

Notice is hereby given that an ordinary meeting of the Finance, Audit & Risk Committee will be held on:

Date: Wednesday 30 June 2021
Time: 4.00 pm
Meeting Room: Council Chambers
Venue: Horowhenua District Council
Levin

Finance, Audit & Risk Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Mr Philip Jones	
Deputy Chairperson	Mrs Christine Mitchell	
Members	Mr David Allan	
	Mr Wayne Bishop	
	Mr Ross Brannigan	
	Mr Todd Isaacs	
	Mr Bryan Jackson	
	Mr Sam Jennings	
	Mrs Victoria Kaye-Simmons	
	Mr Robert Ketu	
	Mrs Jo Mason	
	Ms Piri-Hira Tukapua	
	HWTM Bernie Wanden	
Reporting Officer	Mrs Jacinta Straker	(Chief Financial Officer)
Meeting Secretary	Mrs Karen Corkill	

Contact Telephone: 06 366 0999
Postal Address: Private Bag 4002, Levin 5540
Email: enquiries@horowhenua.govt.nz
Website: www.horowhenua.govt.nz

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Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

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1 Apologies

2 Public Participation

Notification of a request to speak is required by 12 noon on the day of the meeting by phoning 06 366 0999 or emailing public.participation@horowhenua.govt.nz.

See over the page for further information on Public Participation.

3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Confirmation of Minutes

5.1 Meeting minutes Finance, Audit & Risk Committee, 28 April 2021

6 Announcements

Public Participation (further information):

The ability to speak at Council and Community Board meetings provides the opportunity for members of the public to express their opinions/views to Elected Members as they relate to the agenda item to be considered by the meeting.

Speakers may (within the time allotted and through the Chairperson) ask Elected Members questions as they relate to the agenda item to be considered by the meeting, however that right does not naturally extend to question Council Officers or to take the opportunity to address the public audience be that in the gallery itself or via the livestreaming. Council Officers are available to offer advice to and answer questions from Elected Members when the meeting is formally considering the agenda item i.e. on completion of Public Participation.

Meeting protocols

1. All speakers shall address the Chair and Elected Members, not other members of the public be that in the gallery itself or via livestreaming.
2. A meeting is not a forum for complaints about Council staff or Council contractors. Those issues should be addressed direct to the CEO and not at a Council, Community Board or Committee meeting.
3. Elected members may address the speaker with questions or for clarification on an item, but when the topic is discussed Members shall address the Chair.
4. All persons present must show respect and courtesy to those who are speaking and not interrupt nor speak out of turn.
5. Any person asked more than once to be quiet will be asked to leave the meeting.

File No.: 21/261

Customer and Strategy - Activity Update

1. Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update on the projects and activities being undertaken within the Customer and Strategy portfolio of Council.

2. Recommendation

- 2.1 That Report 21/92 Customer and Strategy - Activity Update be received.
- 2.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.

3. Key Highlights and Business Priorities

Building

- 3.1 Over 99.2% of building consents granted year to YTD to the end of May have been processed within statutory timeframes. Six consents out of the 733 processed to the end of May, went over the statutory timeframes. These were mostly due to administration errors.
- 3.2 The Building Consent Authority (BCA) IANZ accreditation re-assessment was carried out from 19-22 April 2021. The team are working towards clearing the three (3) General Non-Compliances that were remaining at the end of assessment. A clearance plan was submitted to IANZ on 1 June and has been approved by the assessors. The actions in the plan need to be completed and evidence submitted to IANZ by 23 July 2021.
- 3.3 The schedule of fees has been revised for the 2021/22 year and now includes fixed fee components for different types of building projects. This service improvement has been implemented as a result of customer feedback, which indicated that customers want to be able to have an estimate of consent costs upfront and available on our website. A further new initiative from 1 July will see trialing not requiring deposits to be paid before the processing of a building consent commences. This service improvement is expected to save the customer 2-4 working days in the overall building consent process.

Planning

- 3.3 Over 98% of land use consents have been processed within statutory timeframes YTD as at the end of May 2021.
- 3.4 Approximately 94% of subdivision consents have been processed within statutory timeframes for the YTD to the end of May 2021.
- 3.5 A new Planning Team Leader was appointed last week. Recruitment for the vacant Resource Management Planners is ongoing and additional steps have been put in place to try a more proactive approach to identifying suitable candidates for these roles. The aim remains to build the internal team capacity and capability that can sustainably manage the planning consent activity levels and reduce the current level of reliance on external contractors.

Parking

- 3.6 Parking wardens issued 4,687 parking tickets YTD to the end of May 2021, having a ticket value of \$482,896.00.

Dogs

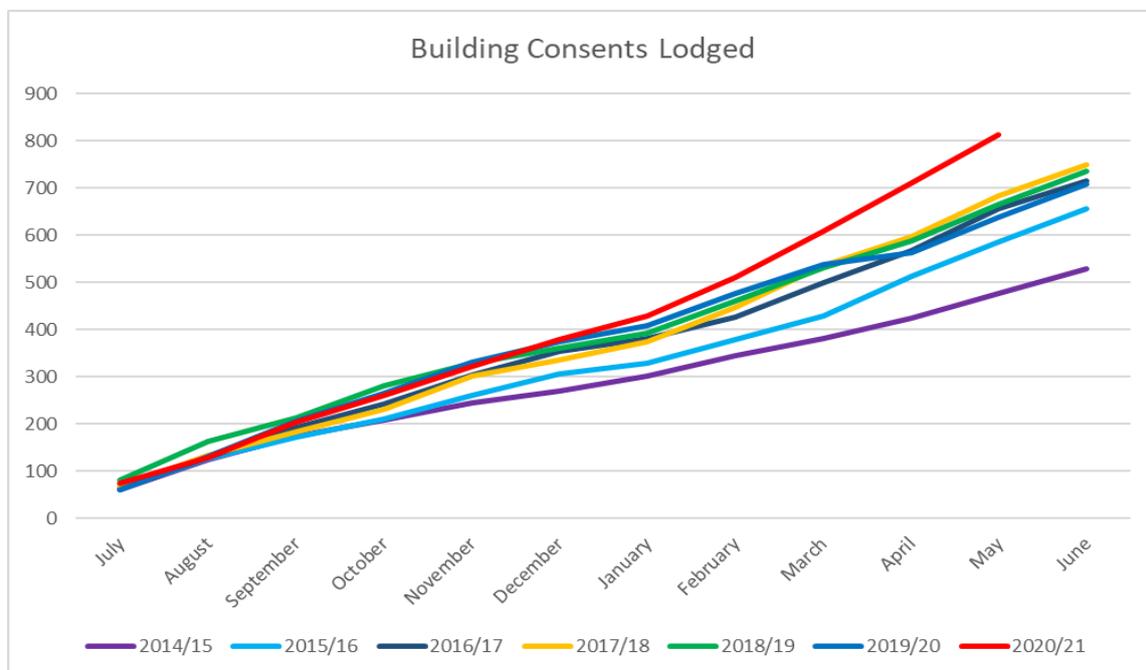
- 3.7 In March 2021, Officers identified an error relating to dog infringements, where the infringements issued in 2017/18, 2018/19, 2019/20 were not correctly sent to the Courts for collection. This resulted in a significant expense against the income in April 2021.
- 3.7 The dog registration fees and charges for 2021/22 were adopted by Council in April 2021. Dog fees will increase by approximately 10% for most registration classes. Dog registration fees for 2021/22 are due next month (July), with dog registration renewals due to hit email addresses and mailboxes on 1 July.

4. Trends

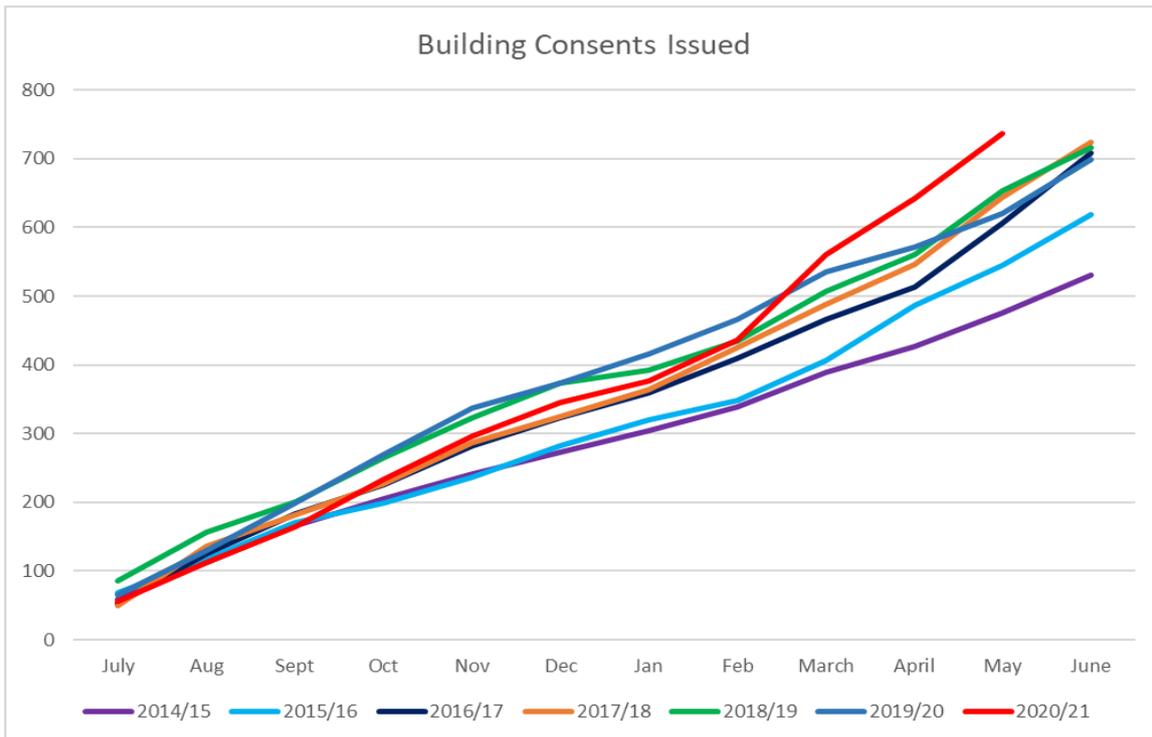
4.1 Building consent trends based on data from July 2020 to May 2021 are as follows:

	YTD to 31 May 2021	YTD to 31 May 2020	Trend
Number of building consents lodged	813	639	↑21.4%
Number of building consents issued	736	620	↑15.8%
Number of new dwelling consents issued	225	204	↑9.3%
Number of new dwelling units consented	282	245	↑13.1%
Value of building consents issued	\$119,108,377	\$113,033,541	↑5.1%
Number of inspections completed	5,547	4,310	↑22.3%
Number of CCCs issued	593	519	↑12.5%
Number of enquiries about building control functions	1,729	1,204	↑30.4%

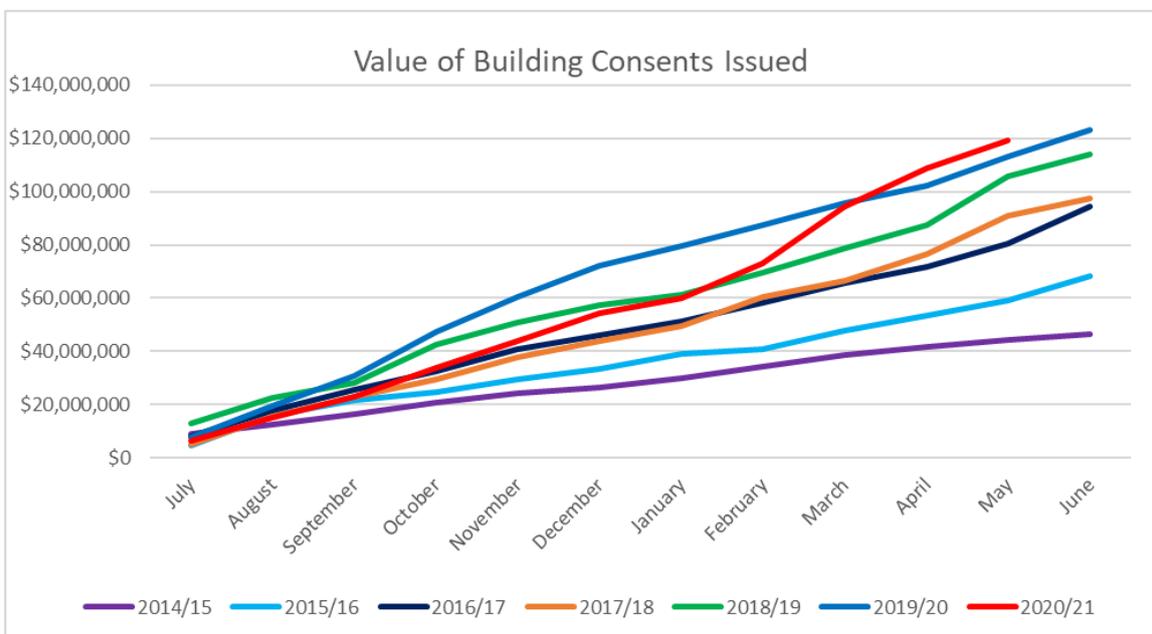
The number of building consents lodged, issued and inspected have increased compared to the similar period over the previous financial year. As at the end of May, levels of activity have reached record numbers in relation to building consents lodged and issued.



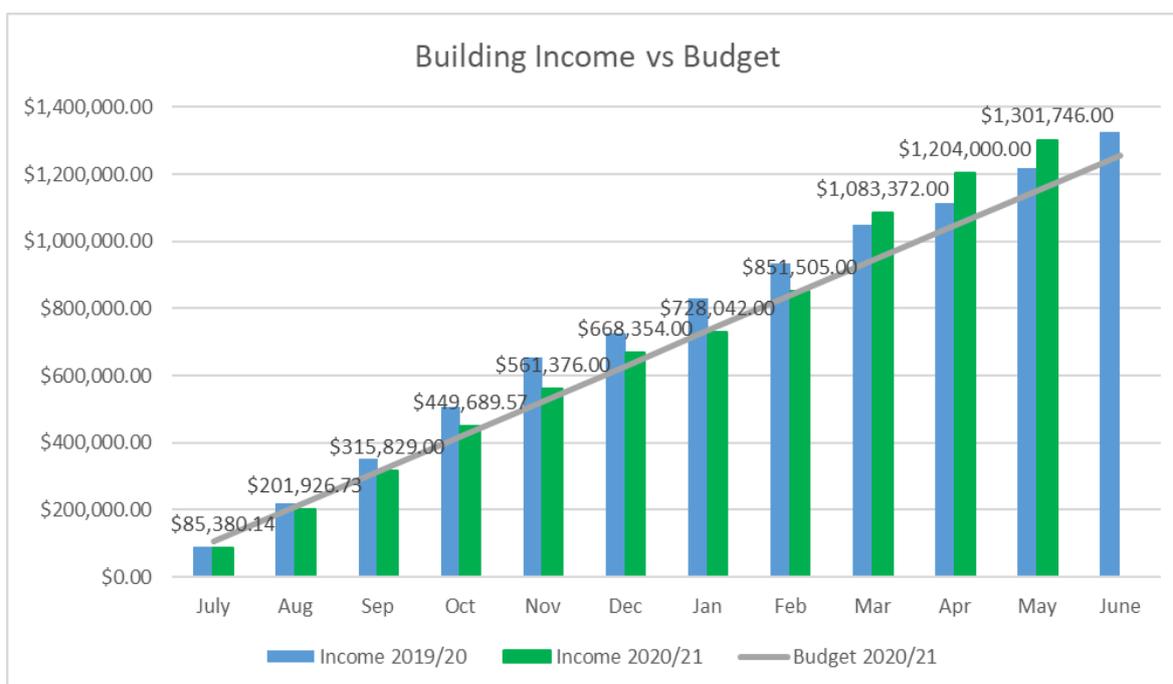
The chart above shows the cumulative totals of building consents lodged. So far this financial year the number of consents lodged is higher than the same period over the previous six years. A new milestone was achieved in May 2021 as the number of applications lodged reached over 800 for the first time in the last six years.



The chart above shows the cumulative total of the number of building consents issued. So far this financial year the number of consents issued is higher than the same period for the over the previous six years. There has been a steady increase in the number of building consents issued from February 2021 onwards, resulting in the number of consents issued YTD to the end of May exceeding the number that have been issued in the previous six years.



The chart above shows the cumulative total of the value of building consents issued. The value of consents issued tracking lower than last year for most of the year, but this has increased steadily since January 2021 and the value of consent building work is approximately 5% higher than at the same point in 2019/20.



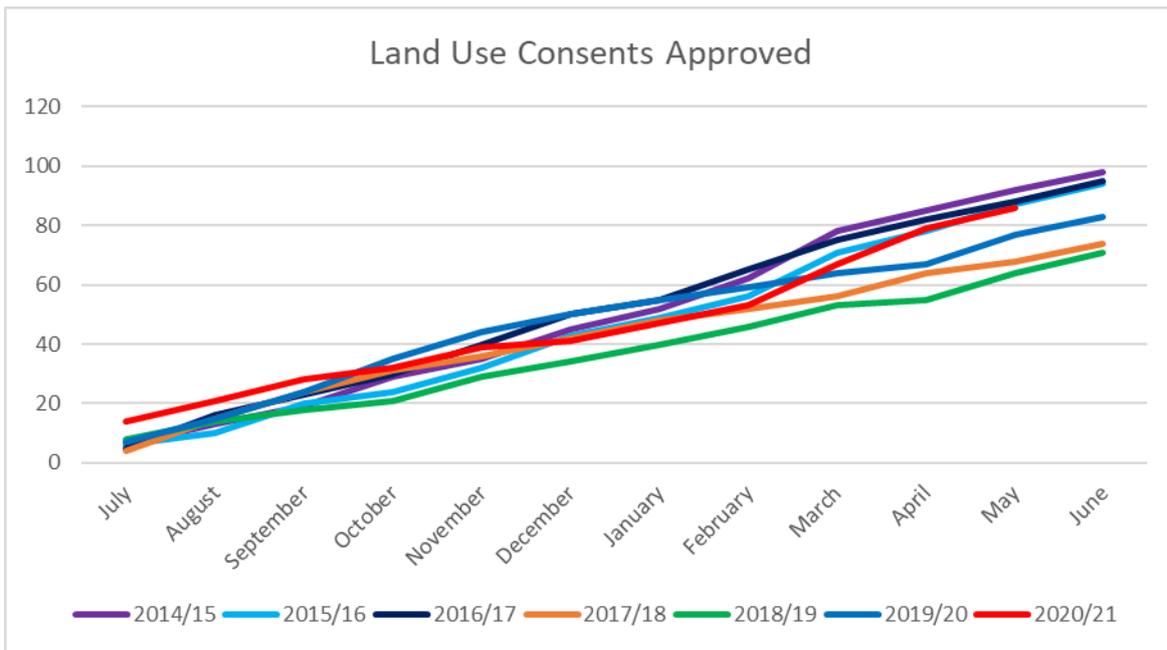
The chart above shows the Building Income against the budget for 2020/21 and a month by month comparison against the previous financial year. Building consent income is over approximately \$149K above the budgeted figure for the end of May 2021. This is over \$84K above the income received over the same period last year.

Consents issued for new dwelling units are used as a proxy to track supply of new houses in the District. The Long Term Plan 2021-41 currently being finalised and soon to be adopted includes a new forecasting assumption of 265 new dwelling units between July 2020 - June 2021. Using this assumption and an average of 22 new dwellings per month to achieve this level of 265 new dwelling units, at the end of May 2021 the assumption anticipated 242 new dwelling units. With consents currently issued for 282 new residential dwelling units the supply is tracking above the forecast assumption.

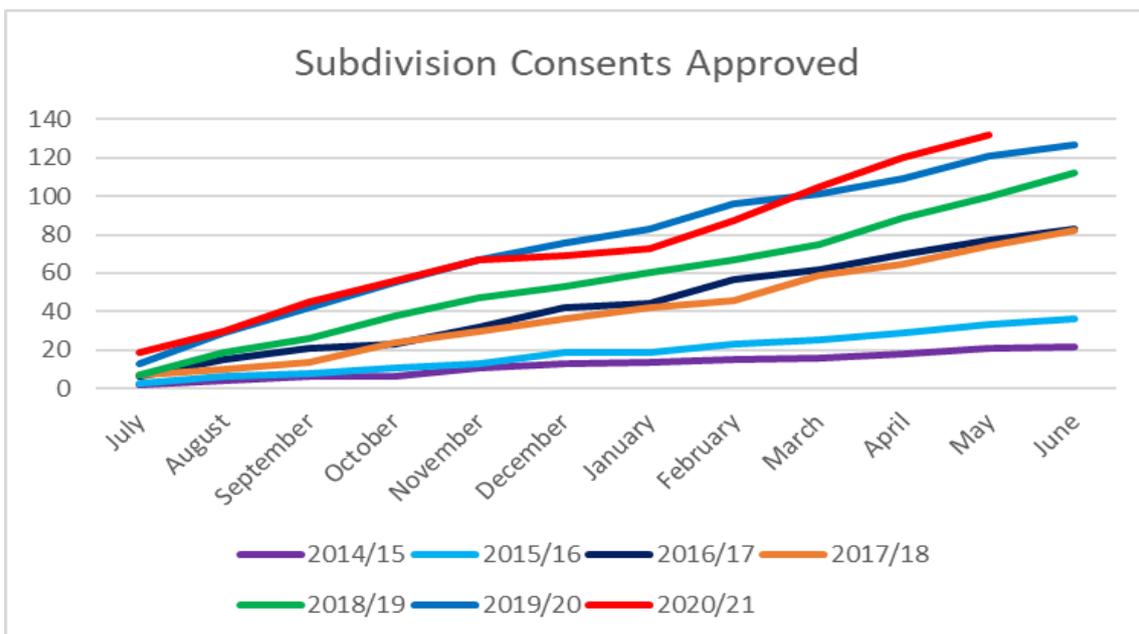
4.2 **Planning (resource consenting) trends based on data from July 2020 to May 2021 are as follows:**

	YTD to 31 May 2021	YTD to 31 May 2020	Trend
No. of resource consent applications lodged	316	295	↑6.6%
No. of subdivisions consents approved	132	121	↑8.3%
No. of land use consents approved	86	76	↑11.6%
No. of new allotments created at 223 stage	458	176	↑61.6%
No. of new allotments created at 224 stage	359	158	↑42.8%
No. of enquiries about resource consenting activity	2,045	1,156	↑56.0%

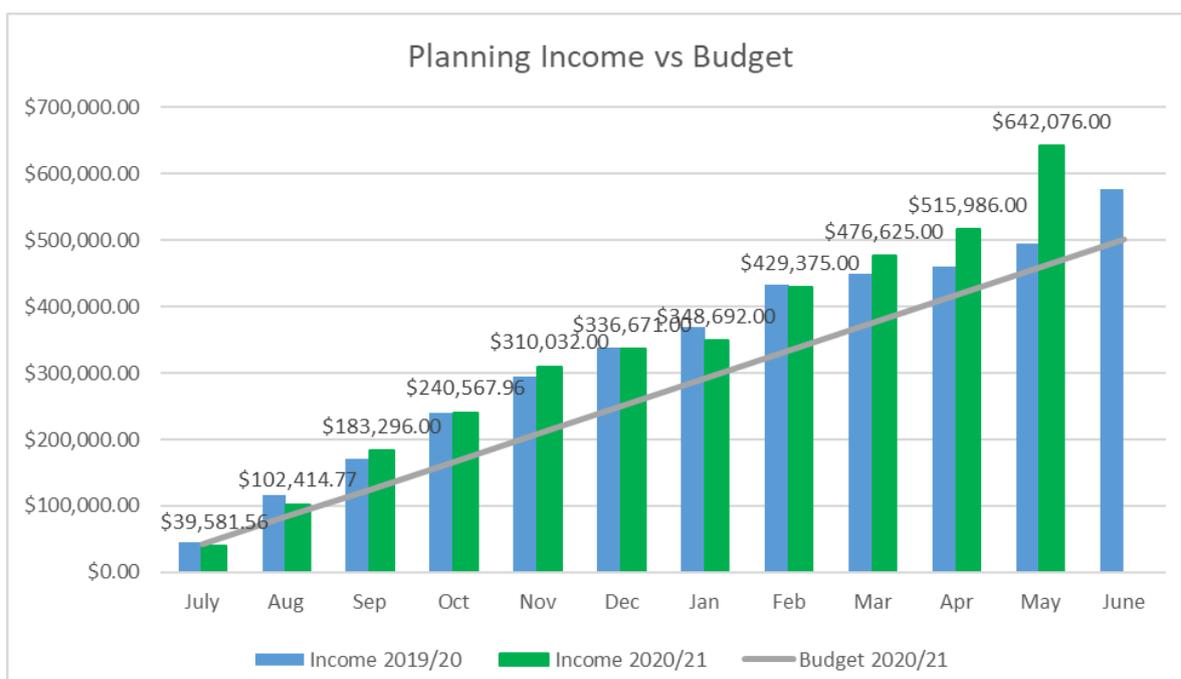
So far this financial year, the total number of resource consents lodged is over 6% higher than the same period in the 2019/20 year. The number of subdivisions and land use consents approved YTD is approximately 8% and 11% respectively, higher than the same period last year. There has also been an increase in the complexity of consent applications received recently, with more consents being processed on a Limited Notified basis as applicants are showing signs of taking on greater risk and willing to seek approval for greater levels of non-compliance.



