

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

Date: Wednesday 24 June 2020
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	Mr Doug Law	(Chief Financial Officer)
Meeting Secretary	Mrs Karen Corkill	

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Full Agendas are available on Council's website
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Full Agendas are also available to be collected from:
Horowhenua District Council Service Centre, 126 Oxford Street, Levin
Te Awahou Nieuwe Stroom, Foxton,
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, 27 May 2020

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 too 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

Projects Update

File No.: 20/217

1. Purpose

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

2. Recommendation

- 2.1 That Report 20/217 Projects 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. Issues for Consideration

As provide in the **attached** reports.

Attachments



No.	Title	Page
A	Project Report - Tokomaru Water Supply	8
B	Project Report - Tokomaru Wastewater Discharge	13
C	Project Report - Foxton Beach Stormwater	18
D	Project Report - North East Levin Stormwater	22
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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 benefits and costs, 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)	Kevin Peel Group Manager - Infrastructure Operations	
Approved by	David Clapperton Chief Executive	

Tokomaru Water Supply - Overview

Project Overview Summary

Project objective:

Renew water take consent(s) for Tokomaru Water by 30 March 2020, within budget.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none"> Application has been lodged and was notified. Submissions closed October 2019. Two submissions received, both in support. CIA by Ngati Whakatare completed. Approvals obtained from Department of Conservation, Drinking Water Assessor, TMI Rangitaane and Fish & Game. 	<ul style="list-style-type: none"> Get Submitter sign-off on draft conditions (two submitters, both in support. One of the submitters has already signed off on draft conditions) 	<ul style="list-style-type: none"> Existing consent will continue to be active until new consent is resolved. District and Regional Council have agreed draft conditions (3 June) Submitters have been requested to respond by 10 June to Regional Council on the draft conditions. One submitters has responded to date and agreed to draft conditions

Overview of project:



Abstraction from Tokomaru River

Infiltration gallery below bed of the river, Horseshoe Bend. There are no structures in the flowing water.



Treatment & Storage

Membrane filtration treatment plant located on Tokomaru East Road. Approx. 500 m³ (2 days) of storage.



Community Served

Tokomaru Village & some rural residential properties. Properties outside of the village and any non-residential uses are metered.

- 222 connections of which 34 are metered

Growth is projected. There is residential and greenbelt residential land zoned to the north of the village. Council's Growth Strategy 2040 also identified potential additional growth areas.

Existing Consent

- Abstract up to 864 m³/day, at maximum rate of 36 m³/hr
- No conditions for metering of abstraction
- No conditions requiring water conservation measures

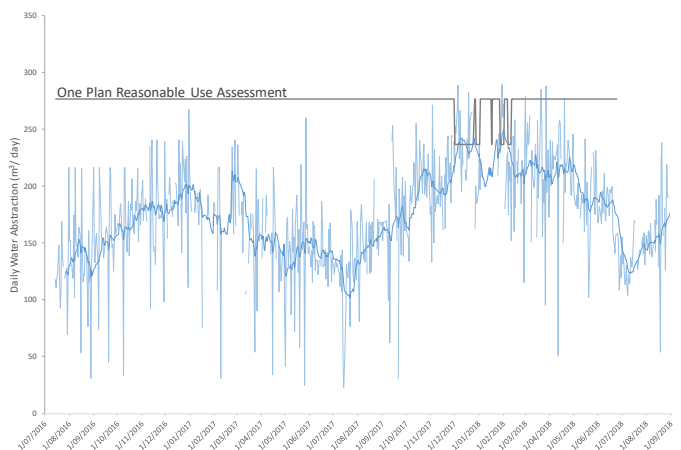
Consent sought

- Reduced consent limits to better match demand, but retain higher abstraction rate when needed to fill up storage
- Abstraction metering & telemetry
- Water conservation measures at times of low flow
- Optimise use of storage to reduce abstraction as much as possible during times of minimum flow

How much water does the community use?

This graph shows the community’s use over the last two years.

The graph shows the water abstracted compared to what would be considered “reasonable and justifiable” under the One Plan policies (grey line). Where the grey line drops down, this is when the River flow was below minimum flow and water conservation measures would be expected to be implemented under the One Plan.

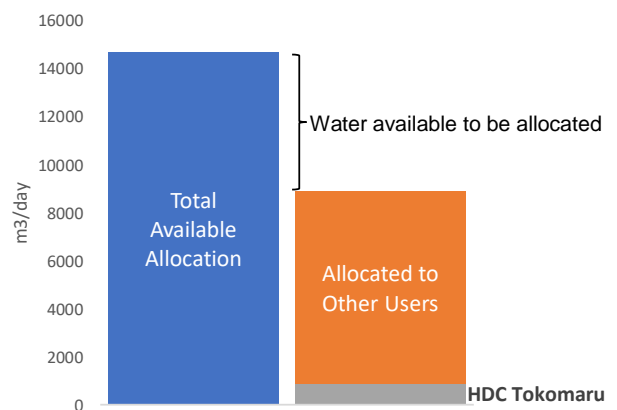


Water Allocation & Ecological Effects

Under the One Plan’s allocation regime, 61% of the cumulative core allocation for the zone is allocated.

HDC’s current allocation for Tokomaru represents 6% of the cumulative core allocation.

The One Plan provides for community takes to continue (with water conservation measures in place) when the River is below minimum flow (240 L/s). An ecological assessment found that the effects of the abstraction when the River is below minimum flow are less than minor.



Work to date:

Consent application has been lodged and a s92 request for further information has been responded to. Consultation has been undertaken with key stakeholders as noted below.

The application is currently being processed by Regional Council. The application was publicly notified by Regional Council on 6 September 2019. Submissions closed 4 October 2019.

Two submissions were received, both of which support granting of consent.

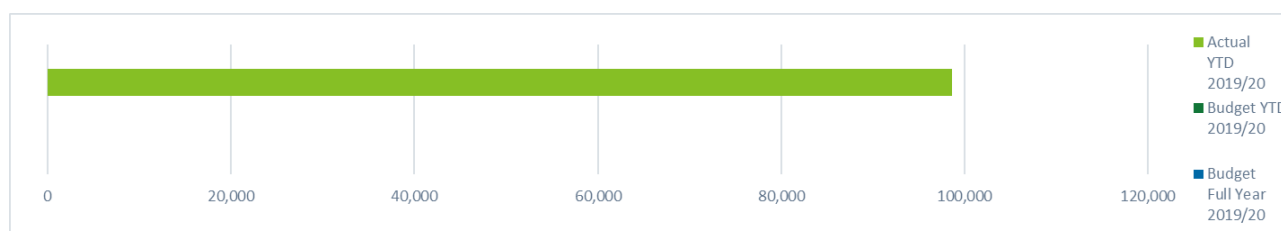
Draft conditions were received from Regional Council 21 November 2019. These have been discussed internally and HDC has confirmed its position. A response to the draft conditions was provided to Regional Council in March 2020 and their technical team has since considered the requested changes. The draft conditions are generally acceptable with the exception of a low flow restriction on abstraction. The original draft conditions required abstraction to be reduced to 237 m³/day at times of low flow. In this situation, if there are extended periods of low flow then supply may be affected. The draft conditions also do not provide for the low flow abstraction limit to be increased as the community grows. An amended suite of conditions has been developed and has been provided to the Regional Council for their consideration.

As of 3 June 2020, draft conditions were agreed between Regional and District Council with a suite of consent conditions that Council officers have advised are acceptable. The draft conditions have been circulated to the two submitters – both of the submitters requested to be heard but are in support of the consent being granted. If the submitters accept the draft conditions as expected, then the consent can be granted without a hearing. As of 9 June, one of the submitters, being MidCentral Health, has advised that they accept the draft conditions and do not require the application to proceed to hearing. They have also advised that if it does go to hearing, they reserve the right to speak at the hearing in support.

It is expected that consent will be able to be granted without the need for a hearing.

The consent would be granted with an expiry date of 2038.

Financials:



Project	Actual YTD 2019/20	Budget YTD 2019/20	Budget Full Year 2019/20	Variance in \$	Variance in %
Tokomaru Consents - RENEWAL	98,691	0	0	(98,691)	(100%)

Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for Quantity of Water allocated to be insufficient for growth.	4C/3L	Significant	Application proposed consent conditions to be structured to allow for further approval at time of growth in the community. Draft conditions provide for community growth as projected in Growth Strategy 2040, subject to meeting HDC and One Plan water use targets. Ensuring water sensitive design.	3C/2L	Moderate
Financial	Notification leading to hearing and appeal costs.	4C/4L	High	Consultation and engagement with key stakeholders during submission period. Proceed quickly to pre-hearing to focus on RMA issues. Submissions closed with two in support. Draft conditions have been agreed with Regional Council	4C/1L	Low
Service Delivery	Consent decision may include significant constraints on take at minimum flow.	4C/4L	High	Conditions agreed with Regional Council provide for abstraction at times of low flow which is as per One Plan policy and for projected growth.	4C/1L	Low

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Engagement is ongoing with Ngāti Whakarete and a Cultural Impact Assessment has been commissioned. This was received end of 2019. Recommendations from the CIA were:

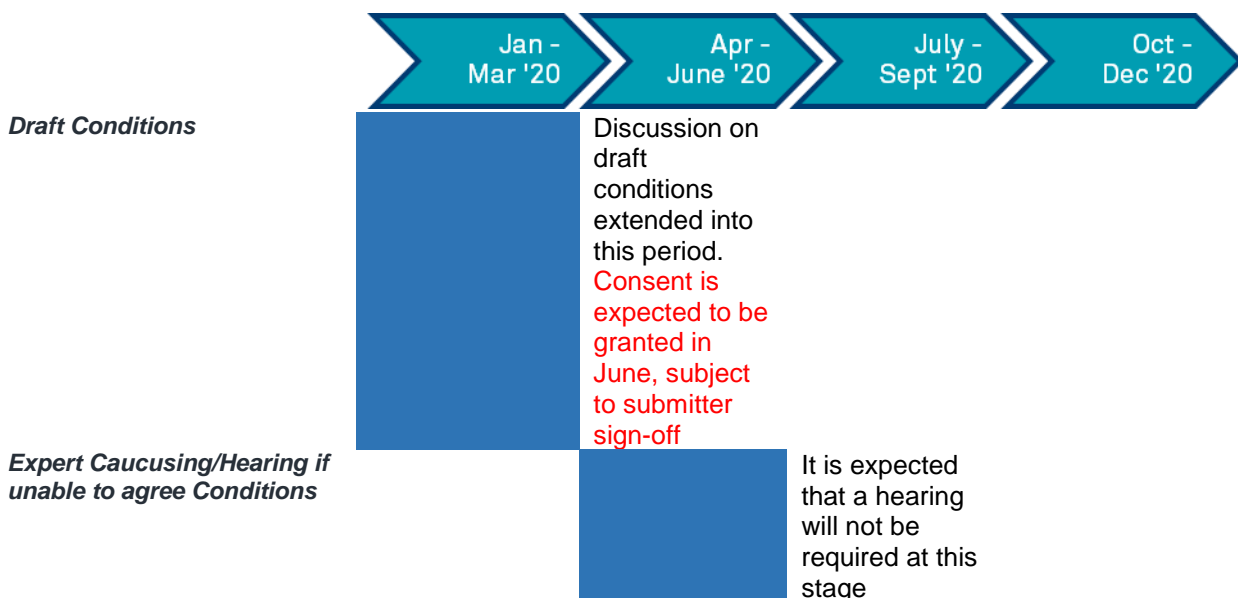
- “1. HDC agree to enable regular stream health and mātauranga Māori monitoring of the Tokomaru Awa, where possible with annual participation from ngā kura (Tokomaru and Shannon schools) to build intergenerational kaitiaki capacity;
2. HDC agree to resource the capacity of Ngāti Whakarete and collaborate directly with the hapū to manage the Tokomaru water supply take and other activities at the Horseshoe Bend Reserve significant area/site;
3. HDC agree to resource Ngāti Whakarete to collaborate with Council to develop communication (possibly signage or an information whare similar to Tū te Manawa) acknowledging the cultural significance of the Horseshoe Bend Reserve area; and
4. Regular meetings between HDC and Ngāti Whakarete representatives are needed to progress and achieve these recommendations.”

TMI Rangitaane have been consulted and have provided a letter of support.

Written approval has been obtained from Department of Conservation, Fish and Game Council and a letter of support has been received from the District Health Board.

Two submissions received were in support of grant of consent. No submissions were received in opposition.

Timeline:



Tokomaru Wastewater Discharge - Overview

Project Overview Summary

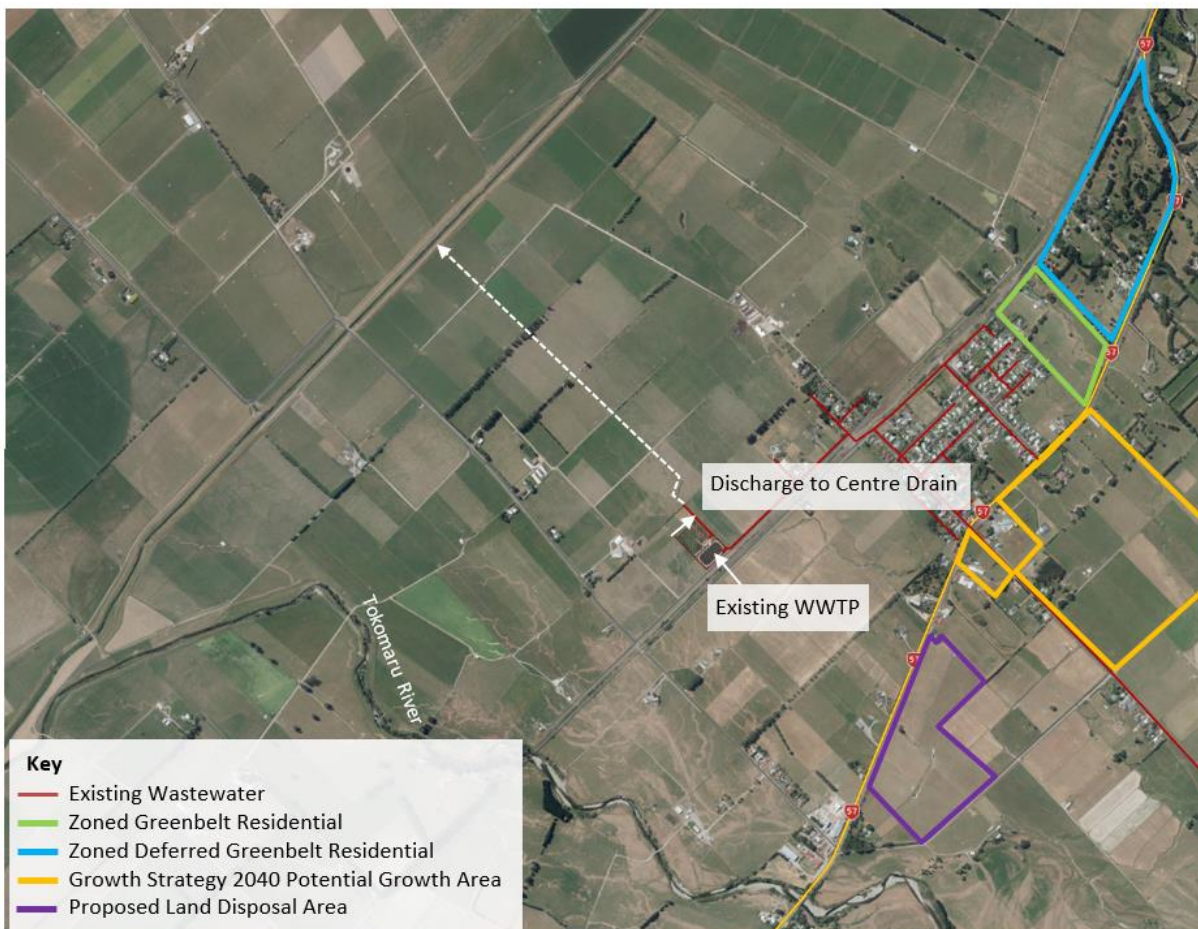
Project objective:

The project's aim is to:

- (a) agree on a renewed five (5) year discharge consent to water with Horizons Regional Council and key stakeholders;
- (b) with the community and key stakeholders, agree on a long term treatment and discharge option before 2022.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none"> Council commitment to land based, long term disposal. Short term consent sought for discharge to water to provide time to investigate, design, and consent land based option. MfE Funding assisted with purchase of land. Work on the long term land disposal project has been initiated. Wastewater Working Group has been established. Long Term Project commenced. 	<ul style="list-style-type: none"> Resolve short term consent with Horizons and submitters. Investigations Phase of Long Term Treatment and Disposal Project. - In progress with timeframe from March-October 2020. 	<ul style="list-style-type: none"> Council hopes to have short term consent resolved early 2020 - now likely mid 2020 Pre-hearing meeting was held 27 February and revised draft conditions have been circulated to submitters. 12 of 15 have agreed to draft conditions; 1 has not accepted draft conditions; 2 are in discussions. Hearing on short term consent end of July Collaborative working on long term treatment and disposal option - Long Term consent application to be lodged no later than December 2022.

