2022/72

Moved: Mr Bruce Mincham

Seconded: Cr Matt Murphy

That the Audit and Risk Committee moves out of closed meeting into open meeting.

CARRIED**The Meeting closed at 2.00pm.****The minutes of this meeting were confirmed at the Audit and Risk Committee Meeting held on .**

5.2 TIMING OF THE MACKENZIE DISTRICT COUNCIL JUNE 2022 AUDIT

Author: Angela Oosthuizen, Chief Executive

Authoriser:

Attachments: 1. Letter to Mackenzie District Council from Stephen Walker, Audit NZ  

STAFF RECOMMENDATIONS

That the information be noted and the questions be posed during the discussion with Steven Walker.

BACKGROUND

The attached letter regarding the timing of the council's audit has been received from Stephen Walker, Executive Director, Audit New Zealand.

Stephen Walker and Chris Genet have been invited to attend the Audit and Risk meeting at 9.30am.

The Chief Executive and the Council have advised Audit New Zealand that postponing the audit to the following year is problematic for small councils with small finance teams as it:

- Results in Council not meeting its statutory deadline even though the Council has advised we are on track to meet our statutory deadline. The Finance and Corporate Planning team have worked really hard and we have resourced up to ensure that meeting our statutory deadlines is a non-negotiable KPI.
- Means that the organisation will be finalising an Annual Plan and an Annual Report simultaneously placing the finance team under considerable pressure. We will also be starting to work on our Long Term Plan 2024-2034 simultaneously as well.
- Results in additional work to ensure that all post balance sheet events are taken cognisance of between the year end and audit opinion date. This can also have opinion impacts if fundamental assumptions change (eg Three Waters).
- Results in reputational damage to Mackenmzie District Council
- This is the second time this has happened to the Council and it results in additional work for staff and additional costs to Council.

As such we request :

- Disclosure of the criteria utilised to prioritise the audits for local authorities.
- Re-prioritisation of the Mackenzie Annual Report audit to an earlier slot in November 2022
- Usage of an external commercial auditor to complete the audit of the Annual Report



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Graham Smith
Mayor
Mackenzie District Council
PO Box 52
Main Street
Fairlie, 7949

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

Via email: mayor@mackenzie.govt.nz

Tēnā koe Graham

Timing of the Mackenzie District Council June 2022 Audit

Further to the recent discussion with Chris Genet, your Appointed Auditor, has had with your Chief Executive, Angela Oosthuizen, I wanted to provide some more information about the timing of your June 2022 audit.

Since the pandemic first emerged, Covid-related lockdowns, absences, and border restrictions have compounded the disruptions caused by the global auditor shortage. This has caused ongoing delays for audit firms around the country.

We have been using a wide range of tools to build our teams and increase capacity, and we are making progress. However, the pandemic's impacts have been more severe and long-lasting than first imagined. While we address these unavoidable challenges, the capacity available is not sufficient to complete all public entity June 2022 audits before the end of the calendar year.

We will therefore need to change the timing of the Mackenzie District Council audit beyond the extended statutory timeframes currently in place. Our plan is to complete your audit by early 2023.

We share your concern to minimise the resulting disruption for you and your staff, their workload, and their ability to take leave. I have outlined more below about how we will support you, and our work to re-establish normal audit cycles in 2023.

Our actions so far

The extensions to timeframes, which Parliament agreed to in July 2021, are available this year. They acknowledged the growing pressures caused by an unprecedented shortage of qualified auditors.

We would all prefer to complete all June 2022 audits within the extended deadlines, however this is not possible. We are notifying you now to provide you with certainty about your audit's timing.

We have been carefully looking at what expertise is needed for your audit, when this can be available, and how to redistribute resources to provide it as soon as possible.

This has included working with the Auditor-General and his Office, to consider short-term and longer-term options across all his available audit providers.

We have also been building our capacity through recruitment, secondments, and a wide range of other initiatives. We are seeing good progress, but ongoing challenges presented by the pandemic have meant we need to continue adapting our approach.

Beyond 2022

It is taking time to restore capacity throughout the audit profession. However, we have a clear view of the situation and are tracking well towards a return to normal audit cycles in 2023.

We're also continuing to further enhance our IT systems, which is already opening up more ways to work efficiently.

You may have begun to use AuditDashboard, our digital platform for the clear exchange of documents, requests, and other information. This is successfully supporting effective collaboration with clients during remote work.

Supporting you

Your organisation is important to the people you serve, and we remain dedicated to supporting you with reliable, trustworthy reporting.

We'll support you to manage any implications resulting from changes to the timing of your audit. This will include a paragraph in our audit report, for example, outlining delays caused by the ongoing impacts of the pandemic and the auditor shortage.

One of the ways to ensure the audit runs smoothly for everyone, is to continue preparing the necessary material, particularly in relation to areas of significant judgement and estimation.

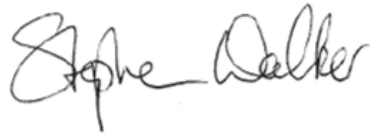
If you're able to collate the supporting documents, any potential questions you or your auditors may have can be looked at as soon as your audit begins.

Next steps

I understand a meeting is planned for Chris and me to speak to yourself and the Council's Audit and Risk Committee. We will be able to respond to any questions you have at that stage.

Chris will also be in contact with Angela in late September, with more about expected timing of your audit and what to expect before we begin your audit.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'Stephen Walker'.

Stephen Walker
Executive Director

cc. Bruce Mincham, Audit and Risk Committee Chair, bruce@minoa.co.nz
Angela Oosthuizen, Chief Executive, angela.oosthuizen@mackenzie.govt.nz
Chris Genet, Appointed Auditor, chris.genet@auditnz.parliament.nz

5.3 REPORT TO THE AUDIT AND RISK COMMITTEE ON THE AUDIT OF MACKENZIE DISTRICT COUNCIL FOR THE YEAR ENDED 30 JUNE 2021

Author: Sandy Hogg, Manager - Finance

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Report to Governors - 2021 Audit [!\[\]\(83f22ed94ec5517769dd76d702c6bfd8_img.jpg\) !\[\]\(58518edde73d42d67a35a8ed26134c7b_img.jpg\)](#)

STAFF RECOMMENDATIONS

1. That the report be received.
2. That the Audit and Risk Committee notes the report, findings and management responses.

BACKGROUND

Audit New Zealand have completed a draft Report to the Council on the audit of Mackenzie District Council for the year ended 30 June 2021.

The attached report sets out findings from the final draft report and includes management comments.

CONCLUSION

As noted in the key messages an unmodified audit opinion was issued by Audit NZ on 12 April 2022 and Council adopted the Annual Report on the same day at a Council meeting.

New and previous Recommendations are summarised in section 1 and supporting detail is referenced within the audit report.

Council has responded to the recommendations made in the final draft and the attached report now includes Management comments.

Following discussion at the Committee Council proposes to send the report and management comments to Audit.

It is recommended that the Audit and Risk Committee notes the report, findings and management responses.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Mackenzie District Council

For the year ended 30 June 2021

Contents

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Key messages

We have completed the audit of Mackenzie District Council (the District Council) for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 12 April 2022.

Without modifying our audit opinion, we included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to the impact of the three waters reform on the District Council. The impact of these reforms, once legislated, will mean that the District Council will no longer deliver three waters services.

In our audit report we also acknowledged that our audit was completed later than required by the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

Areas of focus and matters identified during the audit

The response to our areas of focus from our audit plan and the matters we identified during the audit are outlined in sections 3 and 4 of this report. These include further detail on the following matters of importance:

- **Valuation of property, plant and equipment** – We reviewed the revaluation process for land and buildings assets including source data collection, methodology of the valuation report and assessed the reasonableness of assumptions. We concluded the valuation was prepared in accordance with the relevant accounting standards, and revaluation movements were correctly recorded in the financial statements.

For assets which were not revalued, we reviewed the District Council's assessment and confirmed expected movements to data sources. We concluded the expected fair value of the applicable assets was not materially greater than their carrying value. Therefore, we accepted that no further asset revaluations were required this year.
- **Drinking water quality performance measures** - Until November 2021, performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer accessible and the DWA role no longer exists. This meant initially sufficient information was not available to support drinking water quality performance measures, and we proposed to qualify the audit opinion. We then needed to reconsider this position when we subsequently identified the Annual Report on Drink-Water Quality 2020-21 had been released on 3 April 2022 by the Ministry of Health (MOH). Reported results and disclosures were updated to reflect the MOH report, and we concluded that the drinking quality performance measures were fairly reflected in the statement of service performance.

Prior year outstanding recommendations

We acknowledge the pressure on the District Council in the past two years during the Covid-19 pandemic, however a large number of previous recommendations still remain outstanding. Continued focus is needed to implement and reduce the number of the outstanding recommendations. The prior year recommendations are summarised in section 1.2 and Appendix 1.

Thank you

We would like to thank the District Council, management and staff for their assistance and engagement throughout the audit process.

Chris Genet
Audit Director
28 July 2022

DRAFT

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Valuation method for investment property Instruct the valuer to value the District Council's Investment Property in compliance with the requirements of <i>PBE IPSAS 16 Investment Property</i> .	4.1	Necessary
Accounting for disposed building assets <ul style="list-style-type: none"> identify and dispose of replaced assets for the Twizel Events Centre, and Fairlie and Twizel Administration Buildings; and include sufficient detail of asset components in fixed asset registers, so that building disposals can be accounting for in accordance with relevant accounting standards. 	4.2	Necessary

Recommendation	Reference	Priority
Useful lives for asset additions <ul style="list-style-type: none"> review the appropriateness of useful lives as part of the 2022 valuation process; and determine a process to ensure appropriate useful lives are assigned to new assets, this should include consultation with asset management staff. 	4.3	Necessary
Purchasing segregation of duties Restrict permissions in the financial system to prevent self-approval of invoices by staff who raise the related purchase order.	5.2.1	Necessary
Journal review process Implement a post input review of journals posted to the general ledger.	5.2.2	Necessary
Update of asset additions to asset management systems Implement an independent review of the completeness and accuracy of asset additions to the District Council's asset management systems.	5.2.3	Necessary
Road traffic counts Update RAMM with regular traffic counts to enable accurate reporting of smooth travel exposure.	5.2.4	Necessary
PAYE tax review Address the findings of PricewaterhouseCooper's (PwC's) review on PAYE related to accommodation costs.	4.4	Beneficial
Sensitive expenditure policy improvements Include the suggested improvements to the sensitive expenditure policy in Appendix 2 in the next policy update.	6.1, Appendix 2	Beneficial

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	2	8	5	15
Implemented or closed recommendations	1	6	5	12
Total	3	14	10	27

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 12 April 2022. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our opinion, we drew attention to the District Council's disclosure that, once the three waters reforms are legislated, the District Council will no longer deliver three waters services.