The chart above shows the cumulative total of land use consents approved. So far this financial year the number of land use consents approved is higher than over the same period last year, but slightly lower than over the same period in 2014/15 and 2016/17.



The chart above shows the cumulative total of subdivision consents approved. So far this financial year the number of subdivision consents approved is tracking above the previous years.



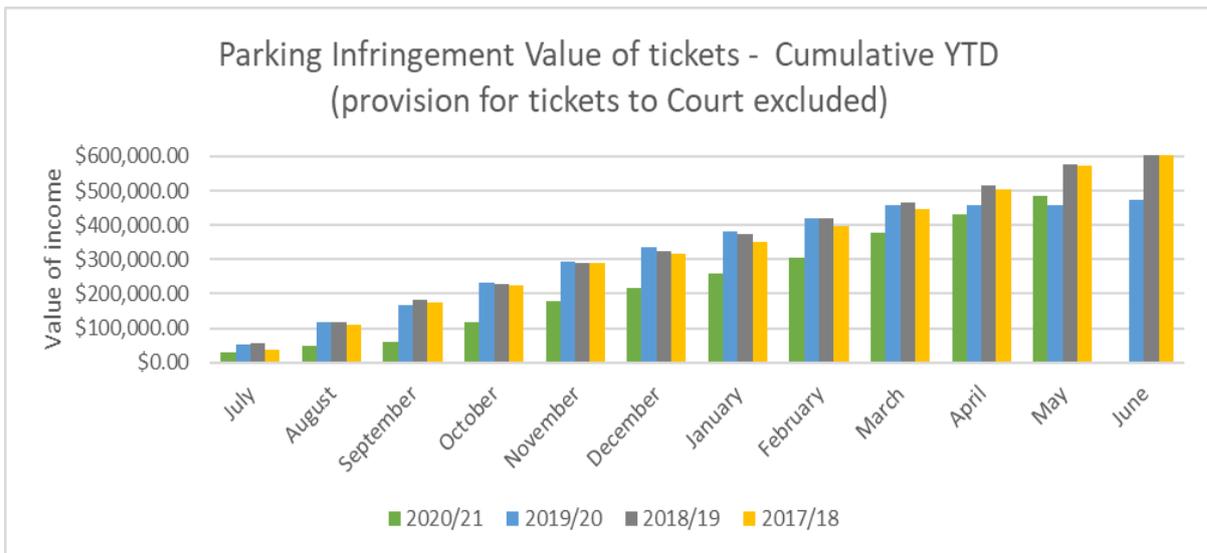
The chart above shows the planning income against the budget for 2020/21 and a month by month comparison against the previous financial year. Income for this activity is currently approximately \$182K ahead of the budgeted figure for 2020/21. Income YTD is approximately \$147K higher than the same period for the 2019/20 year.

4.3 Parking

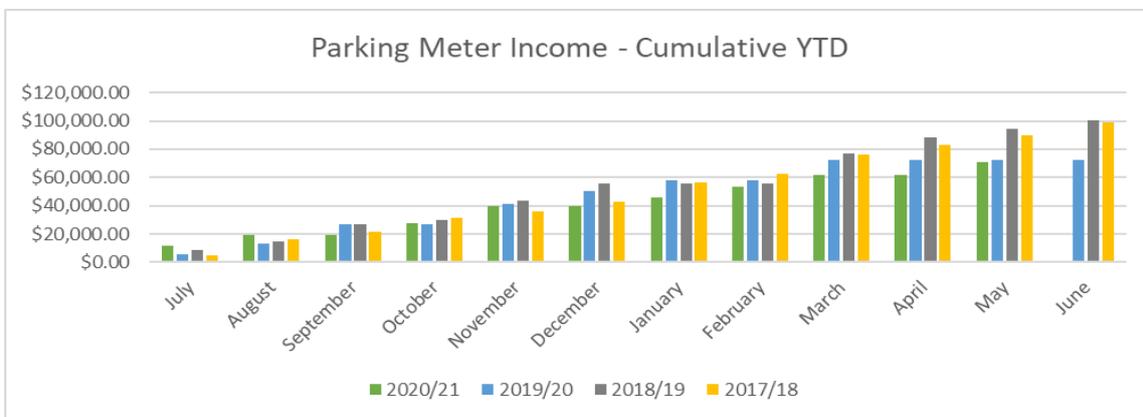
	YTD to 31 May 2021	YTD to 31 May 2020	Trend
No. of infringements issued	4,687	5,191	↓9.7%
Value of infringements issued	\$482,896	\$572,418	↓15.6%
Parking meter income received	\$71,157	\$89,570	↓20.6%
Infringement income collected by Ministry of Justice	\$195,833	\$204,489	↓4.2%
Value of infringements cancelled	\$102,302	\$96,244	↑6.3%
Provision for tickets to Court	\$238,768	\$309,798	↓23%

So far this financial year our Parking Wardens have issued 504 less infringements than the number issued during the same period last year, a decrease of 9.7%.

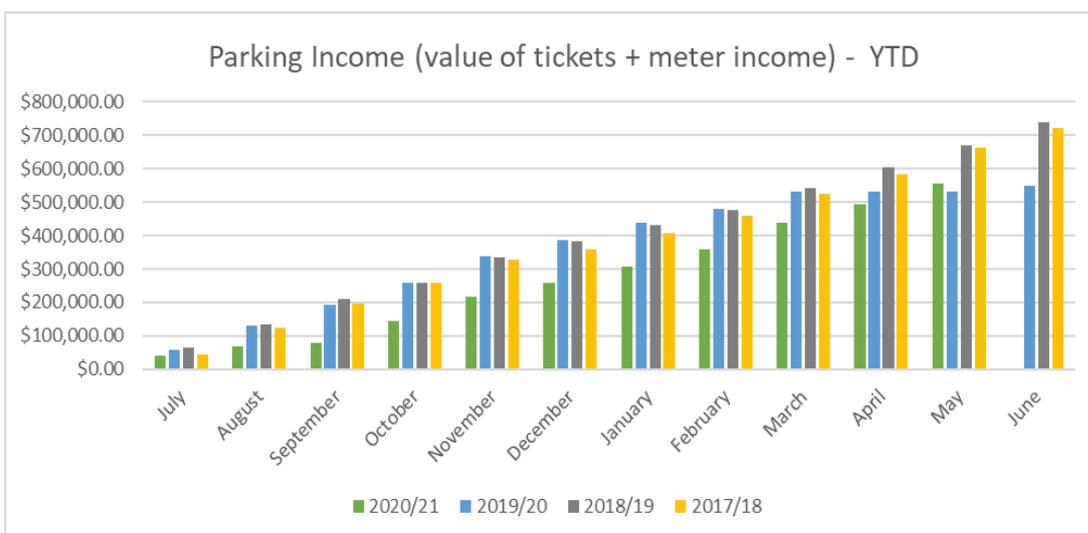
As reported previously, the infringement value of tickets continues to track lower than previous years reflecting the impact of the time extensions provided by Waka Kotahi NZTA for car registrations and warrants of fitness, this also reflects in the value of infringements cancelled compared to previous years. In addition, staff availability has had an impact on this activity during the last reporting period.



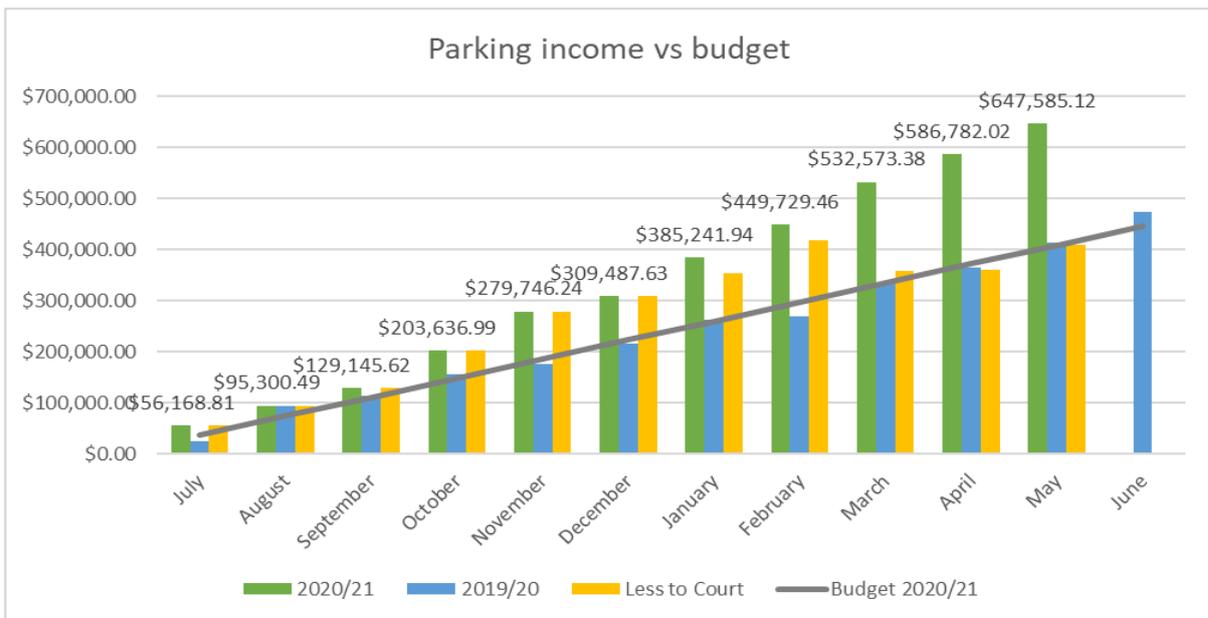
The chart above shows the cumulative month-by-month comparison against the previous three financial years for the parking infringement value of tickets.



The chart above shows the monthly cumulative comparison against the previous three financial years for the parking meter income.



The chart above shows the month by month comparison against the previous three financial years for the parking income based on the value of tickets and meter income.



The chart above shows the Parking Income against the budget for 2020/21, a month by month comparison against the previous financial year, and the difference in amounts collected versus sent to Court for collections.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

5. Appendices

There are no attachments for this report.

Author(s)	Megan Leyland Consents Manager	
	Vaimoana Miller Compliance Manager	
Approved by	David McCorkindale Group Manager - Customer & Strategy	

Infrastructure Development - Activity Update

File No.: 21/256

1. Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update on the projects being undertaken by the Infrastructure Development Group.

2. Recommendation

- 2.1 That Report 21/256 Infrastructure Development - Activity Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Key Highlights and Business Priorities

3.1 Foxton River Loop Regeneration – Stage One

3.1.1 Progress update

Work has progressed well and we are entering the last month of substantial activities on site. The grass is now well established and the site is starting to look like a park.



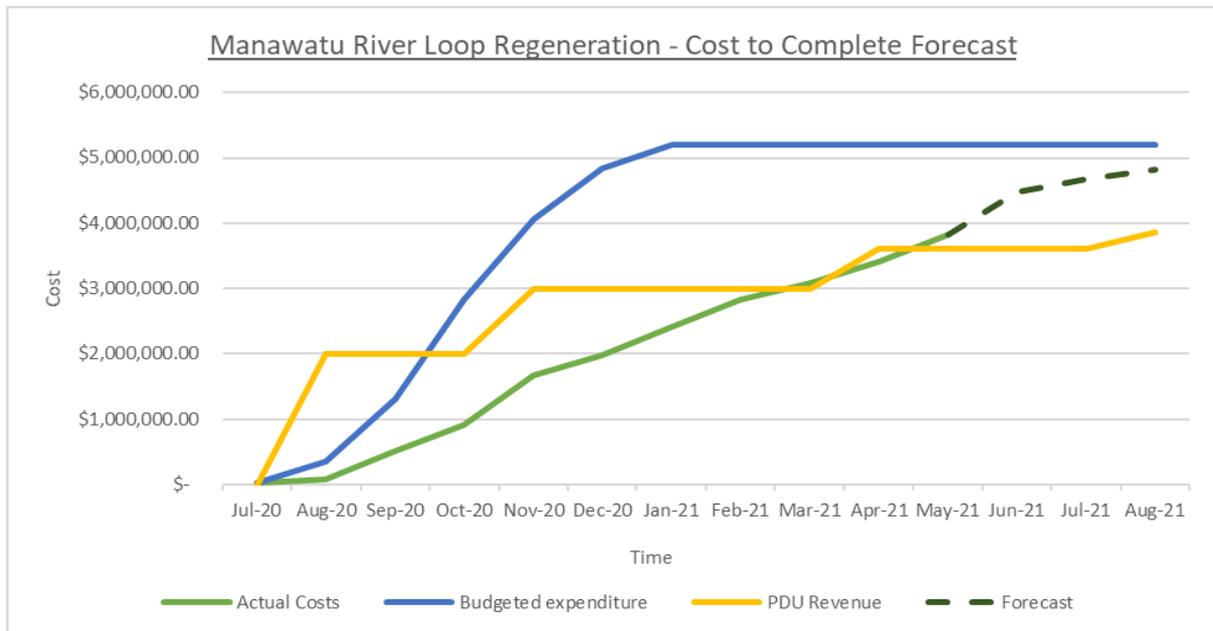
During June the last of the playground elements will be installed as well as the completion of the Foxton River Loop Hall (Red Shed) access way and carpark. The safety improvement work at the corner of Harbour & Clyde Street intersection and the riverside footpath to the boat ramp are on track for completion by 30 June 2021.

The long lead time items such as the public toilet and shade sail will be installed as soon as they are available. Likely to be around August 2021.



3.1.2 Financials

An overview of the forecast expenditure is provided in the chart below. The full Provincial Growth Fund allocation has now been spent. Works to close out Council's co-funded amount will carry on over the coming months subject to completion of the roading works and the long-lead procurement items. As such, a variance has been shown between the budgeted expenditure and expected actuals up until at least August. An update on the cost to completion will be provided in the next FAR report.



3.1.3 Risk

No new risks arising this month.

3.2 Crown Infrastructure Partners Enabling Infrastructure for Tara-Ika

3.2.1 Queen Street Sewer Progress Update

Works are complete for Queen Street. As-built drawings were reviewed and Practical Completion issued. Eligible costs under Council's contract with CIP have been certified by an independent audit review. Council has received the first milestone instalment payment for these works.

The next stages of work involve a new sewer main along Tararua Road. Design of the new pipeline is underway.

Council has also carried out soakage testing (as seen in the image) to inform designs to manage stormwater within the Tara-Ika development area.

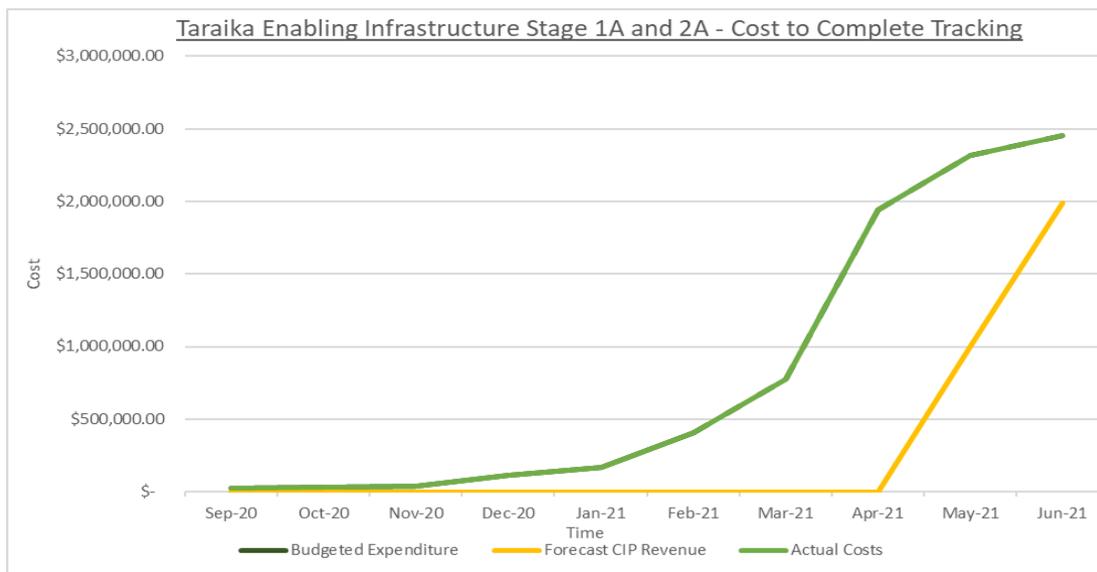


3.2.2 Financials

An overview of the actual costs to the end of the financial year has been provided below.

The Queen Street sewer works were completed within budget.

Note the lag between grant funded revenues and actual costs to date due to the revenue only being claimed upon completion of each stage. The difference between the lines is the Council co-fund.



3.2.3 Focus for next month

Final reinstatement of the Bartholomew Road roundabout, Redwood grove crossing and the Queenwood Road intersection will be completed by the end of June 2021.

Council expects to apply for the second milestone instalment for the Queen Street sewer works by the end of this financial year. Before this claim can be submitted CCTV inspection, pressure testing and as-built documentation will need to be completed by the Horowhenua Alliance.

Design and procurement for a new sewer main will continue for Tararua Road.

3.2.4 Risks

No new risks arising this month.

3.3 Fale Lotu Connections

3.3.1 Samoan Methodist Church

Over the past month the contractor has completed the interior painting, vinyl flooring, internal doors and the installation of the hardiglaze wall lining. The roof was also re-screwed and cleaned to prevent further lichen and corrosion.

The contractor expects the remaining interior fit out, plumbing and electrical works to be completed, and to hand the keys back over to the church at the end of June 2021.



3.3.2 Congregational Christian Church of Samoa

Over the past month work has progressed well on the framing of the kitchen, painting of the exterior of the chapel and the required roof repair works. The demolition of the interior portion of the chapel, re-framing and insulation was installed. Concrete was poured for the steel portal frames to be installed in the chapel.



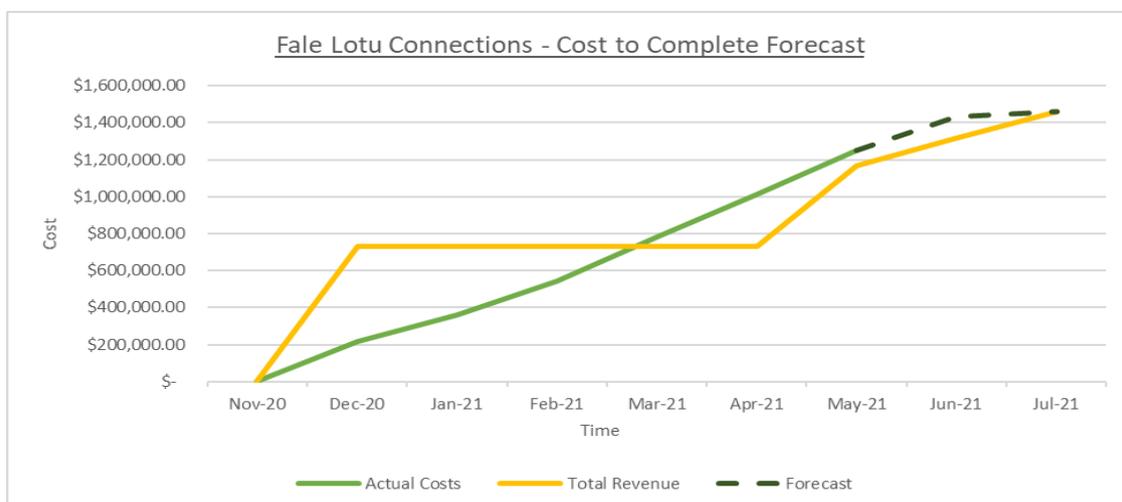
Next month the steel portals for the strengthening will be fabricated and installed, as well as lining, sealing and framing the chapel. In the kitchen the sky lights and windows will be installed. The kitchen will then be insulated and lined. The external door opening into the chapel and the back door in the kitchen will be fitted out. Work is expected to be completed by the end of July 2021.

3.3.3 Financials

An overview of the forecasted expenditure is shown in the graph below, this includes the 15% deposit required by the contractor at the time of signing the contractor agreement.

In May, Council invoiced the Provincial Development Unit (PDU) for the third instalment of \$146K. Our final payment instalment of a further \$146K will be made at the end of the project.

An updated forward work programme has been provided by the contractor. Work is progressing ahead of schedule. The Fale Lotu Connections project is now tracking to be completed by the end of July 2021. Forecasted costs have been updated in the graph below.



3.3.4 Risk and Contingency

The kitchen joinery at the Congregational Christian Church of Samoa will remain on hold until final costs are known for the structural strengthening work in the chapel.

3.4 Foxton Waste Water Treatment Plant – Stage Two Pond Construction

3.4.1 Progress update

Excellent progress continued in May. The pond bund was constructed in layers and supervised by specialist geotechnical engineers.