Overview of project:



Work to date

Short-Term Consent

- The existing wastewater discharge is a combination of discharges to ground via the base of a wetland and also discharges direct to Centre Drain at times of high flow.
- A short term (5 year) consent has been sought to allow the status quo operation while the long term land disposal option was progressed.
- The short term consent was publicly notified and a pre-hearing meeting held. The application was on hold while draft conditions were agreed between District and Regional Councils. This included engaging ecologists to develop a monitoring programme which is now being implemented.
- Ngati Whakatere has been engaged to undertake a Cultural Impact Assessment which was completed late 2019.

Conditions for the short-term consent have been agreed with Regional Council and are were circulated to submitters throughout 2019. The Wastewater Working Group was convened on 27 February 2020. A pre-hearing meeting was immediately after the Working Group's initial meeting for that purpose. At that meeting, a short term consent expiry date of June 2023 was agreed reflecting the proposed lodgement date for the long term option of December 2022. Some minor revisions to the draft conditions were agreed and Regional Council circulated the revised draft conditions to submitters requiring feedback by 20 March 2020. Current status of submissions is that:

- 12 have agreed to draft conditions
- 1 has advised they do not accept the draft conditions
- 2 have responded with comments, and discussions are ongoing. This includes one that is seeking some minor amendments that are likely to be acceptable; and Ngati Whakatere who have indicated that resolution is likely to be reached but have requested until 20 May to respond. **No substantive response was able to be provided by end of May, however, it has been discussed further with Ngati Whakatere and further information & hui is expected in June / July.**

Regional Council have advised that they require the short term consent application to proceed to a hearing given that substantive effort has been made to seek submitter agreement and at least one submitter is no accepting the draft conditions. The project team are currently working with Horizons to arrange a hearing which is expected to a be a 1-day or less hearing and occur towards the end of July.

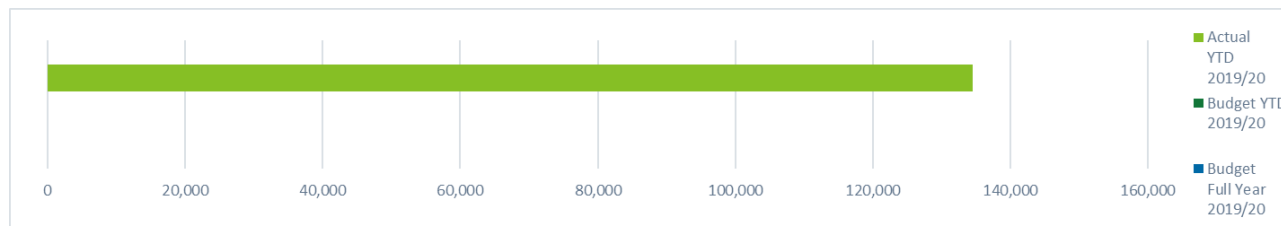
Long Term Land Based Treatment Option

Council has made a commitment to working with iwi and the community to investigate and implement a long term land based treatment option. Stakeholder (Working Party) feedback has been that they wish to ensure all options to remove wastewater discharge to water are explored.

Central government funding has been secured and this has assisted Council to purchase land which is considered suitable for the purpose.

Work is underway on this project with the Wastewater Working Group having been established and the Investigation Phase commenced March 2020 and is intended to run through to October 2020. A key part of this work includes inflow & infiltration assessments (as requested by stakeholders) as well as planning as to how growth areas may be serviced and impacts on wastewater flows over the life of the long term solution. Current work is focused on the investigation phase including measures to accelerate the project to reach a preferred solution and lodge applications as soon as practicable.

Financials:



Project	Actual YTD 2019/20	Budget YTD 2019/20	Budget Full Year 2019/20	Variance in \$	Variance in %
Tokomaru wastewater treatment plant - Consent renewal	134,525	0	0	(134,525)	(100%)

Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for HRC to determine not to grant consent.	4C/1 L	Low	Ensure that community is clear that this is a short-term consent to allow for investigation of land based option. Hearing may be required if submissions not resolved. Regional Council support proposed conditions.	4C/1 L	

Risks for long term project are currently being identified.

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 - Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Council has been engaging with submitters on the short-term discharge consent application as noted above.

A draft consultation plan has been developed for the long term land based disposal project. That plan identifies the likely matters of consultation to include:

- “• *Disseminating and communicating information as to how the wastewater services are provided, the quality and amount of discharges, and the Council's understanding of the effects of those discharges on land, water and air quality.*
- *Obtaining an understanding from tangata whenua as to the effects of the discharges to land, air and water receiving environments, and the relationship of tangata whenua and their culture and traditions with their ancestral lands, water, sites, waahi tapu and other taonga, as well as the ability of tangata whenua to exercise kaitiakitanga.*
- *Obtaining an understanding from affected parties as to their concerns with the wastewater discharges and how these may be mitigated.*
- *Working with tangata whenua and with stakeholders to identify and obtain input into the assessment of options for treatment and mitigation.*
- *Working with community to understand the servicing requirements and desired outcomes.*

In undertaking consultation, Council and its appointed consultants and technical experts will:

- *be flexible and adaptable to the needs of all parties.*
- *be open with science, data and technical information, and will provide ready access to technical experts.*
- *facilitate a collaborative process and will be proactive about seeking a common understanding of effects and identifying options for mitigation.”*

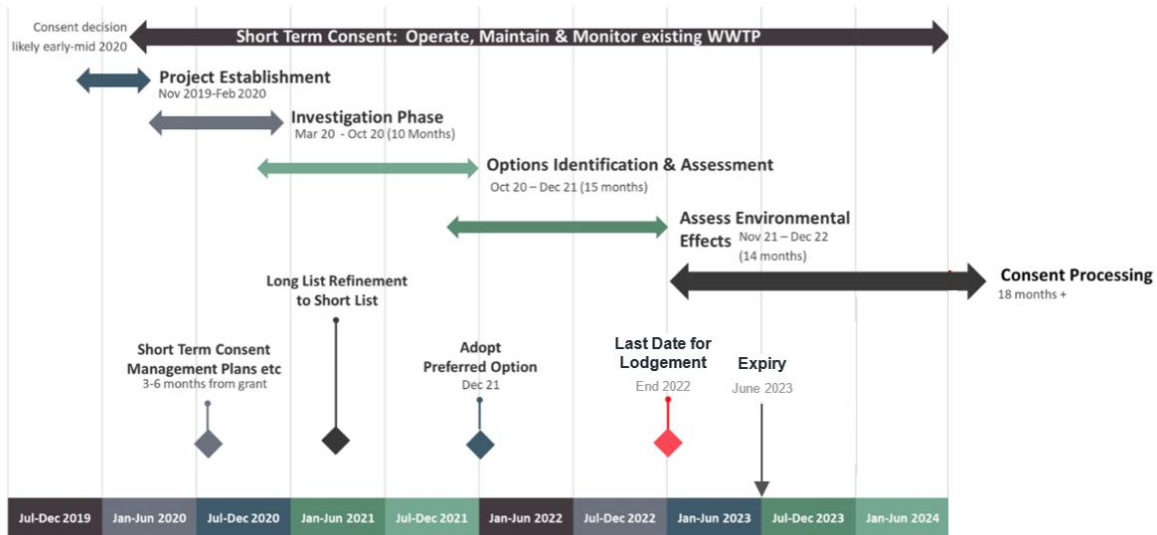
The Consultation Plan is a living document and HDC intends to conduct an adaptive consultation process which can be flexible to fit the needs of the parties being consulted. Early engagement will focus on identifying the preferred means of engagement, the best methods for provision of information and the type of information and discussions sought.

This notwithstanding, the proposed consultation methods at this time are as follows:

- Separate engagement with each of the three tangata whenua groups and their respective hapu / marae (Ngāti Raukawa ki te Tonga, Ngati Whakaterere and Rangitāne o Manawatu):
 - Initial meetings to establish relationship, provide overview of the project and establish process and scope for consultation and engagement.
 - Liaison as necessary to confirm engagements (scope, timing, costs) for Cultural Impact Assessments.
 - Separate hui with each group throughout the project. The purpose of each hui to be agreed prior to meeting but is likely to include updates on work programme including monitoring and investigation results and outcomes, discussion and understanding of cultural impacts, and workshop style discussions as to potential mitigations.
- Ngati Whakaterere has advised they are considering how they wish to be engaged with during the long term project and will provide advice on this by the end of May; site meetings and initial discussions have been held with Rangitāne (February-March 2020) and initial discussion has been held and information has been provided to Muaūpoko Tribal Authority to ascertain if MTA has an interest in the project.
- Directly Affected Parties: Meetings / workshops with each of these groups during the course of the work programme.

- Tokomaru Wastewater Working Party: Meetings twice yearly during the course of the work programme.
- Wider public consultation: To be undertaken through HDC communications and website, with project newsletters / updates and requests for feedback / comment.

Timeline:



Current work is focused on the investigation phase, and the work programme is being reviewed to identify and implement opportunities to accelerate the work programme to move towards a preferred option and lodgement as soon as practicable.

Foxton Beach Stormwater Consent

Project Overview Summary

Project objective:

To agree on stormwater discharge consent with Horizons Regional Council and key stakeholders.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none">• Consents are required for Council's stormwater discharges to the Manawatu Estuary.• An application for consent is currently being prepared.• Monitoring and engagement with mana whenua is ongoing.	<ul style="list-style-type: none">• Ongoing engagement with mana whenua.• Ongoing stormwater monitoring to confirm quality of discharges.• Ecological effects assessment.• Investigation of elevated sources of contaminants in the discharge	<ul style="list-style-type: none">• A draft application has been prepared. Lodgement dates will depend on consultation timing and effects assessment timelines.• Agreed with Regional Council for application to be lodged mid-June and placed on hold while investigations & consultation continue. On track for lodgement.

Overview of project:

The project is to obtain stormwater discharge consents for the existing stormwater network.



The discharge points are shown in the diagram above. There are five discharges direct to the Estuary, some seepage to ground through the attenuation ponds, and some discharges direct to Whitebait Creek.

Council's policy is that properties are required to provide on-site stormwater management (generally through soak pits). The consent application is for Council's stormwater network only and doesn't include the on-site soakage pits on private property.

Some of the discharges are direct to the Estuary (eg those on Dawick, Robbie, and Hartley Streets). The Holben stormwater discharge is a pumped discharge and includes some attenuation and treatment via the plantings and detention areas in the reserve and recreational areas. There are also attenuation ponds in the subdivision to the north-east of the community.

Work to date:

Modelling of the network has been undertaken to assess network capacity, flooding areas and estimated stormwater quantities.

A monitoring programme of the quality of the stormwater discharges and the effects on the Estuary is underway.

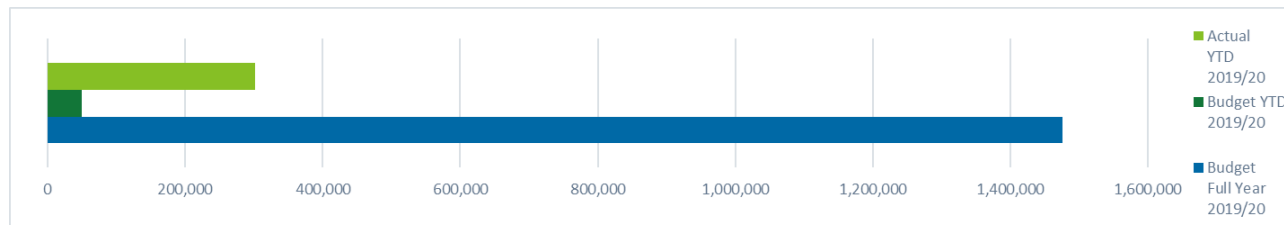
An ecological effects assessment is in progress. The first stage has been to assess likely risks so that the monitoring programme can be refined, and a more detailed effects assessment is now being undertaken in conjunction with the monitoring programme which is being implemented. Consultation is ongoing with iwi groups to develop a framework for cultural health monitoring and undertaking cultural impact assessments.

Monitoring results to date indicate elevated concentrations of zinc, phosphorus and E.Coli have been identified in the discharge from Linklater Ave catchment. Potential sources for these contaminants are currently being investigated. An interim ecological effects assessment has been completed which has identified elevated levels of E Coli in various locations, as well as high levels of zinc in one of the smaller catchments. **Further assessment of zinc levels has identified that there is low potential for any effects on aquatic species via accumulation. An investigations programme has been developed and will be implemented now that we are out of lockdown and site work restrictions are lifted. The investigation programme is targeted to identify sources of the contaminants and develop a remedial programme of actions. District Council has engaged with Regional Council on this matter and it was agreed with Regional Council to lodge the consent application mid-June with a request that the processing of the application be placed on hold while the investigations are undertaken. Work is on track for lodgement mid-June.**

Council is also working on a proposal to provide stormwater treatment with the Holben Reserve which will assist to improve stormwater quality prior to discharge to the Estuary. The Council's Parks Team has prepared a concept plan which will treat stormwater from the Holben catchment via a new wetland in Holben reserve. The wetland design objective is assist to meet receiving water environmental standards prior to discharge. This proposal significantly assists the consenting process as it means that Council can commit to meeting receiving water targets for a significant portion of the urban stormwater which is also the portion that discharges to the most sensitive part of the Estuary. The wetland proposal has been discussed in the draft AEE documentation.

Financials:

Budget for Foxton Beach Stormwater Consent is part of a wider Stormwater District Wide budget.



Project	Actual vs Budget				
	Actual YTD 2019/20	Budget YTD 2019/20	Budget Full Year 2019/20	Variance in \$	Variance in %
Foxton Beach Stormwater Consent et al.	301,473	50,000	1,476,000	(251,473)	(503%)

Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for HRC to determine that consent should not be granted.	4C/2 L	Significant	Detailed documentation in the consent application to show that the discharge is controlled effectively Investigation of elevated contaminants. Provide for time and cost for hearing process if needed.	3C/2 L	Moderate
Financial	Cost of hearing and potential appeal process	3C/4 L	Significant	Pre-lodgement consultation. Manage process and pre-hearing discussions to focus on RMA matters as far as possible.	3C/3 L	Significant
	Mitigation costs to address potential effects / consent conditions	3 C/ 3L	Significant	Ensure clear messaging re low risk stormwater system. Effects evidence-based assessment of need for mitigation.	2 C/ 3L	Moderate

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Consultation is ongoing with iwi groups. Discussions have been held with Te Runanga o Raukawa and Rangitaane and feedback received on the monitoring programme. Discussion is also occurring regarding the monitoring results to date and subsequent investigation programme. **A hui is to be held in June with Rangitaane to initiate a CIA process.** The project team has also engaged with MTA to ascertain if they have an interest in the application.

Consultation letters have been sent to nine parties who are registered as claimants under the Marine and Coastal Area Act; Initial discussions have also been held with Department of Conservation and ongoing engagement with the Department will occur while the investigations are undertaken. Pre-lodgement consultation has also been undertaken with the District Health Board.