In our audit report we also acknowledged that our audit was completed later than required by the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

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)
Loss on property, plant and equipment disposal expense	1				92,572
Other comprehensive revenue and expense				(92,572)	

Explanation of uncorrected misstatements

- The estimated carrying value of building assets replaced from building upgrades was \$93,000. The disposal of these assets should have been recognised as an expense through the net surplus/(deficit) rather than through other comprehensive revenue and expense, as part of the buildings revaluation movement.

2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
<p>Whole of Council and Group of Activity Funding impact statements</p> <p>Capital expenditure in the Whole of Council Funding Impact Statements (FIS) and the affected Group of Activities (GOA) is understated by \$89,000.</p> <p>The main reason for the variance is due to disposals of \$142,000 being deducted from capital expenditure, offset by a transfer of inventory land of \$42,000.</p>	<p>The amount is not material.</p> <p>For disposals, management advises that the capital expenditure general ledger codes are set up to include disposals as a negative figure.</p>
<p>Wastewater resolution time performance measure</p> <p><i>Resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.</i></p> <p>Understatement in reported response time given reported resolution time is equal to the attendance time.</p>	<p>Not corrected on the basis of materiality.</p>

2.4 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had a reduction of \$86,000 on the net surplus/(deficit) or net assets compared to the draft financial statements. The corrected misstatements are listed in Appendix 3.

2.5 Quality and timeliness of information provided for audit



We provided a listing of information requirements to management on 11 July 2021. The audit was subsequently delayed for commencement in February 2022. This was due to the ongoing auditor shortage, and the District Council's delayed 21-31 long-term plan preparation, and audit, taking priority over the annual report for preparers and auditors.

From our perspective the implementation of the Audit Dashboard file sharing system was successful and helped with efficiency of the audit.

We would like to acknowledge the project management efforts and resourcing priority that the 2021 audit received. We also acknowledge that the process overall was a significant improvement from the 2020 reporting process and 21-31 long-term plan preparation.

The financial information, performance information and supporting work papers were broadly delivered to us in a timely manner. The preparation process continues to require further improvement in regard to the quality of information that is provided to us. The list of corrected and uncorrected misstatements and disclosures deficiencies in section 2.2, 2.3 and Appendix 3 are illustrative of the level of change that continues to be required to the annual report. For future processes we encourage that information is reviewed for whether it is of acceptable quality prior to it being provided.

Outside of the preparation process, delays were also experienced as a result of additional work that was needed in relation to drinking water quality performance measures. This is discussed in section 4.2 of this report.

As a result of the additional work needed, we intend to recover additional costs arising from the audit. We will assess our costs, and if necessary, seek approval from the Office of the Auditor-General. Following this we intend to negotiate a fair recovery with you.

3 Matters raised in the Audit Plan



In our Audit Plan we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Valuation of property, plant and equipment	
<p>The District Council periodically revalues its land, buildings and infrastructure asset classes. Accounting standards require revaluations to be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value.</p> <p>The District Council's most recent revaluation of its roading, three waters, and solid waste assets was as at 30 June 2019, and its land and buildings as at 30 June 2020.</p> <p>Revaluations are an area of risk, due to the significant carrying values of the assets involved, and the expert judgements and assumptions required to determine fair value.</p> <p>For those assets that will not be revalued, we expect the District Council to perform a formal assessment to determine whether there is a significant difference between the fair value, and the carrying value of the asset class.</p>	<p>The District Council revalued its land and buildings asset classes as at 30 June 2021. The land and buildings asset classes increased on valuation by \$2.4 million. This movement reflects increases in comparable land sales, and construction costs since the last valuation.</p> <p>We reviewed the revaluation process including source data collection, methodology of the valuation report and assessed the reasonableness of assumptions. We also obtained confirmation from the valuer to confirm the valuation complied with relevant accounting and valuation standards.</p> <p>We concluded the valuation was prepared in accordance with the relevant accounting standards, and revaluation movements were correctly recorded in the financial statements.</p> <p>Roading and three waters assets were last revalued as at 30 June 2019. The District Council considered whether the carrying value of these asset classes were materially different from their fair value.</p> <p>We reviewed the District Council's assessment and confirmed expected movements to data sources. This included applicable published cost indices, comparable valuations undertaken this year, and consideration of unit rates charged in current large projects.</p> <p>We concluded the expected fair value of the applicable assets was not materially greater than their carrying value. Therefore, we accepted the District Council's conclusion that no asset revaluations were required this year.</p>

Audit risk/issue	Outcome
Investment in Alpine Energy Limited	
<p>The District Council holds a share investment in Alpine Energy Limited (AEL). The other shareholders are Timaru District Holdings Limited and Waimate District Council.</p> <p>The District Council recognises its share investment in the financial statements at its fair value. Movements in fair value are recorded in other comprehensive revenue and expense.</p> <p>We expect the District Council will complete a valuation of the share investment to determine its fair value.</p>	<p>The District Council engaged Ernst & Young (EY) to value its shares in AEL as at 30 June 2021. The fair value of the District Council's shares increases by \$672,000.</p> <p>We coordinated with the auditors of the other council shareholders (Timaru District Council and Waimate District Council) for efficiency and consistency of the audit of the valuation. We obtained representation from the valuer that the valuation was completed in accordance with the relevant valuation and accounting standards. We assessed that the underlying data and assumptions, used by the valuer, were complete and reasonable.</p> <p>We are satisfied that the District Council's investment in AEL is fairly stated and appropriately disclosed within the financial statements.</p>
Classification of property and valuation of investment properties	
<p>The District Council owns a significant amount of property within the District. The uses of the property include service delivery, development, and property held to earn income.</p> <p>Classification of the Council's property was reviewed extensively in 2020, resulting in reclassifications of property between asset classes. These reclassifications occurred through the correction of a material prior period error.</p> <p>It is important the Council continues to monitor changes of use for its property and assess relevant accounting impacts. The Council will also need to revalue its Investment Property asset class, as accounting standards require this to be valued annually.</p>	<p>We enquired with management and confirmed that the use of the District Council's properties had not changed. Therefore, we assessed that the accounting treatment of property classifications remained appropriate this year.</p> <p>The fair value of investment property increased on valuation by \$247,000. This movement mainly reflects increases in comparable land sales for the period.</p> <p>We reviewed the revaluation process including source data collection, methodology of the valuation report and assessed the reasonableness of assumptions. We also obtained confirmation from the valuer to confirm the valuation complied with relevant accounting and valuation standards.</p> <p>We have raised a recommendation for improvement, regarding the method to value Investment properties in section 4.3 of this report.</p> <p>Overall, we concluded the valuation was prepared in accordance with the relevant accounting standards, and the revaluation</p>

Audit risk/issue	Outcome
	movement were correctly recorded in the financial statements.
Three waters reform	
<p>On 27 October 2021, the Government publicly announced that legislation will be introduced to establish four publicly owned water services entities to take over responsibility for three waters service delivery and infrastructure from local authorities, from 1 July 2024.</p> <p>The impact of the proposal is that the District Council would no longer be responsible for the delivery of three waters services.</p> <p>Due to the significance of the reform proposal to the sector, we expected affected Councils to include appropriate subsequent events disclosure.</p>	<p>Given the significance of the impacts from the proposed reforms, the District Council disclosed the matter as a subsequent event in the notes to the financial statements. We reviewed the disclosure and concluded it was appropriate.</p> <p>Consistent with all other territorial local authorities and given the significance of the matter to readers of the annual report, we included an emphasis of matter paragraph in the audit opinion drawing readers attention to the District Council's disclosure.</p>
Impact of Covid-19	
<p>The pandemic has continued to affect a large number of organisations in New Zealand and elsewhere.</p> <p>This has and will have potentially significant effects on individuals, communities, the economy, businesses, the wider public sector and each public sector entity.</p> <p>It is important that the District Council considers the impact on the individual aspects of its operations and the information included in the annual report.</p> <p>We expect the District Council to complete an assessment of the impact of the Covid-19 pandemic on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may need to be included.</p> <p>This assessment may also include the effect on matters such as revenue recognition, valuation of assets, the</p>	<p>During the audit we updated our understanding of the ongoing impacts from the pandemic on the District Council.</p> <p>Our procedures included assessing whether there were any impacts on the control environment, systems of internal control or relevant accounting impacts, we also confirmed appropriate disclosures regarding the pandemic continue to be made; and assessed whether applicable grant funding has been appropriately accounted for.</p> <p>We concluded grants are appropriately accounted for, and appropriate disclosures have been made regarding impacts of the pandemic on the District Council.</p> <p>No further impacts were identified affecting the District Council's financial statements, control environment and systems of internal control.</p>

Audit risk/issue	Outcome
provision for doubtful debts, and use of the going concern assumption for the District Council.	
Rates	
<p>Rates are the District Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) with rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The District Council needs to ensure that it has appropriate processes in place, including seeking legal advice where appropriate, to ensure the compliance of its rates and rating processes with legislation.</p>	<p>We assessed the compliance of the rates setting process against the LGRA including the consistency and completeness of the resolution and the Funding Impact Statement.</p> <p>There were no issues identified with the rates setting processes to report.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • reviewed audit estimates, bias and evaluated if there was any risk of material misstatement due to fraud from bias; and • evaluated the business rationale of any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the District Council. <p>We found no indications of management override that would result in a material misstatement in the financial statements, due to fraud.</p>

4 Matters identified during the audit



Below we outline the other matters we identified during the audit and where relevant any recommendations for improvement.

4.1 Drinking water quality performance measures

The District Council is responsible for reporting performance against the safe drinking water standards. This requires the District Council to report the extent to which its drinking water supplies comply with:

- part 4 of the drinking-water standards (bacteria compliance criteria), and
- part 5 of the drinking-water standards (protozoal compliance criteria).

Until November 2021 performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer accessible and the DWA role no longer exists.

The removal of the DWA meant that no compliance report was received by the District Council for its compliance in 2021. Equally preliminary compliance results were unable to be demonstrated at the time of the audit as the DWO database was not accessible.

In mitigation we undertook procedures by testing the source data for compliance with the Drinking Water Standards. Challenges were experienced, given the complexity of the requirements of the standards and evidence needed to substantiate compliance, equally there were areas where discretion can be applied by drinking water assessors which complicated this further.

Because we were unable to obtain assurance from these procedures, we initially proposed to qualify the audit opinion. We then needed to reconsider this position when we subsequently identified the Annual Report on Drink-Water Quality 2020-21 had been released on 3 April 2022 by the Ministry of Health.

Following further consideration, we concluded that the report was as reliable as provisional results from DWO. We therefore concluded that the qualification would not be required if appropriate disclosure was made. The reported results and disclosures were updated appropriately, and we concluded that the drinking quality performance measures were fairly reflected in the statement of service performance.

For 2022, The removal of the DWA will put more emphasis on the District Council's own monitoring processes to demonstrate whether they have complied with the drinking water standards. The District Council will need to ensure appropriate systems are in place to ensure performance is able to be reported accurately.