Construction of the subsoil drains to the west and north completed.

HDPE gas liner and pond liner installation commenced in May. This is now substantially completed with safety ladders and ballast tubes to be installed.

Pending the completion from the lining subcontractor the remaining activities include top soiling and demobilisation from site with practical completion planned for late June.

The project remains on track for completion by 30 June.

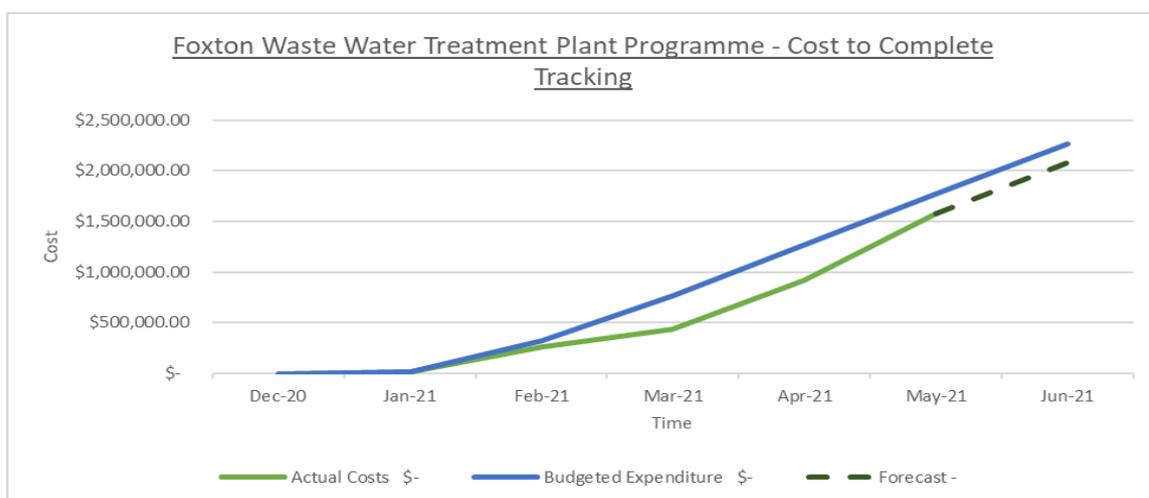


3.4.2 Financials

An overview of the forecast expenditure to the end of the financial year is provided below.

Bulk earth works were completed in May. This leaves the installation of the HDPE gas collection and liner to be completed in June.

It is forecasted that the project will be completed slightly below budget.



3.4.3 Focus for next month

The HDPE liner crew anticipate finishing in June, with top soiling, demobilisation and practical completion to occur thereafter.

3.4.4 Risk and Mitigation

HDPE welding cannot occur in the rain. This could push the HDPE liner crew out a week. Our forecast above does include contingency for time delays.

3.5 Foxton Beach Wharf Shared Path and Wharf Maintenance

3.5.1 Progress update

The repairs and maintenance of the Foxton Beach Wharf has continued through May with good progress. Site clearance was completed, removing the damaged gabions and debris. Approximately 650t of rock to shore up the foreshore area has been placed, under the guidance of specialist marine engineers. The contractor has programmed the work well around the tides caused by the super blood moon.

The Manawatū Boat Club work progressed well in June with precast panels installed and boxing/pouring of the concrete topping slabs completed.

Following completion of the wharf repair topping slab, attention turns to installation of interblocks adjacent to the wharf, completion of the revenant wall and construction of a nib that will form the interface with the carpark.

Once the car park has been reinstated works will begin on extending the existing Manawatū Estuary Shared Pathway to connect to the Wharf.



3.5.2 Financials

The project is on budget. The substantial completion costs will be updated to the next FAR meeting.

3.5.3 Focus for next month

Demobilisation and top soiling if not already complete.

3.5.4 Risk and Mitigation

Tides and bad weather present the highest risk to delivery. The project budget and timeline have contingency allowances.

3.6 **North East Levin Upgrade Project**

3.6.1 **Background**

The North East Levin Upgrade project comprises two separate projects:

- Project One involves the rehabilitation and widening of Roslyn Road and the renewal (including upsizing for growth) of a piped reticulation network to collect sewer and stormwater off neighbouring residential developments; and
- Project Two involves consenting and, if approved, construction of an improved stormwater detention area at the corner of Roslyn and Fairfield Roads.

3.6.2 **Project One - Roslyn Road Upgrade**

The project is progressing steadily. Wet weather has caused delays but both the contractor and Council have taken steps to minimise impacts due to weather events.

The focus for the contractor has been on the construction of the road, with the road sealing now completed. The infrastructure sewer and stormwater pipes are completed with just the tie-in at the Fairfield Road intersection left to construct. Preparation of the berms and the pathway has commenced.



3.6.3 **Project Two – Consenting the proposed attenuation area**

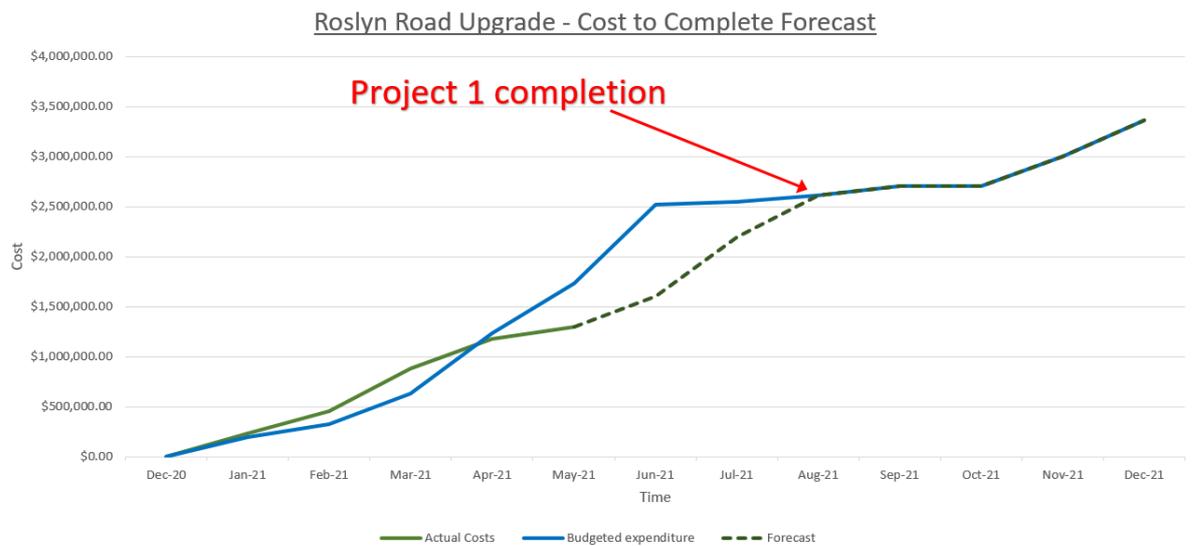
In previous FAR meetings, the request for further information (RFI) from the Manawatu Whanganui Regional Council (MWRC) pertaining to technical details within our hydrological modelling has been discussed. Substantial progress has been made on the RFI request. All affected parties have been revisited to ensure that they are comfortable with Council's approach and the concept designs, and formal approval is awaited (Section 95E of the RMA).

Officials have also agreed a way forward with respect to filing of documents leading up to a rescheduled hearing, provisionally set down for mid-August 2021. Council is to respond to MWRC's RFI request by 2 July 2021. Thereafter, the parties will exchange evidentiary reports and call for any submitter seeking to enter expert evidence by 6 August 2021. Council must file its final submission by 12 August 2021.

3.6.4 **Financials**

The chart below summarises the total project, including budget allocations for Projects One and Two. Noting that the budget for the Project Two attenuation area remains provisional pending the outcome of the consent. For the purposes of the financial report, it has been assumed that if consented, works on the attenuation area would commence during October 2021.

The forecast cost to complete for Project One is tracking within budget. As detailed in the last report, and with the recent bad weather and the winter months taking hold Council remains on track for practical completion by the end of July 2021.



3.6.5 Focus for next month

Next month the main focus is to open Roslyn Road to traffic. The methodology for the infrastructure tie-ins at the intersection of Fairfield and Roslyn Road require some temporary lane closures at the intersection. Road users are thanked for their patience while stop/go is in place.

3.6.6 Risk and Opportunity

No new risks have arisen.

Attachments

There are no attachments for this report.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Daniel Haigh Principal Project Manager	
Approved by	Brent Maguire Group Manager - Infrastructure Development	

Infrastructure Operations - Activity Update

File No.: 21/177

1. Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update on the projects being undertaken by the Infrastructure Operations Group.

2. Recommendation

- 2.1 That Report 21/177 Infrastructure Operations - Activity Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Key Highlights and Business Priorities

3.1 ROADING

3.1.1 Gladstone Road Realignment

Funding

The Gladstone Road Realignment project funding application was approved by Waka Kotahi on 22 June 2021. The project is now included in the 2018-21 National Land Transport Programme (NLTP) and will automatically be carried into the 2021-24 NLTP.

The total approved cost is \$4,800,000, subsidised at 62%. (\$2,976,000).

\$100,000 of the total cost will be included in Council's June claim to Waka Kotahi, to cover costs already accounted for.

Early Contractor Involvement

Council has engaged two contractors to provide advice and technical input in the development of the design and construction plan for the realignment. A design team is being formed with key staff from each contractor, as well as Council engineers. The design team will be responsible for producing the 100% Detailed Design and also assist preparation of resource consent applications.

Emmetts Civil Construction has been appointed to provide input into the bridge designs.

Fulton Hogan has been appointed to provide input into the earthworks and roading designs.

Contractors were selected following a competitive Request for Proposal process, with an evaluation using a Weighted Attributes method, from a range of suppliers who were invited to submitted proposals.

Consenting

A key task in progressing the project is preparing, lodging and gaining resource consents for the construction of the project.

The plan is to lodge two separate consent applications, one application for the construction of the bridges, and one application for the earthworks and road works.

This approach should provide Council with the flexibility to progress the construction of the project. The consent for the bridges will be relatively simple compared to the consent for the earthworks. If there are delays with attaining the earthworks consent, Council will still be able to progress with the bridge construction.

Attachments

There are no attachments for this report.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	James Wallace Roading Services Manager	
Approved by	Kevin Peel Group Manager - Infrastructure Operations	

Horowhenua Alliance - Activity Update

File No.: 21/289

1. Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update on the projects being undertaken by the Horowhenua Alliance.

2. Recommendation

- 2.1 That Report 21/289 Horowhenua Alliance - Activity Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Key Highlights and Business Priorities

3.1 Health & Safety

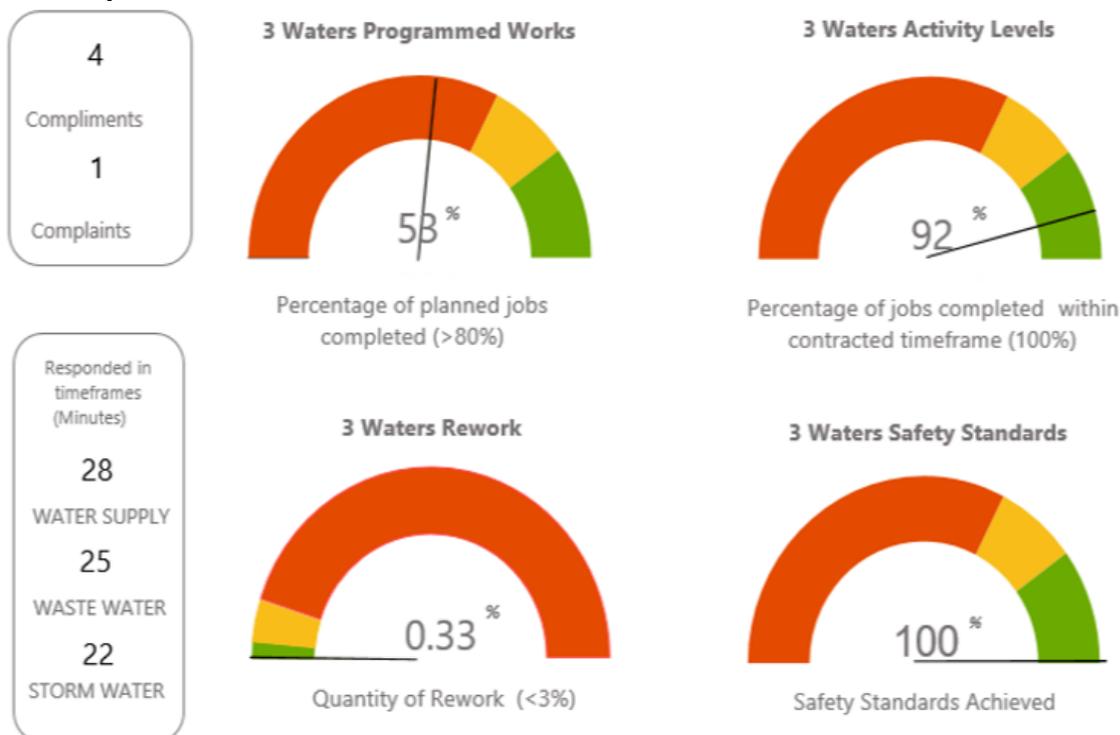
Continues to be a key focus for all Horowhenua Alliance staff.

Zero Harm reporting for May has three occurrences of damage, and one opportunity for Improvement. There were no injury incidents recorded during the month of May.

62 Safety Behaviour Conversations were recorded, 42 Critical Control Inspection occurrences and 8 Critical Control Audit's completed. The control compliance and effectiveness achieved was 100%.

There were 13.25 lost days in May due to sickness.

3.2 KPI Update



The dashboard above identifies the programmed works at 53% complete for the month. This is due to the pump station electrical checks not being fully completed. There are 58 pump stations and this is recorded as a single job.

3 Waters Activity Levels show as 92% complete, however the Water and Wastewater Engineers both report 100% achievement. There appears to be an anomaly with the reporting and categorisation of CRM's that is currently being investigated.

The single item of rework related to reinstatement following replacement of a water toby.

3.3 Operations Update

Maintenance figures for the current calendar year include:

Water lateral repairs	86
Toby replacements	165
Watermain repairs	14
Meter installations	107
New water connections	40
New sewer connections	29.

The May water quality compliance report for Horowhenua District Council Drinking Water Supplies shows that all compliance requirements have been met.

All water restrictions have been lifted.

3.4 Strategic Projects Update

- Foxton Wastewater Ponds – The contractor has returned to site and the desludging activity is progressing.
- Tokomaru Water Treatment Plant – All plant and equipment has been relocated to the new building.
- Foxton Water Treatment Plant – A new security fence has been constructed and safety handrails erected around the roof of the reservoir.
- Levin Wastewater Treatment Plant – Purging of the gas from Digester No. 1 is anticipated to commence at the start of July 2021. Quotations are currently being sought from specialist contractors to empty and dispose of the sludge.
- Tara-Ika – Construction of stages 1A and 2A (850m x 225-300mm dia pipe; and 1400m x 300-450mm dia relining) has been completed.
- Foxton River Loop Regeneration – The playground, Whirokino bridge feature, lighting and electrical work and Red Shed access/car park are all scheduled for completion by the end of June. Work on the shared path to the Paretao Gardens and the Harbour/Clyde Street intersection is also well advanced and scheduled for completion by the end of June.
- Foxton Wastewater Treatment Plant – Stage 2 – Erosion control, placement of topsoil, and installation of bagged ballast to the liner continues. Completion is programmed for 30 June 2021.
- Foxton Wastewater Treatment Plant – Stage 2 and Stage 3 Irrigation – The contractor (Irrigation Services Ltd) has mobilised plant and equipment to the site. Installation will commence once Horizons Regional Council has approved a variation to the Erosion & Sediment Control Plan and the Construction Management Plan. These works are currently planned for completion in August 2021.

Attachments

There are no attachments for this report.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	David Yorke Alliance Director	
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Approved by	Kevin Peel Group Manager - Infrastructure Operations	
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Eleven Month Report 1 July 2020 - 31 May 2021

File No.: 21/258

1. Purpose

To present to the Finance, Audit & Risk Committee the financial report for the eleven months to 31 May 2021.

2. Recommendation

- 2.1 That Report 21/258 Eleven Month Report 1 July 2020 - 31 May 2021 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Issues for Consideration

As included in the **attached** report.

Attachments

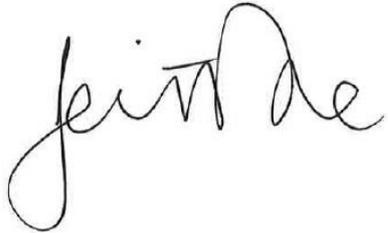
No.	Title	Page
A	Financial Reporting - Monthly Report - 31 May 2021 - FAR Committee	30

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Jacinta Straker Chief Financial Officer	
Approved by	Nicki Brady Deputy Chief Executive	

Horowhenua 
DISTRICT COUNCIL

Eleven Month Report

1 July 2020 - 31 May 2021



Executive Summary

Total revenue	Total expenditure	Total surplus/(deficit)
\$62.05m is 14% more than the YTD budget of \$54.3m	\$56.30m is 7% more than the YTD budget of \$52.7m	\$5.75m is \$4.2m more than the YTD budget of \$1.6m

The Council revenue for the year is higher due to the Council's success in securing funding from the Provincial Growth Fund. This has also resulted in higher capital and operational funding as the projects are completed.

Total Capital Spending (Including operational portion of Manawatu rover loop)	Grants and Subsidies (Capital & Operating)	Total net borrowings
\$28.26m is \$1.5m more than the YTD budget of \$26.7m	\$16.72m is 51% more than the YTD budget of \$11.1m	\$94.9m is 157% of budgeted operating income (financial strategy limit is 195%)

The Council has completed \$25.8m towards the capital programme at the end of April and is forecasting to complete \$32.0m by the end of June. Variances within activity areas are explained within the report.

It is important to note that \$2.5m of the capital budget was recorded within the operating results as it relates to work completed as part of the Manawatū River Loop project within the Manawatū river corridor managed by the Horizons Regional Council. Since this work does not relate to a Council asset it is treated as an operating expense.

Factoring in this spend, the Council has completed \$28.3m of the year to date budgeted amount of \$26.7m.

The additional grants and subsidies income forecast primarily relates to additional income received from the Provincial Growth Fund on behalf of the Free Church of Tonga, Samoan Methodist Church, and the Congregational Christian Church of Samoa received as part of the Fale Lotu Connections Project.

It should be noted that the Provincial Growth Fund Grants are paid on a milestone payment basis, in some cases across a number of years i.e. The Mahi Space which is \$400k across the 2020–2022 years. The graphs on page 4 do not include the portion of the grant that relates to the 2021/22 year.

Jacinta Straker - Chief Financial Officer

Operational Summary

Total revenue	Total expenditure	Total surplus/(deficit)
\$62.05m is 14% more than the YTD budget of \$54.3m	\$56.30m is 7% more than the YTD budget of \$52.7m	\$5.75m is \$4.2m more than the YTD budget of \$1.6m
S U S T A I N A B I L I T Y		

Rates to operating revenue 59%

Rates revenue	\$36.05m
Operating revenue	\$60.65m

59% of operating revenue is derived from rates revenue. Rates revenue excludes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives.

Balance budget ratio 108%

Operating revenue	\$60.65m
Operating expenditure	\$56.30m

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives. Operating expenditure includes depreciation and excludes loss on derivatives, landfill liability and loss on asset revaluations. Year to date revenue is 108% of operating expenditure.

Net Debt to total projected revenue (LGFA Cov.) 157%

Total net borrowing	\$94.93m
Total budgeted operating revenue	\$60.41m

With net borrowing of \$94.93m we are still under the set limit of 195% of operating revenue. Total net borrowing is external borrowings less cash at bank.

Interest to rates revenue (LGFA Cov.) 7%

Net Interest	\$2.54m
Rates revenue	\$36.05m

7% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue excludes penalties, water supply by meter and gross of remissions.

Interest to operating revenue (LGFA Cov.)		4%
Net Interest	\$2.54m	
Operating revenue	\$60.65m	

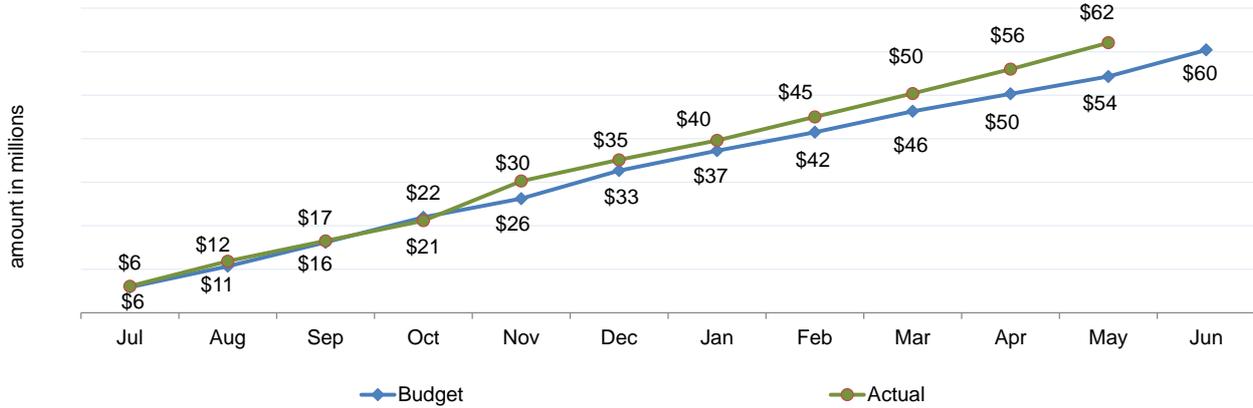
4% of operating revenue is paid in interest. Our set limit is 20% of operating revenue. Net interest is interest paid less interest received.

Available financial accommodation to external indebtedness (LGFA Cov.)		132%
Net debt	\$94.93m	
Undrawn committed facilities	\$30.00m	

The committed bank facility enables us to borrow up to 132% of our current external debt immediately. The LGFA covenant minimum is 110%.

With regard to the available financial accommodation to external indebtedness (LGFA Covenant), the Council has secured a further \$20m in facilities to increase liquidity and ensure ongoing compliance with our ratios given the increasing borrowings requirements signalled in the LTP.