Timeline:

	Jan - Mar '20	Apr - June '20	July - Sept '20	Oct - Dec '20
Engagement with iwi			To continue into this quarter	
Stormwater monitoring				
Ecological effects assessment				
Complete AEE & Application			AEE to be lodged mid June	
Stormwater contaminant investigations & Assessment				
Consent Processing				

North East Levin Stormwater (Discharge to Koputaroa Stream Tributary)

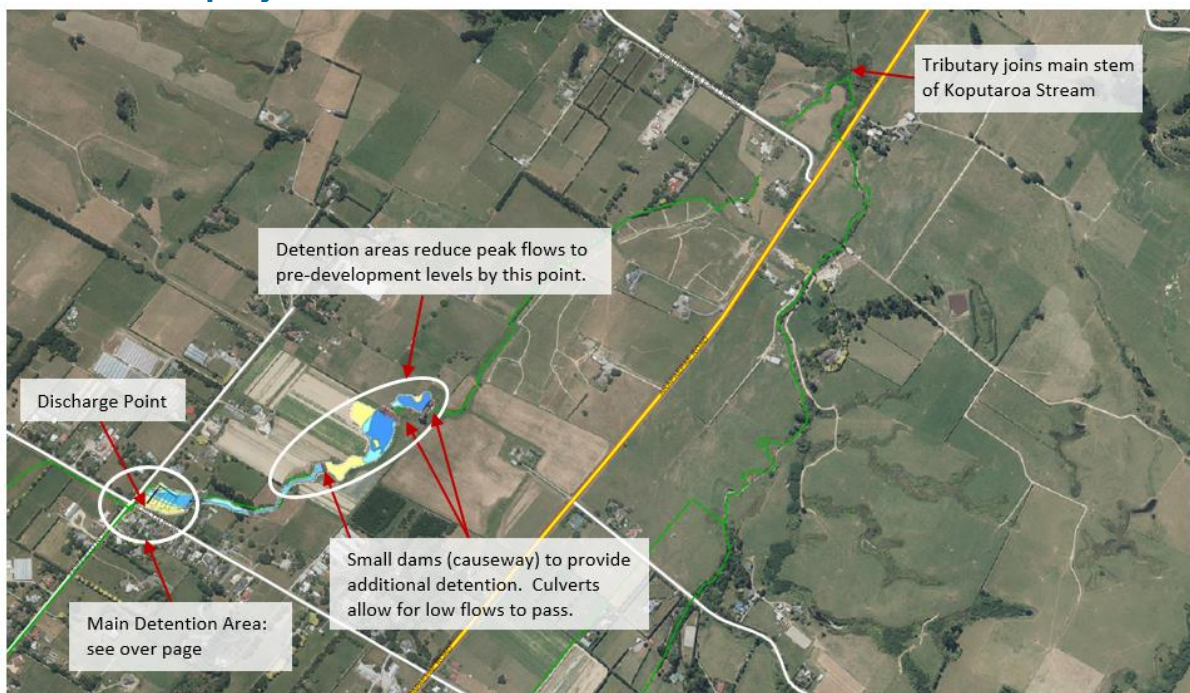
Project Overview Summary

Project objective:

To obtain resource consents for additional stormwater discharge to the Koputaroa Stream tributary by December 2019.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none"> • Consent required due to increase and change in stormwater that will occur from land use change (residential development). • Application lodged. • Revised AEE submitted 28 June and being processed by Horizons. • Regional Council notification report assessed effects less than minor except for cultural effects which are not yet resolved. • Submissions closed 23 October. 	<ul style="list-style-type: none"> • Work with Regional Council (Rivers) to identify/confirm appropriate mitigation. Agreement on without prejudice basis has been achieved with Regional Council • With Regional Council Rivers, engage with submitters on proposed mitigation. • Pre-hearing meeting. • Commencing to work with NZTA re O2NL implications 	<ul style="list-style-type: none"> • Pre-hearing may be held 2020. • Hearing to follow if unable to resolve via pre-hearing.

Overview of project:



Reason for Consent
Increase in stormwater flows and change in composition due to rezoning and future residential development in North East Levin; redirection of some stormwater away from Lake Horowhenua.

Proposed Mitigation
Council has purchased land at discharge point and will create a treatment and detention area (see over page). Additional detention areas proposed on tributary stream. Embankments & culverts to be designed

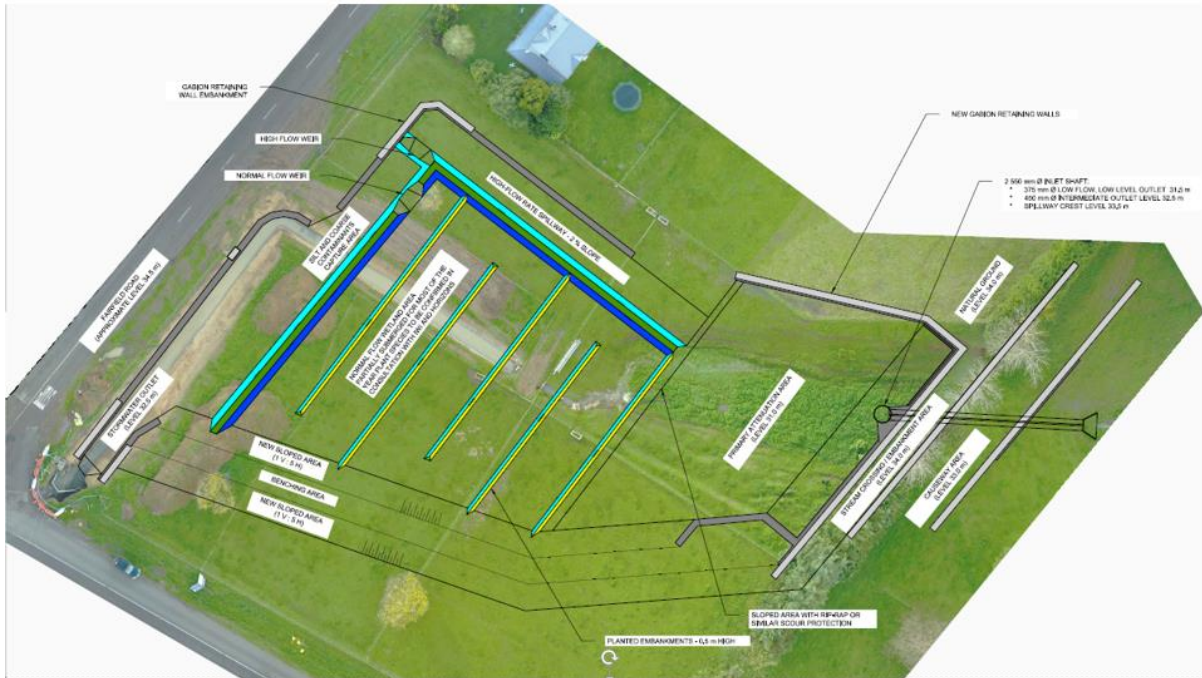
Effects Assessment
Detention areas designed so that there is no increase in flow in the Koputaroa Stream. Ecological assessment considered effects of discharge to be less than minor. No concerns regarding the

Consent is also required for construction of mitigation measures (detention areas).

for fish passage. Erosion & Sediment Control Plans for construction of detention areas.

construction of the detention areas. Recommend fish recovery during construction. Planting & maintenance plan to be developed.

Detention Area Proposal in more detail:



In low flows, stormwater travels through the first stage of the detention area in a zig-zag manner to maximise travel time; this area will be planted with wetland type species to treat stormwater. Planting plan is to be confirmed with iwi and Horizons. The embankment includes a low-level culvert to ensure low flows can continue to flow downstream.

In high flows, detention is provided to capture and treat peak runoff. Peak discharge in 100 year event will be less than existing.

Work to date:

- Cultural Impact Assessment by Muaūpoko Tribal Authority.
- Lodgement of consent application and responses to s92 requests.
- Development of mitigation proposals and design of attenuation area to increased stormwater flows and provide treatment at the discharge point.
- Engagement with mana whenua and landowners on tributary.
- Water quality monitoring & ecological assessment.

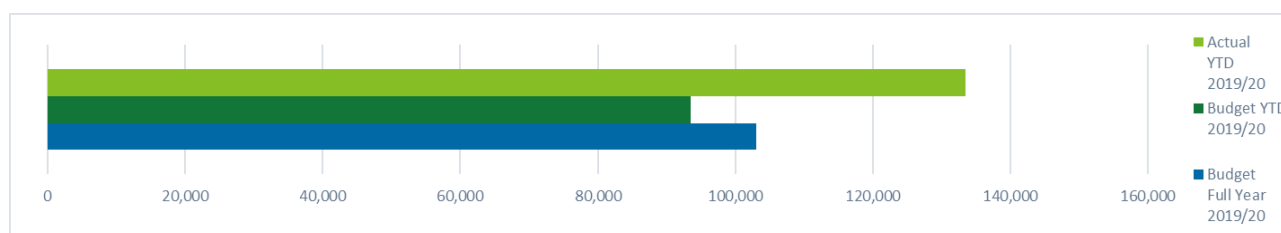
A notification decision provided by Regional Council summarised the Regional Council’s technical assessment of the information submitted by Regional Council. That assessment identified the effects (after construction of the proposed attenuation areas) were considered less than minor with the exception of cultural effects as cultural impact assessments had not yet been made available from Raukawa or Rangitaane. A CIA has been commissioned from Raukawa. A formal CIA has not been received, however a cultural values statement has been provided by Raukawa. Rangitaane has provided a letter of support.

District Council met with representatives of downstream landowners and has agreed to work with Regional Council to identify any mitigation options which could address issues associated with capacity and performance of the Koputaroa Drainage Scheme including from receiving stormwater from the existing urban area. This work has been discussed with Regional Council (Rivers) and an agreement has been reached with Regional Council Rivers Group as to an acceptable mitigation package. **A draft condition has been agreed with Regional Council Rivers for the mitigation package which is a contribution to the upgrading of the Scheme stop-banks. As part of the agreement, Regional Council will advise the scheme contributors that they consider this the most appropriate mitigation package and will also provide evidence in support of this opinion if it proceeds to hearing.**

The application was notified and submissions closed 23 October 2019. Sixteen submissions were received of which two are in support and the remainder in opposition. The majority of submitters in opposition are seeking pumping at downstream end of Koputaroa Stream with some also seeking raising of Tavistock Road. These options are being considered at present.

Council is engaging with Horizons Rivers Group and other submitters to seek to identify acceptable mitigation options that will enable consent to be granted. Council has agreed with Regional Council Rivers Group, on a without prejudice basis, to mitigation measures to address any potential effects on the Koputaroa Drainage Scheme. Draft conditions have developed and Regional Council Rivers will assist District Council with communication to submitters as to the mitigation package and the benefits for the scheme.

Financials:



Project	Actual vs Budget				
	Actual YTD 2019/20	Budget YTD 2019/20	Budget Full Year 2019/20	Variance in \$	Variance in %
Improvements NE Levin	133,464	93,500	103,000	(39,964)	(43%)

Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for consent not to be granted. Impact on development in NE sector.	3C/2 L	Moderate	Effects assessment. Clear messaging to the community on the benefits. Costs to be incurred for notification and hearing process if necessary.	3C/2 L	Moderate

Financial	Potential for notification & hearing costs / delays.	3C/4 L	Significant	Manage process and pre-hearing discussions to focus on RMA matters as far as possible.	3C/3 L	Significant
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Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

A draft Cultural Impact Assessment has been completed by Muaūpoko Tribal Authority; concerns raised were potential damage of significant sites, leakage to streams and springs, accidental discovery of taonga, and stream's capacity for additional flow and velocity. MTA recommended that consent be granted with conditions that address these concerns. HDC has accepted the conditions recommended by MTA and incorporated these into the application.

Engagement and high-level discussion with Raukawa. Kereru marae have been engaged to prepare a CIA (2017). A formal CIA has not been provided, however Raukawa have developed and provided a cultural values statement.

Regional Council advised they require consultation with Rangitaane o Manawatu as the Koputaroa Stream feeds into the Manawatu River which is within Rangitaane's Statutory Acknowledgement Area. Consultation with Rangitaane has been undertaken and Rangitaane have provided a written letter of support.

Landowners where works are proposed have previously been consulted with and are generally supportive of the proposals. Further engagement with these landowners as well as downstream parties is currently being carried out. Landowners on Koputaroa Stream have expressed significant concerns with potential downstream flooding effects and have submitted in opposition. Council has engaged with Regional Council Rivers Group as the managers of the Koputaroa Drainage Scheme and a mitigation package has been agreed which the Rivers Group considers is the most appropriate outcome for the scheme. **As noted above, Regional Council Rivers Group will advise the scheme contributors (who are also submitters) that the mitigation packaged is considered the most appropriate for the scheme.**

NZTA has advised they have no concerns with the proposal and did not submit.

Timeline:

	Jan - Mar '20	Apr - June '20	July - Sept '20	Oct - Dec '20
Engagement with affected parties		Extended into this period in order to seek resolution		
Pre-hearing		Will be in this period if required		
Potential Hearing			If submitter sign-off is not achieved	

Levin Stormwater Consent

Project Overview Summary

Project objective:

To obtain resource consents for stormwater discharges by June 2020.
(This is original date for s92 response to application – consent processing will proceed after s92 response is provided)

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none">• Consents are required for Council's stormwater discharges to Lake Horowhenua.• An application for consent has been lodged and is on hold while HDC works on consultation, monitoring and mitigation options.	<ul style="list-style-type: none">• Engagement with mana whenua (in progress).• Stormwater monitoring to confirm quality of discharges (in progress).• Ecological effects assessment (in progress).• Confirmation of BPO and mitigation measures	<ul style="list-style-type: none">• The application has been lodged with the Regional Council.• The application is on hold while consultation and further investigations are completed - due June 2020.• Discussion with Horizons officer occurred in May re progress and that extension will be required due to delays in monitoring as consequence of dry summer and Covid lockdown. Progress report to be provided June, and further 3 months sought for full response

Overview of project:

This project is to seek resource consents for existing stormwater discharges to Lake Horowhenua from Council's stormwater network. These are existing discharges which are currently unconsented.



The discharge points are shown in the diagram above. Some discharges are direct to Lake Horowhenua and others are via Patiki and Arawhata Streams.

Council's policy is that properties are required to provide on-site stormwater management (generally through soak pits). The consent application is for Council's stormwater network only and doesn't include the on-site soakage pits on private property.

Council acknowledges that the Lake and the tributaries feeding into the Lake are significantly degraded and that improvements are required. Previously, we have had monitoring data on the quality of discharge via the Queen Street drain, but other stormwater inputs to the Lake have not been monitored. A monitoring programme is in progress to get better information about the quality of the discharges and to understand the effects of the stormwater discharges, in particular, on the Lake.

Work to date:

The Consent has been lodged. The application has gone on hold while consultation is carried out and the ecological effects assessment is completed. This work also includes consideration of mitigation measures where appropriate.

As reported to Regional Council in December 2019, the current status of work is as follows:

Work Programme	Status
Planning	<p>These matters have either been addressed in earlier responses or, in the case of the objectives and policies assessment, require resolution of the other work programmes before being able to be finalised. The relevant objectives and policies of both the NPS-FM and the One Plan are providing guidance as to the outcomes to be achieved and are informing the choice of preferred pathway and improvement programme.</p> <p>Completion of this element of the s92 will be undertaken once the below elements have been addressed. It is intended to be able to complete the s92 substantive response including the below elements and the planning assessment in June 2020.</p> <ul style="list-style-type: none"> • Discussion with Horizons officer occurred in May re progress and that extension will be required due to delays in monitoring as consequence of dry summer and Covid lockdown. Progress report to be provided June, and further 3 months sought for full response
Consultation	<p>Initial engagement has been progressed with iwi groups and this is now progressing to a CIA engagement in order to complete the s92 response. For the parties to be able to provide a meaningful CIA relies on the completion of the monitoring programme and confirmation of Council's preferred approach to stormwater management.</p> <p>The project team are expecting to be able to work with the respective iwi groups over January to March 2020 to support a cultural values assessment. Following Council workshops over February and March 2020, we will engage further with iwi groups to provide detailed updates on the outcomes of the monitoring programme, assessment of effects, and briefings on the Council's proposed approach. This is expected to occur in late March / early April 2020, after which Cultural Impact Assessments will be able to be completed across April-June 2020. It is intended to engage actively with iwi during the cultural values assessment and cultural impact assessment such that appropriate mitigation measures can be developed and agreed during the process.</p>

Work Programme	Status
	<p>Consultation on the proposed approach is also required with the Lake Trustees. The timeline by which this work is able to be completed is dependent on Court decisions and appointments of the Trustees.</p>
Best Practicable Option	<p>An indicative pathway forward has been developed, however, this needs to be presented to the Council and consultation undertaken with mana whenua and Lake Trustees prior to Council being able to commit to this in a consenting process.</p> <p>It is intended to present a series of workshops on the stormwater management issues to the Council, ideally July-August. Following this, the preferred approach will be able to be consulted on with mana whenua and Lake Trustees, as well as the wider community as appropriate (potentially through the Annual Plan process). The outcomes of this consultation will feed into the CIA processes as per above, and the BPO report will be able to be completed for submittal to Horizons.</p>
Monitoring	<p>The October 2019 update provided an interim report on the monitoring undertaken. The monitoring programme is ongoing and stormwater sampling is continuing subject to weather conditions. A recent review of the monitoring programme by our technical consultants has identified some additional monitoring points which are being added to the programme in order to obtain more information regarding the Hokio Beach Road drain contaminants including to distinguish urban stormwater discharges from other inputs in this area. The Alliance is also investigating the potential source of human sourced E Coli in the Queen Street drain, as well as overland runoff from some industrial sites considered to be contributing to higher than expected levels of contaminant in the urban stormwater.</p> <p>Sediment and dry weather sampling are programmed for late January / early February 2020 which will also include training of local staff to undertake the wet weather sampling. Wet weather sampling is planned to be undertaken in February & March 2020 (and beyond if needed, subject to weather) in order to complete the sampling required under the agreed monitoring plan.</p>
Industrial Sites	<p>A risk framework has been developed for identifying high, medium and low risk sites with the intention that the high and medium risk sites be audited on a rolling five-year basis. An initial round of audits has been undertaken</p>
Growth Areas	<p>Significant work has been undertaken in developing a stormwater solution for the most significant growth area, being Gladstone Green. This includes development of on-site management options, attenuation and treatment within the growth area prior to entry to the network. Council is taking a lead role in development of the stormwater solution for the area and is working proactively with iwi groups and developers in developing this solution.</p>