Management comment

Council notes the comments above and have renewed systems in place that will track compliance across our water schemes for both protozoa and bacteria contamination. Council has purchased a system utilised by other Councils to better track this data. This new system is at the implementation stage. Results will be periodically independently audited.

4.1 Valuation method for investment property**Recommendation**

Instruct the valuer to value the District Council's Investment Property in compliance with the requirements of *PBE IPSAS 16 Investment Property*.

Finding

PBE IPSAS 16 Investment Property states that the best evidence of fair value is given by current prices in an active market for similar property and condition, which is subject to similar leases or contracts. It expects a market-based approach to be applied for valuation. Typically, a capitalisation of income approach is applied for similar valuations. Where this is not possible other techniques including discounted cash flow valuations are performed.

Our review of the District Council's Investment Property valuation identified that the District Council's valuation for buildings was prepared on a depreciated replacement cost method, and land was valued on the basis of comparable sales for freehold land.

We concluded the approach was not compliant with *PBE IPSAS 16, Investment property*, but could not result in a material misstatement when considering the size and nature of the District Council's investment properties. Accordingly, we accepted the valuation was fairly stated in the financial statements.

Management comment

In the past the valuer has been asked to provide valuations for all of Council land and buildings including investment property. For the 2021-2022 the Council has separated investment property out from the total land and buildings and requested the valuer to provide the valuation under PBE IPSAS 16. The Council has also included current lease information on investment property which had not been provided in the past which will also help with the valuation per PBE IPSAS 16.

The valuer has been engaged to provide a full investment property valuation per PBE IPSAS 16 and then an assessment of fair value on the remaining Council land and buildings for the 2021-2022 financial year.

4.2 Accounting for disposed building assets**Recommendations**

- identify and dispose of replaced assets for the Twizel Events Centre, and Fairlie and Twizel Administration Buildings; and
- include sufficient detail of asset components in fixed asset registers, so that building disposals can be accounting for in accordance with relevant accounting standards.

Findings

The District Council completed upgrades to the Twizel Events Centre, and the Twizel and Fairlie Administration Buildings this year.

Due to these upgrades we expected asset disposals to occur for building asset components which had been replaced. From enquiry we identified no disposals had been recorded. This was due to the District Council's fixed asset register having insufficient detail to identify the value of the asset components which had been replaced. This was because the information had been originally recorded at a more aggregated level than the component parts which were being replaced.

Accordingly, we estimated the maximum impact on the financial statements, which is reflected as an uncorrected misstatement in section 2.2 of this report. The District Council will subsequently need to review its buildings asset information and record the relevant asset disposals. This process will require some level of review and disaggregation of the information, and possibly some form of estimation.

This matter also highlights the need for the District Council to record future asset components at a sufficiently detailed level to prevent future challenges in identifying disposals.

Management comment

Council notes this comment and a review of additions in regards building upgrades will be undertaken for 2021-2022. Future work will identify where assets have been replaced so allowance for disposal is made.

4.3 Useful lives for asset additions

Recommendation

- review the appropriateness of useful lives as part of the 2022 valuation process; and
- determine a process to ensure appropriate useful lives are assigned to new assets, this should include consultation with asset management staff.

Findings

As part of our review of asset additions we consider the appropriateness of useful lives applied to new assets. As part of our review, we identified instances where useful lives

were incorrect, meaning depreciation rates did not reflect the economic consumption of the underlying asset.

An example of this was wearing course which had been assigned a useful life of 100 years. From further enquiry and investigation, we concluded a useful life of approximately seven years was appropriate. The impact of this meant depreciation for the assets were understated. It is important useful lives are assigned appropriately to help determine the timing of replacing assets, and ensuring appropriate funding is set aside for their replacement.

Our enquiries identified that the cause of some errors was due to finance staff assigning useful lives without consulting asset management staff. Normal practice is for asset management staff to be involved in assigning useful lives. As part of the 2022 valuations for infrastructure assets, we expect the District Council will review the appropriateness of useful lives for its property, plant and equipment.

Management comment

Council notes this comment and applied rates will be agreed between finance and asset management staff prior to loading new assets into the Fixed Asset Register. Useful lives are being assessed to their appropriateness as part of the 30 June 2022 valuations of 3 waters and roading.

4.4 PAYE tax review

Recommendation

Address the findings of PwC's review on PAYE related to accommodation costs.

Finding

The District Council engaged PwC to review its tax treatment of accommodation for remote workers. PwC's review concluded that the accommodation costs were subject to PAYE, and an underpayment had occurred. Accordingly, a voluntary disclosure has been made to the Inland Revenue Department.

The review observed there was already a voluntary disclosure for a similar matter submitted in April 2020. It also identified that non-finance staff were making decisions on employee's employment terms which had tax consequences. It was therefore recommended that a full PAYE review should be undertaken.

These matters demonstrate the need for the District Council to consider its indirect tax risks. We support PwC's recommendations and intend to follow up on the District Council's progress of implementation as part of our 2022 audit.

Management comment

With the employment of a new manager in finance, discussion and review of potential employment benefits and offers are now inclusive of finance staff input.

The Council undertook a holiday pay assessment review in 2021. Council intends to implement a tax framework with PWC which will undertake regular reviews of Council's tax obligation types.

5 Assessment of your control environment

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

5.1 Control environment

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

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

No matters have come to our attention that we consider would affect the culture of honesty and ethical behaviour of the District Council. The elements of the control environment provide an appropriate foundation for other components of internal control.

5.2 Internal controls

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

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

We have identified the following areas below where we believe internal control can be improved. We have also set out the status of internal control matters we have raised in previous reports to the Council in Appendix 1.

5.2.1 Purchasing segregation of duties

Recommendation

Restrict permissions in the financial system to prevent self-approval of invoices by staff who raise the related purchase order.

Finding

From our review of the expenditure system, we identified that a staff member can raise a purchase order and approve an invoice to which it relates where the purchase amount is within their delegation.

Where a system allows self-approval by the person who raises a purchase order there is a heightened risk of fraud. This lack of segregation of duties creates the opportunity that erroneous or fraudulent invoices are able to be introduced and approved by a staff member for payment without an independent review.

This method of fraud has been observed recently in the public sector where an equivalent control weakness existed. We strongly recommend a restriction is put in place in the financial system to prevent self-approval from occurring.

Management comment

Council notes this but considers this a low risk due to strict adherence within the electronic purchasing delegations to that of the Council's Delegation Register.

With the upgrade of MagiQ to the Cloud in May 2022, management will re-look at implementing one-up approval within electronic purchasing as there is more flexibility for mobile access to the MagiQ environment.

5.2.2 Journal review process

Recommendation

Implement a post input review of journals posted to the general ledger.

Finding

From review of the journal system, we observe manual journals are reviewed prior to posting, but no post input review of journals occurs once they are posted.

A post input review helps ensure that journals have been correctly input into the ledger. The lack of a post input review increases the risk of erroneous journal entries occurring whether due to fraud or error.

Management comment

With the upgrade to MagiQ Cloud in May 2022, manual journals can no longer be processed and updated to ledgers by the same person.

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5.2.3 Update of asset additions to asset management systems

Recommendation

Implement an independent review of asset additions to the District Council's asset management systems.

Finding

From our review of systems to record property, plant and equipment we observe there are no formal independent review processes to confirm the completeness and accuracy of asset data when assets are added to the District Council's asset management systems, RAMM and Asset Finda. Whilst we recognise the systems have some level of automated internal consistency checks, these would not be sufficient to detect all completeness and accuracy errors.

Incomplete or inaccurate data may cause misstatements to the District Council's asset valuations, equally there is also a risk that the District Council's revenue could be understated where vested assets are not identified.

Good practice dictates an independent review should be implemented to confirm all assets have been captured, and asset information is accurate.

Management comment

With the employment of a permanent financial accountant, finance is now able to resource an independent review from within the finance team. Vested assets are identified and added into the system involving 3 key areas of staff being planning, operations and finance. A multi team approach lessens the likelihood of errors or incompleteness of data.

5.2.4 Road traffic counts

Recommendation

Update RAMM with regular traffic counts to enable accurate reporting of smooth travel exposure.

Finding

The average quality of ride on sealed roads is measured by the smooth travel exposure performance measure. The performance measure relies upon measurement of the smoothness of roads (which is measured every second year), and road traffic counts.

In reviewing the performance measure we identified there were traffic counts which were undertaken during 2020/21, which were not uploaded into RAMM. We understand the updates had not occurred as result of competing priorities and resource constraints.

Good practice is for a programme to be developed, to ensure sufficient traffic counts occur annually to enable the accurate reporting of the smooth travel exposure performance

measure. The programme should include expectations of the timely update to RAMM for data collected.

Management comment

Comments are noted and resourcing constraints as detailed plus covid led to the delays in data input. Procedures have been put in place to ensure traffic count data is entered into RAMM in a timely manner.

DRAFT

6 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- 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 of these matters we make the following recommendation for improvement. For follow up of matters raised previously please refer to Appendix 1.

6.1 Sensitive expenditure policy improvements

Recommendation

Include the suggested improvements to the sensitive expenditure policy in Appendix 2 in the next policy update.

Finding

The District Council incurs sensitive expenditure primarily to maintain stakeholder relationships, for business travel, training, and for staff functions. As part of our review of sensitive expenditure we considered whether the District Council's sensitive expenditure policy is compliant with good practice guidelines.

Our review identified a number of suggested improvements to the policy. These have been listed in Appendix 2 to this report.

Management comment

Council notes comments.

DRAFT

7 Group audit



The Mackenzie District group comprises of the Mackenzie District Council and the following subsidiaries, or joint arrangements:

- Mackenzie District Holdings Limited;
- Mackenzie Tourism and Development Trust; and
- Downlands Water Supply Scheme.

The only significant components are Mackenzie District Council and Downlands Water Supply Scheme. Mackenzie District Holdings Limited and Mackenzie Tourism and Development Trust remain dormant and are exempt Council Controlled Organisations under the Local Government Act 2002.