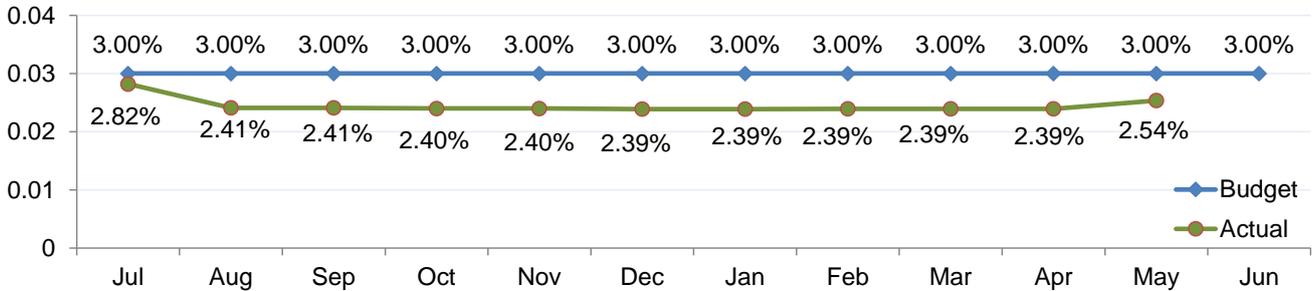
Total Revenue \$m



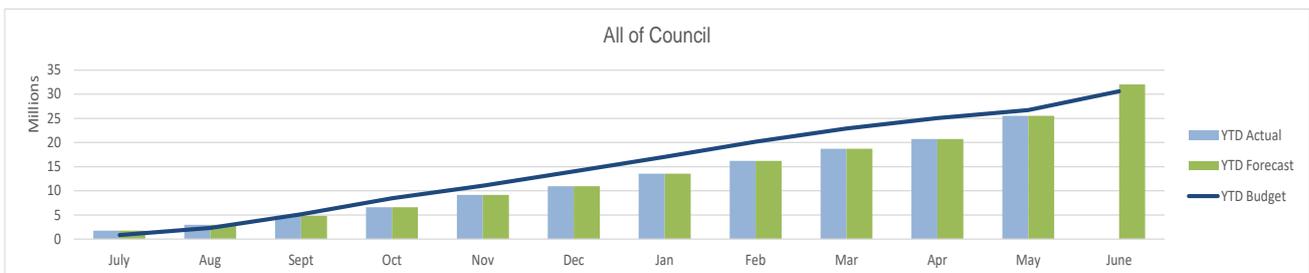
Total Expenditure \$m



Interest rate movement



Capital Expenditure Summary

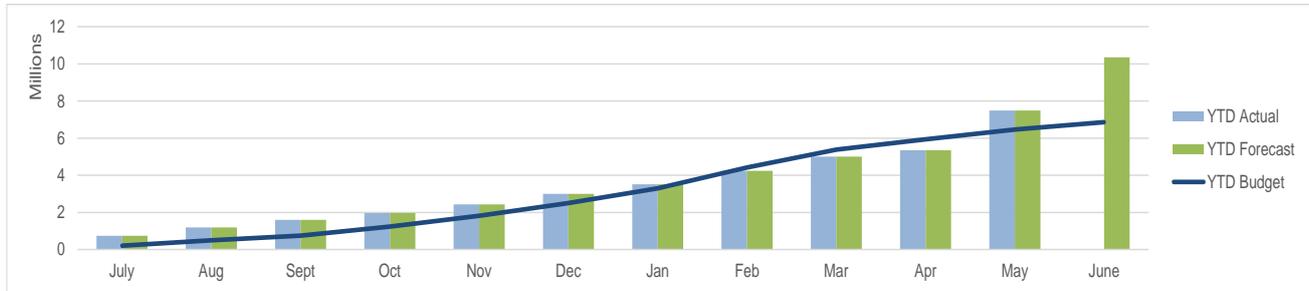


The Council has completed \$25.8m towards the budgeted capital programme at the end of May and is forecasting to complete \$32m compared to a \$30.6m capital budget by the end of June. Variances within activity areas are explained within the capital activity graphs below.

It is important to note that \$2.5m of the capital budget was recorded within the operating results as it relates to work completed as part of the Manawatū Rover Loop project within the Manawatū river corridor.

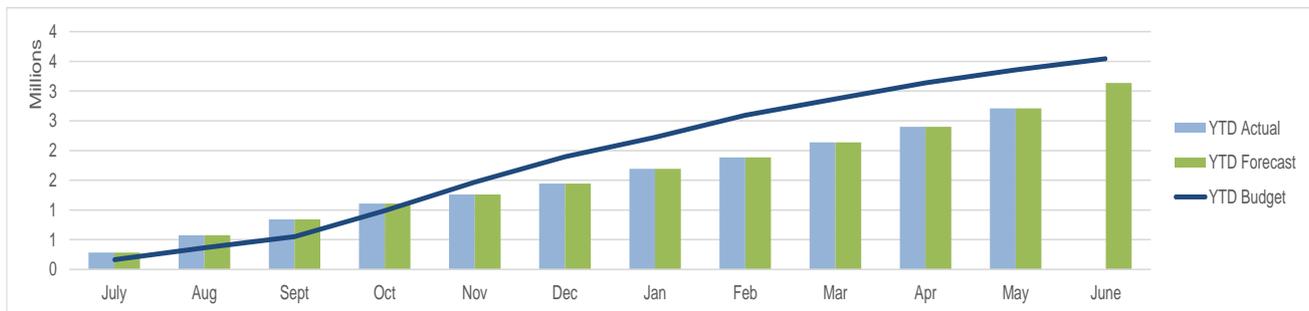
Factoring in this spend, the Council has completed \$28.3m of the year to date budgeted amount of \$28m.

Wastewater Activity



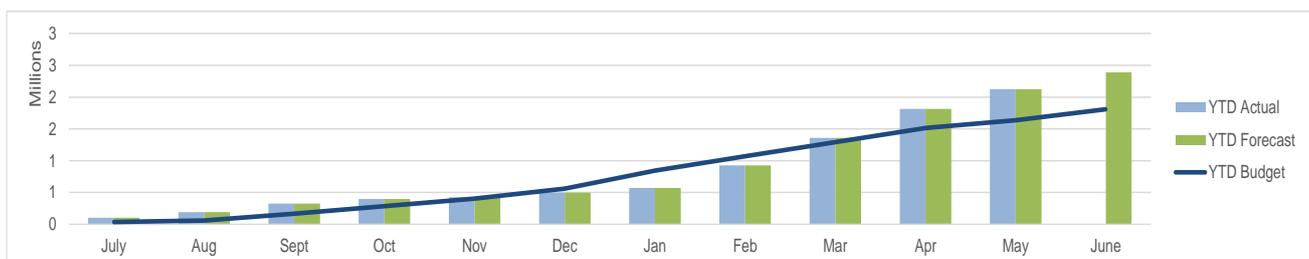
The additional expenditure of \$3.5m forecast in this activity relates to additional work being completed this year on the Foxton wastewater treatment plant of \$2.6m, as well as expenditure on Tara-Ika of \$2.1m which is not included in the budget. The Tara-Ika project however will receive \$1.9m of funding from the Crown. The additional expenditure on the Foxton wastewater treatment plant is planned to be offset by reduced spending across other activities.

Water Supply Activity



The Water Supply activity is currently underspent by \$648k and is forecast to be \$409k underspent by the end of the year. The lower spending YTD and forecast, relates to lower spending on new Levin development areas of \$779k.

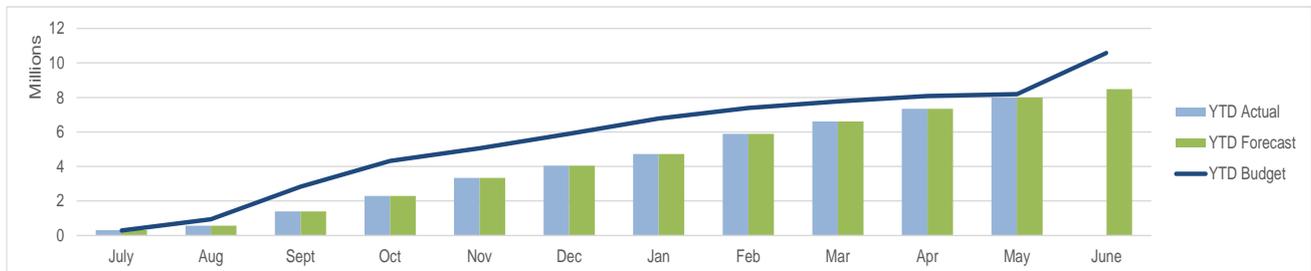
Stormwater Activity



The Stormwater activity is currently overspent by \$488k and is forecast to be overspent by \$581k at the end of the year.

This is due to additional spending for Roslyn Road which has been funded externally by the Three Waters Stimulus Fund. Offsetting this additional spending is a budget of \$493k for Council's contribution to the Foxton East Drainage Scheme, managed by Horizons, which will need to be carried forward into 2021/22 owing to project delays.

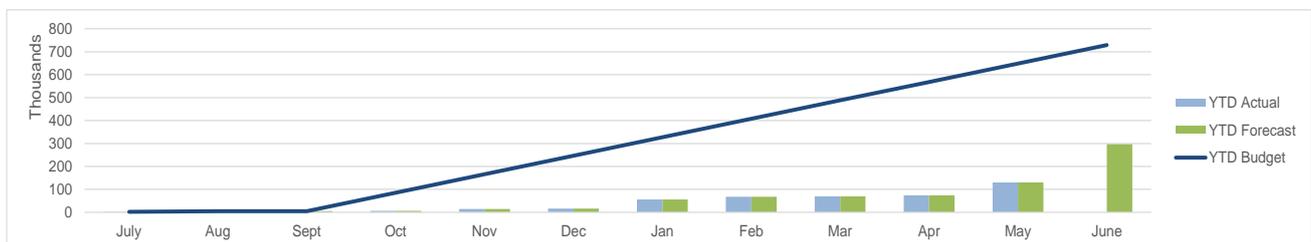
Road Transport Activity



The Roothing activity is currently underspent by \$201k and is forecast to be \$2.1m underspent by the end of the year.

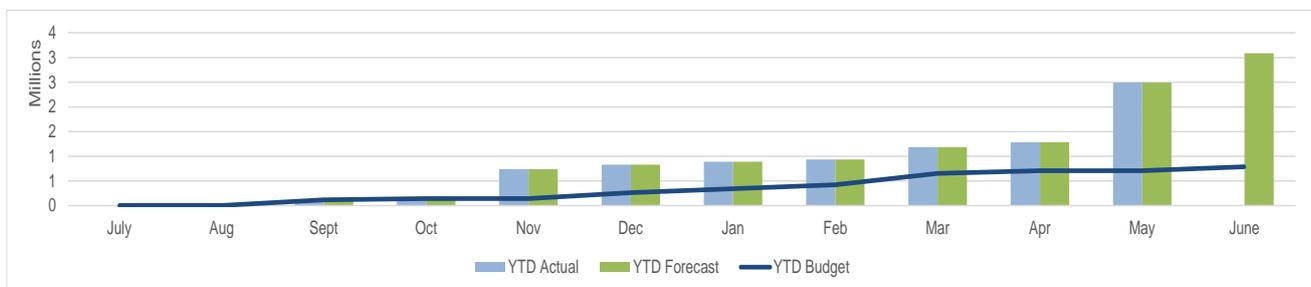
The lower spending forecast at year end relates to a provisional budget for road improvements for Ō2NL (\$1.7m) which has not been required in the current year and, as such, has not been approved by Waka Kotahi NZTA. A further \$500k for improvements to rail crossings has also not been spent, as rail crossing projects are reliant upon business cases being submitted from KiwiRail, before the funding is approved by Waka Kotahi NZTA. To date no business cases have been received and no rail crossing upgrades are now expected to occur this financial year.

Solid Waste Activity



The Solid Waste activity is currently underspent by \$519k and is forecast to be \$433k underspent by the end of the year. The forecast remaining budget will be requested to be carried forward into the 2021/22 year for landfill development.

Property Activity

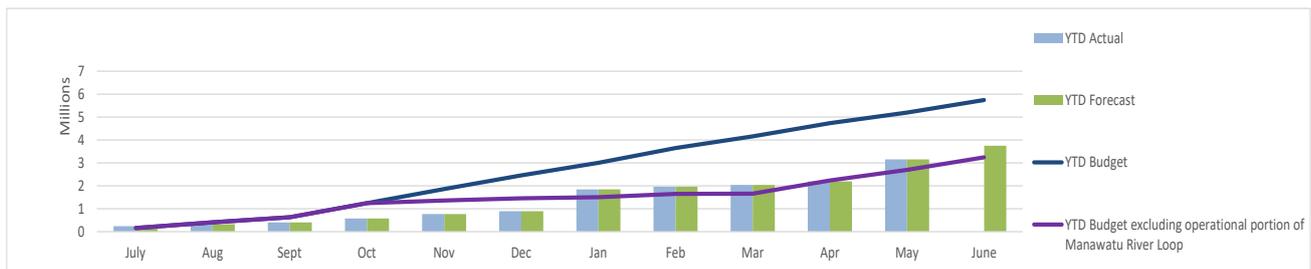


The Property activity has spent an additional \$809k and is forecast to spend an additional \$2.3m by the end of the year.

The additional spending primarily relates to the purchase of strategic land at 28 Durham Street Levin (\$675k) and 15-19 Durham Street (\$980k). Additional borrowings will not be required however due to the Council receiving \$1.9m in proceeds from the sale of the Roe Street Levin property to the Horowhenua NZ Trust.

It is anticipated that there will be \$1.1m of spending this year for the Foxton Beach Surf Club. The original budget for this project was \$0.5m. The additional amount will be funded (\$806k) by a grant from the Foxton Beach Surf Club. This is planned to be received by the end of this financial year. Overall it is estimated that the total project cost will be \$1.5m. Approximately \$250k will need to be carried forward to 2020/21 to allow completion next year.

Community Facilities Activity (includes a number of activities including Aquatics, Libraries and Community Centres, Parks, Reserves, Sportsgrounds and Cemeteries)



The Community Facilities activity is currently underspent by \$2.0m and is forecast to be \$2.0m underspent by the end of the year.

The underspend so far relates mostly to the Foxton Futures project (\$1.8m). A significant portion of the project is related to the river so will be treated as an operating expense. The full amount to be treated with operating expense is \$2.5m. Within this activity there is also additional expenditure planned for the Foxton Beach Wharf Project. This will be partially funded by the Foxton Beach Freeholding Account. This project will be completed in early 2021/22.

Statement of Comprehensive Revenue and Expense

	Annual Plan YTD May-21 \$000	Actual YTD May-21 \$000	Variance YTD 2021 \$000		Year End Projection 2021 \$000	Annual Plan 2021 \$000	Variance 2021 \$000		Notes
Revenue									
Rates Revenue	(36,049)	(36,046)	(3)	⊗	(39,387)	(39,684)	(297)	⊗	
Operational Grants & Subsidies	(1,840)	(7,204)	5,364	☺	(7,896)	(2,104)	5,792	☺	1
Finance Income	(150)	(75)	(75)	⊗	(100)	(200)	(100)	⊗	2
Fees & Charges	(4,052)	(3,808)	(244)	⊗	(4,282)	(4,551)	(269)	⊗	
Other Revenue	(2,963)	(3,911)	948	☺	(3,585)	(3,197)	388	☺	3
Gains on Disposal of Assets		(86)	86	☺	(86)	-	86	☺	
Total Revenue	(45,054)	(51,130)	6,076	☺	(55,335)	(49,736)	5,599	☺	
Expenditure									
Employee Benefit Expenses	14,368	13,852	516	☺	15,269	15,771	502	☺	4
Finance Costs	3,119	2,612	507	☺	2,952	3,202	250	☺	5
Depreciation and Amortisation	13,611	13,712	(101)	⊗	14,848	14,848	0	⊗	
Other Expenses	21,664	25,282	(3,618)	⊗	30,195	23,892	(6,303)	⊗	6
Loss on Disposal of Assets	-	842	(842)	⊗	842	-	(842)	⊗	7
Total Expenses	52,762	56,300	(3,538)	⊗	64,105	57,713	(6,392)	⊗	
Operating (surplus) deficit before capital revenue and taxation	7,708	5,170	2,538		8,770	7,977	(793)		
Capital Grants and Subsidies	(9,268)	(9,519)	251	☺	(8,298)	(10,676)	(2,378)	⊗	8
Vested Assets		(23)	23	☺	-	-	-	☺	
Gain on Derivatives		(1,379)	1,379	☺	(1,379)		1,379	☺	9
Total (Surplus)/Deficit	(1,560)	(5,750)	4,190		(907)	(2,699)	(1,792)		

Note 1 Operational Grants and Subsidies **favourable** variance of \$5.4m. The significant activities that derive the operating grants and subsidies revenue relate to Community Facilities, Community Support and Road Transport.

The additional funding reported and forecast for the end of the year, relates to PGF funding received on behalf of Fale Lotu Connections for local church upgrades that Council is managing on behalf of the local churches (\$1.4m), The Mahi Space (\$400k) and the Manawatū River Loop at Foxton (\$2.5m).

Note 2 Finance income **unfavourable** variance of \$75k year to date and forecast variance of \$100k for the year, is due to not prefunding our loans as planned. This is offset by lower finance costs.

Note 3 Other revenue **favourable** variance of \$948k. This primarily relates to additional revenue received in Regulatory of approximately \$350k as a result of increased building and development activity in the district and almost \$400k received from the Foxton Beach Surf Lifesaving Club towards the upgrade being completed.

Note 4 Employee Benefit Expenses **favourable** variance of \$0.5m relates to vacancies during the year. Overall this is forecast to be \$0.5m below budget by the end of the year.

Note 5 Finance Costs **favourable** variance of \$0.5m. This current and forecast year end reduction in finance costs relates to lower interest rates. The interest expense is forecast to be \$250k below budget for the year.

Note 6 Other Expenses **unfavourable** variance \$3.6m as detailed below:

Note 5 Other Expenses	Annual Plan	Actual	Variance		Year End	Annual	Variance	Notes
	YTD May-21 \$000	YTD May-21 \$000	YTD May-21 \$000		Projection 2021 \$000	Plan 2021 \$000	2021 \$000	
Professional Services	3,800	5,558	(1,758)	⊗	7,839	4,282	(3,558)	⊗ 6A
Materials	97	87	10	⊙	105	107	2	⊙
Maintenance	13,460	15,072	(1,612)	⊗	16,381	14,683	(1,698)	⊗ 6B
Grants Paid	436	409	27	⊙	624	670	45	⊙
Utilities	1,000	1,019	(19)	⊗	1,140	1,113	(27)	⊗
Communications	191	188	3	⊙	223	216	(7)	⊗
Other Expenses	4,737	4,328	409	⊙	5,469	5,058	(410)	⊗ 6C
Vehicle Expenses	102	85	17	⊙	107	129	22	⊙
Treasury Expenses	154	97	57	⊙	185	163	(22)	⊗
Labour Recoveries for Capex projects	(2,313)	(1,561)	(752)	⊗	(2,307)	(2,529)	(222)	⊗ 6D
Total Other Expenses	21,664	25,282	(3,618)	⊗	29,767	23,892	(5,875)	⊗

Note 6A Professional services **unfavourable** variance of \$1.8m relates to:

- \$1.1k relates to spending the grant received from the Provincial Growth Fund on behalf of the Free Church of Tonga, Samoan Methodist Church, and the Congregational Christian Church of Samoa received as part of the Fale Lotu Connections Project.
- \$212k relates to additional spending in Regulatory for planning consultants which has been recovered through additional revenue and reduced employee costs.
- The landfill activity has incurred additional spending of \$416k which relates to:
 - Consulting fees and Project Management Group (PMG) expenses to meet the conditions of the Horowhenua Environmental & Kaitiaki Alliance (HEKA) landfill agreement, including the robust analysis required to inform the PMG on the decision of whether the landfill should close early and related requirements for remediation of the site (\$256k)
 - Consultancy fees for the preparation of a business case for the future of the landfill and its operations that include scanning wider aspects that affect Council and the community (\$174k).

Note 6B Maintenance costs **unfavourable** variance of \$1.6m. The significant activities that derive maintenance costs relate to Wastewater, Water Supply, Stormwater, Solid Waste, Road Transport and Community Facilities and Services.

The variance year to date and forecast is primarily within Community Facilities and Services Reserves activity, and relates to \$2.5m of expenditure for the PGF funded phase 1 of the shovel ready Manawatū River Loop at Foxton project. This project was originally budgeted as a CAPEX project however \$2.5m of the work is treated as operational as it related to work within the river.

Note 6C Other expenses **favourable** variance \$409k reflecting lower spending across the organisation. \$154k relates to the timing of IT spending.

The additional spending planned relates to the Foxton Beach Wharf project (\$220k) which was agreed to be partially funded by the Foxton Beach Freeholding Account. The total project cost is \$350k but \$130k will be part of the capital programme as it relates to pathways.

Note 6D Labour recoveries for CAPEX projects **unfavourable** variance \$752k reflecting the lower capital project expenditure and staff time allocation than budgeted. It is expected to be approximately \$450k below budget at year end.

Note 7 This is due to the sale of some industrial land owned by Council in Roe Street Levin to the Horowhenua NZ Trust (HNZT) for economic development purposes.

Note 8 Capital Grants and Subsidies **favourable** variance \$251k. The significant grants that derive the capital grants and subsidies are Road Transport, PGF funding including funding for the Manawatū River Loop at Foxton Project and Three Waters Stimulus Funding. Refer to the executive summary for a summary of the projects that are planned to receive central government funding.

Note 9 Gain on derivatives **favourable** variance \$1.4m. Long term interest rates have begun to rise meaning the some of the historical revaluation losses have been clawed back.