- Discussion with Horizons officer occurred in May 2020 re progress and that extension will be required due to delays in monitoring as consequence of dry summer and Covid lockdown. Progress report to be provided June, and further 3 months sought for full response on the above items

Financials:

Project	Actual vs Budget				
	Actual YTD 2019/20	Budget YTD 2019/20	Budget Full Year 2019/20	Variance in \$	Variance in %
Levin Stormwater Consent	52,500	75,000	92,000	22,500	30%

Risk

Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Consent is challenged on ecological and cultural impacts.	3C/4L	Significant	Clear evidence of likely effects and remediation plans available. Consultation and engagement with mana whenua.	3C/3L	Significant
	Significant delays and costs of consent process.	3C/4L	Significant	Term of consent sought; engagement and consultation prior to formal notification process; legal advice and drive RMA consent process.	3C/3L	Significant
	Regional Council proceed with notification of application before sufficient information has been provided and consultation completed.	4C/3L	Significant	Reasonable request for additional time; legal or other challenge to notification decision.	4C/2L	Moderate
Legal	Abatement notice as discharges currently unconsented.	4C/2L	Moderate	Consent application lodged and in formal process.	3C/2L	Moderate

Risks Traffic Light Key

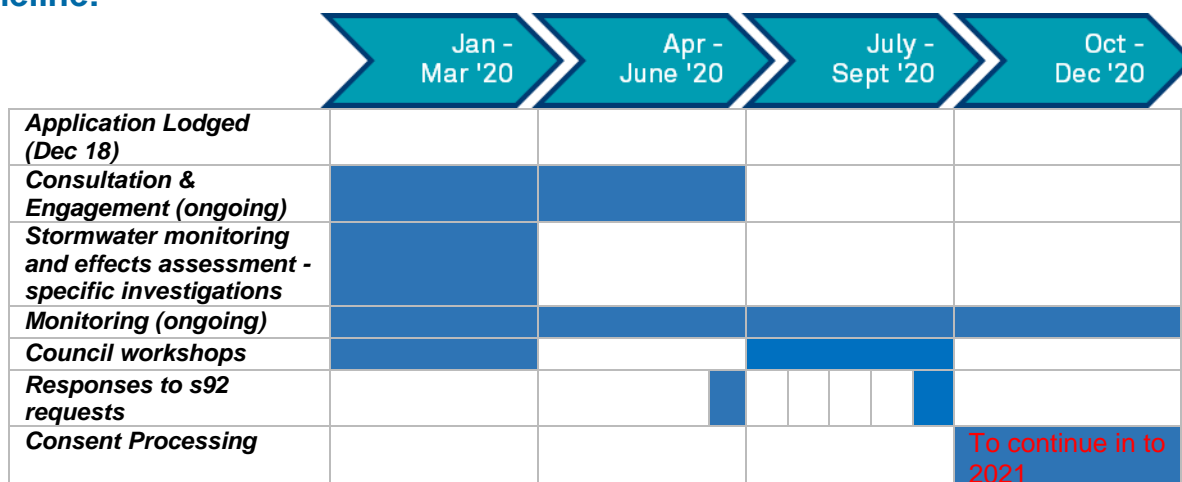
Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Consultation is underway with Muaupoko Tribal Authority, Muaupoko Cooperative Society, Te Runanga o Raukawa and Lake Horowhenua Trust. Consultation with specific hapu will be as guided by the relevant iwi groups.

Consultation with the community, Hokio Trust, Horizons, the Horowhenua Lake Domain Board, Department of Conservation will also be required, and is to be carried out.

Timeline:



Foxton Wastewater Discharge

Project Overview Summary **June 2020**



Project Objective:

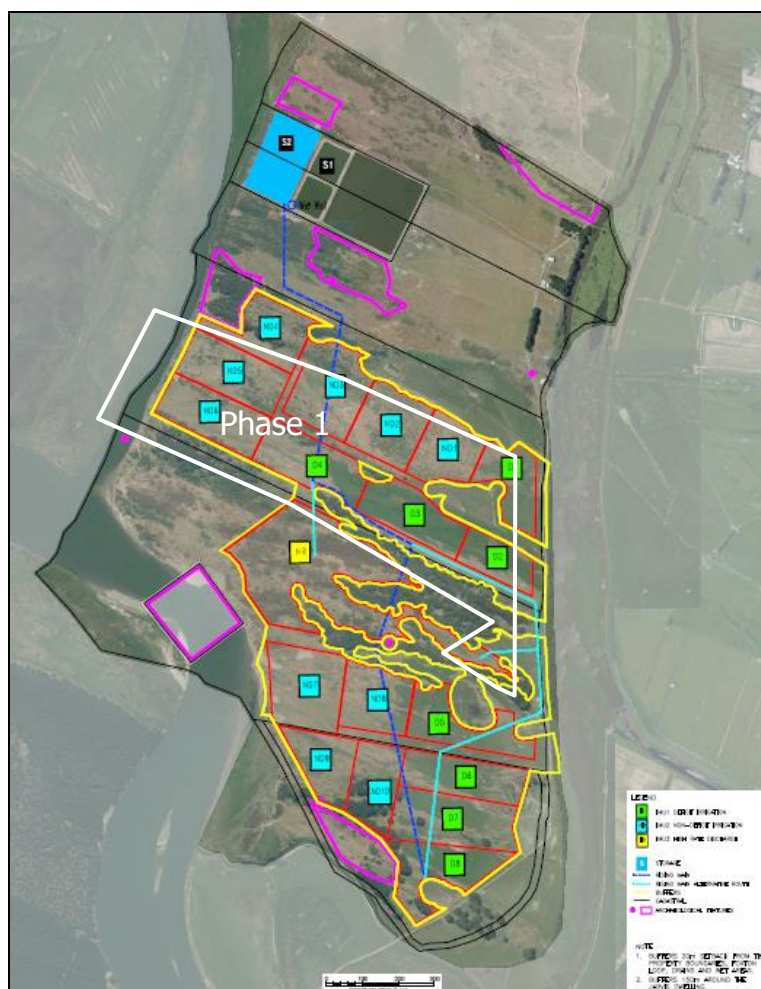
To cease the discharge to Foxton Loop and implement 100 % discharge to land (irrigation of farmland) of all treated wastewater from the Foxton WWTP prior to 4 February 2022.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none"><input type="checkbox"/> Horowhenua Alliance are managing sub-contractors for constructing the first phase of irrigation and WWTP changes.<input type="checkbox"/> Materials are being ordered and delivered for construction in May to July.<input type="checkbox"/> Construction activities have resumed since changing to COVID-19 Level 1 restrictions.<input type="checkbox"/> Irrigation pipes have been installed across much of the Phase 1 area of the farm.<input type="checkbox"/> A new wet well has been installed at the WWTP.<input type="checkbox"/> Building the pump shed has commenced.<input type="checkbox"/> All management plans have been approved by HDC and HRC.	<ul style="list-style-type: none">• Management of multi-disciplinary team to design and construct new scheme.• Management of land owner and iwi relationships.• Co-ordination of complex range of systems and activities to ensure full integration of WWTP, irrigation, and farm operations.• Management of resources to catch up on construction now that the COVID-19 restrictions have eased.• Bringing forward design of the Phase 2 works to enable continuation of works to speed up irrigation expansion.• Approval of Phase 2 designs and contracts by HDC/HA.	<ul style="list-style-type: none">• Consents granted 4 February 2019.• Aiming for commissioning the first phase of irrigation by 31 July 2020.• Storage pond, WWTP bund repairs and wavebands, and the remainder of the irrigation will be built in 2020/21.• 4 February 2022 consent expiry deadline for completing irrigation and storage pond, and for ceasing discharge to Foxton Loop.

Overview of project:

- The Foxton WWTP is a 3-pond system located SW of Foxton between the two arms of Foxton Loop on rural land known as Matarakapa. The WWTP was constructed in 1976 and discharges treated wastewater into the western arm of Foxton Loop.

- On 4 February 2019 the Environment Court granted consents to develop and operate a land discharge system to replace the Foxton Loop discharge. This allows irrigation of the area of farmland outlined in yellow on the map below and construction of a new storage pond (blue rectangle). The first phase of irrigation is outlined in white.

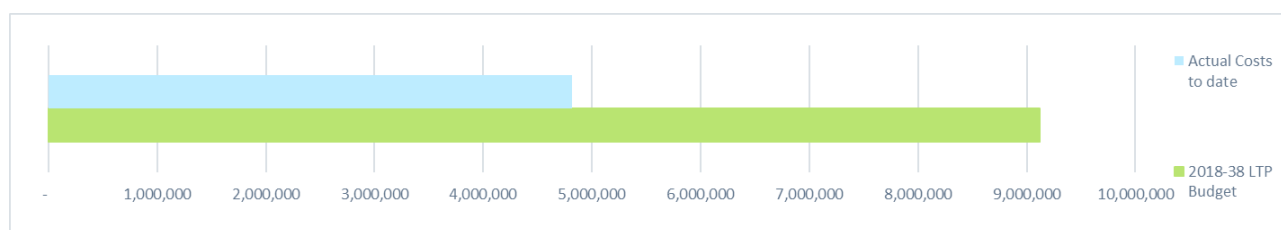


Work to date:

- The project management team continues to actively plan and co-ordinate activities, including contractual arrangements and health and safety requirements.
- Critical timeframes, materials deliveries, and complex tasks are being managed to minimise delays for commissioning the first **and subsequent phases** of irrigation **and WWTP pond modifications**.
- Contractors for **the first phase** of modifications around the WWTP have been **engaged and earlier delays in selecting contractors for these works will** not affect completion of other tasks within the planned timeframes.
- The COVID-19 lock-down restrictions on construction and site works, combined with delays in awarding contracts for the WWTP works, mean that project delivery timelines have been pushed out. Commissioning of Phase 1 **will** now occur in **the second half of July**.
- There continues to be significant collaboration with the farmers.
- The farmers are preparing the pasture, **managing stock numbers and grazing rotations, and erecting fences as irrigation construction is completed**.
- Iwi have been kept up-to-date with developments and have **provided daily** observers for construction. **Their focus has been on the irrigation trenching and related earthworks**.

- During the first few days of irrigation trenching a few small pieces of old ceramic and bones were uncovered. The ceramic was from the 1800's but very small pieces and only a small portion of the original article, so the project archaeologist decided it was of no archaeological value. The bones were identified as belonging to a sheep or goat. Cattle have been farmed here since the 1950's.
- Horizons **approved** the amended Erosion and Sediment Control Plan for installing the first phase of irrigation. The Management Plans lodged in 2019 have **also all been certified by Horizons**.
- **The wet well has been installed (a significant engineering challenge) and its pipes and steel fittings are being installed for connecting to the pumps and WWTP pond outlet. The WWTP pond connections and other modifications are under way to enable the wastewater flows to pass through the two smaller maturation ponds in reversed order to the wet well. The design for the temporary outfall to Foxton Loop has been developed and will be built soon.**
- **The building for the pump shed has commenced. The floor has been poured and the walls and roof will be built next week, then the pumps and electrical components will be installed.**
- **Electrical and computer components for the irrigation controls and monitoring systems are being configured and programmed ready for installation at the pump shed and farm.**
- **Design of the second phase of irrigation, new storage pond, and WWTP bund repairs has progressed well. This will enable construction to start earlier than was previously planned. Irrigation Phase 2 and the storage pond are likely to be able to be constructed immediately after commissioning the first phase of irrigation, which takes advantage of keeping the contractors on-site for longer and avoids a potentially longer period of down-time when the contractors can't return because they are busy on other projects elsewhere.**

Financials:



- Forecast budgets for a large number of tasks and infrastructure have continued to be refined as tasks are identified and formal cost estimates are developed by each of contractor. Actual costs to date have also been tracked against these estimates.
- Overall costs have risen from initial expectations but are still within the project's and Council's 2019/20 budgets but the combination of delays from 2019/20 and bringing forward works from 2021/22 has created a large workload for 2020/21 which may exceed the 2020/21 budget, even with some carry-over of unspent funds from 2019/20. Budgets going forward are being refined as design is completed.
- The COVID-19 lock-down restrictions on construction and site works, combined with delays in awarding contracts for the WWTP works, mean that some costs will carry over into July 2020. However, some design work **and materials purchases** that have been brought forward to April-June 2020 will use some of those funds instead.
- The delays in obtaining resource consents, completing detailed designs, confirming some contracts, **and then COVID-19 restrictions** mean that **additional** funds may need to be allocated in Council's 2021/22 budget when preparing the 2021-31 LTP. It should be noted that funds were not spent in previous years **while consents were being processed** and some of the budgeted funds were not carried forward during recent years' adjustments of Annual Plan budgets. **This is readily apparent in the graph above where the 2015-25 project budget of \$13.356M was reduced to \$9.123M for the 2018-38 LTP.**

Risk Management:

Risk Area	Risk Description	Initial Risk Assessment (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Landowner co-operation.	A	Delays to implementing project cause farm management conflicts.	Robust and frequent landowner engagement.	G	Concerns will be resolved.
	Contractor collaboration.	A	Clashing construction activities cause delays in commissioning irrigation. Reluctance to work together in future.	Robust and regular engagement with all contractors.	G	Collaboration will be achieved and all contractors will work together in future.
Financial	Delays mean that funds are not spent until next year.	G	Provision is not made for carrying funds forward to 2020/21.	Financial planning and on-going cost management.	G	Expenditure is not expected to exceed annual budgets.
	COVID-19 impact on project delivery	A	There is the potential of component supply delays and staff restrictions that delivery planned for this financial year is not achieved. There may be the need for contractor stand-down.	Supply restrictions only apply to some componentry, and alternative suppliers are being sought. Contractors are planning to do as much as possible before 30 June and to look after staff health.	A	There is still a risk that is largely outside the control of HA and their contractors to deliver. It has been confirmed that Phase 1 completion will occur during July 2020. The contract deadlines have been extended to reflect these circumstances.
Service Delivery	Resource or parts availability and timing cause delays.	A	Delays can compound, affect other contractors and farm management, and add to costs. This may be exacerbated by Covid-19 impacting on materials supply delays.	Strong project and staff management controls. Provision of additional resources. Key components are manufactured in NZ but some alternative suppliers are being sought where there will be a delay in delivery after lock-down restrictions are lifted.	G	Timing and costs will be acceptable. Any delayed deliveries of materials can be accommodated into work programmes by completing works for which all resources are available while delayed resources are on their way.
	Delayed and fragmented contractor engagement.	A	Completion of WWTP works will determine when the initial irrigation system can be commissioned.	Strong project and contract management to ensure integration of contractor activities.	G	Timelines should not be affected significantly.

	Disruption due to Covid-19	R	Tasks not completed on time and materials not able to be manufactured or delivered. Contractors need to stop and restart work in each area as additional parts are delivered, thus being less efficient than usual. More restrictions may return. Contractors no longer able to provide service due to either business pressures or resourcing.	Maintain strong communication with contractors and supply providers to enable work to occur during lock-down level 3 or lower. Ensure that contingencies exist if contractors or key materials are not available. Make contingencies for possible return to more restrictions.	G	Some disruptions likely to be expected, but good planning and clear instructions will ensure tasks go as planned. Regular liaison with contractors has helped.
Legal	Additional consents may be required.	A	Additional consents can delay construction.	Ideally avoid triggering consents, otherwise identify and promptly seek all necessary consents.	G	Additional consents are unlikely to delay project.
	Horizons' compliance staff may consider that some construction and earthworks do not comply with consents.	A	Construction is delayed until all relevant consent compliance mitigation measures are accepted by Horizons.	Collaborate closely with Horizons and relevant contractors to quickly resolve any issues. Provide new mitigation measures to Horizons with timelines.	G	Works are unlikely to encounter any consent compliance issues and any concerns will be rapidly resolved.
Reputational	Construction delays keep deferring dates of commissioning.	A	Delays suggest poor management, lack of resourcing, or inadequate capabilities. Landowners and the public lose their confidence in the ability of Council to deliver on time.	Strong project and contract management to ensure that delays are minimised and justifiable. COVID-19 lock-down time is used to advance off-site works and enable next phases to start earlier.	G	Delays do not harm Council's reputation. HDC are using lock-down time positively and efficiently for the project. Landowners will take part in future Council projects.