We have not identified any of the following during our audit for the year ended 30 June 2021:

- 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; or
- 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.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Preparation for final audit</p> <p>Implement processes to prepare a high quality annual report. Including:</p> <ul style="list-style-type: none"> • a quality assurance process for the preparation of the annual report; • independent review of the financial statements before they are provided to the audit team; • self-review of the supporting documentation, especially for internal consistency; • clear reconciliation of the amounts in the financial statements to the general ledger; • a project management approach to the annual report preparation, including input from the asset management team on the measures reported in the statement of service performance; and • filing of documentation which supports the results reported in the statement of service performance. 	2018	<p>In progress</p> <p>As noted in section 2.6, we acknowledge management's effort to improve the annual report processes. The including engaging external personnel to assist and holding weekly catch ups with audit.</p> <p>We understand further improvements are planned for the 2022 audit. We will continue to liaise with management.</p> <p>Management Comment</p> <p><i>During 2022 Council has employed a permanent corporate planner and a financial accountant.</i></p> <p><i>For the 2021-2022 Annual Report process a project steering group has been set up with the corporate planner appointed as the Council project manager. Weekly steering group meetings are undertaken. Members of the group are Executive Leadership Team, Corporate Planner, Manager Finance, Manager Engineering.</i></p> <p><i>Project management software Monday.com has been set up to capture all timetables relating to the project.</i></p> <p><i>As well as the steering group, within the finance team a finance lead has been appointed who manages the financial workflows and timetable. A detailed work timetable has been created in excel which is updated by all finance staff. The spreadsheet also includes columns detailing uploading of financial information to the Audit NZ Dashboard.</i></p>

Recommendation	First raised	Status
		<p><i>Each week the finance lead reports to the Corporate Planner on finance progress and this is updated in Monday.com and reported back to the steering group.</i></p>
<p>Systems to record actual performance against targets - Service request system</p> <ul style="list-style-type: none"> • ensure that appropriate systems are in place to report against all performance measures in the annual report; • identify alternative approaches to provide, the reader of the annual report, with reliable information on the District Council's performance in meeting key levels of service targets; and • use these approaches to include the relevant service performance information in its annual report. <p>Specifically, the following improvements to the service request system should be implemented:</p> <ul style="list-style-type: none"> • all complaints have the time of resolutions recorded; • include sufficient information on the type of complaint based on the national performance measure categories; • filing documentation that supports the results in the statement of service performance; and • the initial response times are recorded accurately rather than being the completion time. 	2015	<p>In progress</p> <p>During our visit we noted that:</p> <ul style="list-style-type: none"> • The District Council had updated its customer services management system (CRM), provided staff training and reinforced expectations around use of the system. • Categories for the "type" of requests in the system had improved. Categories could be improved through better alignment with the requirements of the mandatory performance measures. For example, flooding reaching a "habitable floor" and distinguishing wastewater overflows as being Council related or not. • We found instances where the attendance times were the same as the completion time. Additionally, we found some timeframes which appeared inaccurate such as a negative response timeframe. There were 65 requests over 2020/21 recorded as taken over 100 days to resolve. Some of these were recorded as urgent requests. <p>Management Comment</p> <p><i>Management of the customer services area has been transferred and one of the main aspects to be considered is the system and how we can improve its usage, data and reporting/</i></p>

Recommendation	First raised	Status
Necessary		
<p>Update the asset management systems for assets vested to the District Council</p> <p>Ensure vested assets are updated within asset management databases in a timely manner.</p>	2020	<p>In progress</p> <p>We identified further instances where roading vested assets were captured in the financial reporting system but were yet to be recorded in RAMM.</p> <p>Management Comment</p> <p><i>With the appointment of a permanent financial accountant this will become a project in the 2022-2023. Council is also looking at procedure to track and undertake this work immediately following subdivisional sign off (224c)</i></p>
<p>Revaluation of Albury Water Supply assets</p> <p>Revalue Albury Water Supply assets together with all other water supply assets.</p>	2020	<p>In progress</p> <p>The District Council plans to revalue its three waters assets as at 30 June 2022.</p> <p>We understand that the Albury Water Supply assets will be incorporated into the valuation.</p> <p>Management Comment</p> <p><i>The Council will include those assets that were vested with Council initially, but any new assets developed/upgraded by the scheme will not be included as are not owned by the Council. This work is nearing completion.</i></p>
<p>Independent review of after-hours service requests</p> <ul style="list-style-type: none"> retain service request logs provided by Timaru Answering Service (TAS); and implement an independent review over data entry of after hours service requests. 	2020	<p>In progress</p> <p>In our sample testing of ten requests, we noted:</p> <ul style="list-style-type: none"> an instance where a request was not filed in Laserfiche; the compliance team did not use the service request system until it was reinforced from March 2021; and there is no independent review over the data entry. <p>Management Comment</p> <p><i>Council has reviewed the after hours system and has sought external advice.</i></p>

Recommendation	First raised	Status
		<i>Changes to procedures have been made to better align logs and data.</i>
Approval and processing of sensitive expenditure transactions <ul style="list-style-type: none"> Define what is appropriate supporting information for expense claims to ensure consistency of supporting information; adhere to the District Council's sensitive expenditure policy for prior approval for accommodation costs when the specified limit is exceeded; and ensure all expense claims are approved in line with requirements of the sensitive expenditure policy. 	2020	In progress <p>In our review of expense claims, we noted an instance where the Mayor's reimbursement was approved by the Finance manager. We would have expected this to be approved by the Independent Audit and Risk Committee Chair.</p> <p>Management Comment</p> <p><i>Noted. The Council payables officer endeavours to get all sensitive expenditure signed off per the policy. If a signatory is unavailable and it is urgent then this may lead to the Manager Finance signing off, but expenditure is then retrospectively countersigned by the appropriate signatory.</i></p>
Equity reserves and internal lending <ul style="list-style-type: none"> review equity reserves to ensure that they are used in line with their purpose; and review processes to allocate internal loans and internal interest. 	2020	In progress <p>Management advises that the review of equity reserves is yet to be done but is included in the Corporate Services work programme.</p> <p>The allocation of internal loans and internal interest is consistent with previous years and will also be reviewed as part of the Corporate Services work programme.</p> <p>Management Comment</p> <p><i>This work will be completed as part of the 2021-2022 annual report process.</i></p>
Service performance reporting <p>Implement quarterly service performance reporting to the District Council.</p>	2020	In progress <p>This work has since been assigned to the Manager Information and Engagement.</p> <p>Management Comment</p> <p><i>Council has started reporting KPI data to its committees. Council will explore a methodology where all KPI data is reported in a manner that enables Council to track progress on KPIs over</i></p>

Recommendation	First raised	Status
		<i>the year. A lot of KPI data is however generated annually such as satisfaction.</i>
Reconciliation of the year end trial balance to the annual financial statements Reconcile the year-end trial balance to the annual financial statements.	2019	In progress Management remapped its trial balance for the 2020/21 annual report. The trial balance was mapped at the financial statement level, except for an adjustment to equity that had not been processed. We recommend this reconciliation be performed at the note level as well in future years. Management Comment <i>Noted and now forms part of the year end work process.</i>
Stocktake of property, plant and equipment Conduct a stocktake of property, plant and equipment, and reconcile this to the fixed asset register on a periodic basis.	2014	In progress A property, plant and equipment stocktake is yet to be conducted. The cost of the District Council's fully depreciated operational assets for 2020/21 was approximately \$1.5 million. Management Comment <i>With the employment of a permanent financial accountant work will be undertaken during 2022-2023 on a project reviewing fixed asset processes and this will form part of that.</i>
Beneficial		
Roading – AECOM recommendations Implement the AECOM recommendations included in its revaluation report.	2017	In progress Council has allowed for additional resources in the roading area. Management Comment <i>Council has populated RAMM with known dates and is working on the generation of assumed dates for assets that the construction date is unknown.</i>
Review of useful lives of fixed assets	2018	In progress

Recommendation	First raised	Status
<p>Annually review current depreciation rates to determine if they are still appropriate and revise them where they are not.</p> <p>Ensure remaining useful lives are updated when significant repair work is undertaken on an asset which extends its useful life.</p> <p>Perform a stocktake of assets, with a net book value less than 10% of their costs, to determine the existence of assets.</p> <p>Remove any assets that do not exist, from the fixed asset register.</p>		<p>There have been no changes to the useful lives applied to fixed assets this year.</p> <p>Management Comment</p> <p><i>With the employment of a permanent financial accountant work will be undertaken during 2022-2023 on a project reviewing fixed asset processes and this will form part of that. These lives are also being reviewed as part of the 30 June 2022 valuations.</i></p>
<p>Recognise disposals on infrastructural assets</p> <p>Recognise disposals on infrastructural assets in accordance with accounting standards.</p>	2019	<p>In progress</p> <p>There have been no changes.</p> <p>Management Comment</p> <p><i>With the employment of a permanent financial accountant work will be undertaken during 2022-2023 on a project reviewing fixed asset processes and this will form part of that. Assets for disposal will also be identified as part of the construction contract process.</i></p>
<p>Componentisation of buildings for depreciation purposes</p> <p>Review the componentisation of buildings for depreciation purposes.</p>	2019	<p>In progress</p> <p>The valuer has separately identified between building components (structure, services and fitout) and land improvements. This apportionment was an estimate based on QV costbuilder information on the building type such as office, retail, industrial.</p> <p>We recommend that the District Council refines its componentisation estimates based on its own buildings.</p> <p>The rate applied for depreciation purposes of building components is the same. This could be refined based on its own buildings.</p> <p>Management Comment</p> <p><i>With the employment of a permanent financial accountant work will be undertaken during 2022-2023 on a</i></p>

Recommendation	First raised	Status
		<i>project reviewing fixed asset processes and this will form part of that. This work will also be clearer once Council has finished its building upgrades as new components and updated condition assessments will be available.</i>
Review of cost drivers and allocation rates Review the appropriateness of the District Council's cost drivers and allocation rates.	2019	In progress There have been no changes. Management intends for a full review of all internal charging and cost recoveries. Management Comment <i>Work was undertaken as part of the 2022-2023 annual plan process and drivers have been set up to allocate recoveries monthly from 2022-2023.</i>

Implemented or closed recommendations

Recommendation	First raised	Status
Urgent		
Reporting requirements for Albury Water Supply <ul style="list-style-type: none"> review and assess whether the Albury Water Supply Incorporated Society is controlled for accounting purposes; and obtain legal advice whether the Albury Water Supply Incorporated Society is a public entity and council-controlled organisation. 	2020	We agreed with management's assessment to derecognise the financials of Albury Water Supply Incorporated Society in 2021 cause the amount was no material.

Recommendation	First raised	Status
Necessary		
Independent review of Journals on a timely basis Require journals to be independently reviewed within five working days to ensure that any errors are identified promptly and corrected.	2015	Our journals selected were independently reviewed in a timely manner.
Terms of the Downlands Water Scheme joint committee agreement Review and clarify terms of the Downlands Water Scheme joint committee agreement, and if necessary, draft a new agreement to reflect the current and future manner in which the scheme will operate.	2020	The District Council, Timaru District Council and Waimate District Council has clarified the arrangements. The process included obtaining legal and accounting advice. A new Downlands Water Scheme joint committee agreement was effective from 1 July 2020. We were satisfied that the accounting treatment remained unchanged for the District Council as a "joint operation".
Update roading management system for data on reseals Ensure that RAMM has been updated accurately and regularly for reseals.	2020	We found that the RAMM records fairly reflected the resurfacing completed during the 2020/21 year. The Roding manager checked that the resurfacing records were updated into RAMM correctly and was complete.
Land and buildings valuation improvements <ul style="list-style-type: none"> require the valuer to componentise all buildings into structure, services and fitout; ensure the valuer distinguishes whether improvements relate to land or buildings in the valuation report; and provide a listing from the District Council's records of all assets to be revalued. 	2020	The valuer has separately identified between building components (structure, services and fitout) and land improvements.
Independent review of journal entries Ensure all manual journal entries are independently reviewed.	2020	Our journal selected was independently reviewed within five working days.
Preparation for upcoming accounting standards –PBE IFRS 9 financial instruments	2019	The District Council early adopted IPSAS 41 Financial instruments.