Statement of Comprehensive Revenue and Expense by Activity

REVENUE	Annual Plan 2020/21 \$000	Year to date (YTD)			Notes
		Actual \$000	Budget \$000	Variance \$000	
Significant Activities					
Regulatory Services	(5,186)	(5,084)	(4,831)	253	1
Community Facilities and Services	(17,141)	(15,980)	(15,878)	102	2
Road Transport	(13,004)	(11,349)	(10,857)	492	3
Water Supply	(6,859)	(5,860)	(5,903)	(43)	
Wastewater Management	(7,486)	(7,766)	(6,606)	1,160	4
Solid Waste	(2,990)	(2,668)	(2,717)	(49)	
Stormwater	(1,505)	(1,351)	(1,271)	80	
Treasury	(2,429)	(3,817)	(3,025)	792	5
Property	(1,317)	(1,545)	(1,002)	543	6
Community Support	(2,779)	(2,863)	(2,544)	319	
Representation & Com. Leadership	(3,608)	(6,852)	(3,304)	3,548	7
Total Activity Revenue	(64,304)	(65,135)	(57,938)	7,197	
Business Units	(22,818)	(19,105)	(20,263)	(1,158)	
Total Operating Revenue	(87,122)	(84,240)	(78,201)	6,039	
EXPENDITURE	Annual Plan 2020/21 \$000	Year to date (YTD)			Notes
		Actual \$000	Budget \$000	Variance \$000	
Significant Activities					
Regulatory Services	5,186	4,313	4,679	366	8
Community Facilities and Services	13,354	14,592	12,134	(2,458)	9
Road Transport	9,730	8,029	8,924	895	10
Water Supply	7,125	6,494	6,545	51	
Wastewater Management	7,835	7,367	7,215	(152)	
Solid Waste	3,669	3,917	3,371	(546)	11
Stormwater	1,644	1,353	1,510	157	
Treasury	4,133	3,458	4,006	548	
Property	1,297	1,929	1,126	(803)	12
Community Support	2,778	2,449	2,586	137	
Representation & Com. Leadership	4,819	5,489	4,283	(1,206)	13
Total Activity Expenditure	61,570	59,390	56,379	(3,011)	
Business Units	22,853	19,100	20,262	1,162	14
Total Operating Expenditure	84,423	78,490	76,641	(1,849)	
Operating (Surplus)/Deficit	(2,699)	(5,750)	(1,560)	4,190	

- Note 1** Regulatory Services revenue **favourable** variance \$253k. The higher revenue is due to increased building activity.
- Note 2** Community Facilities and services revenue **favourable** variance \$102k. The additional revenue is due to the timing of the grant from the Provincial Development Unit (PDU) for the Manawatū River Loop.
- Note 3** Road transport revenue **favourable** variance \$492k. The higher revenue is due to Waka Kotahi NZTA providing additional funding this year as part of a funding catch-up.
- Note 4** Wastewater supply income **unfavourable** variance \$270k. The lower revenue is due to lower levels of trade waste billed than planned.
- Note 5** Treasury Income **favourable** variance \$485k. The additional revenue is due to the gain on the interest rates swaps of \$1.2m.
- Note 6** Property Income **favourable** variance \$438k. The additional revenue is due grant funding from the Foxton Beach Surf Lifesaving Club.
- Note 7** Representation and Community Leadership income **favourable** variance \$3.4m. The significant reported variance relates to the first milestone payment of the Provincial Growth Fund (PGF) funded Fale Lotu Connections (\$1.2m) and Three Waters Stimulus Funding.
- Note 8** Regulatory Services expenditure **favourable** variance \$482k. The reported variance is a result of lower internal charges allocated to the Regulatory Services activity than projected.
- Note 9** Community Facilities and Services **unfavourable** variance of \$2.3m. Refer to notes **6A** and **6B** for the explanation which outlines the expenditure for the PGF funded phase 1 of the shovel ready Manawatū River Loop at Foxton project.
- Note 10** Roothing expenditure **favourable** variance \$853k. The reported variance relates to lower consultant spending for the year so far.
- Note 11** Solid Waste expenditure **unfavourable** variance \$626k. The landfill activity has incurred additional spending which relates to:
- Consulting fees and Project Management Group (PMG) expenses to meet the conditions of the Horowhenua Environmental & Kaitiaki Alliance (HEKA) landfill agreement, including the robust analysis required to inform the PMG on the decision of whether the landfill should close early and related requirements for remediation of the site (\$247k).
 - Consultancy fees for the preparation of a business case for the future of the landfill and its operations that include scanning wider aspects that affect Council and the community (\$152k).
- Note 12** Property expenditure **unfavourable** variance \$803k. This is due to the sale of some industrial land owned by Council in Roe Street Levin to the Horowhenua NZ Trust (HNZT) for economic development purposes.
- Note 13** Representation and Community Leadership **unfavourable** variance \$1.2m. This primarily relates to additional spending as a result of the funding from the Provincial Growth Fund on behalf of the Free Church of Tonga, Samoan Methodist Church, and the Congregational Christian Church of Samoa received as part of the Fale Lotu Connections Project.
- Note 14** Business Unit expenditure **favourable** variance \$1.2m. The reported variance is a result of lower personnel costs, in addition to lower costs for training and professional services so far this year.

APPENDIX

Asset maintenance contract	General contract works, repairs, planned and unplanned maintenance, materials and consumables, cleaning and hygiene, inspections and reporting.
Finance cost	Interest on borrowings and interest on swaps.
Gains	Fair value revaluation gain and gain on sale.
General grants	Grants given to various organisations and individuals like Creative NZ, neighbourhood support, beach wardens, community development and youth scholarships.
Grants and subsidies	Grants and subsidies received from government and other organisations for roading, library, community hubs, cemeteries and aquatic centres.
Infringements and fines	Parking tickets, Prosecutions on WOFs and unregistered vehicles.
Employee benefits	Salaries and wages, training costs, FBT and ACC levies, superannuation, and staff recognition.
Other expenses	Printing, publication, postage, stationery, advertising, food and catering, photocopying, internet and communication and any other office expenses.
Professional services	Consultants, contractors, membership fees, legal fees, lab services, audit fees or any other professional services charges.
Regulatory revenue	Planning fees, building fees, animal fees, liquor fees and health fees.
Rendering of services	Commissions, car income, and any other income received for rendering services.
Rental income	Rent from Halls, residential and commercial properties, grazing land, reserves and other lease income.
Targeted rates	Rates for roading, waste management, representation and governance, stormwater, wastewater, water by meter and water supply.
User charges	Revenue received from admission, shop sale, Cemetery fees, trade waste, utility connection, events and exhibitions.
Utilities	Water use, electricity and gas charges

Monitoring Report - Internal Audit Recommendations - 01 July 2018 to 30 June 2019

File No.: 21/280

1. Purpose

To present to the Finance, Audit & Risk Committee the Internal Audit Monitoring Report for the year ended 30 June 2019.

2. Recommendation

- 2.1 That Report 21/280 Monitoring Report - Internal Audit Recommendations - 01 July 2018 to 30 June 2019 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Background/Previous Council Decisions

- 3.1 CKS Audit Limited were engaged by Council within the Internal Audit Programme to undertake a review of compliance with procurement policies and guidelines, excluding roading, for the year ended 30 June 2019. Roading procurement was excluded as it was considered unnecessary as the activity is already subject to review by Waka Kotahi/New Zealand Transport Agency ("WKNZTA").
- 3.2 The agreed period in review was 1 July 2018 to 30 June 2019 as at the time of the review commencing (February 2020), this was the most recent complete financial year.
- 3.3 The review commenced in February 2020; however, due to COVID-19 disruption lockdowns and the effect on Horowhenua District Council ("HDC") staff workloads, the review was paused until November 2020.
- 3.4 In January 2021 the Chief Executive Officer instructed CKS Audit Limited to reinstate the audit, following the pause in November 2020. The Draft Report was prepared by the Auditor and presented to the Finance, Audit and Risk Committee on 31 March 2021.
- 3.5 The Finance, Audit and Risk Committee did not see any amendments to the Internal Audit Report, and subsequently this was received in final form by the Committee on 28 April 2021.

4. Issues for Consideration

The Finance, Audit and Risk Committee requested a quarterly monitoring report (**attached**) to be tabled to track progress on items raised by the Auditor.

Attachments

No.	Title	Page
A	Monitoring Report - Internal Auditor Recommendations - 1 July 2018 to 30 June 2019	47

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,

b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	David Clapperton Chief Executive	
Approved by	David Clapperton Chief Executive	

FINANCE, AUDIT & RISK SUBCOMMITTEE

Monitoring Report – Issues identified during the Internal Audit – 1 July 2018 to 30 June 2019

- Number complete and/or complete and Ongoing [blue light] 
- Number complete or on track [green light]: 
- Number off track but mitigation in place [orange light] 
- Number off track [red light]: 

Ref	Recommendations	Priority	Necessary	Beneficial	Status	Management Comment (initial Management Comment)
1.	Procurements over \$1.0 million (“Complex Procurement over \$200,000”)		✓			
	<u>Three Waters Operations Maintenance and Renewals Horowhenua Alliance Contract – awarded to Downer</u> That procurement plans state whether a legal review was carried out or not. Where a legal review is deemed not applicable, the reason for this should be stated. This provides an audit trail of a considered decision being made and why it was deemed not necessary, should evidence of this be needed.					Officers have made this clearer on both the simple and complex procurement plans to ensure officers record if a legal review or opinion has been carried out and if a legal opinion has not been carried out, then these reasons need to be documented. This has also been added to the new Procurement Manual and will be picked up in our training programme.
	<u>Provision of Solid Waste Services by Northland Waste (trading as Low Cost Bins)</u> <ul style="list-style-type: none"> • The ‘reporting back to Council’ condition of the original approval having been met should be ratified by Council. • Where an approval is conditional on a later event, for example reporting back to Council, formal processes should be in place to record a condition or conditions being met. Without written records there is no robust evidence that the condition has been met. • All potential conflict of interests, including record of review being 					Discussion should occur with Council with regard to their expectations of ratification as the report back was covered by the Chief Executive; however, as noted occurred within a briefing. Bullet points 2-5 will be highlighted in the Officers’ procurement training programme to ensure these recommendations are noted under our continuous improvement.

<p>completed and establishing that there are none, should be captured in writing as part of the procurement process and filed with other contract and tender documentation.</p> <ul style="list-style-type: none"> • The requirement in the Conflict of Interest Policy for all parties tendering to disclose in a covering letter any interest as stated in the policy, should also require a statement from those parties where there are no such conflicts. • If it is not already occurring now, performance monitoring be formally documented to ensure that evidence could be produced, should this ever be necessary. 			
<p><u>Horowhenua New Zealand Trust (“HNZT”) – Procurement of the Delivery of Economic Development Services</u></p> <ul style="list-style-type: none"> • If the approval by the Council of the whole of life procurement cost of \$2,100,000 has not yet been documented then priority be given to the ensuring this approval is formally ratified/recorded. • The processes for documenting approvals such as the Council one in the bullet point above should be reviewed to prevent a re-occurrence of the omission to approve or to ensure the approval is readily locatable. • If not already done; the \$2,100,000 in October 2018, being the financial amount, which applies using the procurement guidelines total value rule, be formally ratified by Council. • For completeness, if not already done, the procurement plan be included on the procurement plan register. • For completeness, if not already done, that agreements such as the EDMIPA be included on the contracts register. • Conflict of interest declarations, including establishing that there are none, should be captured in writing and filed with the other HNZT documentation. • HDC considers expanding the existing use of purchase orders, so their use includes all transactions such as payments to organisations such as HNZT. Where exceptions are clearly practical, for example payments to the IRD, they could be detailed as part of a purchase order policy. 			<p>Procurement was formally ratified by Council on 9th June 2021, to address the matters raised by the Internal Auditor.</p> <p>The procurement plan and current contract are both included in Council’s registers. Bullet points 7 and 8 are noted.</p>

	<ul style="list-style-type: none"> A follow-up review on performance monitoring could be scheduled/carried out, a year to 18 months after any changes have been made as a result of the Giblin Group work. 				
2.	<u>Procurements between \$200,000 and \$1.0 million (“Complex Procurement over \$200,000”)</u>			✓	
	<p><u>Scanpower New line, Foxton Wastewater Treatment Plant</u></p> <p>Even in the situation where there is only one available suppliers, a process to identify and allow for potential conflicts of interest should still occur. This enables evidence that any potential conflicts were identified and how they were managed.</p>				<p>● This has been made clearer in Council’s new procurement manual and as part of Council’s continuous improvement approach to procurement and will be factored into Officer procurement training programmes.</p>
	<p><u>Spark Digital - LANcare</u></p> <p>The systems and processes (and how these are applied in practice) for filing documentation, whether electronic or hardcopy, be reviewed so as to enable documents to be quickly located when needed.</p>				<p>● Assigned to Officer for review.</p>
3.	<u>Procurements between \$100,000 and \$200,000 (“Complex Procurement up to \$100,000”)</u>			✓	
	<ul style="list-style-type: none"> If the reason for not being able to locate procurement process documentation is because the processes are not being followed then it may be timely to review the processes to seek a more workable balance between: <ul style="list-style-type: none"> ensuring necessary controls are in place: ensuring that there is an audit trail evidencing the operation of these controls; and the practical realities of the day to day activities of HDC staff If documentation evidencing the completion of the processes in the procurement guidelines does exist but is difficult to locate, then it may be timely to review the document management/filing systems in use. Possible actions to take any matters to consider in such a review could include: doing a user survey and get user feedback; the electronic database design itself including search facilities; indexing and maximising the reporting capability; levels 				<p>● The new Procurement Manual and Policy have picked up on these recommendations. This will be highlighted in the ongoing training programmes.</p>

	<p>of support from supplier; and whether additional training would be beneficial.</p> <ul style="list-style-type: none"> That the use of purchase orders becomes 'the norm'. Where exceptions to this are clearly practical, departure from use be detailed as part of a purchase order policy. 					
4.	<p><u>Procurements between \$30,000 and \$100,000 ("Simple Procurement")</u></p> <ul style="list-style-type: none"> The recommendations in Detailed Finding 3 regarding documentation and the use of purchase orders also apply to procurement between \$30,000 and \$100,000. That processes be put in place to ensure authorisations are not exceeding delegated authorities either due to later additions to an original procurement or arising from the use of multiple purchase orders. 		✓			<p>The new Procurement Manual and Policy have picked up on these recommendations. This will be highlighted in the ongoing training programmes.</p>
5.	<p><u>Procurements less than \$30,000 ("Low Value Procurement")</u></p> <p>The recommendations in Detailed Findings 3 and 4 regarding documentation, the use of purchase orders and authorisations not exceeding delegated authorities, also apply to procurements of less than \$30,000.</p>		✓			<p>The new Procurement Manual and Policy have picked up on these recommendations. This will be highlighted in the ongoing training programmes.</p>
6.	<p><u>Iwi Partnerships</u></p> <ul style="list-style-type: none"> The recommendations in Detailed Finding 3 regarding documentation and the use of purchase orders, apply to all Iwi Partnership agreements. Evidence of the authorisation of all payments, including changes in amounts, should be documented and readily accessible. A process occurs to ensure that certain matters in the Iwi partnership agreements such as periodic performance review and reporting / monitoring against performance measures occur on a timely basis and this be documented. That the inclusion of performance measures and regular monitoring of outputs and progress, occur. A cost/benefit 		✓			<p>The new Procurement Manual and Policy have picked up on these recommendations. This will be highlighted in the ongoing training programmes.</p> <p>Ongoing Council discussion should occur with regard to the Auditor's recommendations on inclusion of future performance measures under the partnership umbrella with Iwi and the expectations of such reporting.</p>

	approach be applied to the frequency and detail of such reporting.					
7.	<u>Identification of Staff Purchases</u> That the findings of the Internal Auditor be noted.				○	Noted.
8.	<u>Purchase Orders One-up Authorisation Process</u> That the findings of the Internal Auditor be noted.				○	Noted

Individual Finding Ratings

Rating	Explanation
Priority	Needs to be addressed urgently. These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, generally within six months. 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.
Beneficial	Address, generally within 5 to 12 months. These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

Monitoring Report - Audit Recommendations 2019/2020

File No.: 21/257

1. To present to the Finance, Audit & Risk Committee the Audit New Zealand Management Report for the year ended 30 June 2020

2. Recommendation

2.1 That Report 20/183 Audit New Zealand - Final Management Report for the year ended 30 June 2020 be received.

2.2 That this decision is recognised as not significant in terms of S76 of the Local Government Act.

3. Background/Previous Council Decisions

The Finance, Audit & Risk Committee reviews the Audit Management Report annually as part of the monitoring of Council's Annual Report and financial performance. The report has now been received and is submitted for the FAR Committee to consider.

4. Issues for Consideration

4.1 The report highlights any areas of concern raised by the Auditors, their assessment of the financial controls, items from previous audits that remain unresolved, and also items that the Auditor General has asked to be looked into across all local authorities.

4.2 Council Officers have been given the opportunity to respond to any audit concerns and these responses are also contained within the appendix to this report. In summary;

- The Audit Management Report is designed to report the findings of the Audit to the Mayor and Council.
- The report contains the Officer responses to issues raised in the report to which the Committee is able to seek further clarification from Audit and/or officers.

Attachments

No.	Title	Page
A	Audit New Zealand Management Letter for the year ended 30 June 2020	55

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Jacinta Straker Chief Financial Officer	
Approved by	Nicki Brady Deputy Chief Executive	

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

Horowhenua District Council

For the year ended 30 June 2020

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Key messages

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

Audit opinion

We issued:

- An unmodified audit opinion on the on the audited information, excluding the Statement of Service Performance; and
- A qualified opinion on the Statement of Service Performance because our work was limited with respect to the verification of the number of complaints for some services.

In addition, without further modifying our opinion, the audit report included a paragraph emphasising the disclosures in the financial information and performance information about the impact of the Covid-19 pandemic on the District Council (the inclusion of this paragraph is consistent with our approach to all 30 June 2020 audits).

Key matters identified during the audit

In carrying out our audit we also considered the following key matters that we wish to bring to your attention:

- **Impact of Covid-19.** We did not identify any significant issues or deficiencies arising due to Covid-19. We are satisfied that the disclosures in the annual report fairly disclose the impacts on the District Council.
- **Revaluation of roading assets, land and buildings.** Overall, we found the revaluations were carried out in accordance with accounting standard, PBE IPSAS 17 *Property, Plant and Equipment* and that the revaluation movements were correctly accounted for and supported. We have made recommendations in section 5.1 on areas identified for improvement.
- **Property, plant, and equipment fair value assessments and impairment assessments.** We are satisfied that there is no material difference between the fair value and carrying value of property, plant and equipment. We are satisfied that the impairment assessment prepared by management has been appropriately carried out and accounted for.
- **Three waters Alliance arrangements.** We carried out a high level review of the Horowhenua Alliance arrangements (a Three Waters alliance between the District Council and Downer New Zealand Limited). From our high level review of the alliance across these areas, we are satisfied that overall the operation of the alliance appears appropriate. We noted some opportunities for improvement as set out in section 3.

Thank you

We would like to thank management and staff for assistance received during the audit. We completed the audit under unprecedented circumstances due to the Covid-19 pandemic. Despite the challenges, management provided ongoing support to the audit team.



Stephen Lucy
Appointed Auditor
21 June 2021

1 Our audit report

1.1 We issued a modified audit report



We issued:

- An unmodified audit opinion on the on the audited information, excluding the Statement of Service Performance; and
- A qualified opinion on the Statement of Service Performance because our work was limited with respect to the verification of the number of complaints for some services.

Other than the matter set out below, we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In addition, without further modifying our opinion, the audit report included a paragraph emphasising the disclosures in the financial information and performance information about the impact of the Covid-19 pandemic on the District Council (the inclusion of this paragraph is consistent with our approach to all 30 June 2020 audits).

1.2 Basis for our qualified opinion

The District Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints (per 1,000 connections) received about the following:

- drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the District Council's response to any of these issues.
- wastewater odour, wastewater system faults and blockages, and the District Council's response to issues with the wastewater system.
- the performance of the stormwater system.

These measures are important because the number of complaints is indicative of the quality of services received by ratepayers.

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints. Our audit testing found that the District Council has not been counting complaints in accordance with this guidance and that the District Council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2019.

Complete records for all complaints made to the District Council were not available and we were unable to determine whether the District Council's reported results for these performance measures were materially correct. As a result, our work was limited and there

were no practicable audit procedures we could apply to obtain assurance over the number of complaints reported against these performance measures.

1.3 Uncorrected misstatements

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

There were no significant misstatements identified during the audit that required correcting.

We did identify the following disclosure deficiency.

Detail of disclosure deficiency	Management's explanation for not correcting
<p>The "Loss on derivative financial instruments" (interest rate swaps) of \$1.318 million on the face of the Statement of Comprehensive Revenue and Expense should be shown as part of the District Council's overall "Finance costs" – i.e. Finance costs should be shown as \$4.716 million.</p> <p>We have accepted the District Council's disclosure only due to the currently accepted variety of disclosures by other entities. Nevertheless, these interest rate swap losses are finance costs and should be clearly disclosed as such so that a reader of the annual report (e.g. a ratepayer or other member of the Horowhenua District community) can more clearly understand the impact of the District Council entering into these interest rate swap arrangements.</p> <p>The District Council entered into a number of interest rate swaps some time ago to protect the District Council from increasing interest rates. However, as interest rates have fallen and continue to fall due to the recent uncertain global economic conditions and the Covid-19 pandemic, the impact of these swaps is that the District Council, for the remaining term of the swaps, is forecast to pay higher cash interest payments than the standard market interest rates that were available at 30 June 2020.</p>	<p><i>We disagree with Audit's view about the treatment of this.</i></p> <p><i>We believe that the loss on derivative should NOT be included in the finance costs but shown below the line as it is now.</i></p> <p><i>Therefore, the situation does not need to be corrected as we consider it to be correct in the first place.</i></p>

1.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 3 February 2020. This included the dates we required the information to be provided to us.

We note that the information requested was not all ready or provided to us on arrival, rather it was provided throughout the audit visit, with some information taking longer to be provided. This was encountered on both pre-final and final audit visits which required reshuffling of work, and reduced efficiency.

The annual report was provided to the audit team before the start of the audit; however, we found that there were a number of areas that were yet to be updated.

Another area of concern was the revaluation which was not fully completed by agreed timelines, and we found errors in the valuations and process. In prior years, we have noted some areas of improvement for the revaluation of assets and our recommendations remain relevant (see section 5.1 and Appendix 1).

These delivery and revaluation issues meant we were unable to complete our audit work and checks of disclosures during the scheduled audit timeframe and resulted in delays to the scheduled signing date.

We acknowledge that the impact of the Covid-19 pandemic was a contributing factor and we will work with management to achieve improvements for the 2020/21 audit.