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 - Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Council has been engaging with the landowners and relevant iwi since 2014. Relationships between all parties have generally been supportive and co-operative. The delays to the construction caused by consenting delays, detailed design, contractual arrangements, and now the COVID-19 lock-down restrictions have caused some frustration and uncertainties of farm management planning for the landowners. However, on-going direct involvement of the landowners and frequent communications between all parties have enabled them to adapt their farm management plans to the evolving timelines of the project.

Council has been engaging with the key designers and construction contractors to ensure that their designs, roles, and construction programmes are co-ordinated. The timing of each contract is interdependent on the timing of each of the other contracts, so it has been crucial for Council and the contractors to collaboratively develop their designs and timelines.

Council has also been engaging with some Horizons staff regarding consent conditions and their expectations of construction methodologies, monitoring requirements, documentation requirements, and reporting. Council and Horizons staff have discussed the consenting and management plan requirements for relocating the discharge channel to Foxton Loop. Compliance communications have also been actively maintained with Horizons staff.

Timeline:

	May '20	Jun '20	Jul '20	Aug '20
Wet well Pump shed	Deliver to Foxton Consent granted	Install Construct	Connect to WWTP Fit out interior	Commission all controls
WWTP connections to wet well		Construct	Construct and commission	
Install temporary discharge pipe from wet well to Foxton Loop	Confirm design and materials		Construct and commission	
Irrigation development	Deliver materials	Construct Phase 1 Design Phase 2	Commission P 1 Design Phase 2	Construct Phase 2
Storage pond and Phase 2 irrigation planning and scheduling	Develop storage pond concept design	Confirm pond location & size. Confirm WWTP pond bund works.	Develop detailed designs including geotechnical check	Issue tender documents for construction.



Installing ballast ring around bottom half of new wet well



Adding the top half of the new wet well



Wet well and foundation for pump shed



Irrigation mains pipes delivered to site ready for installation



Trenching to install irrigation pipelines



Irrigation installation



New stock route, paddock gates, and fencelines ready for irrigation to be installed

Levin Wastewater Discharge

Project Overview Summary **June 2020**



Project objective:

The Levin Wastewater Discharge upgrade project aims to renew the consent to continue the discharge of wastewater to the property known as the Pot, at Hokio Sand Road, Levin. To achieve this objective the irrigation regime including operation and infrastructure requires upgrading, and various mitigation measures require investigation for potential installation at The Pot or in close proximity to The Pot.

Current Status	What's Needed?	Key Dates
<ul style="list-style-type: none"> ☐ Horizons Regional Council has granted a 25 year consent for irrigation to land at The Pot. ☐ Submitters have until 23 June to appeal the decision. ☐ Ground-based activities resumed at the Pot in Alert Level 3. ☐ Contractors have prepared scheduled blocks for planting. Aerial spraying has been completed across 19 ha to prepare for pines. Spot spraying has been completed in preparation to plant drains and the Waiwiri Stream in natives. ☐ Firewood contractor has resumed activity. 	<ul style="list-style-type: none"> • The planting of 9,000 mixed natives at the end of June. • Planting of 20,000 pine seedlings in the beginning of July. • Complete irrigation upgrade designs. • Irrigation automation approval required. • Identify areas for firewood contractor to work, accounting for the other projects on the site. 	<ul style="list-style-type: none"> • Appeals for the consent close 23rd June. • Waiwiri Stream and major drain planting with native vegetation June 2020 • Further pine planting early July 2020.

Overview of project:

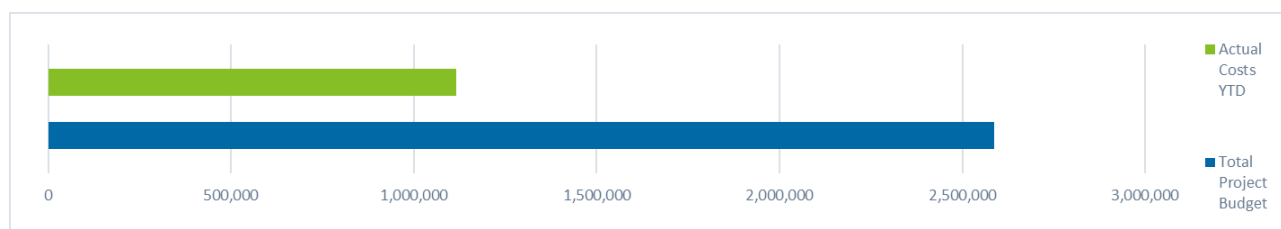
- Located at the end of Hokio Sand Road, the property known as The Pot receives 100% of Levin's wastewater as irrigation.
- This wastewater discharge facility has been in operation since 1991 (1987 development and planting).
- Ownership includes half the property leased from Muaūpoko Land Trust and the other half owned by HDC. HDC also own the property to the east known as the Tucker block. The majority of this block currently leased for grazing.
- Currently the site is operated under resource consents 6610 and 6921 that expired December 2018.
- The consent application for renewal of the Levin wastewater discharge was submitted in June 2018. **In June 2020, the consent was granted for a 25 year term. There is the need to wait to see if there will be an appeal lodged by submitters.**
- The consent application is supported by extensive investigations that began in 2012 to determine the effects of wastewater at the site after near 30 years of operation. The application includes 27 reports that detail the LWWLT and the effects it is having on the environment.
- A trial is being undertaken on 10 ha of the site to determine if irrigating wastewater onto manuka/kanuka dominated ecosystems will improve water quality in the Waiwiri Catchment. This trial is supported with funding from the Ministry for the Environment Freshwater Improvement Fund.
- The consent process is part of a larger programme looking at the management of the site, irrigation redevelopment, replanting, mitigation of impacts on water quality and future planning.

Work to date:

- Land discharge consent expired December 2018. Council is allowed to continue operating under the old consent conditions until the new consent becomes operational.
- Site investigations and data collation for consent renewal began in 2012.
- LEI coordinated groundwater, surface water, soil and ecology investigations and reporting for the consent; and assisted with consultation with the community.
- Consent lodged 22 June 2018 – publicly notified, 18 submissions were received, HDC engaged experts to prepare evidence and participate in conferencing of issues ready for the hearing.

- The hearing was held in late October 2019. Commissioners provided Council an opportunity to refine draft conditions with further discussion with submitters, and adjourned the hearing.
- Revised conditions were provided to submitters and refined prior to further hearing which reconvened 5 March 2020.
- Ngati Raukawa hapu submitters supported revised conditions on the basis of a 25 year term. This was presented to the Panel at the reconvened hearing. Other submitters were less supportive at that time. HDC has subsequently worked on revised conditions with Muaūpoko Tribal Authority and Muaūpoko Lands Trust and gained their support for refined conditions and a 25 year term. The final Right of Reply and letters of support were provided to the hearing panel.
- There has been correspondence to Hokio A regarding their concerns about effects. There has been no response to an offer of including conditions (at the time of submitting the Right of Reply). Despite this HDC has provided consent conditions that at some stage in the future if required, Hokio A can request further investigation be carried out.
- In June 2020, after a lengthy hearing process, HDC has been issued a 25 year consent, with minor changes to the proposed conditions. Submitters (and HDC) have 15 days from 2 June 2020 to appeal the decision.
- Irrigation has been fully reinstalled after the pine harvest and the upgrade is underway. This upgrade will match the proposed consent and include expansion of area and automation. A draft design has been prepared and is being reviewed in readiness for approval and then procurement.
- Five year ecosystem trial started at The Pot in 2018; environmental monitoring starting in 2019.
- Consent consultation initiated a catchment care group; this is continuing and will be further supported by requirements in the resource consent conditions.
- Harvest of pine trees was completed early February 2019.
- 20 ha of pines replanted 2018 with further native planting completed in 2019.
- Another 19 ha of pines and 3 ha native to protect 3.5 km of waterways are scheduled to be planted in 2020.
- The Covid-19 lock-down restricted access to undertake site preparation. However, using alternative management approaches and existing buffers, timelines were not greatly affected.
- The remainder of pines and natives are scheduled for planting in 2021.
- Consent has been procured for northern adjacent neighbour to receive wastewater from The Pot; monitoring bores are being installed as required by consent and irrigation design has been initiated.

Financials:



Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Community and iwi conflict with consent objectives.	R	Drawn out consent process, leading to community tension and additional costs.	Engagement with community has resulted in concerns incorporated into the revised conditions Establishment of a catchment care group.	A	Small number of individual and group concerns may result in appeal.
	Community conflict in looking for and developing new irrigation areas.	A	Conflict and inability to agree and identify additional land.	Establish engagement groups through the new consenting framework.	G	Difficulty in procuring additional land in a timely manner.
Financial	Exceedance of budget.	A	Short of funds across HDC.	Budget planning and tracking. Deferment where possible of capital works.	G	Minor variations to budget
	Funding limitations may result in inability to meet consent obligations (and side agreements).	R	Failure to fund could result in consent non-compliance.	Ensure funds are spent appropriately and prioritised to critical tasks to avoid non-compliance.	A	Risk of non-compliance remains but the risk can be mitigated by deferring activities not classed as time critical.
Service Delivery	Difficult working conditions at The Pot with pine slash and weed growth.	A	Workers frustration. Inefficient practise. Health and Safety risks.	Engagement of a site manager; additional staff and a firewood contractor.	G	Conditions are improving as a result of the controls.
	Disruption due to Covid-19 – remaining uncertainty with management under Level 1, or potential return to Level 2 and higher.	R	Contractors no longer able to provide service due to either business pressures or resourcing. Future site restrictions may apply if alert Levels return/rise.	Maintain strong communication with contractors and supply providers to develop plan post-Level 4 lockdown. Ensure contingencies exist if contractors become available.	G	Some disruptions likely to be expected, but good planning and clear instructions will ensure tasks go as planned. Regular liaison with contractors has helped.
Legal	Appeal of consent decision	R	The decision, including term may not be acceptable to HDC and/or submitters.	HDC engaged with submitters to develop conditions that address their concerns and justify a longer term consent.	A	There remains uncertainty with some submitters and the potential of the decision being appealed. Unexpected issues may be raised. Lack of engagement and reluctance to accept facts.

Reputational	Appearance of The Pot without tree cover.	A	Judgement of The Pot without trees.	Expert advice for management and a planting plan. Prompt response to any concerns raised from individuals. Firewood contractor engaged.	G	Long term the issues will be resolved
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Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

The resource consenting process has seen extensive engagement with iwi and the community over the last 6 years. This is reflected and noted in the decision:

“We commend the applicant for their willingness to work alongside submitters, particularly the tangata whenua as treaty partners, and the agreement made with the three hapū of Ngāti Raukawa, the MTA and the MLT is strong testament to this.”

The consent conditions that have been developed by HDC allow for a strategic review process involving the community every 5 years, and ongoing engagement through the formation of an Engagement and Review Panel, which will meet every 6 months.

Timeline:



Hearing commissioner's decisions for consent, and appeals					
Pine and native preparation and planting 2020					
Trial monitoring and management					
Firewood contract					

Eleven Month Report 1 July 2019 - 31 May 2020

File No.: 20/218

1. Purpose

To present to the Finance, Audit & Risk (FAR) Committee the financial report for the eleven months ended 31 May 2020.

2. Recommendation

- 2.1 That Report 20/218 Eleven Month Report 1 July 2019 - 31 May 2020 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 2020	48

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 benefits and costs, 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)	Doug Law Chief Financial Officer	
Approved by	David Clapperton Chief Executive	

Horowhenua 
DISTRICT COUNCIL

Eleven Month Report

1 July 2019 – 31 May 2020



Executive Summary

Financial Performance – Operational Expenditure

Council shows a \$2.021 year-to-date (YTD) operating deficit against a budgeted YTD operating deficit of \$2.772m. It is 91.6% through the year and Council has spent 90.22% of the full year's budgeted expenditure and received 90.62% of the full year's budgeted income.

Lower interest rates evident from the effect of the Covid-19 pandemic have decreased interest costs on borrowing but increased the loss on derivatives.

Delays in Rooding capital projects have lowered Council's Rooding subsidy income. Income to the end of May generally is slightly ahead of year to date budgets (except for Rooding Subsidies as noted and the effects of the pandemic on income from Community Facilities). The effect of the Covid-19 pandemic lock down is evident now for the YTD and forecast year-end income from Community Facilities.

Other Trends and Activity of Interest

1. Resource Consenting
 - 295 consents have been lodged as at 31 May 2020, compared to 257 at the same time last year.
 - 131 subdivision consents approved as at 31 May 2020, compared to 105 at the same time last year.
 - As at 31 May 2020 a total of 176 new allotments have been created as a result of s223 (approval of title plan) and 158 new allotments have been created as a result of s224 (completion of physical works) certificates being issued for subdivisions.
2. Building Consents
 - Value of consents issued as at 31 May 2020 is \$113,083,041 compared to \$105,651,225 for the same period last year.
 - 620 consents issued as at 31 May 2020, compared to 653 for the same period last year.
 - 200 new dwelling consents were issued as at 31 May 2020 compared to 214 for the same period in the 2018/2019 year.
 - 639 building consents were lodged as at 31 May 2020 compared to 637 for the same period in the 2018/19 year.
 - Consents have been issued for 245 New Residential Dwelling Units as at 31 May 2020. New residential dwelling units count each self-contained unit individually and include individual dwellings, multi-unit dwellings plus yard built and existing dwellings which are relocated onto a site.

YTD the level of Resource Consenting activity is higher than that was experienced over a similar period in 2018/19.

Doug Law
Chief Financial Officer

20 April 2020

Total revenue	Total expenditure	Total surplus/(deficit)
\$50.68m is 1% less than the total budget of \$50.94m	\$54.05m is 1% more than the total budget of \$53.72m	(\$3.37m) is 22% less than the total budget of -2.77m

SUSTAINABILITY

Rates to operating revenue 73%

Rates revenue	\$37.15m
Operating revenue	\$50.68m

73% 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 96%

Operating revenue	\$50.68m
Operating expenditure	\$52.74m

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 96% of operating expenditure.

Essential services ratio 121%

Capital expenditure	\$16.46m
Depreciation	\$13.61m

Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 121% of depreciation. Essential Services are Water Supply, Wastewater, Stormwater and Roading.

Net Debt to total projected revenue (LGFA Cov.) 164%

Total net borrowing	\$89.51m
Total projected operating revenue	\$54.49m

With net borrowing of \$89.51m we are still under the set limit of 195% of operating revenue. Total net borrowing is external borrowing less cash at bank.

Interest to rates revenue (LGFA Cov.) 8%

Net Interest	\$3.03m
Rates revenue	\$37.15m

8% 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.) **6%**

Net Interest	\$3.03m
Operating revenue	\$50.68m

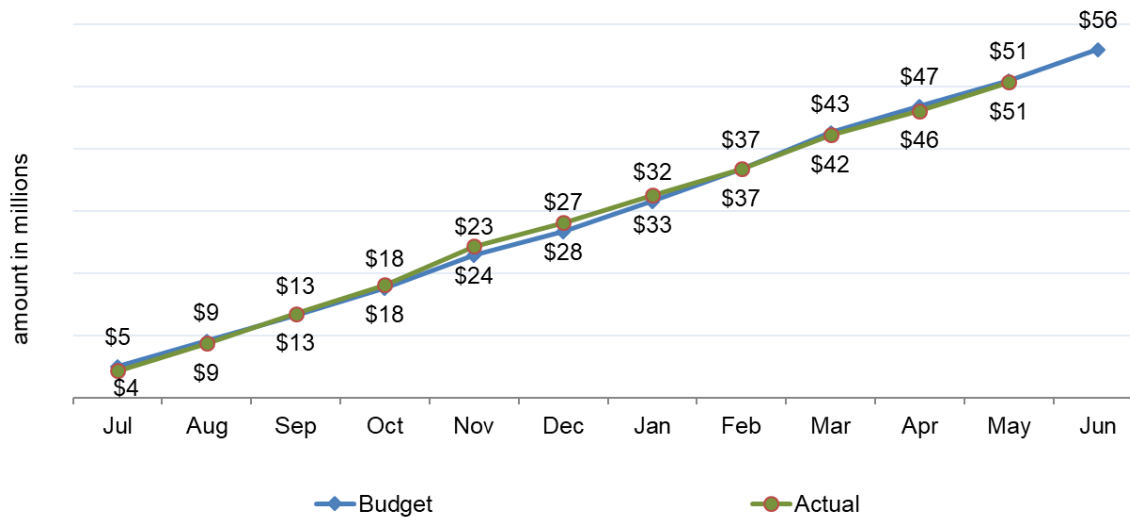
6% of operating revenue is paid in interest. Our set limit is 20% of operating revenue. Net interest is interest paid less interest received.