Recommendation	First raised	Status
<p>Complete an impact assessment of the new standards, identify the changes required and update the annual report accordingly.</p> <p>PBE IFRS 9 Financial Instruments is effective for the District Council's 30 June 2022 financial statements.</p>		<p>There were no changes in recognition and measurement.</p> <p>We liaised with management on the accounting treatment and revision of the disclosures in the annual report.</p>
Beneficial		
<p>Procurement policy recommendations</p> <p>Managing Contract Arrangements</p> <p>The Policy should discuss how to manage contact arrangements and communications with potential suppliers during a procurement process. The policy should discuss:</p> <ul style="list-style-type: none"> Discouraging informal contact. Establishing a single point of contact. Controls for the security of both electronic and hard copy information. <p>Sustainability</p> <p>Require sustainability requirements to be included in tender documents and contracts.</p> <p>Tendering process</p> <p>Require whether a contract review is to be performed in advance of a contract ending. This would be for the review to be used as an input to procurement planning for any new contract.</p>	2019	We consider these as being materially addressed.
<p>Review funds maintained for self-insurance</p> <p>Review the value of funds held for self-insurance of the District Council's assets.</p>	2020	Management has advised they have reaffirmed that the District Council's self-insurance remains appropriate.

Recommendation	First raised	Status
<p>Elected Members policy recommendations</p> <p>Review and update the sensitive expenditure and reimbursement of elected members policies including:</p> <ul style="list-style-type: none"> • clarification of approval by a person who is senior to the person who will benefit; and • councillor expense claims are reviewed for compliance and evidenced for approval by the Mayor or Audit and Risk Committee Chair. 	2020	We are satisfied that the District Council's sensitive expenditure policies have addressed these.
<p>Revenue policy</p> <p>Develop and distribute, to relevant staff members, a formal debt recovery policy.</p>	2013	The District Council adopted a debt recovery policy on 29 June 2021.
<p>Timeliness of bank reconciliations</p> <p>Bank reconciliations be prepared and independently reviewed within five working days of month-end.</p>	2018	Bank reconciliations were prepared and reviewed within ten days of month end. We consider this matter has been addressed.

Appendix 2: Sensitive expenditure policy recommendations

Sensitive expenditure is an area that continues to undergo significant public scrutiny.

In February 2007 the Auditor General published: Controlling sensitive expenditure: Guidelines for public entities (the Sensitive Expenditure Guidelines). It is an expectation that the sensitive expenditure policies, of all public entities, cover the principles in these best practice guidelines. It is also expected that the policies are applied in practice.

We reviewed areas of good practise and have noted the following areas that the District Council could further improve its policies:

Matter	Recommendation	Management comment
Koha and gifts	<p>The District Council ensures that their policy specifically states that receiving cash gifts is unacceptable in any circumstances.</p> <p>The District Council ensures that the policy on giving gifts, including specifying the purposes for which and occasions on which it is acceptable, and the nature and value of gifts that are appropriate to particular occasions.</p>	
Use of assets and supplies	<p>The policy should clearly identify the accepted level of personal use of ICT resources and that this usage must not be unlawful, offensive, or excessive.</p> <p>There is an explicit policy that staff should pay in full and must not use the organisation as a source of credit. The District Council's resources, including staff time, should not be used to procure goods or services for employees' personal benefit.</p>	
Motor vehicles	<p>Policies and procedures to cover rideshare options charged through an app linked to a credit card. If the app is set up to use a personal credit card, the policy should cover processes to distinguish legitimate work expenses from personal expenses.</p>	
Travel, meals and accommodation expenditure	<p>The District Council's travel policies and procedures should outline the costs that may be paid when staff members stay with a friend or relative rather than in commercial accommodation.</p>	

Matter	Recommendation	Management comment
Claims	The District Councils policies should be updated to state an explanation should be provided for any incurred expenditure that is more than the agreed budget, for claims for sensitive expenditure that required a business case and budget before the expenditure was authorised.	

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Appendix 3: Corrected misstatements

Those misstatements identified over our clearly trivial threshold set of \$31,000 include:

Current year misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr) 000's	Dr (Cr) 000's	Dr (Cr) 000's	Dr (Cr) 000's
Other revenue	1				1,318
Gain/(loss) on real estate sales					(1,318)
Cost of goods sold expense	2				109
Other revenue - Carbon credits received					(109)
Other revenue - Carbon credits received	3				86
Carbon credits asset		(86)			
Other revenue	4				340
Fees and charges					(340)
Forestry sales	5				100
Other revenue					(100)
Forestry - Cost of sales expense	6				1,053
Carbon credits fair value increase					(1,053)
Inventory - Land - Current asset	7	168			
Inventory - Land - non-Current asset		(168)			

Explanation of corrected misstatements

- 1 Reclassify gain/(loss) on real estate sales from other revenue.
- 2 Reclassify timber sales from carbon credits received.
- 3 Derecognise the fair value movement of carbon credits to be on the cost model.
- 4 Reclassify other revenue to fees and charges.

- 5 Reclassify insurance to other revenue.
- 6 Recognise cost of sales for trees harvested which was included in the fair value revenue increase.
- 7 Classify land due for settlement in 2021/22 as current.

Corrected disclosure deficiencies

Detail of disclosure deficiency
Funding impact statements - Corrected negative rates shown in Tourism, Economic and Commercial activity Management adjusted against the Governance and Corporate services activity: <ul style="list-style-type: none"> Consequently corrected Note 2 Summary of Revenue and Expense. Added additional disclosures in the affected GOA FIS statements.
Capex classifications within GOA FIS <ul style="list-style-type: none"> Corrected Roding classification for Shared use path. "improved LOS" increased and "replace existing asset" decreased by \$333,600. Corrected Water supply classification for three projects. Net impact is "improved LOS" increased and "replace existing assets" decreased by \$55,000.
Roding GOA FIS - Sources of capital funding - subsidies and grants – long-term plan (LTP) figure <ul style="list-style-type: none"> Corrected LTP 2020/21 "Development and financial contributions" to "Subsidies and grants for capital expenditure" by \$989k.
Tourism, Economic Development and Commercial Activities - Funding Income Statement <ul style="list-style-type: none"> Updated to expand on significant variance of asset sales and includes forestry cost of sales.
Planning and Regulation - Funding Income Statement <ul style="list-style-type: none"> Updated fees and charges variance to note LTP didn't include fees and charges as a separate line item. Updated to elaborate on why building costs were higher by \$1.5 million.
Accounting policies – PPE <ul style="list-style-type: none"> Corrected total lives on operational and infrastructure assets to align with the District Council's actual practice -includes adding/removal categories, update of lives disclosed. Corrected PPE to remove several reference to "restricted" buildings as there are none. Updated to include significant assumptions used for buildings and corrected the construction modal rate disclosed. Corrected reference of source of replacement cost information to QV cost builder.

Detail of disclosure deficiency
<p>Accounting policies - Other</p> <ul style="list-style-type: none"> Corrected note references in Critical Accounting Estimates and Assumptions, and critical judgements.
<p>IPSAS 41 adoption /transition</p> <ul style="list-style-type: none"> Added and corrected note disclosure of the impact of IPSAS41 transition Note 30a. Corrected accounting policies of financial assets and liabilities -including the removal of references and the update of previous terminology, adding disclosures to cover both initial recognition and subsequent measurement. Corrected changes in accounting policies disclosure. Corrected the financial instrument categories Note 30b to be consistent with the updated IPSAS41 terminology. Corrected the statement of comprehensive revenue and expense for financial assets for bonds and shares. Corrected missing headers on subsequent measurement, wording e.g. "revenue" instead of "revalue".
<p>Statement of compliance</p> <p>Updated to includes breach of statutory deadline.</p>
<p>Statement of comprehensive revenue and expense</p> <ul style="list-style-type: none"> Corrected statement heading as 'Statement of comprehensive revenue and expense' instead of "Statement of comprehensive income and revenue". Corrected PPE revaluation per "other comprehensive revenue and expense" to be consistent with Note 18 PPE note. We accepted a \$6,000 variance. Corrected budget figures " fees and charges", "other revenue", "interest revenue" to align to the annual plan and reclassification of revenue items. Add income tax line items. Add note references such as income tax, comprehensive revenue and expense movements to equity. Corrected various revenue and expenditure comparative for consistency to 2020 annual report - this also included the impairment of carbon credits \$232k removed as there was none.
<p>Statement of Cashflows</p> <ul style="list-style-type: none"> Corrected budget items to be consistent with the annual plan - other revenue, purchase assets. Corrected 2021 items such as other revenue, payments so suppliers, asset sales, asset proceeds. Some significant changes from initial to end result. Overall includes net cashflow operations changing from \$11 million to \$5.6 million and Investing activities (\$2.4 million) to \$3.8 million.

Detail of disclosure deficiency
Whole of Council FIS <ul style="list-style-type: none"> Corrected budget items to be consistent with the annual plan 19/20 - subsidies and grants, payment suppliers, reserves. Updated from changes in GOA FIS statements - such as capex classifications and including Downlands Water supply. Corrected classification of rental revenue \$429k and insurance revenue \$100k to be consistent with the financial statements. Corrected to remove carbon credits received (non-cash \$671k). Remove reference to LTP comparatives as being reinstated.
Note 2 Summary Revenue and expense <ul style="list-style-type: none"> Corrected actuals, including for negative rates adjustment in the funding impact statements. Corrected budget figures and comparatives within the group of activities.
Note 3 Rates <ul style="list-style-type: none"> Updated to disclose rates written off - including those under new section 90. Updated to expand on non-rateable land. Updated to include rates changed on the District Council rated properties.
Note 7 Other revenue <ul style="list-style-type: none"> Corrected 2020 comparatives.
Note 7 an Operating lease as lessor <ul style="list-style-type: none"> Updated to disclose the nature of leases.
Note 8 Other gains/(losses) <ul style="list-style-type: none"> Corrected and re-corrected comparative for PPE \$446k as it included gain on sale of carbon credits of \$222k.
Note 9 Revenue exchange/ (non-exchange) <ul style="list-style-type: none"> Corrected Revenue exchange/ (non-exchange) items for 2021 and 2020 -add/remove/change. This includes reclassifying rates, subsidies and grants revenue were initially noted as non-exchange, Finance revenue as exchange. Corrected amounts so totals were consistent with the statement of comprehensive revenue and expense.