2 Matters raised in the Audit Plan



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

Audit risk/issue	Outcome
Covid-19 implications	
<p>On 11 March 2020, the World Health Organisation declared the outbreak of a coronavirus (Covid-19) a pandemic. The New Zealand Government has taken steps deal with the spread of Covid-19 which has included significant restrictions on the movement and interaction of people within New Zealand. 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 of the Covid-19 pandemic on matters such as revenue recognition, valuation and impairment of assets, the provision for doubtful debts, and the use of the going concern assumptions for the District Council.</p>	<p>In our opinion the disclosures in the Annual Report that outline the impact of the Covid-19 pandemic on the District Council are important for readers to be aware of. Therefore, as noted in section 1, we included a paragraph in our audit report that draws the readers' attention to the disclosures in the financial information and performance information.</p> <p>We are satisfied that the District Council has appropriately disclosed the impact of the Covid-19 pandemic in its financial and performance information. This was particularly relevant for the readers of the Annual Report given the impact of Covid-19 on its operations.</p> <p>In addition to our usual work to gain assurance over the District Council's financial and performance information, this year we undertook additional work to satisfy ourselves that:</p> <ul style="list-style-type: none"> • internal controls continued to work appropriately throughout the year, including the extended periods when staff were working remotely; • any additional uncertainties had been assessed in the measurement of assets and liabilities; and • appropriate disclosures have been included in the financial information and performance information about the impact of Covid-19 on the District Council. <p>The District Council prepared an assessment of the impact on its operations including, changes to internal controls, activities, financial and performance results, the assumptions around the fair value of assets</p>

Audit risk/issue	Outcome
	<p>and possible impairment. We have discussed with management and reviewed this assessment and related information. We have not identified any additional risk that have arisen as a result.</p> <p>We have reviewed the disclosure of the differences of actual financial results against budget and the disclosure of the actual non-financial performance results against targets.</p>
Revaluation of roading assets, land and buildings	
Property, plant, and equipment fair value assessments and impairment assessments	
<p>The relevant accounting standard (PBE IPSAS 17 <i>Property, Plant and Equipment</i>) requires that valuations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The District Council is also required to assess, under accounting standards, PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, at each balance date, whether there are indicators of impairment. If there are then it needs to perform a formal impairment assessment and account for any impairment identified.</p> <p>The District Council must consider whether there has been any significant movement in the fair value of the assets between the last revaluation date and balance date. A significant variance, between the fair value and the carrying value since the last revaluation, could trigger the need for the District Council to revalue or impair the land and building and infrastructure assets.</p> <p>Even for valuations completed in the current year, the adverse impacts of the Covid-19 pandemic mean that the valuations may have declined materially by 30 June 2020.</p> <p>We expect that the District Council will have performed:</p> <ul style="list-style-type: none"> • a comprehensive analysis to determine whether there is a significant variance between the fair 	<p>We are satisfied with the robustness of the valuations of land, buildings and roading assets. We have made some recommendations for improvement (see section 5)</p> <p>To gain assurance over the revaluation we:</p> <ul style="list-style-type: none"> • Reviewed how the District Council ensured completeness over the asset data; • Reviewed the District Council's explanations of variances between the latest and prior years' valuations for reasonableness; • Obtained direct confirmation from the independent peer review valuer (for roading assets) and the independent valuer (for land and buildings) of the scope and results of their work and their independence; • Evaluated the qualifications, competence and expertise of the independent peer review valuer and the independent valuer; • Confirmed our understanding of the valuation methodology and key assumptions. We assessed them for compliance with accounting standard, PBE IPSAS 17 and evaluated their reasonableness based on our experience and knowledge of other roading and land/building valuations; • Assessed how the age and condition of the assets has been determined, and how this has been reflected in the

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Audit risk/issue	Outcome
<p>value of all revalued assets as at 30 June 2020; and</p> <ul style="list-style-type: none"> an impairment assessment over all the property, plant, and equipment assets. 	<p>determination of the remaining useful lives of the assets and the valuation calculation for those assets;</p> <ul style="list-style-type: none"> Assessed how unit rates for replacement costs have been determined. We also confirmed the reasonableness of a sample of unit costs by reference to recent capital works undertaken by the District Council; and Reviewed how changes in the value of the respective assets are accounted for and disclosed in the financial statements. <p>We reviewed and were satisfied with the robustness of management’s impairment assessment and are satisfied that no impairment was required as there was no material difference between the fair value and the carrying value of its revalued assets. Management determined there were no impairment indicators and therefore no impairment needed to be recognised in the financial statements. We accepted management’s assessment and were satisfied that the values of infrastructure assets recognised in the financial statements did not need to be impaired. We note that the impairment assessment was not formally documented and we have recommended that this is done in future.</p>
New set of group accounting standards	
<p>This year is the first year the District Council is required to adopt a new set of group accounting standards:</p> <ul style="list-style-type: none"> PBE IPSAS 35 <i>Consolidated Financial Statements</i>; PBE IPSAS 36 <i>Investments in Associates and Joint Ventures</i>; PBE IPSAS 37 <i>Joint Arrangements</i>; and PBE IPSAS 38 – <i>Disclosure of interests in other entities</i>. <p>The key changes arising from these new standards are:</p> <ul style="list-style-type: none"> the revised definition of “control” that may result in additional entities, which 	<p>We reviewed the accounting and disclosure around the adoption of the new standards and are satisfied that these are materially correct.</p> <p>The District Council has adopted accounting standards, PBE IPSAS 34 to 38 in preparing the 2019/20 financial statements. Management prepared an assessment of the impact of introducing these standards and concluded that these standards do not have a significant impact on the financial statements, except for the change in accounting for the investment in MWLASS as an investment in associate and to now being equity accounted.</p>

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Audit risk/issue	Outcome
<p>were previously accepted as not controlled, now being assessed as controlled;</p> <ul style="list-style-type: none"> • introduction of the concept of an “investment entity”; • the Joint Arrangement standard has changed the classifications and subsequent treatment of joint arrangements; and • a new standard which is specific to disclosures on an entity’s interest in other entities. This has increased the level of disclosures required in an entity’s financial statements. <p>The District Council needs to determine the impact that the new accounting standards will have on the recognition, measurement and disclosure of any controlled entities in its financial statements.</p> <p>This should also include considerations as to whether any entities, not previously recognised as controlled, are required to be assessed as “controlled” and included in the financial statement under the new accounting standards. For example, there should be an assessment of entities such as the Horowhenua New Zealand Trust as well as existing controlled entities such as the Shannon Community Trust.</p>	<p>Additional disclosures were added into the financial statements for the change in accounting policy and the disclosures required for investments accounted for under the equity method.</p>

Audit risk/issue	Outcome
Rates	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The District Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>We obtained sufficient assurance to conclude that the rates were validly set and there is a low risk of challenge.</p> <p>We considered the District Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. We focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We reviewed a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. We also enquired as to the progress made with the proposed rating review and confirmed that this was not carried out during the financial year.</p>
Landfill provision	
<p>The District Council's provision for landfill aftercare costs involve inherent uncertainties in estimating the costs that will be incurred and is reliant on certain assumptions.</p> <p>In the prior year we noted several issues with the estimation of this provision.</p>	<p>We are satisfied with the appropriateness of the assumptions made for the landfill provision, resulting valuation and disclosures in the annual accounts.</p> <p>We note that the provision is based on the assumption that the expected Levin landfill closure date is 30 June 2032. The current resource consent for Levin expires in 2037 with the resource consents for the closed landfills at Shannon, Foxton and Foxton Beach expiring in 2028/29.</p> <p>We tested the robustness of management's estimation of the provision for landfill aftercare costs. We reviewed the appropriateness of the discount rates used and accuracy of the calculations.</p> <p>The District Council engaged an expert (Stantec New Zealand) to complete the valuation of the landfill provision. In the prior year the expert identified further costs to be included and changes to the timing of the recognition of some costs. There have been no material changes to the estimation this year except for the reduction in the Treasury discount rates which were used in the valuation.</p>

Audit risk/issue	Outcome
Forestry assets valuation	
<p>Forestry assets are subject to annual valuations under accounting standard, PBE IPSAS 27, <i>Agriculture</i>.</p>	<p>We are satisfied that the forestry valuation is compliant with generally accepted accounting practice and the valuations are reliable.</p> <p>We assessed that the underlying assumptions and data are consistent with the District Council's management and knowledge of the assets. We reviewed the valuations and the resulting accounting transactions and ensured that they are compliant with generally accepted accounting practice and the valuations are reliable.</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.</p> <p>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.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>From our testing we did not identify any issues that indicated management override.</p> <p>To address the risk of management override we:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; • evaluated any unusual or one-off transactions, including those with related parties; and • evaluated significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the District Council and its environment.

3 Three Waters Alliance arrangements

We carried out a high level review of the Horowhenua Alliance arrangements (a Three Waters alliance between the District Council and Downer New Zealand Limited).

We considered the District Council's operation of the alliance under the following areas:

- Governance (including risk management)
- Monitoring and Performance
- Reporting
- Arrangements for Review and improvement of the Alliance
- Contractual arrangements in relation to role of the alliance for new capital projects

From our high level review of the alliance across these areas, we are satisfied that overall the operation of the alliance appears appropriate.

There is a governance structure in place that is consistent with those we have seen elsewhere under similar alliances. The implementation of the alliance suffered in its first couple of years with a high turnover of key alliance personnel. But appointments since then have allowed the alliance to establish suitable structures, processes and reporting. The Principal's Group has also been strengthened with the appointment of an independent Chair. There was an intent at the time of our work to recruit an Alliance Director to further strengthen the structure.

Following the successful sourcing of Government 'shovel ready' funding for some projects, the Alliance is now being used for additional capital projects beyond 3 Waters.

At the time of our review there was still some work underway yet to be completed to update and agree a new alliance agreement reflecting this expanded scope and to finalise the Performance Management Framework and associated performance measures. In the meantime, separate variation agreements have been agreed and signed for any additional work.

There was a range of reporting shared with us including reporting provided both to the Principal's Group and also to the Finance, Audit and Risk Committee. We found that there was a collection of information, performance measures and KPIs used across this reporting and there is opportunity to rationalise and align this information.

We noted the following opportunities for improvement:

- The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.
- The reporting currently provided to the Principals Group has financial information showing actual costs YTD against budget but our view is that it would be

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beneficial to perform a comparison to cost phasing, or an expenditure burn rate analysis.

- We recognise that the Performance Management Framework was still being finalised and there is a stated intention to update reporting to reflect the final performance measures. We encourage the District Council to take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.

Management comment

The Council is actively working with the Alliance to improve the financial and performance management.

4 Assessment of internal control



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

Control environment

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

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

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the 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 identified the following areas for improvement in internal control:

4.1 Recording of complaints needs to be in accordance with requirements of the Non-Financial Performance Measures Rules 2013

We recommend that the process of recording in CRM the complaints received by the District Council be reviewed and amended to ensure completeness of records and compliance with the requirements of the Non-Financial Performance Measures Rules 2013. For records received from the Palmerston North City Council (PNCC), a monthly reconciliation (evidenced with a dated signature) be implemented to ensure:

- all "Jobs Logged" on the spreadsheets are appropriately broken down into the correct category and have been classified correctly to the CRM system;
- all "Jobs Logged" on the PNCC spreadsheet have the supporting request for service (RFS); and
- any issues are followed up within a month to be resolved between PNCC and the District Council prior to the data being overwritten by PNCC.

The Non-Financial Performance Measures Rules 2013 (the Rules) are rules made by the Secretary for Local Government under section 261B of the Local Government Act 2002. The Rules require local authorities to include standard non-financial performance measures in their long-term plan and annual report including the total number of complaints (per 1,000 connections) received about the following:

- drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the District Council's response to any of these issues;
- sewage odour, sewerage system faults or blockages, and the District Council's response to issues with the sewerage system; and
- the performance of the stormwater system.

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints.

We identified during the year that the District Council has not been recording complaints in line with DIA guidance as not all customer complaints are recorded in the CRM:

- *Internally*: Only the first call received regarding an issue/event is recorded in the CRM system. Subsequent calls are recorded as information given.
- *Via Palmerston North City Council who provide the afterhours service*: there is not enough information received from PNCC re subsequent phone calls for the same event to be able to recreate the complaints population because:
 - Spreadsheets obtained from PNCC do not contain sufficient information to determine whether RFS are complete (for both Jobs Logged, and Information Given), and what category they actually relate to (calls received for the three waters are not separately classified, rather they are included in a broader category of "sewer/water"); and

- Supporting information cannot be provided retrospectively, due to system limitations at PNCC erasing voice recordings after three months.

Although one of the issues relates to after-hours services provided by PNCC, the District Council is responsible in ensuring the appropriateness of information it obtains from its contractors.

As complete records for all calls made to the District Council were not available, we were unable to determine whether the District Council's reported results for the performance measures were materially correct. As a result, our audit opinion was qualified for this matter as our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported against the three performance measures.

Management comment

Awaiting outcome of the 3 Waters Working Party for a clear understanding of the DIA Guidelines around what is needed to be logged. We will alter processes to ensure we meet the expectations once we have this clarification.

Customer Experience staff manually review all PNCC jobs logged for Horowhenua DC prior to adding to our CRM system.

Monthly reconciliation of RFS (afterhours) and CRM (internal) will be initiated.

Target completion - TBC

4.2 Credit card usage

We recommend that:

- The sensitive expenditure policy be updated to reflect the actual practice of the Mayor's expenses being authorised by the Chair of the Finance, Audit and Risk Committee, evidenced with a dated signature;
- Credit card holders be reminded of, and adhere to, the requirements of the sensitive expenditure policy (e.g. transaction limits);
- Either the sensitive expenditure policy be updated to reflect current practice where the Chief Financial Officer's credit card is used as a corporate card or the practice of using that credit card as a corporate card should cease; and
- Expenses paid via credit cards be supported with tax invoices.

We tested a sample of credit card transactions by the Mayor, the Chief Executive and senior management.

Mayor

We noted that the Mayor's monthly credit card statements were being approved by the Chair of the Finance, Audit and Risk Committee (and the Chief Executive). However, the

sensitive expenditure policy (dated 2019) does not specifically require the Mayor's expenses to be approved by the Chair of the Finance, Audit and Risk Committee.

Whilst we are comfortable that the Mayor's credit card expenditure is subject to the one-up approval principle, the sensitive expenditure policy should also reflect the actual approach.

In line with a one-up approval principle, our expectation is that the Mayor's expenses should be authorised by the Chair of the Finance, Audit and Risk Committee, or a Councillor of similar standing (e.g. Deputy Mayor), or by two other members of the Council. Similarly Councillors' expenses should be approved by the Mayor or the Chair of the Finance, Audit and Risk Committee on some regular basis.

We also found one instance where a transaction was not supported by a tax invoice. We were therefore unable to conclude whether the expenditure was reasonable or not.

Senior management

We found the following:

- One instance where the credit card was used to purchase an asset (Iphone) that exceeded the policy limit for CEO credit card of \$1,000 per transaction.
- The number of credit cards held are inconsistent with the sensitive expenditure policy. The policy notes that only the Mayor, Chief Executive and General Manager Corporate Services (GMCS) hold credit cards, with the GMCS' card to be used as a corporate card. However, we note that the Chief Financial Officer also has a credit card that is being used as a corporate credit card.
- We found two instances where the GMCS' credit card transaction exceeded the \$2,000 policy limit.

Our testing also confirmed that the monthly credit card statements for the Chief Executive were being approved by the Mayor and Deputy Mayor.

Management comment

- *Agreed that the policy needs to be updated.*
- *The transaction limits will be reinforced to credit card holders.*
- *The sensitive expenditure policy will be updated to reflect current practice.*
- *Completed. This is current practice.*

Target completion – August 2021

Audit response to management comment

4th bullet point – We will verify via testing this during our 2021 final audit visit.

4.3 Conflict of interest management

We recommend that:

- Training is provided to staff on conflict of interest risk management;
- The current form of interest registers is improved to include columns on whether:
 - the interest is pecuniary or non-pecuniary;
 - the interest declared represents actual, potential or perceived conflict, and the agreed approach to managing any conflicts amongst the declared interests; and
- A staff interest register is maintained as well.

We reviewed the policies and processes on how the District Council manages its conflict of interest (COI) risks. We note improvements from the prior year in that there are now current policies in place that provide guidance.

We found areas where the Council's procedures could further improve:

- Training should be provided to staff to remind them of the District Council's policy and procedures, and to highlight any changes from previous policy. The current conflict of interest prevention policy was endorsed in July 2019 (the prior version was dated 2016).
- The interest registers maintained for elected members and senior management team do include the nature of the interest, but do not include information on whether the interest is pecuniary or non-pecuniary (noted that this information is required to be included in the Elected Members declaration form) and whether the interest declared represents actual, potential or perceived conflict. In addition, the agreed approach to managing any conflicts amongst the declared interests is not recorded in the register (noted that the staff COI form includes a required field for "Impact of COI" and "Record of actions agreed").
- Staff complete a COI declaration form where a conflict is known and these forms are maintained in RM8 (document management system). However, these declarations are not summarised centrally. There should be a staff interest register as well that records the nature of the interest and other aspects expected of an interest register noted above.

Management comment

- *Council has a Conflict of Interest Prevention Policy which all staff are required to read and acknowledge.*
- *This Policy requires a review/ update.*
- *A register is maintained and will be updated to include the columns recommended.*

Target completion – September 2021

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4.4 Contract Management

We recommend that:

- A contract management policy and guidelines are put in place that are consistent with best practice in the sector; and
- Processes are implemented that improve contract management.

There is no contract management policy that is used for the entire District Council. We note there is a section in the Procurement Policy Guidelines (dated March 2016) on Market, Contract and Relationship Management; however, the content is high level. Given their age, the guidelines should be reviewed.

We understand that contract managers are referring to industry manuals for guidance (e.g. New Zealand Contract Management Manual). However, having a formalised or documented approach/methodology in place would help ensure consistency and continuance of approach within the District Council.

We would expect the policy to reflect best practice in the sector; for example:

- Policy on use of contract management plans perhaps with template.
- Comprehensive guidance on what to do when contract performance obligations and expectations are not being met.
- Policy on contract risk assessments.
- Policy on negotiating and approving contract.
- Policy on negotiating and approving contract variations.
- Reference to delegations.

The policy should apply across all contracts (commercial, grants etc.) and be supported by good quality detailed guidance, procedures and templates, including standard/pro-forma contracts. We expect training and development to be provided to those involved with contract management.

Contract management is an important component of procurement. Contract management includes the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential to ensuring that the District Council obtains value for money from the contracts its procurement processes have put in place.

Further improvement to processes could be obtained by ensuring there is:

- a robust approach to contract monitoring and performance management;
- a structured approach to contract completion and transition; and
- regular review of Council's approach to contract management activity (through internal audit or otherwise).

Management comment

- *The procurement manual and policy have undergone an independent audit and the results are being assessed.*
- *There are structures in place to manage contract preparation and review and the handling of tenders.*
- *Reviews have also been completed on major projects.*
- *The project steering group has also been implemented with elected members to strengthen project governance.*

Target completion – complete

Audit response to management comment

From our review, we have not seen an updated manual and policy yet. From our review, there has been no change in processes from last year.

4.5 Review of changes to the payroll masterfile

We recommend that:

- Changes to the payroll masterfile are regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report; and
- Consideration be given to giving the reviewer “read-only” access to the payroll masterfile to ensure the review is independent.

Management advised that changes made to the payroll masterfile are reviewed as changes were made on an individual basis.

There is a risk that a change made has not been independently reviewed and not identified/corrected in a timely manner. To address this risk, a report should be generated from the payroll system on a regular basis and a completeness check be performed of the changes made back to supporting documentation.

We also found that the reviewer has edit access to the payroll masterfile, giving rise to a self-review risk. Consideration should be given to removing the ‘edit’ ability from the person undertaking the independent review. Alternatively, additional review of that person’s adjustments to the Masterfile will need to be undertaken.

Management comment

- *This is now being completed although a new Audit report is being developed for Payroll Masterfile changes.*

- *The reviewer does not process any payroll transactions or make changes to the Masterfile. This is evidenced through the audit report of changes to the master file.*

Target completion – Complete.

Audit response to management comment

During our review as part of our 2021 interim audit, we were advised by management that individual changes are being checked; however these are not evidenced. Therefore, we cannot confirm that these checks are being done.

In addition, as there is no audit report as yet, we cannot confirm that all changes are being reviewed.

This issue will be reported as “open” in the 2021 interim report to the Council.

4.6 Updates to the payroll masterfile

We recommend that payroll masterfile updates:

- are actioned in a timely manner; and
- have sufficient appropriate records retained to support any changes.

We reviewed a number of updates made to the payroll masterfile. We found a number of instances where:

- modifications were not made on a timely basis. This could lead to incorrect payments to employees; and
- a number of supporting documents had not been kept (e.g. emails from employees, and the corresponding bank verification). The IRD requires financial records to be kept properly and safely for at least seven years.

Management comment

Payroll Masterfile changes are processed in the next available pay run and any changes must be supported by the appropriate documentation.

Target completion – Complete

Audit response to management comment

We will verify this by testing payroll masterfile changes during our 2021 final audit visit.

4.7 Payroll – post input review of timesheets

We recommend that an independent post input review be carried out over timesheet data inputted into the system.

Manual timesheets are used by salaried staff when they have worked extra hours and by waged staff. We found that there is currently no independent post input review carried out after the timesheet data has been inputted into the system.

A post input review would help ensure that hours worked are appropriately recorded and processed in the system.

Management comment

The pay edit listing is reviewed prior to the pay run being finalised.

Target completion – Complete

Audit response to management comment

During our 2021 interim audit payroll walkthrough, we found that the timesheet we selected was not inputted correctly in the system (the hours were shown under annual leave in the timesheet, but the pay was inputted under ordinary hours in the system).

This issue will be reported as “open” in the 2021 interim report to the Council.

4.8 Councillors – System for identifying transactions greater than \$25,000

We recommend that a system is put in place to monitor all payments in which a member has an “interest” to ensure:

- the \$25,000 limit is not exceeded; and
- if the transactions are likely to exceed the \$25,000 threshold (in total) that they are identified and approval is able to be sought from the Office of the Auditor-General in advance.

The Local Authorities (Members’ Interests) Act 1968 (section 3 (1)) notes that:

Except as provided in subsection (3), no person shall be capable of being elected as or appointed to be or of being a member of a local authority or of any committee of a local authority, if the total of all payments made or to be made by or on behalf of the local authority in respect of all contracts made by it in which that person is concerned or interested exceeds \$25,000 in any financial year.

Subsection (3)(aa) also notes that:

Notwithstanding anything in subsection (1),— no person shall be deemed not to have been disqualified by virtue of his being concerned or interested in any contract made in any special case where, on the application of the local authority,

the subsequent approval of the Auditor-General is obtained; which approval shall be given only if the Auditor-General is satisfied that—

- (i) there is a sufficient special reason why prior approval was not obtained under paragraph (a); and*
- (ii) prior approval would have been obtained under paragraph (a) if that approval had been sought:*

We found that there is currently no formal system in place that identifies transactions at risk of exceeding the \$25,000 limit before those transactions occur.

We understand that the current process is that as part of the annual report process, all interests in the register are reviewed for disclosure against the debtors/creditors system. At this point, if the limit has been exceeded, then approval from the Office of the Auditor-General will be requested.

However, retrospective approval from the Office of the Auditor-General is not guaranteed.

Management comment

A process is in place to monitor these payments. We will ensure that the process is maintained.

Target completion – Complete

Audit response to management comment

During our 2021 interim audit visit, we noted that there was no change to the process from the prior year, in that there is currently no formal system in place that identifies transactions at risk of exceeding the \$25,000 limit before the transaction occurs. As part of the Annual Report process, all interests in the register are reviewed for completeness against the Companies Register and for disclosure against the debtors/creditors system. At this point, if the limit has been exceeded, then approval from the Office of the Auditor-General will be requested. However, retrospective approval is not guaranteed, hence the recommendation is for the process to be performed before the transaction occurs.

4.9 Evidence of review of journals

We recommend that each journal have evidence of the preparer and reviewer to ensure segregation of duties is in place.

We identified instances of journals being prepared but lacking evidence that they had been independently reviewed.

Appropriate levels of review are required to ensure that the journal is appropriate and that it has been posted correctly. This practice also reduces the risk of undetected errors, and of fraud.

Management comment

General Ledger journals can only be raised by a small number of people within the Finance team. The journals are electronically stored in CM9 and signed and dated by the preparer and a one up reviewer.

Target completion – Complete

Audit response to management comment

We confirmed during our 2021 interim visit that there is no system control in place that prevents a journal being posted to the GL unless it is approved on a one-up basis.

This Issue will be reported as “open” in the 2021 interim report to the Council.

5 Other matters identified during the audit



This section we outline the other matters we have identified through the audit work we have performed.

5.1 Valuation issues

5.1.1 Roothing valuation

We recommend that the revaluation process is strengthened by:

- performing the valuation in the in roading asset management system, RAMM. If the District Council chooses to continue with the valuation worksheet, then it needs to simplify work papers and include clear reconciliations;
- ensuring adequate resourcing is provided to complete the internal revaluation work;
- using unit rates that are derived from current contract prices, rather than just adjusting them for inflation; and
- incorporating updated asset condition into the valuation.

We note that a number of recommendations from the prior year (see Appendix 1) are yet to be implemented and there is some overlap in our recommendations above. We are reiterating them here for emphasis as the matter is significant.