Available financial accommodation to external indebtedness (LGFA Cov.) **111%**

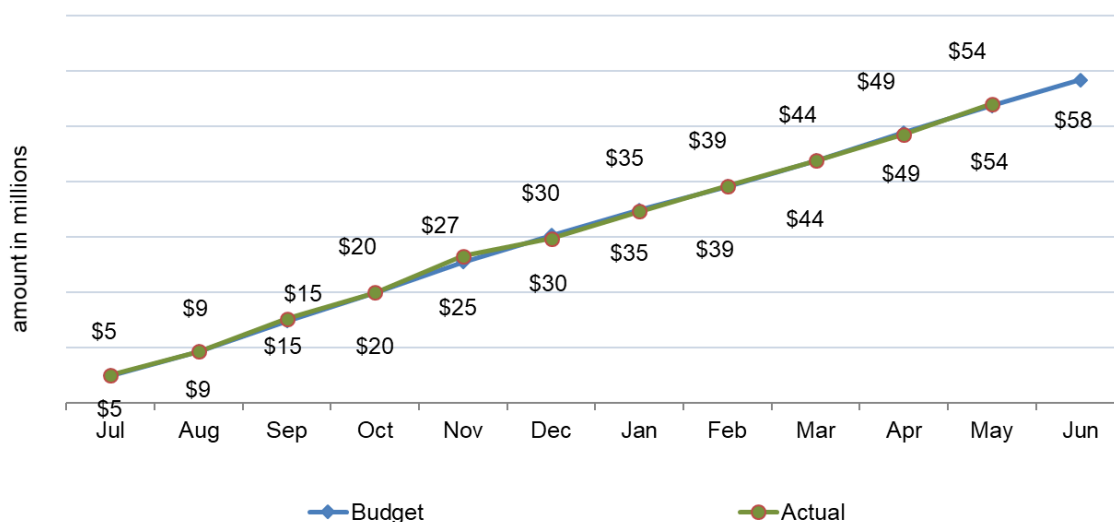
Net debt	\$89.51m
Undrawn committed facilities	\$10.00m

The committed bank facility enables us to borrow up to 111% of our current external debt immediately. The LGFA covenant minimum is 110%.

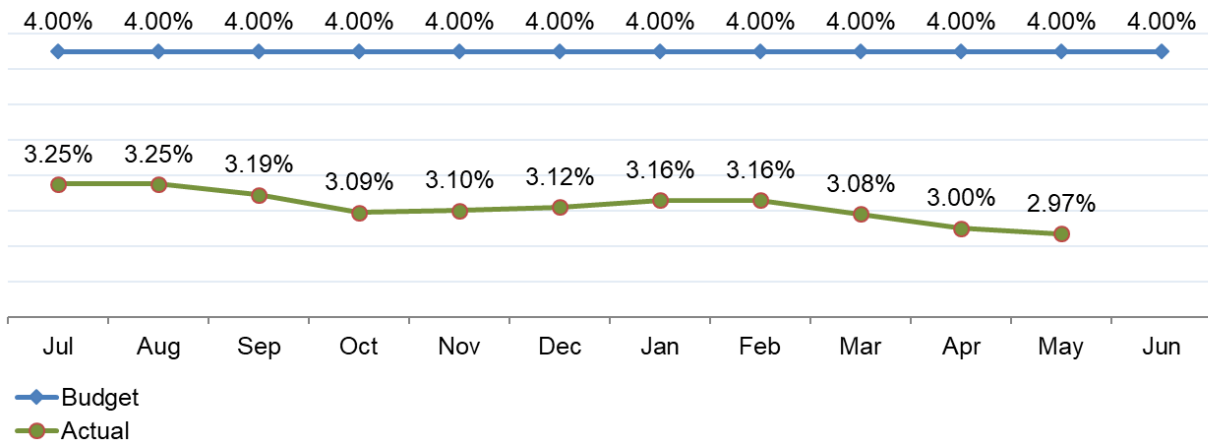
Total Revenue \$m



Total Expenditure \$m



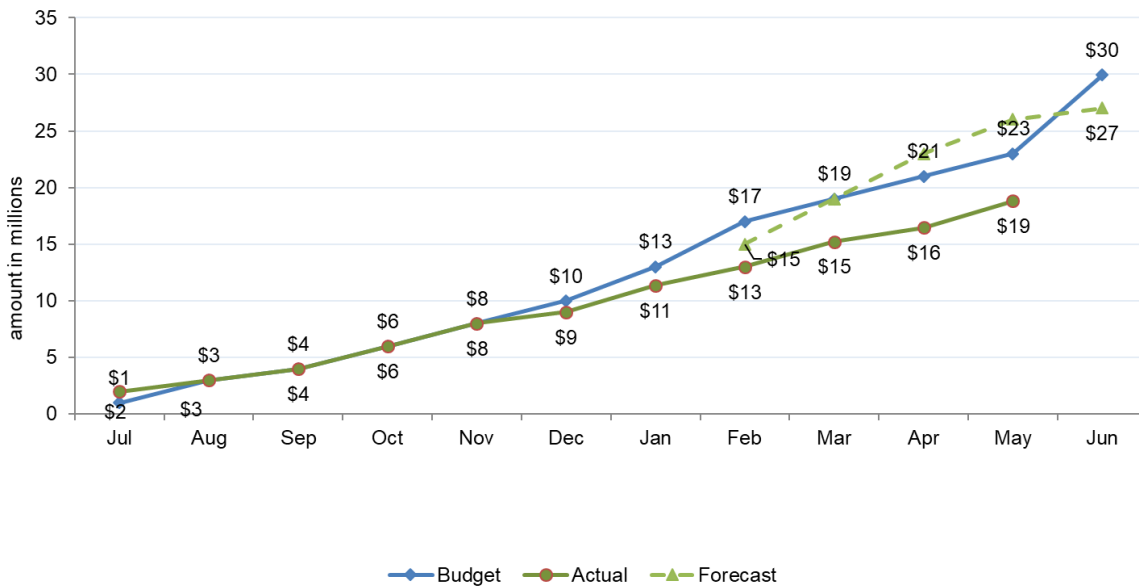
Interest rate movement



Capital Expenditure



Total Capital Expenditure



Statement of Comprehensive Revenue and Expense

As at 31 May 2020													
	Annual Report 2018/2019 \$000	Year End Projection 2020 \$000	Annual Plan 2020 \$000	Variance 2020 \$000	Notes	Annual Plan YTD May-20 \$000	Actual YTD May-20 \$000	C/A % Actual to Budget	Variance YTD 2020 \$000	Var/Bud %	% of Total Bud %	Notes	
Revenue													
Rates Revenue	(38,562)	(40,746)	(40,099)	(647)	6	(36,509)	(37,154)	92.7%	⊖	(645)	2%	1.3%	
Grants & Subsidies	(5,524)	(4,889)	(6,462)	1,573	11	(6,236)	(4,656)	72.1%	⊕	1,580	-25%	-3.1%	1
Finance Income	(423)	(310)	(209)	(101)		(209)	(314)	150.2%	⊖	(105)	50%	0.2%	
Fees & Charges,	(5,355)	(4,367)	(5,110)	743	8	(4,461)	(4,320)	84.5%	⊕	141	-3%	-0.3%	
Other Revenue	(3,521)	(3,595)	(3,926)	331	7	(3,528)	(3,649)	92.9%	⊖	(121)	3%	0.2%	
Development Contributions			-	-						-		0.0%	
Gain on Derivatives							-		⊖	-		0.0%	
Gain Disposal of Assets	(56)	(580)		(580)			(591)		⊖	(591)		1.2%	3
Investment (Gains)/Losses		(122)	(122)	(0)						-		0.0%	
Vested Assets	(453)		-	-						-		0.0%	
Total Revenue	(53,894)	(54,609)	(55,928)	1,319		(50,943)	(50,684)	90.62%	⊕	259	-1%	-1%	
Expenditure													
Employee Benefit Expenses	14,661	15,075	15,017	58		13,294	13,661	91.0%	⊕	367	3%	0.7%	
Finance Costs	3,607	3,467	3,870	(403)	9	3,817	3,344	86.4%	⊖	(473)	-12%	-0.9%	4
Depreciation and Amortisation	14,383	14,448	14,448	(0)		13,244	13,608	94.2%	⊕	364	3%	0.7%	
Other Expenses	24,457	24,974	25,082	(108)		23,360	22,074	88.0%	⊖	(1,286)	-6%	-2.4%	2
Loss on Disposal of Assets	227	18	-	18			18			-		0.0%	
Revaluation Losses			-	-			-			-		0.0%	
Increase in Landfill Provision	1,298	-	-	-			-			-		0.0%	
Total Expenses	58,633	57,982	58,417	(435)		53,715	52,705	90.22%	⊖	(1,010)	-2%	-1.9%	
Operating (surplus) deficit before taxation	4,739	3,372	2,489	883		2,772	2,021	81.2%		(751)	-27%	-27.1%	
Taxation		36		36			36			36			
Loss on Derivatives	975	1,400		1,400	10	0	1,311		⊕	1,311		2.4%	5
Operating (surplus) deficit after taxation	5,714	4,808	2,489	2,319		2,772	3,368	135.3%		596	21%	21.5%	

Note 1 Grants and Subsidies unfavourable variance of \$1,580k. The significant variance relates to the capital subsidies from NZTA which are lower than expected due to delays or stopped works in roading projects as a result of Covid-19.

Note 3 Favourable variance of \$591k, relates to the gain on sale of commercial properties as reported in prior months, this will continue to year end 30 June 2020.

Note 4 Favourable variance of \$473k, relates to finance external interest cost.
Note this reflects the unprecedentedly low interest rates in the bond market.

Note 5 Unfavourable variance of \$1,311K, relates to unrealised loss on derivatives (swaps).
Note this reflects the continued fall in interest rates currently being experienced. Rates fallen reacting to the uncertain global economic conditions due to the economic effect of the Covid-19 pandemic. For reference and comparative purpose, last month the reported loss was \$1,345k

Note 2 Other Expenses	Annual Report 2018/2019 \$000	Year End Projection 2020 \$000	Annual Plan 2020 \$000	Variance 2020 \$000	Annual Plan YTD May-20 \$000	Actual YTD May-20 \$000	C/A % Actual to Budget	Variance YTD 2020 \$000	Var/Bud %	% of Total Bud %	Notes	
	Professional Services	5,240	4,844	5,296	(452)	4,733	4,030	76.1%	⊖	(703)	-15%	-1.3%
Materials	88	111	112	(1)	106	92	82.1%	⊖	(14)	-13%	0.0%	
Maintenance	14,083	15,204	15,002	202	13,734	13,954	93.0%	⊕	220	2%	0.4%	
Grants Paid	590	567	611	(44)	481	481	78.7%		-	0%	0.0%	
Utilities	1,091	1,107	1,180	(73)	1,082	866	73.4%	⊖	(216)	-20%	-0.4%	
Communications	231	264	258	6	235	195	75.6%	⊖	(40)	-17%	-0.1%	
Other Expenses	5,167	5,074	5,380	(306)	4,972	4,435	82.4%	⊖	(537)	-11%	-1.0%	2B
Vehicle Expenses	133	174	181	(7)	167	107	59.1%	⊖	(60)	-36%	-0.1%	
Treasury Expenses	160	189	199	(10)	196	103	51.8%	⊖	(93)	-47%	-0.2%	
Labour Recoveries for Capex proje	(2,326)	(2,561)	(3,137)	576	(2,348)	(2,187)	69.7%	⊕	161	-7%	0.3%	
Total Other Exepnses	24,457	24,974	25,082	(108)	23,358	22,076	88.0%	⊖	(1,282)	-5%	-2.4%	

Note 2A Professional Services – favourable variance \$703k significant variances are noted below:

- Chief executive – unfavourable variance (\$180k)
- Infrastructural Operations – favourable variance \$127k
 - Variance reflects lower consultancy costs in asset management, projects, design and legal fees.
- Representation and Community Leadership – favourable variance \$676k
 - Variance reflects lower consultancy and legal costs in Sustainable Growth* and District Planning projects (total \$582k)
 - Variance reflects the timing delay of the internal audit completion and membership fees charge as a result of Covid-19.
- **Note that the underspend in the Sustainable Growth budget is a result of delays in the professional works being undertaken in association with the Gladstone Green, Foxton Beach and Waitāreere Beach Master Plans, Levin Town Centre and Growth Strategy related work, and work with external stakeholders progressing slower during the Covid-19 lockdown.*
- Corporate Services – unfavourable variance (\$202k)
 - Variance reflects increased costs incurred as previously reported due to period of outsourcing payroll, recruitment costs and consultancy for training on Council's new financial modelling system.
- Planning and Regulatory – unfavourable variance (\$212k)
 - Variance as previously reported reflects increased costs incurred from use of consultants to cover staff shortages, offset from \$300k to the reported variance due to lower costs than forecasted in animal control and also building consents as a result of delays with competency assessments due to Covid-19.
- Road Transport – favourable variance \$458k
 - Professional services budget relating to the Horowhenua Integrated Transport Strategy/Ō2NL of \$500k underspent.

Note 2B Other Expenses – favourable variance \$537k, significant variances are noted below:

- Community Facilities and Services – favourable variance \$160k
 - Lower expenditure particularly within community centres and libraries. This is a result of efficiencies throughout the year, and reduced expenditure with facility closures as a result of Covid-19.
- Community Support – favourable variance \$53k
 - Lower expenditure within district marketing and community development as a result of refocused efforts with Covid-19.
- Planning and Regulatory – favourable variance \$94k
 - Lower expenditure than forecasted in the activities of Parking, Building Consents and Dog Control, offset from \$133k to the reported variance due to unplanned costs incurred associated with the demolition of an unsafe house.
- Property – favourable variance \$63k
 - Rates expense for Endowment property less than budgeted, due to property sales in Forbes Road.

- Wastewater – favourable variance \$58k
 - Lower insurance costs than forecasted.
- Water Supply – unfavourable variance (\$127k)
 - Higher insurance costs than forecast.
- Stormwater – favourable variance \$16k
 - Lower expenditure than forecasted.
- Infrastructure operations – favourable variance \$37k
 - Lower expenditure than forecasted.
- Corporate Services – favourable variance \$210k
 - Lower expenditure (as previously reported) for cloud hosting costs and licensing, offset from \$239k to the reported variance due to higher hardware lease and software license expenses.
- Solid Waste – unfavourable variance (\$77k)
 - Higher expenditure than forecasted for land fill consent fees.

Key 2019/2020 Year End Observation Forecasts – Impact of Covid-19

The Covid-19 pandemic is a rapidly evolving situation and has significantly impacted our country and communities. It is Council's responsibility to maintain essential services in order to maintain the health and wellbeing of our communities through this uncertain time.

Rates fund just over 70% of Council's annual income. In turn, this is then invested back into the community to provide services and support. We are continuing to provide essential services to our community such as water, waste water, rubbish collection, our cemeteries and emergency management. Additionally, we are continuing where possible to deliver business continuity in our other activities, for example maintaining our world of online library resources and e-membership offerings.

Within the Statement of Comprehensive Revenue and Expense report as at 30 April 2020, forecasts have been indicated for year end 30 June 2020. This work has been completed on the basis of assumptions as a result of Covid-19, and the indicative effect on Council's year end position at 30 June 2020. These indications are shown in the Statement of Comprehensive Revenue and Expense highlighted in yellow. Explanations of these points highlighted are as follows:

Note 6: It is anticipated that rates revenue is likely to be over budget at year end due to year to date favourable variance in Levin water metered charges. This trend will likely to continue to 30 June 2020.

Note 7: This reflects the anticipated impact on consents income and other council services as a result of Covid-19 Alert Levels 4, 3 and 2.

Note 8: Revenue forecasts have been revised for Community Hubs, Libraries and Aquatics providing year end projection for 30 June 2020. This reflects the closure of these facilities during Alert Level 4 and 3, and limited opening throughout Alert Level 2.

Note 9: It is anticipated that the lower interest rates due to the pandemic's effect as noted in the 30 April 2020 financial results will continue a favourable variance on external finance interest costs to year end 30 June 2020.

Note 10: It is anticipated that the trend noted on the unrealised loss on derivatives (swaps) as noted in the 30 April 2020 financial results will continue to present a negative effect on Council's year end 30 June 2020 result.

Note 11: Reflects delayed subsidised roading capital projects and the compounded effect of the Covid 19 lock-down; as a result, a number of projects will not be completed by year end 30 June 2020.

In addition, it should be noted that the fourth quarter rates notice was issued on 14 May 2020, due on 15 June 2020. Processes are in place to work with ratepayers to consider payment options on their specific case-by-case basis. This includes working with ratepayers who may be eligible for a rates rebate, and have not yet applied, as applications must be submitted by 30 June 2020.