Detail of disclosure deficiency
Note 10 Personnel costs <ul style="list-style-type: none"> FTE - Corrected to comply with legislative requirement of FTE full time and other separately, and the numbers disclosed for 2021 and 2020. Remuneration banding - Corrected to comply with legislative requirement of band ranges, and the numbers disclosed for 2021 and 2020. Severance payments was corrected to comply with the legislative requirement to disclose the number of employees and amounts separately. Amounts disclosed were also corrected.
Note 11 an Operating leases as lessee <ul style="list-style-type: none"> Added back the note removed in draft accounts 2 March 2022. Corrected description of total which read "total revenue non-exchange"
Note 11 Other expenses <ul style="list-style-type: none"> Corrected fees paid to Audit New Zealand for 2021 and 2020 -including financial statements, long term plan, debenture trust engagement, and other assurance fees. Updated to combine "operational and maintenance" and "maintenance" expenses because the difference could not be distinguished. Corrected comparative to remove "impairment of carbon credits" of \$232k as there was none. Updated to other expenses to balance the statement of financial position.
Note 12 Income tax <ul style="list-style-type: none"> Added disclosure on unrecognised tax losses.
Note 13 Cash and cash equivalents <ul style="list-style-type: none"> Added and corrected reference to restricted funds to equity Note 27.
Note 14 Receivables <ul style="list-style-type: none"> Corrected so that total receivables was consistent with total exchange and non-exchange. Corrected comparative to be consistent with the 2020 annual report. Corrected negative GST receivable subsequently add in.
Note 15 Inventory <ul style="list-style-type: none"> Corrected to remove reference " non-current asset held for sale".
Note 17 Other Financial assets -fair value disclosures <ul style="list-style-type: none"> Corrected the fair value disclosure of investment in debt securities - fair value bonds, EY valuation date, discount rate range. Updated unlisted shares to include information on key assumptions on forecast period, inflation factor, risk free rate. Corrected comparative on Alpine Energy share price per share.

Detail of disclosure deficiency
Note 18 Property, plant and equipment (PPE) <ul style="list-style-type: none"> Updated balance sheet to be consistent with Note 18 PPE.
Note 18 Property, plant and equipment (PPE) capital commitments <ul style="list-style-type: none"> Corrected disclosure to be consistent with the District Council's workpapers. Corrected to include additional commitments of \$2.5 million for three projects. Associated wording of additional commitments were subsequently corrected.
Note 18 Property, plant and equipment (PPE) core asset disclosure <ul style="list-style-type: none"> Corrected the replacement costs values. Corrected to include Downlands Water supply assets. Corrected references and narrative which didn't refer to a reference or the statement was not correct.
Note 18a Property, plant and equipment (PPE) depreciation and amortisation expense <ul style="list-style-type: none"> Corrected to disclose depreciation by group of activity as required by legislation. Corrected comparative figures to align to the 2020 annual report.
Note 18 Property, plant and equipment (PPE) insurance disclosure <ul style="list-style-type: none"> Corrected reference to refer to Note 27 equity. Corrected spelling and references that did not include additional information.
Note 19 Intangible assets <ul style="list-style-type: none"> Corrected to remove references to a gain on sale when it was the fair value movement. The comparative was also incorrect. Corrected continuity of movement schedule to be consistent on a cost model with the corrected amount disclosed for additions and ending balance. Corrected to ensure that the balance sheet and note were consistent.
Note 20 Forestry <ul style="list-style-type: none"> Corrected disclosure to show the components of the fair value movement. Updated to include further significant assumptions such as valuation method, land values, costs, log prices. Updated to remove duplicate disclosure of the discount rate.
Note 23 Payables and deferred revenue <ul style="list-style-type: none"> Corrected to remove reference to exchange transactions as the classifications were not correct. We accepted it was not material to disclose exchange and non-exchange separately. Corrected comparatives - includes removal of a negative "accrued expenses \$5k into "trade and other payables" and including rates in advance within "revenue in advance" \$115k. Updated to include conditions of three waters reform funding.

Detail of disclosure deficiency
Note 25 Provisions <ul style="list-style-type: none"> Corrected line item "increase/(decrease) due to discount rate changes and assessment of liability" as it was already disclosed with "discount unwinding". Renamed as "unused amounts reversed". Corrected discount rate used for 2021.
Note 26-Contingencies <ul style="list-style-type: none"> Add contingent assets disclosure.
Note 27 Equity <ul style="list-style-type: none"> Corrected to be consistent with the Statement of financial position, Statement of Changes in Equity, and within Note 27 Various line items corrected by being removed (not relevant) or changed. Corrected the comparative figures. Corrected so the breakdown of the associated funds - asset revaluation, special funds, capital reserves movements was consistent within the note. Corrected to be consistent with Note 27a internal borrowings . Added headings in reconciliation of movements.
Note 27a Internal borrowings <ul style="list-style-type: none"> Added legislative disclosure in the annual report. Updated further to disclose interest paid on internal borrowings. Corrected internal loan for planning.
Note 28 Key management personnel (KMP) <ul style="list-style-type: none"> Corrected for members included in Empathies required amounts and number of KMP being corrected.
Note 30 Financial instruments <ul style="list-style-type: none"> Corrected payables and receivables to exclude items which are not financial instruments. Corrected comparatives. Corrected wording FV through other comprehensive revenue and expense.

Detail of disclosure deficiency
<p>Note 31 Explanation of major variances to budget</p> <ul style="list-style-type: none"> Corrected the amounts disclosed for the variance- net surplus (amount disclosed was total CRE), three waters reform liability, subsidies and grants, property, plant and equipment, other gains/(losses), other expenses. Updated to include further variances considered significant. Includes other expense, and balance sheet items. Corrected to align with revised budget amounts. Updated to include amount of the variance for example contributions and vested assets.
<p>Note 32 Impacts of Covid -19</p> <ul style="list-style-type: none"> Expand disclosures to include the implications on the District Council's operations/service delivery and impact on the financial position. Updated to include reference to significant uncertainty noted by the valuer for land and buildings, and investment properties and Corrected associated information that was inconsistent.
<p>Financial highlights</p> <ul style="list-style-type: none"> Updated initial and subsequent amounts disclosed. Includes corrected net surplus, carbon credits revenue, land and buildings revaluation. Note key variances to budget section was subsequently removed.
<p>Prudence benchmarks</p> <ul style="list-style-type: none"> Corrected 2021 - rates affordability, finance costs, debt control, operations control. Removed narrative on amounts as they were not consistent with the financials statements for balanced budget benchmark, essential services, debt control, and operations benchmark. Corrected format of benchmarks to comply with legislative requirements - including graph axis (units of measurement), graph colours, legend keys for rates affordability, balanced benchmarks, essential services, operations control. Corrected 2020 for operations control.
<p>Other information</p> <ul style="list-style-type: none"> Add "the accompanying notes for an integral part of these financial statements" to the main statements. Remove repeated information in Note 22 subsidiaries and council-controlled information and update heading. Corrected the District Council's executive team disclosure.

Corrected performance reporting misstatements

Detail of misstatement
Resident survey <ul style="list-style-type: none"> Disclose change in survey questions, scale and consequential comparability, and where survey can be found.
Water supply <ul style="list-style-type: none"> Measure 3 water loss - Corrected result and associated graph. Measure 5 bacterial compliance- Corrected result to be consistent with summary of compliance disclosure table. Updated summary of compliance disclosure table. Updated to current status of project 2.
Stormwater <ul style="list-style-type: none"> Updated survey information to include what graph relates to.
Wastewater <ul style="list-style-type: none"> Updated number properties connected to wastewater systems to rating records. Measure 1 - dry weather overflows - Corrected the number of connections and therefore the overall result and associated narrative. Corrected graph axis scale which had duplicated the numbers. Corrected target in line with LTP. Measure 4 complaints - Corrected result and associated graph arising from the update of the number of connections.
Roading <ul style="list-style-type: none"> Measure 1 - average quality ride - Updated to include disclosure on traffic counts, disclosed when road roughness was previously done, project 1 commentary updated to be consistent with the performance results. Measure 5 - road safety (fatal and serious injuries) - Updated based on latest CAS information, Corrected commentary to Corrected LTP, clarify number of crashes on the District Council's roads, and updated the social cost. Corrected carrying value of roading assets disclosed to be consistent with the financial statements.
Regulatory <ul style="list-style-type: none"> Corrected survey information for building control - including description and prior year results. Measure 4 building consent processing - Corrected target in line with the District Council's LTP. Measure 8 LIM processing - Corrected narrative to be consistent with results i.e. all achieved.

Detail of misstatement
Community and Township services <ul style="list-style-type: none"> Updated to current status e.g. project 1, project 5, measure 2, measure 4. Updated to include survey results on transfer stations (information was missing). Measure 1 satisfaction - page reference updated.
Tourism, Economic Development and Commercial activities <ul style="list-style-type: none"> Updated status for tourism promotion, project 2, and project 5. Corrected carbon credit amounts disclosed in project 4. Corrected project 3, return from forestry harvesting.
Result summaries - percentage completed and measures achieved/not achieved/not applicable. Corrected: <ul style="list-style-type: none"> Corrected Overall summary results achievement.
Designer version of annual report <ul style="list-style-type: none"> Corrected presentation and wording omitted - for example within governance and corporates services. Corrected various graphs - which were cut off, axis updated and consistency with the results for example measure 5 governance and corporates services, missing information. Water supplies achievement - Corrected to previous draft disclosure . Water supply measure 4 - add back results in graph. Benchmarks - colour, axis, corrected the expected results.

Appendix 4: 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 District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we audited the District Council's 2021-2031 long-term plan and performed a limited assurance engagement related to the Council's Debenture Trust Deed, and probity engagements. This engagement is compatible with those independence requirements.</p> <p>Other than the audit and this engagement, we have no relationship with or interests in the District Council or any of its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$102,371 excluding disbursements, as detailed in our Audit Proposal Letter.</p> <p>The District Council's annual report discloses the audit fees for the audit of the District Council's long-term plan and for reporting on the assurance engagement in respect of the District Council's Debenture Trust Deed.</p> <p>Other fees charged in the period are \$38,393, for the probity engagements and \$5,000 for the District Council's Debenture Trust Deed.</p>

Area	Key messages
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 District 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 District Council or its subsidiaries during or since the end of the financial year.</p>

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5.4 2021/22 ANNUAL REPORT PROGRESS AND 2024/34 LONG TERM PLAN PROGRAMME

Author: Wendy Thompson, Corporate Planner
Authoriser: Chris Clarke, General Manager IT and Engagement
Attachments: Nil

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND**(1) 2021/22 Annual Report Progress**

The 2022 Annual Report Project Plan and Risk Register were presented to the Audit and Risk Committee on 21 June 2022.