We found the following issues during our review of the revaluation:

- Not updating the roading valuation information in roading asset management system, RAMM. The roading valuation information was initially updated outside of RAMM. This raised the risk that asset information, on which the valuation was based including current condition information, is incomplete or inaccurate and the asset valuation does not reflect the actual value of the road assets.
- Need to simplify work papers and include clear reconciliations. The valuation worksheet has grown in size since the initial valuation in FY 2015. This meant that the spreadsheet is now prone to errors for example, formula not auto updating which resulted to a significant error that required correction.
- Lack of adequate resourcing for the District Council to complete the internal revaluation work. The District Council staff perform the revaluation review which is then peer reviewed. There were long delays in completion of the revaluation work, and delays in providing adequate supporting information. Utilising an external valuer to perform the revaluation and moving to a rotational valuation cycle have been recommended to improve the process going forward and reduce the impact on staff resource.

- Inflation adjustment of unit rates without reference to current contract prices. We note that the client used an independent expert to peer-review its valuation, who confirmed those rates used in its valuation were reasonable and appropriate.
- Most of the roading assets were not taking asset condition specifically into consideration in the valuation reports. The risk is that without taking the condition into consideration, the District Council may be over/under depreciating assets.

Management comment

The revaluation of Roothing assets performed by GDH as of 1 July 2020 was done in RAMM.

This work was completed 20 November 2020.

Target completion – Completed

Audit response to management comment

We will verify completion of this recommendation during our 2021 final audit visit.

5.1.2 Landfill valuation

We recommend that the areas of improvement identified by the external valuer, Stantec New Zealand, are addressed prior to the next valuation being:

- Review replacement costs compared to historic costs with CAF (Cost Adjustment Factor) adjustment, on the basis of modern technology, methods for the same level of service.
- Review all assets and assess any that may have residual values at the end of the overall landfill useful life. This would include assets that could be sold or used at another site.
- Assess overall valuation confidence based on standard assessment grades.

Management comment

The next landfill valuation is due for the 2022/23 annual report.

Audit's recommendations will be implemented for the next revaluation of landfill assets.

Target completion – June 2021

5.2 Classification of records in the CRM system

We recommend that a monthly review of the CRM is implemented in order to mitigate the risk of overstating the reported results.

The District Council is required to report on the number of habitable floors affected for each flood event, per 1000 connections to the stormwater networks. During our testing, we found three instances where a record was incorrectly categorised under stormwater.

While this was identified and corrected, a monthly review would help ensure errors like these are corrected before they are reported to the Council.

Management comment

We are in the process of improving current reporting and automating CRM reports.

Target completion – December 2021

6 Public sector audit



The District Council is accountable to its 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 considered 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;
- waste being incurred as a result of any act or failure to act by the District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by the Mayor or by one or more of the Councillors or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by the Mayor or by one or more of the Councillors or employees.

There were no items noted during our audit that need to be brought to your attention apart from those noted below and in section four of this report.

6.1 Sensitive expenditure

As noted on the next page, the Auditor General has recently updated his good practice guide on sensitive expenditure. We suggest that the District Council reviews its own policies against that updated guidance.

6.2 Summary Annual Report

We note that the Summary Annual Report was not made available within one month of the Annual Report being adopted, as required by section 98(4) of the Local Government Act 2002. The Annual Report was adopted on 17 December 2020, but the Summary Annual Report was not made publicly available until 22 January 2021 when it was published on the District Council's website.

We note that it was unusual situation in 2020 with the Annual Report being adopted only a few days before the Christmas break (due to the impact of Covid-19 the statutory deadline for adopting the Annual Report was extended to 31 December rather than the normal statutory deadline of 31 October).

7 Useful publications



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

Description	Where to find it
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Conflicts of interest</p>
Sensitive expenditure	
<p>The Auditor-General has updated his good practice guide on sensitive expenditure.</p> <p>The guide provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top".</p> <p>It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Sensitive Expenditure</p>

8 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.

There are a number of recommendations where management have noted that remedial actions are complete. We will, where possible, review those items as part of our 2020/21 interim audit.

Priority	Explanation
Urgent	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.
Necessary	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.
Beneficial	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 them, provided the benefits outweigh the costs.

8.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Recording of complaints not in line with DIA guidance		
The process of recording in CRM the complaints received by the District Council be reviewed and amended to ensure completeness of records and compliance with the requirements of the Non-Financial Performance Measures Rules 2013. For records received from the Palmerston North City Council (PNCC), a monthly reconciliation (evidenced with a dated signature) be implemented to ensure: <ul style="list-style-type: none"> all "Jobs Logged" on the spreadsheets are appropriately broken down into the correct category and have been classified correctly to the CRM system; 	4.1	Urgent

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Recommendation	Reference	Priority
<ul style="list-style-type: none"> all "Jobs Logged" on the PNCC spreadsheet have the supporting request for service (RFS); and any issues are followed up within a month to be resolved between PNCC and the District Council prior to the data being overwritten by PNCC. 		
Roading valuation		
<p>The revaluation process should be strengthened by:</p> <ul style="list-style-type: none"> Performing the valuation in the in roading asset management system, RAMM. If Council chooses to continue with the valuation worksheet, then it needs to simplify work papers and include clear reconciliations. Ensuring adequate resourcing is provided to complete the internal revaluation work. Using unit rates that are derived from current contract prices, rather than just adjusting it for inflation. Incorporating updated asset condition into the valuation. 	5.1.1	Urgent
Landfill valuation		
<p>Areas of improvement identified by the external valuer, Stantec New Zealand, should be addressed prior to the next valuation being:</p> <ul style="list-style-type: none"> Review replacement costs compared to historic costs with CAF (Cost Adjustment Factor) adjustment, on the basis of modern technology, or methods for the same level of service. Review all assets and assess any that may have residual values at the end of the overall landfill useful life. This would include assets that could be sold or used at another site. Assess overall valuation confidence based on standard assessment grades. 	5.1.2	Necessary

Recommendation	Reference	Priority
Credit card usage		
<ul style="list-style-type: none"> The Mayor's expenses be authorised by the Chair of the audit committee, or a Councillor of similar standing, or by two other members of the Council; Credit card holders be reminded of, and adhere to, the requirements of the sensitive expenditure policy (e.g. transaction limits); Either the sensitive expenditure policy be updated to reflect current practice where the Chief Financial Officer's credit card is used as a corporate card or the practice of using that credit card as a corporate card should cease; and Expenses paid via credit cards be supported with tax invoices. 	4.2	Necessary
Conflict of interest management		
<ul style="list-style-type: none"> Training be provided to staff on conflict of interest risk management; The current form of interest registers is improved to include columns on whether: <ul style="list-style-type: none"> the interest is pecuniary or non-pecuniary; the interest declared represents actual, potential or perceived conflict, and the agreed approach to managing any conflicts amongst the declared interests; and A staff interest register is maintained as well. 	4.3	Necessary
Contract Management		
<ul style="list-style-type: none"> A contract management policy and guidelines be put in place that are consistent with best practice in the sector; and Processes be implemented that improve contract management. 	4.4	Necessary
Payroll masterfile review		
<ul style="list-style-type: none"> Changes to the payroll masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report; and Consideration be given to giving the reviewer "read-only" access to the payroll masterfile to ensure the review is independent. 	4.5	Necessary

Recommendation	Reference	Priority
Payroll masterfile updates		
Payroll masterfile updates: <ul style="list-style-type: none"> be actioned in a timely manner; and have sufficient appropriate records to support any changes. 	4.6	Necessary
Payroll – post input review of timesheets		
An independent post input review should be carried out over timesheet data inputted into the system.	4.7	Necessary
Councillors – system for identifying transactions greater than \$25,000		
A system be put in place to monitor all payments in which a member has an “interest” to ensure the limit is not exceeded and if it is likely to exceed the \$25,000 threshold (in total) that these are identified and approval is sought from the OAG in advance.	4.8	Necessary
Evidence of review of journals		
For each journal, retain evidence of the preparer and reviewer to confirm appropriate segregation of duties is in place.	4.9	Necessary
Classification of records in the CRM system		
A monthly review of the CRM be implemented in order to mitigate the risk of overstating the reported results.	5.2	Necessary

8.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	28	0	28
Implemented or closed	0	17	0	17
Recommendations superseded by, or incorporated into, new recommendations	0	5	0	5
Total	0	50	0	50

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary (reclassified from Urgent)		
Annual Reporting Process		
<p>Implement audit recommendations to improve the audit process including improving the quality assurance review over the annual report.</p> <p>The particular areas we would expect to see improving are:</p> <ul style="list-style-type: none"> implementing a quality assurance review over the annual report before providing to audit, performed by a staff member not directly involved in collating the information. This should include a check that notes agree to the face of the accounts, disclosures, variance explanations and statement of service performance information are complete; ensuring that a complete annual report is provided at the start of the final audit. When draft annual reports are not complete this has a flow on impact to timeliness of reviews which could result in late changes, and results in additional audit time to check and review the changes; 	2018	<p>Matter ongoing</p> <p>The initial draft provided for audit review was not fully complete. Issues that we found indicate quality assurance could be improved. Refer to section 1.4 of this report.</p> <p>Management comment</p> <p><i>A week has been scheduled in the project plan for the 2020-21 annual report, for the review of the annual report by the CFO and key management staff before it is provided to audit.</i></p> <p><i>The project plan for the 2020-21 annual report is set to ensure a completed annual report is available to audit before the final audit which is scheduled for 23 August.</i></p> <p><i>A copy of the 2020-21 annual report template was sent to audit on 3 May 2021.</i></p>
<ul style="list-style-type: none"> improving the revaluation process and timetable so information is available by the agreed time to enable audit work to be completed earlier in the audit schedule; 		<p>We found issues with the revaluation process and timetable. Refer to section 5.1 of this report.</p> <p>Management comment</p> <p><i>The Roading revaluation for the 2020-21 annual report was completed 20 November 2020.</i></p> <p><i>The 3 waters revaluation is expected to be completed 9 August 2021 and Audit review timing has been agreed to fit</i></p>

Recommendation	First raised	Status
		<i>with this timing. This has been communicated to audit.</i>
<ul style="list-style-type: none"> providing fair value assessments, for revalued assets in a non-revaluation year, before the final audit commences; and 		<p>The fair value assessment was performed. However, it was towards the end of our final audit visit.</p> <p>Management comment</p> <p><i>This has now been added to the 2020-21 annual report project plan to be completed by 23 July 2021.</i></p>
<ul style="list-style-type: none"> ensuring that there is supporting information for annual report balances and statement of service information that agrees to the information reported in the annual report. 		<p>Management comment</p> <p><i>Lead schedules will be prepared linking Annual Report balances to worksheets and ensuring sufficient supporting information is provided.</i></p>
Necessary		
Sensitive expenditure policies		
<p>Update sensitive expenditure policies to reflect OAG's good practice guide.</p> <p>Chair of the Audit and Risk Committee should approve the Mayor's sensitive expenditure.</p>	2019	<p>Matter ongoing</p> <p>Also see section 4.2.</p> <p>The sensitive expenditure policy and conflict of interest policy were updated in 2019. We checked these against good practice, using the OAG's good practice guidelines.</p> <ul style="list-style-type: none"> Policies should explain what is meant by "actual and reasonable", when these terms are used, and specifying dollar limits and defined boundaries, where practicable, of what is "reasonable". Policy should be consistent with practice. <p>Our recommendations on one-up approval for the Chief Executive expenses; travel, meals and accommodation expenditures; motor vehicles; and entertainment and hospitality expenditures remain outstanding as the related policies for these have not been recently updated.</p>

Recommendation	First raised	Status
		<p>Management comment</p> <p><i>The Sensitive Expenditure policy will be updated with OAG's good practices before the final audit.</i></p> <p><i>The credit card for the Mayor is authorised by the Chair of the Finance, Audit and Risk Committee and the Chief Executive.</i></p>
"Virtual" Credit card controls		
<p>Processes and procedures should be implemented to strengthen controls and access to the virtual credit card, including:</p> <ul style="list-style-type: none"> • ensuring the use of the virtual credit card is in line with the District Council's policy on the use of credit cards; • allowing only the card administrator to use the card with all approved transactions being processed by that staff member; • formal one-up approval for the expenditure to be incurred being provided to the card administrator prior to processing the transaction. This should be filed with supporting transaction documentation; and • implementing a monthly independent review and reconciliation of the expenditure on the credit card against the approvals and supporting documentation. 	2018	<p>Matter ongoing</p> <p>We note that staff are able to access the following corporate credit cards:</p> <ul style="list-style-type: none"> • Corporate Card (under Horowhenua DC) • CFO's credit card (starting January 2020) • General Manager Corporate Service's credit card. <p>From our testing, we identified a number of issues with compliance with policies. See section 4.2 of this report.</p> <p>Management comment</p> <p><i>Council no longer has a "virtual" credit card.</i></p> <p><i>There is a robust internal control process for credit card use, where an internal request form must be completed and approved on a one up basis.</i></p> <p><i>There are only two people that handle credit card transactions (that is currently under review and is likely to be brought back inside Finance).</i></p> <p><i>Documentation must be supplied for any credit card transaction.</i></p> <p><i>The credit card statement is reviewed and processed on a monthly basis.</i></p> <p><i>There is only one credit card (that is currently issued to the CFO) that is used as a corporate card.</i></p>

Recommendation	First raised	Status
		<p>Audit response to management comment</p> <p>We will review this as part of the 2021 final audit visit.</p>
Legislative compliance		
<p>The District Council should look at mechanisms to actively monitor compliance with legislative requirements.</p>	<p>2016</p>	<p>Matter outstanding</p> <p>No change in processes from last year.</p> <p>The District Council uses an informal system to monitor compliance with legislation. Reporting to governance (i.e. Council) is performed on an exception basis rather than regular positive reporting. There is less chance of Council breaching legislation if there is effective monitoring.</p> <p>Management comment</p> <p><i>Council has a Legislative Compliance Policy which was introduced in 2019.</i></p> <p><i>The Policy identifies roles and responsibilities for monitoring.</i></p> <p><i>Council accesses the latest versions/ changes to Legislation via a subscription service as well via other Government sources and agencies (LGNZ, SOLGM, ALGIM, etc.)</i></p> <p><i>Council management reports these changes as required to Elected Members and Staff.</i></p> <p><i>Staff are required to read the policy.</i></p>

Recommendation	First raised	Status
Bribery and corruption		
<ul style="list-style-type: none"> • Include the fraud policy in the induction pack. • Expand the fraud policy to be explicit about reporting requirements in relation to attempted bribery and corruption. • At least annual reporting to Council that would consider mechanisms indicating the adequacy of controls, including consideration by senior management of any changes required. 	2019	<p>Matter ongoing</p> <p>We understand that the current fraud policy will be included as part of induction.</p> <p>The fraud policy has not been updated since 2016.</p> <p>No progress has been made from last year.</p> <p>Management comment</p> <ul style="list-style-type: none"> • <i>The current fraud policy will be included as part of induction.</i> • <i>An updated version of the fraud policy including reporting requirements will be completed by the end of 2021.</i>
Evidence on NZTA claim review		
The reviewer signs and dates the documentation as evidence of their review.	2017	<p>Matter outstanding</p> <p>The review of the NZTA claim is still not evidenced.</p> <p>Management comment</p> <p><i>The monthly NZTA claim is reviewed, signed and dated.</i></p> <p>Audit response to management comment</p> <p>From our 2021 interim audit walkthrough, the review is not evidenced.</p>

Recommendation	First raised	Status
Cash receipting		
Require reconciliation of the amounts in the "receipt listing after closing reports" to be initialled by the preparer and independently recounted.	2019	<p>Matter progressing</p> <p>Reconciliations are prepared but are not independently recounted.</p> <p>Management comment</p> <p><i>Processes and Procedures are now clear and operating that that the receipting list after closing reports is initialised by the preparer and independently recounted.</i></p>
Require all cashiers to log out after use and to use their own login to process transactions.	2019	<p>Given the nature of the transactions involved, we continue to make this recommendation.</p> <p>Management comment</p> <p><i>Due to the additional effort required compared to the benefit, management has accepted the risk on following basis:</i></p> <ul style="list-style-type: none"> <i>This issue is relevant to Levin only. The only time a cashier will use another cashier's log in is when the logged in Cashier is on a break (15 minute breaks and up to 1 hour lunch), and covering for meetings. As each cashier reconciles their own tills, any discrepancies can be identified using the receipts and must be advised to the manager or person in charge at the time.</i> <i>If a decision is made to have each cashier, regardless of how long they receipt for, log in for any transactions, the process for covering breaks and meetings would then require additional reports for the end of day processes.</i>

Recommendation	First raised	Status
Consistency between the Rating FIS and the rates resolution		
<ul style="list-style-type: none"> Obtain legal advice on the process to follow to address the legislative breach. Implement a process to ensure that there is a check of the rates resolution before it is made adopted by Council to ensure that the rates resolution is consistent with the agreed funding impact statement. 	2019	<p>Matter outstanding</p> <p>Legal advice had been obtained to address the legislative breach.</p> <p>We reviewed the rates resolution and rating FIS for FY 2020/21 and found the same inconsistencies found as with FY 2019/20.</p> <p>Management comment</p> <p><i>This error has now been corrected and the rates resolution and funding impact statement for 2021/22 will be reviewed externally by Simpson Grierson to ensure legislative compliance.</i></p> <p>Audit response to management comment</p> <p>We will verify this when we review the rates as part of the final LTP.</p>
Creditor master file		
Review current processes to ensure there is adequate supporting information to verify that new creditors, and changes are bona fide.	2017	<p>Matter ongoing</p> <p>We note that the finance team check to make sure the bank account numbers for new/updated creditors are correct. However, there is no check of the company register to ensure appropriateness of other creditor information.</p> <p>Management comment</p> <p><i>The creditor Masterfile audit report is produced monthly together with appropriate supporting documentation.</i></p> <p><i>The audit report is reviewed by the Finance Manager and signed and dated.</i></p> <p><i>Where necessary a check of the company register is undertaken.</i></p> <p>Audit response to management comment</p> <p>During our 2021 audit visit, we were advised that the company register check is now undertaken where necessary but there is no evidence of</p>

Recommendation	First raised	Status
		this being performed (from our walkthrough of a new creditor).
Implement a regular review process to remove redundant creditors.	2017	<p>We are also not aware of process in place to remove redundant creditors.</p> <p>We note that the reviewer is also not independent as they have edit access to the creditor masterfile.</p> <p>Further recommendation</p> <p>A report should be run every month to ensure the reviewer has not made changes to the creditor masterfile.</p> <p>Management comment</p> <p><i>A review of redundant creditors has been done and reviews will be undertaken on an annual basis. There is a procedure in the financial system to close redundant creditors.</i></p> <p><i>The reviewer does not undertake creditor maintenance.</i></p> <p><i>The monthly audit report shows the person that has made the change to the Masterfile so allows confirmation that the reviewer has not made any changes.</i></p> <p>Audit response to management comment</p> <p>Review of redundant creditors – we will verify this again in our 2021 final audit visit.</p> <p>Monthly audit report - our further recommendation is that the reviewer is only given 'read-only' access. If the reviewer has super-user access, this means that the system is not design effective.</p>

Recommendation	First raised	Status
Updating of the Roding Asset Maintenance Management system (RAMM)		
<p>Update RAMM on a regular basis with any changes to the asset data, including updated unit rates.</p> <p>Perform revaluations in RAMM for future revaluations.</p>	2018	<p>Matter outstanding</p> <p>No progress has been made.</p> <p>Management comment</p> <p><i>Update of RAMM – Continual improvement has been happening and this is being handled well.</i></p> <p><i>Revaluation - This has been implemented for the 2021 financial year.</i></p>
Performance measures process		
<ul style="list-style-type: none"> Review the effectiveness of the current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved. Perform a regular, weekly or even daily, quality review of data entered into the Customer Request Management system (CRM) for complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should also focus on following up unclosed jobs, ensuring all data fields are updated, and review of unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature. Ensure data fields include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised them. Document any calls that are excluded as Department of Internal Affairs (DIA) service requests or complaints. This may require additional fields to be added to the existing CRM if this information is not already captured. 	2016	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>Management comment</p> <p><i>The review, and system and process documentation has been completed. Regular checks and reviews are also done but may have not been well evidenced.</i></p> <p><i>Further work is required to ensure the collection and reporting of information is robust.</i></p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> Continue to review DIA guidance to ensure that the data being captured and reported, meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting. Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets. Use the data from the CRM to monitor the District Council's performance, on a regular basis, to ensure corrective action can be taken as needed. 		
Service performance: Evidencing monthly review of CRM requests		
Evidence review of the CRM requests at month-end with a dated signature.	2019	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>Management comment</p> <p><i>Reviews of SSP evidence will be signed off for this year's SSPs and on a quarterly basis from then on.</i></p>
Mobile/PDA policy		
<p>The Mobile/PDA policy be reviewed in line with OAG guidelines.</p> <p>The policy has not been updated for new laws surrounding cell phone use and driving.</p>	2016	<p>Matter outstanding</p> <p>One recommendation is yet to be implemented.</p> <p>Management comment</p> <p><i>The Mobile Device Policy was introduced in May 2019, reviewed December 2020 with the next review in May 2021. The Policy currently remains fit for purpose.</i></p>

Recommendation	First raised	Status
Procurement review		
<p>Implement the improvements identified from the procurement reviews in 2016 and include any policy improvements in the 2017 procurement policy update.</p>	<p>2016</p>	<p>Matter progressing</p> <p>The Procurement Policy is dated July 2019 and the Procurement Guideline is dated March 2016.</p> <p>We continue to recommend that the policy and guidelines include documentation on:</p> <ul style="list-style-type: none"> • methods of procurement; • handling of late tenders; • reviewing contracts prior to the end of contracted period; and • the transition periods between suppliers. <p>Management comment</p> <p><i>The Procurement Policy and Guideline are in the process of being updated. The update will include the documentation as recommended.</i></p> <p><i>There are structures in place to manage contract review and handling of tenders.</i></p> <p><i>Reviews have also been completed on major projects.</i></p>
Procurement and Contract Management review		
<p>Contracts be monitored and performance reporting provided to Council as required per the contract. Any breaches should be handled per the disciplinary processes contained in the contract for lack of performance.</p>	<p>2019</p>	<p>Matter progressing</p> <p>The Alliance team have worked on their performance reporting KPIs over the last few months. The District Council is currently implementing changes to the processes and procedures for 3 Waters, including staffing and the budget structure for 3 Waters to enable better tracking.</p> <p>Management comment</p> <p><i>The procurement manual and policy have undergone an independent audit and the results are being assessed.</i></p> <p><i>There are structures in place to manage contract preparation and review and the handling of tenders.</i></p>