Statement of Comprehensive Revenue and Expense by Activity

As at 31 May 2020											
91.7%	A	Projected	Variance	C	D	E	F	G	H	I	J
REVENUE	Annual Plan 2019/2020	to 30/06/2020		Year to date (YTD) This Year	Budget	C/A % Actual to Budget		D-C YTD Variance	G/D % Var/Bud	% of Total Bud	Notes to Accounts
	\$000	\$000	\$000	\$000	\$000			\$000			
Significant Activities											
Regulatory Seives	(4,657)	(4,444)	(213)	(4,312)	(4,307)	92.6%	☺	5	0.1%	0.0%	
Community Facilities and Ser	(13,557)	(12,864)	(693)	(11,800)	(12,296)	87.0%	☹	(496)	-4.0%	-0.7%	
Road Transport	(10,638)	(8,929)	(1,709)	(8,346)	(9,968)	78.5%	☹	(1,622)	-16.3%	-2.1%	1
Water Supply	(6,971)	(7,506)	535	(6,753)	(6,129)	96.9%	☺	624	10.2%	0.8%	2
Wastewater Disposal	(8,548)	(8,548)	(0)	(7,809)	(7,618)	91.4%	☺	191	2.5%	0.3%	
Solid Waste	(2,322)	(2,322)	(0)	(2,097)	(2,113)	90.3%	☹	(16)	-0.8%	0.0%	
Stormwater	(1,324)	(1,324)	(0)	(1,158)	(1,150)	87.5%	☺	8	0.7%	0.0%	
Treasury	(3,411)	(2,909)	(502)	(2,617)	(3,083)	76.7%	☹	(466)	-15.1%	-0.6%	3
Property	(1,495)	(1,975)	480	(1,951)	(1,175)	130.5%	☺	776	66.0%	1.0%	4
Community Support	(3,106)	(3,046)	(60)	(2,822)	(2,754)	90.9%	☺	68	2.5%	0.1%	
Representation & Com. Leade	(3,958)	(3,856)	(102)	(3,573)	(3,639)	90.3%	☹	(66)	-1.8%	-0.1%	
Total Activity Revenue	(59,987)	(57,722)	(2,265)	(53,238)	(54,232)	88.7%	☹	(994)	-1.8%	-1.3%	
Business Units	(23,200)	(23,362)	162	(20,432)	(21,238)	88.1%	☹	(806)	-3.8%	-1.1%	
Total Operating Revenue	(83,187)	(81,085)	(2,102)	(73,670)	(75,470)	88.6%	☹	(1,800)	-2.4%	-2.2%	
91.7%	A	B		C	D	E	F	G	H	I	J
EXPENDITURE	Annual Plan 2019/2020	Projected to 30/06/2019		Year to date This Year	Budget	C/A % Actual to Budget		D-C YTD Variance	G/D % Var/Bud	% of Total Bud	Notes to Accounts
	\$000	\$000	\$000	\$000	\$000			\$000			
Significant Activities											
Regulatory Seives	4,657	4,972	(315)	4,381	4,268	94.1%	☹	(113)	-2.6%	-0.1%	
Community Facilities and Ser	13,473	13,024	449	11,911	12,197	88.4%	☺	286	2.3%	0.4%	
Road Transport	10,348	9,806	542	8,341	9,474	80.6%	☺	1,133	12.0%	1.4%	5
Water Supply	6,910	6,793	117	6,608	6,338	95.6%	☹	(270)	-4.3%	-0.3%	
Wastewater Disposal	7,422	7,614	(192)	7,359	6,831	99.2%	☹	(528)	-7.7%	-0.7%	
Solid Waste	3,938	3,730	208	3,231	3,617	82.0%	☺	386	10.7%	0.5%	6
Stormwater	1,519	1,399	120	1,394	1,396	91.8%	☺	2	0.1%	0.0%	
Treasury	4,025	5,623	(1,598)	4,857	4,032	120.7%	☹	(825)	-20.5%	-1.1%	7
Property	1,548	1,400	148	1,237	1,349	79.9%	☺	112	8.3%	0.1%	
Community Support	3,106	3,058	48	2,606	2,895	83.9%	☺	289	10.0%	0.4%	
Representation & Com. Leade	5,545	5,113	432	4,718	5,047	85.1%	☺	329	6.5%	0.4%	
Total Activity Expenditure	62,491	62,531	(40)	56,643	57,444	90.6%	☺	801	1.4%	1.0%	
Business Units	23,193	23,362	(169)	20,395	20,798	87.9%	☺	403	1.9%	0.5%	
Total Operating Expenditure	85,684	85,893	(209)	77,038	78,242	89.9%	☺	1,204	1.5%	1.5%	
Operating (Surplus)/Deficit	2,497	4,808	(2,311)	3,368	2,772		☹	(596)	21.5%	-0.76%	

Note 1 Road Transport – unfavourable variance of \$1,622k, the significant variance relates to the capital subsidies from NZTA which are lower than expected due to delays or stopped works in roading projects as a result of Covid-19.

Note 2 Water Supply – favourable variance of \$624k, the significant variance relates to Levin water by meter over budget \$572k, as well as Levin connection fees.

Note 3 Treasury – unfavourable variance of \$466k, the significant variance relates to lower internal interest received \$761k from other activities due to the low interest rates below Annual Plan assumptions offset by;

- o above budget dividend received (\$128k) and
- o interest received (\$105k) from having more surplus cash invested due to prefunding some loan renewals.

Note 4 Property – favourable variance \$776k, the variance relates to;

- gain on sales of assets \$580k
- increased rentals on commercial property during delay with sales \$152k and
- increased rentals on housing and grazing land \$50k.

Note 5 Road transport – favourable variance \$1,133k, the significant variance relates;

- to higher proportion of staff labour charged to capital projects \$704k and
- Horowhenua Integrated Transport Strategy project expense \$458k unlikely to progress in current financial year.

Note 6 Solid Waste – favourable variance \$386k, the significant variance relates to lower contract costs than anticipated.

Note 7 Treasury – unfavourable variance \$825k, the significant variances relate to;

- interest rate swap loss (\$1,311k),
- tax expenses on special dividend (\$36k) offset by;
- the external interest saving \$473k
- lower bank fees \$37k
- delayed credit rating renewal \$44k.

Loan parcels	Maturity Date	Interest Rate	Opening balance	Raised	Repaid	Closing balance
Due within a year						
LGFA CP	19 Sep 19	1.6800%	11,000,000		11,000,000	0
LGFA CP	19 Sep 19	1.6100%		5,000,000	5,000,000	0
LGFA CP	19 Dec 19	1.2500%		16,000,000	16,000,000	0
LGFA CP	19 Jun 20	1.3750%		16,000,000		16,000,000
LGFA Bond	15 Apr 20	2.6324%	5,000,000		5,000,000	0
LGFA FRN	15 Apr 20	1.6200%	4,000,000	0	4,000,000	0
Total due within a year			20,000,000	37,000,000	41,000,000	16,000,000
Due within 2 - 5 years						
LGFA FRN	17 May 21	1.1125%	4,000,000			4,000,000
LGFA Bond	17 May 21	4.5650%	5,000,000			5,000,000
LGFA Bond	17 May 21	5.9852%	5,000,000			5,000,000
LGFA Bond	17 May 21	5.8516%	5,000,000			5,000,000
LGFA FRN	14 Apr 22	0.9400%	9,000,000			9,000,000
LGFA FRN	18 May 22	0.6750%	3,000,000			3,000,000
LGFA Bond	15 Apr 23	5.1336%	4,000,000			4,000,000
LGFA FRN	15 Apr 23	1.0100%	6,000,000			6,000,000
LGFA Bond	15 Apr 23	1.4800%	0	4,000,000		4,000,000
LGFA Bond	15 Mar 24	3.7200%	4,000,000			4,000,000
LGFA Bond	15 Mar 24	3.7600%	4,000,000			4,000,000
LGFA Bond	15 Apr 24	2.5200%	3,000,000			3,000,000
LGFA Bond	15 Apr 25	4.2046%	3,000,000			3,000,000
LGFA FRN	15 Apr 25	1.2450%		5,000,000		5,000,000
LGFA FRN	19 May 25	0.7400%	7,000,000			7,000,000
Total due within 2 - 5 years			62,000,000	9,000,000	0	71,000,000
Due after 5 years						
LGFA Bond	20 Mar 26	3.3800%	9,000,000			9,000,000
LGFA Bond	15 Jul 26	3.3700%	5,000,000			5,000,000
LGFA FRN	15 Apr 27	1.1950%		5,000,000		5,000,000
Total due after 5 years			14,000,000	5,000,000	0	19,000,000
Total			96,000,000	51,000,000	41,000,000	106,000,000

Activity	External Loans as at 31/05/2020 \$000	Internal Loans as at 31/05/2020 \$000	Total Loans as at 31/05/2020 \$000	LTP Year 2 Budget 2019/20 \$000	Interest Allocated YTD \$000	Loans as at 30/06/2019 \$000
Land Transport	1,600	95	1,695	3,868	47	1,684
Shared Pathways	700	86	786	937	20	710
Stormwater	7,700	75	7,775	9,657	209	7,466
Water supply						
Water Levin	11,300	47	11,347	13,150	315	11,287
Water Shannon	1,200	1	1,201	1,194	35	1,243
Water Foxton	1,200	38	1,238	1,217	36	1,270
Water Foxton Beach	300	31	331	411	9	324
Water Tokomaru	400	40	440	487	11	392
Total for water supply	14,400	157	14,557	16,459	406	14,516
Wastewater Disposal						
Wastewater Levin	10,600	82	10,682	12,436	264	9,438
Wastewater Shannon	7,800	16	7,816	7,968	226	8,086
Wastewater Foxton	5,800	22	5,822	8,459	134	4,801
Wastewater Foxton Beach	200	21	221	301	4	159
Wastewater Tokomaru	700	90	790	846	23	819
Wastewater Waitarere	300	46	346	595	6	213
Total for wastewater disposal	25,400	277	25,677	30,605	657	23,516
Solid Waste						
Landfill	4,400	91	4,491	4,684	129	4,616
Recycling	2,200	60	2,260	2,208	21	768
Total Solid Waste	6,600	151	6,751	6,892	150	5,384
Community Facilities & Services						
Aquatic Centres	4,200	99	4,299	4,714	124	4,438
Reserves	2,100	13	2,113	2,931	56	2,003
Sports grounds	1,300	80	1,380	1,462	38	1,347
Cemeteries	600	88	688	768	16	563
Beautification	0	46	46	55	1	48
Libraries/ Community Centres	10,600	65	10,665	11,216	298	10,666
Halls	200	28	228	228	7	237
Toilets	400	54	454	759	13	471
Total for Community Facilities & Services	19,400	473	19,873	22,133	553	19,773
Properties						
Commercial properties	0	0	0	0	12	1,023
General properties	2,900	80	2,980	821	83	2,982
Council building	5,300	90	5,390	5,713	155	5,541
Total for Properties	8,200	170	8,370	6,534	250	9,546
Other activities						
Information Technology	1,600	83	1,683	1,677	45	1,624
District/strategic planning	3,300	187	3,487	4,057	78	2,790
Animal control	0	25	25	67	1	26
Treasury	17,100	700	17,800	5,000	292	10,500
Total for other	22,000	995	22,995	10,801	416	14,940
Total Gross Debt	106,000	2,479	108,479	107,886	2,708	97,535
Less Cash and Cash equivalents	16,493		16,493	10,571		8,481
Net Debt	89,507	2,479	91,986	97,315		89,054

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

Audit Engagement and Proposal Letters and Audit Plan

File No.: 20/221

1. Purpose

To deliver to the FAR Committee the three letters regarding the Audit New Zealand audit assignment for the next 3 financial years 2019/20, 2020/21, 2021/22, but with particular emphasis on the audit for the 2019/20 financial year.

2. Recommendation

- 2.1 That Report 20/221 Audit Engagement and Proposal Letters and Audit Plan and Audit Plan be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the letters from Audit New Zealand be signed by the Mayor on behalf of the Horowhenua District Council.

3. Background/Previous Council Decisions

- 3.1 Each audit assignment is for a period of three years before being reviewed for another three years. Our audit cycle for three years begins with the audit this year, 2019/20. Audit New Zealand has delivered to us three letters:
 1. The Audit Proposal Letter (APL) which sets out the audit fee for the next three years has been through a moderation process with the Office of the Auditor-General. Note that Audit NZ is a subsidiary of the Office of the Auditor General and carries out audit assignments on behalf of the auditor General. Only The Auditor General can appoint Council's auditor; Council is unable, under the Public Audit Act, to appoint its own auditor.
 2. The Audit Engagement Letter (AEL) which sets out the Council's responsibilities and the Audit Director's responsibilities as Appointed Auditor. Audit NZ issues this letter when it issues a new APL and it remains in place over the same period (3 years). It avoids the need for Audit NZ's responsibilities to be repeated in the Audit Arrangements Letter each year.
 3. The Audit Plan (AP) sets out the areas of audit focus and the audit logistics for the current year.
- 3.2 While the letters are in final form and ready for printing and signing once they have been approved, the AP and APL can be treated as draft documents. While the AEL is a more formal document sent to Council from Audit NZ on behalf of the Auditor General. The other letters are more specific and can be subject to Councillor input and negotiation.

4. Issues for Consideration

- 4.1 The APL sets out the proposed fee structure for the three years. The coming audit represents a 0% increase on last years budgeted fees and 1.5% on what was actually charged. Councillors attention is drawn to the fact that the actual hours, above budgeted hours, disclosed in doing the 2016 audit did not affect the final audit fee for last year's audit.
The 2019/20 Annual Plan has \$153,150 as the Annual Report Audit budget against the Audit NZ estimate of \$160,200.

4.2 Also, the audit of the LTP, which will occur early in 2021, is over and above the fee disclosed in the APL and not included in this letter. The LTP audit will be subject to its own appointment criteria, which will come to Council at a later date. Council has budgeted \$90k for this audit.

4.3 The AP is more focused on the audit that will occur for the 2019/20 financial year. It sets out the various responsibilities of Audit and HDC as well as the areas that the Auditor General is looking into across all of New Zealand Local Government.

4.4 The letter also points out some key milestone dates on page 15, the most important of these are;

- Draft financial statements available for audit 28 September 2020.

Note that this is 2 days prior to the September Finance, Audit and Risk (FAR) Committee meeting scheduled for 30 September, where, normally, the Committee would satisfy itself and gain assurance from management about the adequacy of draft before being released to audit.

The financial statements are similar to what Council receives in a quarterly report. Therefore, the Committee will be able to see the financial result, including the depreciation effect of the infrastructural asset valuations as well as the increase in values. It will also show the debt levels and changes in debt. Reporting against the non-financial service levels will also be available as part of the Quarterly report for June that will be on the agenda for 29 July meeting.

- Final audit begins on 5 October for a fortnight
- Annual report available for audit 28 September. This is the full Annual Report including the Mayor/CE's overview.
- Final financial statements available for audit 28 August.

The Committee may want to call an extra-ordinary meeting at this point to review and recommend adoption of the Annual Report to Council. Any changes to the report from that which was reviewed at the 26 August FAR meeting would be as a result of issues raised and settled with audit during the audit process. This may be an opportunity to ask the audit director to attend the meeting to discuss the final report.

- Verbal audit clearance probably 23 October, in time for inclusion of the Annual Report adoption on the Council agenda for an extraordinary council meeting of 28 October.
- Audit opinion issued 28 October for the adoption at the Council meeting of that day. Of note here is that Council cannot delegate the adoption of the Annual Report to a Committee.

4.5 The FAR Committee has, therefore, one and possibly two opportunities to review the Annual Report before its adoption by Council on 28 October, i.e. 26 August and 30 September. Note there is no Council meeting set for 28 October.

Attachments

No.	Title	Page
A	Audit NZ audit engagement letter 2020	66
B	Audit NZ Audit Plan 2020	78
C	Audit NZ Audit proposal Letter 2020-2022	97

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 benefits and costs, 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)	Doug Law Chief Financial Officer	
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Approved by	Nicki Brady Deputy Chief Executive	
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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

[Draft – 2 June 2020]

Bernie Wanden
Mayor
Horowhenua District Council
Private Bag 4002
Levin 5540

Dear Bernie

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including the Horowhenua District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council and group’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the District Council and group’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the District Council and group’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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Your responsibilities

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the District Council and group for the purpose of the audit;
 - unrestricted access to Councillors and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the District Council and group with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect Councillors to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the District Council and group:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of the District Council and group:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Long Term Plan and Annual Plan for the financial year and
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance

information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the District Council and group; including being independent of management personnel and Councillors. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the District Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial

statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the District Council and group from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely

Stephen Lucy
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Bernie Wanden
Mayor

Date:

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ○ the financial position; and ○ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ○ the performance achievements as compared with the intended levels of service for the financial year; and ○ the actual revenue and expenses as compared with the forecasts included in the Long Term Plan and Annual Plan for the financial year. • complies with generally accepted accounting practice in New Zealand <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the District Council; • enable you to monitor the resources, activities, and entities under your control; • enable the District Council's financial position to be determined with reasonable accuracy at any time; • enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and • are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	it is appropriate for the purposes of protecting the interests of the public.
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your Councillors and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where Councillors and employees of the District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<p>Responsibilities for conflicts of interest and related parties</p>	
<p>You should have policies and procedures to ensure that your Councillors and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your Councillors and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
<p>Responsibilities for publishing the audited financial statements on a website</p>	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the District Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required.