To date progress against the timetable has been recorded regularly as tasks have been completed. Any issues or delays encountered have been raised promptly so the flow on effect can be managed. These have been primarily due to delays receiving externally provided information but have also included a small number of low risk, short-term deferrals around other deadlines.

The finance team has made good progress completing end of year processes and reconciliations; and preparing and collating source documents and supporting documents. The interim audit conducted remotely via Audit New Zealand's dashboard is complete.

Non-financial aspects including Activity narrative and KPI reporting, the Community Opinion and Consents Survey results are currently being collated by the research company for inclusion in the report. The document template is due to be set up in our publishing software, with similar branding and style to last year's, so it is ready to upload comparative financial tables and narrative sections.

Regular meetings have been held with the core project team, which includes the executive leadership team and representation from finance and engineering, to monitor progress and address any issues if required.

Receipt of our external valuations extended beyond our initial expectations, but this was managed by agreeing revised dates. The value of our Three Waters and Roading assets have increased significantly in line with current operating conditions with our in-house review occurring at present. The value changes to our Forestry and Investment Property holdings have also been received.

Audit New Zealand has only recently advised a proposed change of date for our Final Audit from October/November 2022 to a yet unreleased date in 2023. Internally we will continue to prepare the 2021/22 Annual Report and upload documentation to the audit dashboard to our planned timelines.

The delayed audit date creates additional project risk and workload associated with extending out the Annual Report's post balance date period. This will mean a longer period of environmental scanning for events and central government announcements that may ultimately require changes to our financial calculations, rewording of narrative or preparation of additional disclosures.

The later audit date will also put pressure on our small finance team as this will likely now run concurrently with our Annual Plan project.

(2) 2024/34 Long Term Plan Programme

The tri-annual preparation of each Long Term Plan (LTP) is a significant project for Council. It links strategic goals and plans to operational tactics and both the budgets and workstreams that support our service delivery to our community.

The adoption of the 2024/34 LTP is required by 30 June 2024. Twenty-two months seems a long time away but there is a lot of work to get through and we have started thinking about this already. Internally we have set up a core project team comprising of Sandy Hogg, Sue Wilkins and Wendy Thompson. This group has scheduled regular project meetings and attended the Taitaura (SOLGM) Community Plan Forum late August.

We have drafted the high-level timeline provided in the table below, with front end work to be completed before December 2022 including:

- establish project systems and resources required,
- establish a project team,
- elected members induction, and
- prepare overall project and communications plans.

Mackenzie District Council Long Term Plan 2024/34

Financial year end 30 June 2023											
Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
	Systems and resources Establish project team Council induction Prepare project & comms plans Discuss plan with Audit NZ				Environmental Scan Council direction setting Complete engagement framework Early engagement Review existing plans & strategies Strategic planning & review			Review Community Outcomes/Wellness Community Boards Financial strategy Infrastructure strategy LOS & activity plans			
Financial year end 30 June 2024											
Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Start policy review Early audit of sections completed	Budgeting and financial forecasts Prepare supporting information Prepare Consultation Document Fine-tune comms/consultation Messaging to Community				Peer review and QA	Audit and adopt draft LTP	Consult with the public	Collate/consider submissions Update changes	Audit, adopt and publish final LTP		

The numbers and narrative contained within the LTP do not occur in isolation. Some of the other workstreams that are critical to completing a comprehensive and relevant document include:

- overall strategic review,
- early community engagement and contribution,
- review and refresh of Asset Management Plans, and
- policy and funding reviews.

The LTP will run concurrently with other significant Council projects including two Annual Reports, the 2023/24 Annual Plan and our District Plan review. It will be developed against a complex backdrop of local government reform and legislative change with the Three Waters transition, Resource Management Act reform, the Future for Local Government reform and the Climate Adaption Plan on the horizon. Also, the impact of a national election by 13 January 2024.

CONCLUSION

Developing and resourcing a clear and manageable project plan, regularly meeting with a cross functional project team, and identifying and addressing delays or issues promptly has worked well as we prepare the 2021/22 Annual Report.

Robust project management will also be crucial to the successful delivery of a relevant and achievable 2024/34 Long Term Plan that provides meaningful strategic direction and services for our community.

5.5 QUARTERLY REPORT - AGED RECEIVABLES

Author: Sandy Hogg, Manager - Finance

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Aged Trial Balances - Receivables - June 2022 [↓](#) 

STAFF RECOMMENDATIONS

That the quarterly report on Aged Accounts Receivables for June 2022, for Mackenzie District Council be received.

AGED RECEIVABLES

The Mackenzie District Council holds accounts receivable balances for Rates, Animals, Water Billing and Sundry receivables.

Sundry Debtors are broken down into further categories for Staff, Building Consents, Resource Consents and Pukaki Airport. Remaining Sundry Debtors are made up of Landfill, Rental and Other Sundry.

Accounts receivable balances include GST if applicable and so operating income has been grossed up to be GST inclusive for the following comparison.

The Council collects annual operating revenue of approximately \$30 million, of which rates account for \$14 million. At 30 June 2022 operating revenue was made up of the following:

	\$000's
Rates	14,120
Other Operating Revenue	15,945
	30,065




Aged receivables totalled \$1,681,849 (GST inclusive) which equates to 5.6% of the operating revenue.

The Council has a Debt Recovery Policy (adopted 29 June 2021) which provides a consistent approach to manage the collection of revenue in a legally compliant manner. The Policy is published on the Council website and held on the in-house document management system. It outlines methods to recover outstanding amounts and processes that trigger steps or actions in the recovery of debt.

A recent review of our aged receivables processes has highlighted that the Council has not operated this as efficiently and effectively as it could have. Changes have been put in place and with the recent upgrade to MagiQ Cloud staff are now progressing to use the Debt Management module within the system. As well as this, improvements are being made to monthly trial balances circulated to module managers, an aged listing is provided to the Executive Team and going forward this report will become a regular quarterly report provided to the Audit and Risk Committee.

RECEIVABLES TRIAL BALANCE REPORT

The following dashboard triggers have been assigned on the report:

-  *Concerns in regards outstanding balances and collection*
-  *Potential for balances to become concerning*
-  *No issues with collection of outstanding balances*

Rates

Outstanding rates are broken down by financial years. As per the Local Government (Rating) Act 2002 there is a limitation of time for the recovery of unpaid rates. Any rates older than 6 years can not be recovered and the Council is required to write off.

There are several processes available for Council to collect outstanding rates balances other than the normal debt management processes, ability to apply penalties on unpaid instalments and prior years balances, and the Act gives further powers to Council allowing rates to be recovered through rating sales. Also, outstanding rates on a property are required to be settled in full at time of change in ownership.

Rates receivables includes both district and regional rates. The Council has a contract with Environment Canterbury (Ecan) to manage their rates processing and collecting on Mackenzie District properties.

At 30 June the rates receivable balance was \$304,646 of which \$163,672 related to the 2021-2022 rating year (54%). As well there were future rates prepayments of \$143,325. Total rates levied for the year were \$16,975,671 (regional council \$2,737,918, district council \$14,237,753). Outstanding rates for 2021-2022 amount to 0.96% of the rates levied for 2021-2022.

Other Receivables

All other receivables are broken down by months. 3+ months are further broken down. Active management includes those outstanding balances that have either payment arrangements in place, are in dispute, debt collection processes are in place, or have been referred to a debt collection agency.

Animal Control

Outstanding 3+ months animal control balances are \$9,036 at June. Animal registration is charged annually in July and is payable by the end of that month. Several of the outstanding balances relate to unpaid registrations from previous years and relate to deceased and transferred from the district animals. Demand for payment letters have been sent out and at the end of July this balance had been reduced to \$6,819.

Water Billing

Water billing was in the past only charged out once annually, in July for the previous year. This was due to the invoicing system unable to proportion the water allowance over multiple readings.

Statements were not produced although reminder letters were sent. With the upgrade to the Council's computer system from July 2022 water billing invoices will be raised on a more frequent basis and reminders sent.

The active management balance relates to two incorrect readings on meters and credits were applied in May. Demand for payment letters have been sent out and at the end of July readings for the 2021-2022 year were completed and invoiced.

Sundry Debtors

The large current balance relates to invoices raised for the Tourism Infrastructure Funding round 5 (Ruatanui Reserve, Fairlie, Pukaki and Ruatanui public toilets, Fairlie camper dump station) and NZTA claim 13 wrap up subsidy.

Staff Debtors

Council staff are entitled to apply for a BP fuel card. The Council initially pays the bill and then on-charges via staff debtor accounts. Staff are also able to purchase personal goods via a number Council suppliers which are also paid by Council and then on-charged. Staff are required to have a deduction arrangement set up that regularly deposits to their staff debtor account. As at March 2022 there were a couple of accounts that the deductions were not sufficient to cover the outstanding amounts and arrangements and repayment plans put in place, have since been made to rectify this.

Building Consents

Building consent fees are raised at the time of building consent application but are often not due until certain conditions or inspections have been met or completed. At the 30 June the 3+month balances were made up of six large consents all with payment conditions in place. Memos are included on these accounts and staff regularly monitor the arrangements in place.

Resource Consents

Resource consent fees are raised at the time of application but are often not due until certain conditions have been met or completed. This can be up to five years after the consent was initially applied for. Also, resource consents include charges for financial and reserve contributions which are often given time allowance for payment due to the value of each contribution. At the 30 June the 3+month balances were made up of two large consents both with payment conditions in place. Memos in regards Council decisions on payment arrangements are loaded against each resource consent debtor and these are regularly monitored.

Pukaki Airport

Pukaki Airport debtors relate to landing fees at the airport. These are charged monthly with a number of debtors paying in advance.

**Mackenzie District Council
Receivables Trial Balance
as at 30 June 2022**

	Pre-2016	2016	2017	2018	2019	2020	2021	Current Arrears	Current Due	Current Penalties	Credits	Balance
Rates												
Outstanding	0	17	454	2,605	6,416	16,823	44,195	163,672	182,800	30,989	(143,325)	304,646 ●
Active Management												
	3+ months	3+ months	2 months	1 month	Current	Credits	Balance					
Animal Control												
Outstanding	0	9,036	0	18	27	(1,730)	7,351	◆				
Water Billing												
Outstanding	0	37,744	0	0	0	0	37,744	◆				
Sundry Debtors												
Outstanding	0	3,719	2,897	16,739	474,887	(4,981)	493,260	●				
Staff Debtors												
Outstanding	1,992	0	811	1,385	8,343	(1,169)	11,363	▲				
Building Consents												
Outstanding	58,990	23,468	3,665	27,983	94,834	(6,795)	202,144	▲				
Resource Consents												
Outstanding	109,094	16,186	233,427	16,410	266,360	(21,709)	619,768	▲				
Pukaki Airport												
Outstanding	0	60	0	4,826	2,155	(1,468)	5,573	●				

Active Management: - invoices that are either in dispute, sent to debt collection, on payment arrangements

Dashboard

- ◆ Concerns in regards outstanding balances and collection
- ▲ Potential for balances to become concerning
- No issues with collection of outstanding balances

5.6 2022-2023 INSURANCE UPDATE

Author: Sandy Hogg, Manager - Finance
Authoriser: Angela Oosthuizen, Chief Executive
Attachments: Nil

STAFF RECOMMENDATIONS

That the information be noted.