Recommendation	First raised	Status
		<p>Reviews have also been completed on major projects.</p> <p>The project steering group has also been implemented with elected members to strengthen project governance.</p>
Collectability of rates debtors		
<p>Implement a robust process to identify and monitor rates which are no longer legally collectable under the Local Government (Rating) Act 2002, and write them off.</p>	2016	<p>Matter outstanding</p> <p>This is on the Finance improvement list.</p> <p>Management comment</p> <p>Rates that are no longer legally collectable are identified and written off on an annual basis.</p> <p>Collectible and overdue rates debt is also actively and effectively managed by Debt Management Central.</p> <p>Audit response to management comment</p> <p>We will verify this during our 2021 final audit visit.</p>
Maintenance of fixed assets WIP schedule/depreciation		
<p>Monitor WIP balances on a regular basis to ensure that any WIP that should be capitalised, is done so in a timely manner. All significant capital additions be depreciated when the asset becomes available for use.</p> <p>As depreciation is only calculated at year end, the District Council should review larger additions to check if depreciation should be recognised earlier.</p>	2016	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>Management comment</p> <p>Resourcing is currently being assessed and redistributed in the team to enable more regular review of WIP and focus on Fixed assets.</p>
<p>Perform a full review of the FAR to ensure valid data is contained in the module. Review accounting policies to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</p> <p>Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers, and the FAR, maintained by the finance team. The reconciliations should be reviewed by an</p>	2016	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>We were advised that this is a resource issue which prevents a monthly reconciliation. A quarterly reconciliation can be implemented but will not be completed until 31 December 2021 at the earliest.</p>

Recommendation	First raised	Status
independent person evidenced with a dated signature.		<p>Management comment</p> <p><i>Resourcing is currently being assessed and redistributed in the team to enable more regular review of WIP and focus on Fixed assets.</i></p>
Review of Land and Buildings Fixed Asset Register		
Review the listing of land and buildings to be valued before submitting the information to the valuers to ensure that all assets owned by the District Council are revalued and that only District Council owned assets are valued.	2017	<p>Matter ongoing</p> <p>Inspected and confirmed that the valuation listing from the valuer was not complete.</p> <p>We will follow up in the next revaluation in 2023.</p> <p>Management comment</p> <p><i>This review was carried out for the last valuation of land and buildings, but unfortunately the valuer missed the valuation of some properties.</i></p> <p><i>This was reviewed and processes are in place to ensure that any issues in the valuer's process are captured.</i></p>
Revaluation of property, plant and equipment		
<p>Ensure there is a clear reconciliation between the revalued assets back to the valuation information.</p> <p>Develop a clear process to document adjustments to the valuation information and reassess the useful lives of infrastructure assets on a regular basis to ensure lives are in line with asset condition.</p>	2017	<p>Matter ongoing</p> <p>A reconciliation had been provided but not in a timely manner.</p> <p>From our review of the revaluation, a clear process is yet to be developed.</p> <p>Management comment</p> <p><i>This will be done for the next revaluation of property, plant and equipment.</i></p>

Recommendation	First raised	Status
Revaluation of Infrastructure assets		
<p>Improve the revaluation asset data by:</p> <ul style="list-style-type: none"> Updating asset condition information and review the reasonableness of asset useful lives. Benchmarking revaluation unit rates against the latest infrastructure contract prices in assessing the assets revalued unit rates. Perform valuations based on first principles where actual contracts, materials and labour costs are used as a basis for the valuation on a 2-3 valuation cycle. Reviewing the assumptions used in the revaluation of the treatment plants; and reviewing and simplifying revaluation templates. Performing a fair value assessment for the wastewater and water land and buildings in the years between the full land and building valuation to determine whether an adjustment is required. Developing a formal timeline and schedule for the annual infrastructure valuation process. Consider whether there is value in performing revaluations on a yearly basis, or whether a longer interval between valuations would be appropriate. 	2018	<p>Matter progressing</p> <p>Some of our recommendations had been implemented.</p> <p>We note some of the useful lives had been updated following review.</p> <p>We note that the unit rates were benchmarked against contract prices. However, they were not used to then perform the valuation on a first principles basis.</p> <p>Management comment</p> <p><i>A road map for improvements to the revaluation asset data has been developed by WSP, the 3 Water valuer, for this year's annual report.</i></p>

Recommendation	First raised	Status
Timing of delivery of revaluation information to audit		
Provide the revaluation workpapers and valuation reports for audit review after the valuation reports and supporting information have been reviewed by the peer reviewer, council management and the District Council's audit and risk committee.	2019	<p>Matter ongoing</p> <p>The revaluation working papers were not readily available at the start of the final audit.</p> <p>We also note that the revaluation is not reviewed at a governing body level (e.g. Audit and Risk Committee).</p> <p>Management comment</p> <p><i>The Roading valuation has been completed and the 3 Waters valuation work is scheduled to be completed in time to produce the work papers for audit in a timely manner this year.</i></p>
Stand-alone fixed asset register for treatment plants		
Develop stand-alone fixed asset register for treatment plants so they are revalued at component level.	2019	<p>Matter ongoing</p> <p>We understand that a contractor has started with the process.</p> <p>Management comment</p> <p><i>This is covered under WSP's roadmap to improvements.</i></p>
Impairment assessment of property, plant and equipment		
Formalise and document Council's impairment assessment of assets at balance date.	2019	<p>Matter ongoing</p> <p>The impairment assessment was not formally documented. We understand this will be implemented next year.</p> <p>Management comment</p> <p><i>Templates have been downloaded from Audit NZ's website to better document the impairment assessment for this year's annual report.</i></p>

Recommendation	First raised	Status
Disaster Recovery		
<p>We recommend that the District Council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet Council requirements, including confirming the risk tolerance and response to achieve mitigation required for the District Council's target risk level.</p>	2016	<p>Matter progressing</p> <p>The older BCP plan is still in place but each business unit must identify continuity requirements for their areas. Some have been included in Group Business Plans.</p> <p>IT specific procedures are in place for continuity. This includes reliance on the capabilities of the Trentham CCL/ Revera data centre and remote working. They were tested in preparation for the Covid-19 response and were assessed as effective during the Covid-19 lockdown/ remote working period. IT have identified a potential 24 hour gap in data recoverability if a disaster occurred (due to timing of the back-ups and replication). We note that Commvault is used for data backup and recovery.</p> <p>Management comment</p> <p><i>With the successful contract agreement with Emergency Management Services, this piece of work is now underway.</i></p>
Policy on deposits and bonds		
<p>Adopt a policy on deposits and bonds and review deposits and bonds held to determine whether those no longer required should be refunded or recognised as revenue.</p>	2016	<p>Matter progressing</p> <p>Draft Policy has been written and agreed. Review of outstanding bonds is scheduled for December 2020/January 2021.</p> <p>Management comment</p> <p><i>The Deposit and Bond registers have been fully reconciled to identify those that can be refunded or returned to Council.</i></p> <p><i>It is hoped that this work will be completed by 30 June 2021.</i></p> <p><i>There is no need for a policy on this as there is no longer a need for footpath bonds (which are the majority of the outstanding deposits and bonds) and the SUB and LUC bonds are covered by the resource consent conditions.</i></p>

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Recommendation	First raised	Status
Purchase Order Clearing Account		
<ul style="list-style-type: none"> Ensure an appropriate report can be generated and reviewed for the <i>Purchase Order Clearing Account</i>; and Remove/adjust for purchase order outstanding balances where invoices have been received/outstanding amounts paid. 	2019	<p>Matter progressing</p> <p>Work on this has been started and requires further work to complete.</p> <p>Management comment</p> <p><i>An appropriate report can already be generated for the Purchase Order Clearing Account.</i></p> <p><i>A review of this report has been completed and outstanding items have been adjusted.</i></p> <p><i>Going forward this report will be reviewed on a monthly basis.</i></p>
No records of retentions by contract		
<p>Maintain a separate listing for all contract retentions held by Council and review them for reasonableness on a regular basis.</p>	2019	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>Management comment</p> <p><i>Retentions are already held in the creditors ledger so there is no need to have a separate listing for them. They are periodically reviewed to see if they can be released.</i></p> <p>Audit response to management comment</p> <p>Reason for raising this issue is that there is a risk that a retention is being held by the District Council for longer than intended. With no separate listing for retentions, there is no practical way of reviewing every credit balance to check for retentions due to be released.</p> <p>We will verify, in our 2021 final audit visit, evidence of periodic review as mentioned above.</p>

Recommendation	First raised	Status
Annual report disclosure improvements		
<p>We noted several disclosures where improvements could be made to better align with the accounting standards. These include:</p> <p>PBE IPSAS 17 <i>Property, plant and equipment</i></p> <ul style="list-style-type: none"> • assumption on obsolescence and how the replacement costs of the assets were derived; • judgements management has made in the process of applying the District Council's accounting policies that have the most significant effect on the amounts recognised; • the methods and significant assumptions applied in estimating the assets' fair values; and • the extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms, or the extent to which they were estimated using other valuation techniques. <p>PBE IPSAS 1 <i>Presentation of Financial Statements</i></p> <ul style="list-style-type: none"> • The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity; • The expected resolution of an uncertainty and the range of reasonably possible outcomes, within the next financial year, in respect of the carrying amounts of the assets and liabilities affected; • When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different 	<p>2019</p>	<p>Matter ongoing</p> <p>See section 2.4 of this report.</p> <p>Management comment</p> <p><i>PBE IPSAS 17 Property, plant and equipment</i></p> <ul style="list-style-type: none"> • <i>Noted and will make changes</i> <p><i>PBE IPSAS 1 Presentation of Financial Statements</i></p> <ul style="list-style-type: none"> • <i>Noted and will make changes</i> <p><i>PBE IPSAS 29 Financial Instruments: Recognition and Measurement</i></p> <ul style="list-style-type: none"> • <i>No other Council discloses its borrower notes like this. Will continue to disclose as before.</i>

Recommendation	First raised	Status
<p>from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.</p> <p>PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i></p> <ul style="list-style-type: none">• Borrower notes are correctly valued at 'fair value at amortised cost'. However, they were incorrectly included in Note 28(c) of the financial instruments note as being fair value through other comprehensive revenue and expense.		

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Conflicts of interest policy		
<p>Review and update the Conflicts of Interest policy to reflect best practice in the sector including:</p> <ul style="list-style-type: none"> • Policy to be reviewed and endorsed by the Executive Management Team; and • The policy include a clearer mechanism on how breaches are handled or on what the consequences are for non-compliance. 	2016	There is now a COI Prevention Policy endorsed by SMT in July 2019 which generally reflects good practice, including how breaches are handled.
Timing of revaluation cycles		
<p>Implement rotational valuations of the infrastructure asset classes and land and buildings/parks and reserves so that the valuations of the major asset classes fall in different years.</p> <p>Perform a cost/benefit analysis to assess whether it would be better to contract out the infrastructure valuations to an external valuer.</p>	2019	The three waters are now revalued on a two-yearly cycle with the next revaluation being FY 2020/21. This reduces the instances where roading, three waters, and land/buildings are revalued together in one year.
Senior Management remuneration reviews		
<ul style="list-style-type: none"> • Implement a review process for future employment contracts to ensure that remuneration benefits are in line with agreed contract conditions. • Ensure formal signed documentation is retained by Human Resources in relation to any changes to employee remuneration and terms and conditions of employment. 	2019	<p>From our testing, we confirmed that all remuneration benefits are now in line with agreed contract conditions.</p> <p>Changes to employee remuneration and terms and conditions of employment are now appropriately supported.</p>
Evidencing payroll reviews		
<p>Ensure review of payroll reports are completed by an appropriate person in a timely manner, evidenced with a dated signature.</p>	2019	<p>Review of payroll reports are completed by an appropriate person in a timely manner, evidenced with a dated signature.</p>
Review of timesheet data sent to Civica Australia		
<p>Implement an independent review on the payroll data before it is provided to Civica Australia for processing</p>	2019	<p>The entire payroll process has now come back in-house.</p>

Recommendation	First raised	Status
Segregation of duties in expenditure process		
<p>Review and enhance the purchase order controls in the expenditure system to require purchases orders to be approved on a one up basis.</p> <p>Develop a user friendly report that highlights self-approved purchase orders/invoices to allow for a specific review of these transactions prior to payment.</p> <p>2018 recommendation</p> <p>Require the managers, in charge of the relevant business unit, to review the report developed that highlights self-approved purchase orders/invoices, prior to the payment of these transactions.</p>	2016	<p>We note one up approval of purchase orders (PO) was implemented from 1 July 2019 and management has advised that all expenditure now goes through the Purchase Order system.</p> <p>This was tested during our final audit and we confirmed that the system enforces one up approval.</p>
Funding agreements with third parties		
<p>Formalise agreements, between external parties, prior to entering into any future financial transactions where third parties will be sharing costs with the District Council.</p> <p>Formalise agreements with the partners in Te Awahou Niuwe Stroom project on the partner's share of the fit-out costs for the Project.</p>	2018	<p>We confirmed, by inspecting the agreement from Content Manager, that the Council now has a signed Deed of Debt with Ngati Raukawa/ Te Taitoa o Maori Te Awahou.</p>
Lack of GST invoice		
<p>Ensure all expenditure is supported with a GST invoice.</p>	2019	<p>The expenditure items we tested were supported by the GST invoices (although please note new recommendation in section 4.2).</p>
Evidencing payroll reviews		
<p>Resume completion of the payroll checklist and have this independently reviewed, evidenced with a dated signature.</p>	2019	<p>We confirm that the payroll checklist reviewed by the Financial Manager is now evidenced with dated signature.</p>
Classification of assets under the 3 waters		
<ul style="list-style-type: none"> Revalue land and buildings integral to the 3 waters asset as part of the 3 waters class. Develop a methodology to revalue these assets outside of the land and building valuation cycle; and Reclassify non-integral land and buildings in 3 waters to the land and building asset class. 	2019	<p>The non-integral land and buildings, that were previously included in the 3 Waters assets, were reclassified this year and revalued with the other land and buildings.</p>

Recommendation	First raised	Status
Project management improvements		
Formalise the methodology for managing projects and ensure there is a planned approach to post implementation review in place.	2016	There is now a Project Management Policy in place (dated March 2019). It includes a section on Post Implementation Review (PIR) and there is a PIR template. This template assesses the overall success of the project, including reviewing the project's performance against original plans and performance against the original processes outlined for the project.
Elected members declaration of interests		
Implement a process to ensure elected members declare all interests and management perform a review for undeclared interests.	2019	Council implemented a declaration of interest form which gets signed by all the elected members. After signing the information is populated to the interest register. We confirmed, during our related party testing, that the District Council has developed the Promapp process and that a companies' register search was performed.
Contract management		
Retain all contract information and ensure it is appropriately filed and archived to enable monitoring of key KPIs and contract conditions. All contracts should be appropriately approved and payments approved in line with delegated authority.	2016	The register is available in Authority and it is the procedure for Contracts to be recorded and to set an update reminder. We inspected the procurement delegation report and confirmed that contracts are appropriately approved and payments are approved in line with delegated authority.
Expenditure as not approved within financial delegations		
Remind staff of their financial delegations and the rules within the financial delegations policy. Implement procedures in place to ensure all expenses are approved within the approver's financial delegation.	2019	System changes are now in place which enforces one up approval.
Landfill provision		
In calculating landfill provision at year-end, use the most recent publicly available discount rate.	2019	The most recent discount rate was used.

Recommendation	First raised	Status
Maintenance of fixed assets WIP schedule/depreciation		
Capitalise operational assets on monthly basis.	2018	Capital value records (CVR) covering operational and restricted assets are capitalised regularly.
Approval of the Chief Executive's expenditure		
Expenditure incurred by the Chief Executive should be approved on a one up basis, either by the Mayor (or his delegate) or the Chair of the Audit and Risk Committee.	2018	<p>We confirmed to latest invoices that the Chief Executive's expenditure were approved by the Mayor and Deputy Mayor.</p> <p>We note from our credit card testing that the monthly credit card statements for the Chief Executive were approved by the Mayor and Deputy Mayor (see section 4.2 of this report).</p>

Recommendations superseded by, or incorporated into, new recommendations

Recommendation	First raised	Status
Revaluation – Improvement in quality assurance		
Implement a quality assurance (QA) process to review the reasonableness of the revaluation workpapers/process before they are presented for review (peer review, Council review, and audit review).	2019	Incorporated into comments in section 5.1. We continue to find errors in the revaluation workpapers.
Completeness of CRM report provided to audit		
<ul style="list-style-type: none"> Review the parameters used to run the Customer Relationship Management (CRM) report to ensure that all relevant CRMs are included in the report used for service reporting; and Investigate “missing” CRM numbers to determine if they are genuine or not. 	2019	Superseded by comments in section 4.1. We found that successive calls received for an issue that has already been reported and subsequently sent to the contractors for action may not be recorded.
Recording of multiple complaints		
Ensure staff member assembling the performance report is well-versed with the DIA guidance on mandatory measures. This is especially important where the staff member completing the report has changed.	2019	Superseded by comments in section 4.1. We found that successive calls received for an issue that has already been reported and subsequently sent to the contractors for action may not be recorded.
Performance measure rules		
Continue to review the effectiveness of the collection and reporting of data.	2016	Covered by other recommendation (Performance Measures process on page 44).
Review of reported performance measurement information		
<p>We recommend that Council implement review procedures, over the non-financial performance measures, to ensure the information reported is accurate and complete.</p> <p>We noted several misstatements to the performance information reported in the Draft Annual Report that had to be corrected. This could have been prevented had an adequate review been performed over the data being reported.</p>	2018	Covered by other recommendation (Annual Reporting Process on page 36).

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the 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 our audit we have performed a limited assurance engagement related to the District Council's debenture trust deed. Other than the audit and this engagement, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$154,700 (excluding disbursements), as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period will be \$4,500 for our independent assurance over the District Council's Debenture Trust Deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the 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>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140
Phone: 04 496 3099

www.auditnz.parliament.nz



FAR Committee - Actions

File No.: 21/259

1. Purpose

To report back to the Finance, Audit & Risk Committee on requested actions.

2. Recommendation

- 2.1 That Report 21/259 FAR Committee - Actions be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Issues for Consideration

As attached.

Attachments

No.	Title	Page
A	Finance, Audit & Risk Committee - Officer Actions 2020/2021	118

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Lisa Slade Group Manager - People & Culture	
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Approved by	Lisa Slade Group Manager - People & Culture	
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HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
29/07/20	20/291	<u>Monitoring Report – Audit Recommendations 20/08/2019</u>	Letter requested from Audit noting recommendations that have been cleared	Jacinta Straker		Completed	Tabled to 30 June 2021 FAR Committee Meeting.
27/01/21			Response being pursued from Audit NZ.	Jacinta Straker		Completed	
28/04/21	21/156						
30/09/20	20/361		A site visit to be arranged for Elected Members to the Foxton Wastewater Treatment Plan	Kevin Peel	March 2021	Completed	A further site visit took place on Thursday 29 April 2021. A visit was held on Wednesday 24 March 2021. Unfortunately, 4 Elected Members were unable to attend. A second visit is being arranged for these members on 29 April 2021.
25/11/20	20/465	<u>Customer & Strategy – Activity Update</u>	To provide further information with regard to current and future	Megan Leyland		In progress	Awaiting changes to reports and processes

HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
			consenting activity – trends to be identified in the growth dashboard				
27/01/21	20/584	<u>Health & Safety Report</u>	Near miss reporting – further on this for the next FAR meeting	Tanya Glavas	April 21	Completed	Will be updated at next FAR committee meeting
24/02/21	21/40	<u>Infrastructure Operations – Activity Update</u>	Agenda Page 33: – Monthly Compliance Reporting for Drinking Water Supply – Water Treatment – why N/A for FB, Levin and Shannon – Chemical Compliance Requirements – explanation of the acronyms	Kevin Peel	March 2021	Completed	Explained/updated in the Alliance’s monthly reports. Acronyms will no longer be used.
31/03/21		<u>Public Participation</u>	Respond to issues raised by Vivienne Bold in relation to the various notes Eight Month Report – Statement of Comprehensive Revenue	David Clapperton		Completed	CE distributed notes from Vivienne Bold to Councillors as there were no specific questions to be able to formulate a response.

HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
			& Expense by Activity				
		<u>Infrastructure Operations – Activity Update</u>	Levin Wastewater Treatment Plant digesters – one digester had failed and replacement options being looked at - report to come to Council, including any risks to Council	Kevin Peel	July 2021	Ongoing	It will take 2-3 months to decommission the digester before an in-depth inspection can take place to ascertain what options are available. A cost/benefit evaluation will then be undertaken on the available options to determine the appropriate way forward. Following this work a report will be prepared for Elected Members.
28/04/21		<u>Public Participation – Internal Audit Report</u>	To meet with Mr Te Whena Lewis to provide more information about the arrangement between Ngāti Wehi Wehi and Council	David Clapperton		Ongoing	
	21/138	<u>Health & Safety Report</u>	SafePlus Audit report to be included in the next	Tanya Glavas		Completed	Final report received 21 May 2021. Will be included

HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/ Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
			FAR Health & Safety Report				in next H&S Report.
	21/157	<u>Internal Audit Report – Year Ended 30 June 2019</u>	<i>THAT as recommended by the Internal Auditor, the Finance, Audit & Risk Committee recommends that the Horowhenua District Council takes the appropriate steps to formally ratify the procurement of services through the Horowhenua New Zealand Trust, to include the whole of life procurement cost of \$2,100,000 and the first instalment of \$375,000 paid in October 2018.</i>	David Clapperton		Completed	A resolution addressing this was passed at the 9 June 2021 Council meeting.
			<i>THAT the Chief Executive Officer be asked to report quarterly on the progress of outstanding recommendations in the Internal Audit Report.</i>	David Clapperton		In progress	Monitoring Report created, first quarter report due at the June FAR Committee Meeting.

HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
	21/158	<u>Finance, Audit & Risk Committee Work Programme</u>	Proposal to confirm items to be included to be brought back to a future FAR meeting	Nicki Brady/ Jacinta Straker		Completed	Work programme briefing with Council 19 th May 2021
	21/155	<u>Infrastructure Development – Activity Update</u>	How were the barbeques at the Foxton River Loop powered	Brent Maguire		Completed	The BBQs are electric. They are hard-wired into the Park's electrical circuit which made them robust, reliable and always available.
	21/153	<u>Infrastructure Operations – Activity Update</u> Water NZ National Performance Review	With the data in the Infrastructure leakage index being from 2010, more current data for Horowhenua was requested	Kevin Peel		Completed	The 2010 reference in the Infrastructure Leakage Index refers to the document 'Water New Zealand, Water Loss Guidelines, 2010' the data record was HDCs current leakage data from the previous year.
	21/92	<u>Customer & Strategy – Activity Update</u>	New Dwelling Units consented - just over 200 over the past few years, with the trend going up – information requested as	Jacinta Straker		Completed	Addressed in the CE's Public Participation Report 21/167 – 26 May 2021

HOROWHENUA DISTRICT COUNCIL
FINANCE, AUDIT & RISK COMMITTEE
OFFICER ACTIONS
Queries from meeting to be addressed

Date	Item/ Report No.	Item/Report Description	Query/Action	Responsible Officer	Date to Action by	Progress Status	Officer Comment
			to what that would equate to in lost revenue with DCs not being in place				
	21/42	<u>Treasury Report</u>	Some scenarios requested as to potential options to protect the long term interest rate risk for Council	Jacinta Straker		In Progress	Work being undertaken to support LTP deliberations

Exclusion of the Public : Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Cyber Security

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.