We also expect you to provide our audit staff with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Horowhenua District Council

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of the Horowhenua District Council (the District Council) for the year ending 30 June 2020.

There is the possibility, that due to COVID-19, there may be disruptions that will require changes to the proposed audit timetable. Where this arises we will discuss a revised timetable with you.

The purpose of this audit plan is to discuss:

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Expectations.....	16

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Stephen Lucy
Appointed Auditor
Draft – 2 June 2020

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
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>Councillors and management may find the following COVID-19 guidance to be useful:</p> <ul style="list-style-type: none"> Financial Markets Authority guidance – see pages 3 to 5 of https://www.fma.govt.nz/assets/Guidance/2020-Financial-reporting-reviews.pdf 	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> review with management of the impact of the COVID-19 pandemic on the District Council and its control environment; review of the District Council’s impact assessment of the COVID-19 pandemic on the financial statements and performance information and determination of the effect on our audit approach; and assessment of the completeness and accuracy of disclosures in the annual report relating to the COVID-19 pandemic. <p>Where we identify new audit risks or issues related to the COVID-19 pandemic, we will advise you of them separately.</p>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> Audit New Zealand is publishing Bulletins to provide high-level guidance on the implications of COVID-19 on public sector reporting, including revaluations of property plant and equipment, financial statements and performance information, refer to https://auditnz.parliament.nz/good-practice/public-sector-reporting 	
Revaluation of roading assets, land and buildings	
<p>The District Council periodically revalues its infrastructure (roading and 3 waters) assets and its land and buildings.</p> <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>This year, the District Council is scheduled to undertake revaluations for its roading assets and its land and buildings.</p> <p>The last revaluations were/would be:</p> <ul style="list-style-type: none"> Land and buildings – 31 March 2020 Roading assets – 1 July 2019 '3 waters' assets – 1 July 2018 <p>Due to the judgemental nature of the revaluation, there is a risk of bias or error in the assumptions an inputs used. Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in incorrect value for infrastructure assets. There is the potential that this could give rise to a material misstatement in the revaluation.</p> <p>The risks have increased as a result of the impacts of the COVID-19 pandemic.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review how the District Council ensured completeness over the asset data; Review the District Council's explanations of variances between the latest and prior years' valuations for reasonableness; Obtain confirmation from the independent peer review valuer (for roading assets) and the independent valuer (for land and buildings); Evaluate the qualifications, competence and expertise of the independent peer review valuer and the independent valuer; Confirm our understanding of the valuation methodology and key assumptions. We will assess these for compliance with PBE IPSAS 17 and evaluate their reasonableness based on our experience and knowledge of other roading and land/building valuations; Determine how the age and condition of the assets has been determined, and how this has been reflected in the determination of the remaining useful life of the assets and the valuation calculation for those assets; Determine how unit rates for replacement costs have been determined. We will confirm the reasonableness of a sample of unit costs by reference to recent capital works undertaken by the District Council; and Review how changes in the value of the respective assets are accounted for and disclosed in the financial statements.

Audit risk/issue	Our audit response
Property, plant, and equipment fair value assessments and impairment assessments	
<p>As noted on the previous page, the relevant accounting standard (PBE IPSAS 17) 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>As noted on the previous page, the last revaluations were/would be:</p> <ul style="list-style-type: none"> • Land and buildings – 31 March 2020 • Roading assets – 1 July 2019 • ‘3 waters’ assets – 1 July 2018 <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 value of all revalued assets as at 30 June 2020; and • an impairment assessment over all the property, plant, and equipment assets. 	<p>We will:</p> <ul style="list-style-type: none"> • review the robustness of management's assessments as to why there is no material difference between the fair value and the carrying value of all assets that are accounted for on a revaluation basis (i.e. land and buildings, roading assets and 3 waters assets); <p>This will include those assets that have been revalued in the current year as those valuations (particularly roading) have taken place before the full ramifications of COVID-19 are able to be assessed (e.g. the country only went into lockdown on 25 March 2020).</p> <p>If there are material differences between the fair value and the carrying value of revalued assets as at 30 June 2020, new valuations will be required as at 30 June 2020.</p> <ul style="list-style-type: none"> • review the robustness of the District Council's impairment assessments of all its plant, property, and equipment. <p>Where there are indicators of impairment, we will review the District Council's accounting of the impairment(s) to ensure that any impairment is correctly accounted for in compliance with the accounting standards.</p>

Audit risk/issue	Our audit response
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 were previously accepted as not controlled, now being assessed as controlled; • 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>Management should prepare a formal impact assessment to determine whether these new standards change how the District Council currently accounts for and discloses controlled entities, associates, joint ventures and joint arrangements.</p> <p>We will review the District Council’s assessment and discuss the results with management.</p> <p>We will also verify that the disclosures have been correctly included in the financial statements.</p>

Audit risk/issue	Our audit response
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>For 2019/20 we will again consider the District Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We will review a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We will enquire as to the progress made in relation to the proposed rating review.</p> <p>Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council is responsible for ensuring that it complies with applicable laws and regulations.</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 will test the robustness of management's estimation of the provision for landfill aftercare costs.</p> <p>We will review the appropriateness of the discount rates used and accuracy of the calculations.</p>
Forestry assets valuation	
<p>Forestry assets are subject to annual valuations under PBE IPSAS 27, <i>Agriculture</i>.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess the underlying assumptions and data are consistent with the District Council's management and knowledge of the assets, and • review the valuations and the resulting accounting transactions and ensure that they are compliant with generally accepted account practice and the valuations are reliable.

Audit risk/issue	Our audit response
Debenture Trust Deed	
<p>Local authorities are able to secure borrowings using any security (including future rates revenue). A debenture trust deed provides the benefit of the charge, through a trustee, to the lender.</p> <p>The District Council's Debenture Trust Deed requires us to provide an independent assurance report on certain matters stated in clause 12.2.6 of the Trust Deed.</p> <p>We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed.</p>	<p>We will agree, with the District Council and the Trustee, separate terms of engagement for the Debenture Trust Deed.</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>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • review of accounting estimates for indications of bias; and • evaluation of any unusual or one-off transactions, including those with related parties. • evaluation of significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the City Council and its environment; and • review of any changes in the District Council's accounting policies.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, as the governing body, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the District Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through the use of bringing forward the timing of audit procedures.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on: year-to-date transactions for revenue and expenditure and property, plant and equipment revaluations. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during a pre-final audit. If we can complete this work earlier in the year, we expect this to reduce the final audit onsite work, as these hours will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations, in the usual year-end representation letter, from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the District Council;
- there is any sign or appearance of a lack of probity 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; and
- there is 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.

Reporting protocols

Communication with management and the Council



We will meet with management and the Finance, Audit and Risk (FAR) Committee, as representatives of Council, throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to Council



We will provide a draft of all reports to management (and Council) for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Stephen Lucy	Appointed Auditor
John Mackey	Engagement Quality Reviewer
Freddie Quilongquilong	Audit Manager

The Engagement Quality Reviewer (EQR) forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



There is the possibility that due to COVID-19 there may be disruptions that will require changes to the timetable proposed below. Where this arises we will discuss a revised timetable with you.

Our proposed timetable is:

First interim audit	17-21 February 2020
Second interim audit	13-23 April 2020
Revaluations and pre-final audit	29 June – 3 July 2020
Draft interim report to Council, provided to management for comment	By 15 July 2020
Draft Performance Information Available	10 July 2020
Review of Draft SSP and testing.	13 July 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures and internal QA performed	28 September 2020
Final audit	5 – 23 October 2020
Audit opinion issued	TBC
Draft final report to Council, provided to management for comment	TBC

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management to provide our audit staff with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Our staff should also be advised of any COVID-19 requirements in place at the District Council.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.parliament.nz

PO Box 99
Wellington 6140
Level 2, 100 Molesworth Street
Thorndon, Wellington
Phone: 04 496 3099





AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Draft – 2 June 2020

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

Bernie Wanden
Mayor
Horowhenua District Council
Private Bag 4002
Levin 5540

Ref: EN/LCA/3-0015 P111
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear Bernie

Proposal to conduct the audit of the Horowhenua District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and

- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that "the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor-General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are "reasonable" for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited.

The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor-General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

3 Entities covered by this proposal

This proposal covers the audit of the Horowhenua District Council.

4 Key members of the audit team

Appointed Auditor	Stephen Lucy
Engagement Quality Control Reviewer	John Mackey
Audit Manager	Freddie Quilongquilong

5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual *	2020 proposed
Appointed Auditor	72	163	81
Engagement Quality Reviewer (EQR)	8	20	14
Audit Manager	93	231	100
Other audit staff	698	1,203	728
Sector Specialist Support	8	8	9
Procurement, asset management specialists	10	2	10
Information Systems specialists	23	26	20
Tax Director	2	1	2
Total audit hours	914	1,646	964

*Note – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

In 2018/19 there were a significant number of meetings with the former Mayor and one other Councillor, including meetings with the OAG. Council also revalued its infrastructure assets during the 2019/20, but had poor delivery. This meant we had to delay the work and needed to pick up and put down work resulting in inefficiencies.

We will be seeking a fee recovery for part of our extra costs incurred in 2018/19 audit.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation’s audit are:

Reasons for changes in audit hours compared to estimated audit hours set out in previous APL	2020
<ul style="list-style-type: none"> <li data-bbox="399 517 1193 824"> <p>• Sensitive expenditure – All councils operate in an environment where ratepayers and other stakeholders expect high levels of ethical behaviour and want more transparency over how this is managed. This means they need robust policies and processes in areas such as fraud, bribery and corruption, and sensitive expenditure. They also need to demonstrate that they manage these areas effectively.</p> <p>The increased sensitivity and risk in these areas, which is also reflected in the OAG briefs to auditors, has flowed through to our audit and the work we do. In particular, we will now be undertaking additional testing of the Chief Executive and Mayor’s expenses every year.</p> <li data-bbox="399 842 1193 1182"> <p>• Asset valuations – funding challenges, combined with greater community awareness and expectations over the resilience and performance of core assets, have increased the importance of, and risks associated with, council’s asset related practices such as continually improving its asset condition information and developing more advanced management practices. These in turn increase the complexity of council’s asset revaluations and fair value assessments.</p> <p>Our hours and fees are based on annual revaluations of roading assets and two-yearly revaluations of three waters assets (with fair value assessments in other years). Any additional revaluations we are required to audit will be charged separately.</p> <li data-bbox="399 1200 1193 1368"> <p>• Rates – Recent court cases have highlighted the risks council faces in relation to its rating processes. Seemingly minor procedural or documentation errors have the potential to undermine council’s major revenue stream. Council’s increased risks have impacted on our approach to auditing Rates, and we now perform more testing on both individual rates and the information held in the RID.</p> <li data-bbox="399 1386 1193 1554"> <p>• Estimations and judgements - significant accounting estimations, accruals and judgements, for example, landfill aftercare costs, are significant to the council’s financial statements and present a risk of material misstatement. As council’s knowledge of the underlying issues improves, these estimations and judgements become more complex and present a higher risk, which increases our required audit response.</p> <li data-bbox="399 1572 1193 1756"> <p>• Non-financial reporting – in the light of recent events, including natural disasters, the results of the Havelock North water enquiry, and the impacts of climate change, ratepayers and other stakeholders focus on local authorities’ core services has increased. This has increased our assessment of risk in these areas which in turn has increased both the number of measures we identify as material and the amount of testing we do on these.</p> 	<p>40</p>

Reasons for changes in audit hours compared to estimated audit hours set out in previous APL	2020
In addition, the mandatory performance measures present a heightened risk to Council's reporting due to the range of interpretation and non-compliance issues that have been identified across the sector in recent years.	
Since the last agreed audit fees, the Finance, Audit and Risk (FAR) Committee has been established. While we still attend similar number of meetings, the meetings are for longer (often with the Audit and Risk Committee meeting prior to the Council meeting) and additional meetings are held with FAR Chair during the year.	10
Total increase (decrease) in audit hours	50

6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2019 budget fees \$	2019 actual fees charged (*) \$	2020 proposed fees \$
Net audit fee	139,704	139,704	141,788
OAG Audit Standards and Quality Support fee	12,721	12,721	12,912
Total audit fee (excluding disbursements)	152,425	152,425	154,700
Estimated disbursements	8,500	5,315	5,500
Total billable audit fees and charges	160,925	157,740	160,200
GST	24,139	23,661	24,030
Total (including GST)	185,064	181,401	184,230

* **Note** – 2019 actual audit fees charged were \$152,425, compared to our 2019 audit costs of \$296,868. These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies.

The estimated cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$168,500 to \$178,500, that is, about \$21,000 or 14% more than the 2019 fee. Over the next two years (2021 and 2022) we expect that the audit fee charged will progressively move to more fairly reflect our actual costs of performing your Council's audit.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees have been held at a 1.5% increase over the agreed audit fee for 2019.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work;
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure "no surprises" to either party.

7.1 Exclusions

The proposed hours set out in section 5, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
 - PBE IPSASs 34 to 38;
 - *IFRS 9* – should the Council early adopt; and
 - PBE FRS 48.
- Changes to auditing standards including; NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government’s three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council’s reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission’s review of local government funding and financing.
- The impacts of future growth within the Council’s area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Stephen Lucy
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the 2019/20 financial year as stated above.

Full name: Bernie Wanden Position: Mayor
Authorised signature: _____ Date: _____
Entity name: Horowhenua District Council

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Stephen Lucy
Audit New Zealand
PO Box 99
Wellington

Emergency Provisions for COVID-19: Deactivation of Emergency Committee

File No.: 20/224

1. Purpose

For the Finance, Audit & Risk Committee to consider recommending to Council the deactivation of the Emergency Committee that was put in place for emergency decision making and governance processes, and also special delegations, to respond to the COVID-19 pandemic.

2. Recommendation

- 2.1 That Report 20/224 Emergency Provisions for COVID-19: Deactivation of Emergency Committee be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Finance, Audit & Risk Committee recommends to the Horowhenua District Council that it deactivates the Emergency Committee that was put in place to respond to the COVID-19 pandemic.

3. Background/Previous Council Decisions

- 3.1 At an Extraordinary Meeting held on 23 March 2020, Council established an Emergency Committee to respond to the COVID-19 pandemic. The reason for the Emergency Committee's establishment was to ensure Council's approach (both Elected Members and Management) was to focus on the health and wellbeing of "our people, as our first priority" and to take an informed approach that was sensible, balanced and respectful of the diverse Horowhenua community.
- 3.2 The Emergency Committee's Terms of Reference:

<i>Membership</i>	Chairperson	Mayor
	Deputy Chairperson	Deputy Mayor
	Members	FAR Committee Deputy Chair
	Quorum	Two members
	Meeting Frequency	As required.

Purpose To determine matters within the authority of Council where the urgency of those matters precludes a full meeting of the Council, or emergency legislation is enacted.

Role To exercise all Council functions that cannot be exercised by the Council using its standard processes and procedures due to a pandemic, other natural disaster or state of emergency, except for those that:

- have been delegated to staff
- cannot be delegated pursuant to clause 32 of Schedule 7 of the Local Government Act 2002, or pursuant to any other legislation.

Power to Act The Emergency Committee can only be activated by resolution of Council for specific events, or where resolution by Council is not possible, on the joint authority of the Mayor and Deputy Mayor.

Power to Recommend The Emergency Committee reports to the Horowhenua District Council.

3.3 For the purposes of the COVID-19 emergency, the Chief Executive's financial delegation was also set at \$2million, to allow for any unanticipated urgent expenditure, with any such unanticipated expenditure to be reported back to the Emergency Committee, and with the Chief Executive able to on-delegate certain responsibilities if he was unable to fulfil his duties.

3.4 The Emergency Committee was convened twice:

29 April 2020 Aquatic Brief – Planned Maintenance Window

7 May 2020 MBIE Funding Agreement for Worker Redeployment on Local Rooding Projects

Both these meetings were reported to the next ordinary meeting of Council, as required.

4. Issues for Consideration

4.1 With the de-escalation in the pandemic response, it is now recommended that Council deactivates the Emergency Committee and the Chief Executive's emergency delegations.

4.2 There are other avenues open to Council to address, at short notice, any situations that may arise going forward, such as calling Emergency or Extraordinary Meetings of full Council, as provided for in Standing Orders (8.3-8.6).

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 benefits and costs, 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	