Premium Summary

Council has renewed its insurance for the 2022-2023 financial year with policies in place for the period 30 June 2022 to 30 June 2023 and 1 July 2022 to 1 July 2023.

The following table is a comparison of the new premiums compared to the prior year premiums

Policy	2021-2022	2022-2023
	Premium	Renewal Premium
Material Damage / Business Interruption	\$113,765.96	\$117,067.49
Fire Service Levies	\$32,317.73	\$31,467.04
Motor Vehicle	\$17,500.00	\$24,500.00
Fire Services Levies	\$169.00	\$109.85
Personal Accident	\$15,881.00	\$13,458.00
Statutory Liability	\$7,875.00	\$8,111.25
Employers Liability	\$431.25	\$446.25
Crime Liability	\$4,890.00	\$5,500.00
Public Liability / Professional Indemnity	\$26,864.00	\$33,264.00
Environmental Impairment Liability	\$1,072.00	\$1,114.00
Airport Owners and Operators Liability	\$1,250.00	\$1,705.17
Forestry / Standing Timber	\$13,250.97	\$12,799.70
Broker Fee	\$17,250.00	\$18,500.00
Total Premium (excluding GST)	\$252,516.91	\$267,932.90

The total premiums above exclude GST and other charges.

In addition to the above stated premiums a Documentation fee of \$105.00 applies to each invoice.

Material Damage and Business Interruption shows a 5% rating increase from last year, however this is offset by a small reduction in the overall sum insured.

Professional Indemnity and Public Liability has increased by 23.82% from last year.

Motor vehicle has been negatively impacted by the Council's claims record for the 2021-2022 insurance year.

Insurance Summary

Material Damage

Covers accidental physical loss or damage belonging to the Insured or for which the Insured is legally responsible or has assumed responsibility prior to the occurrence of any damage.

Insurance is with Local Government Co-Insurers (QBE Insurance (Australia) Limited 45%, NZI (IAG New Zealand Limited) 22.5%, AIG Insurance New Zealand Limited 17.5%, Berkshire Hathaway 15%).

Property value insured is \$45,378,575 (non residential \$43,067,475, residential \$2,311,100). Deductible excess is \$5,000 except landslip and subsidence which are both at \$50,000 and P Laboratories \$20,000.

Business Interruption

Covers loss subsequent upon interruption to the business as a result of damage to property insured by the Material Damage policy, resulting in losses or increased costs.

Insurance is with Local Government Co-Insurers (QBE Insurance (Australia) Limited 45%, NZI (IAG New Zealand Limited) 22.5%, AIG Insurance New Zealand Limited 17.5%, Berkshire Hathaway 15%).

Insured are the following:

Rental Income

Camping Ground, SH79 Fairlie	\$42,000
Hostel Site, Lakeside Drive Tekapo	\$70,000
Visitors Centre, Lake Pukaki	\$50,150
Old Library Café, Fairlie	\$40,000
Post Office / Welfare Unit, Lakeside Drive Tekapo	\$72,500
Other Commercial Rentals (less than \$10,000 per annum / per site)	\$86,000
Residential Rentals (less than \$20,000 per annum / per site)	\$160,000
	\$531,522

Additional Expenses

Council Chambers / Office, 53 Main Street Fairlie	\$2,000,000
Council Chambers / Office, Market Place Twizel	\$1,000,000
All Other Locations Unspecified	\$200,000
	\$3,200,000

Claim Preparation Costs

Council Chambers / Office, 53 Main Street Fairlie	\$50,000
Council Chambers / Office, Market Place Twizel	\$50,000
All Other Locations Unspecified	\$50,000
	\$150,000

Total insured is \$3,881,522 and includes earthquake / natural disaster. Deductible excess is \$5,000 except landslip and subsidence which are both at \$50,000 and P Laboratories \$20,000.

Motor Vehicle

Covers direct loss or damage to vehicles and public liability (third party) in connection with the motor vehicles.

Insurance is with Lumley (IAG New Zealand Limited).

Total value declared for insurance is \$250,000. Deductible excess is a minimum of \$500 but not exceeding \$5,000 in respect of any one accident.

Personal Accident

Covers all staff, Mayor, Deputy Mayor and Councillors and provides death and schedule benefits as a result of an accident for 24 hours per day worldwide.

Insurance is with Chubb Insurance New Zealand Limited.

Sums insured are varied but there is no deductible excess on any claims.

Statutory Liability

Covers fines or penalties imposed for unintentional breaches of certain statutes.

Insurance is with Vero Liability Insurance Limited.

Limit of indemnity is \$2,000,000 for any one claim. Deductible excess is \$25,000 except for claims under the Health and Safety at Work Act 2015 \$10,000 and Resource Management Act \$75,000.

Employers Liability

Covers claims made by employees against employers for injury or illness occurring in the workplace where cover falls outside the scope of accident compensation legislation.

Insurance is with Vero Liability Insurance Limited.

Limit of indemnity is \$2,000,000 for any one claim. Deductible excess is \$500.

Fidelity and Computer Crime

Covers theft by employees. The cover extends to includes to Elected Representatives.

Insurance is with Chubb Insurance New Zealand Limited.

Limit of liability is \$1,000,000 for any one loss. Deductible excess is \$25,000.

Public Liability and Professional Indemnity

Public liability - covers for protection for legal liability in connection with the Business and arising from occurrences resulting in personal injury or property damage occurring within the territorial limits.

Professional indemnity – covers for protection for legal liability in respect of a professional duty by way of negligent act, error or omission, including defence costs and expenses.

Insurance is with Marsh Pty. Limited (Australia).

Limit of liability is AUD \$300,000,000 for any one claim. Deductible excess is \$5,000 for public liability and \$10,000 for professional indemnity (except for loss of documents \$500 or weather tightness \$500,000).

Environmental Impairment Liability

Covers protection for legal liability as a result of a claim for property damage, clean up or natural resource damage resulting from pollution that is at, on, under or migrating from the insured premises.

Insurance is with Marsh Pty. Limited (Australia).

Limit of indemnity is \$1,000,000 for any one claim. Deductible excess is \$25,000.

Airport Owners and Operators Liability

Covers legal liability for bodily injury, personal injury, sickness or disease, including death, and for loss of or damage to property of others caused by accident, in respect of and in connection with Airport Ownership and/or management by District/Local organisations and/or Airport Authorities.

Insurance is with Marsh Leamouth, London.

Limit of indemnity is \$10,000,000 for each accident or any offence. Deductible excess is \$5,000.

Forestry / Standing Timber

Covers fire, impact and malicious damage and hail damage to Council owned and managed forestry plantations. Total land area included is 1,287 hectares with a planted area of 681.60 hectares.

Insurance is with Sage Partners Limited (Lloyds).

Total sum insured is \$3,801,282 and the valuation was prepared by Terry O'Neill, Ashburton District Council. The limit is \$3,000,000 on any one loss in the aggregate any one year for fire, impact or malicious damage or \$20,000 for hail damage.

There are also the following additional optional covers:

- Re-establishment \$390,000, firefighting \$250,000, claim preparation \$10,000 and debris removal \$25,000.

Deductible excess is \$30,000 for each and every event.

5.7 AUDIT AND RISK DRAFT WORK PROGRAMME**File Reference:** NA**Author:** Sandy Hogg, Manager - Finance**Authoriser:** Angela Oosthuizen, Chief Executive**Attachments:** 1. Programme Timetable [↓](#) **PURPOSE OF REPORT**

To provide details of the Council's proposed 2022-2023 finance work programme for Audit and Risk.

STAFF RECOMMENDATIONS

1. That the report be received.
2. The Audit and Risk Committee agrees its 2022-2023 Finance Work Programme, noting that this is a "living" document and will be reviewed and revised at each committee meeting.

BACKGROUND

As part of a continuous development of good business practice, Council staff have commenced a finance work programme which will be reported on at each Audit and Risk committee meeting.

The work programme will be shown on a rolling twelve month period and each project will be reported on in relation to progress. As the programme is a "living" document, new projects will be added and existing projects reviewed.

OVERVIEW OF FINANCE WORK PROGRAMME**Internal Reporting**

Currently within the internal reporting area there are four identified projects of which two are reported to the committee each meeting - aged receivables report and risk register. The other projects relate to internal audit processes and Alpine Energy.

Statutory Reporting

Within statutory reporting currently identified are the annual reports for 2022 and 2023, 2023-2024 annual plan, 2024-2034 long term plan and the Debenture Trust Deed (LGFA).

There are detailed timelines and project reporting for the annual report, plan and long-term plan, this work programme shows more of an overview on each rather than specific work streams.

Other Operational Projects

Four other projects have been identified and they include insurance, local body elections, rating review and tax governance framework – independent advice.

**Mackenzie District Council
Finance Work Programme**

Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
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Internal Reporting

Aged Receivables	Quarterly			Quarterly			Quarterly			Quarterly		
Risk Register	Quarterly			Quarterly			Quarterly			Quarterly		
Internal Audit			Finance Business Process Mapping		Building Consent Process Mapping			Property Leases				
Alpine Energy	Draft SCI	Shareholder Officers meeting										

Statutory Reporting

2021-2022 Annual Report	Preparation	Audit starts	Audit Adopt Annual Report	Publish Summary								
2023-2024 Annual Plan		Budget Model Developed	Budgets	Budgets	Workshops	Workshops	Adopt Draft Plan	Roadshows / Public Meetings	Hearings	Adopt Final Plan		
2022-2023 Annual Report									Interim Audit			Preparation
2024-2034 Long Term Plan					Councillor Inductions	Councillor Inductions	Early Public Engagement	Early Public Engagement	Early Public Engagement	Early Public Engagement	Start of Policy Reviews	Start of Policy Reviews
LGFA - Debenture Trust Deed			Debenture Deed Assurance Audit	Half Yearly Certificate						Annual Certificate		Auditor Letters of Engagement

Other Operational Projects

Insurance	ARC report					Valuations		Negotiations	Negotiations	Finalise	Invoice Payment	
Local Body Elections		Councillor Inductions	Councillor Inductions	Councillor Inductions	Councillor Inductions							
Rating Review							State of Play	Project Scoping	Council workshop	Project working	Council Workshop	Public Consultation
Tax Governance Framework - Independent Advice (PWC)		Annual Report Tax Disclosures					Tax Agency - Income Tax			GST Evaluations		

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 - 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
6.2 - Minutes of Public Excluded Audit and Risk Committee Meeting - 21 June 2022	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	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