

**The Meeting of the  
Audit and Risk Committee will be  
held on Tuesday 24 August 2021  
in the Council Chamber  
commencing at 1.00pm**

## **A G E N D A**

## **AUDIT AND RISK COMMITTEE**

His Worship the Mayor - Malcolm Campbell

Councillor C J Ion

Councillor A Rangihika

Councillor F K N Tunui

Councillor D Sparks

Philip Jones – Consultant - P J Associates (Chair)

**KAWERAU DISTRICT COUNCIL**

The Meeting of the Audit and Risk Committee will be held on  
Tuesday 24 August 2021 in the Council Chamber  
commencing at 1.00pm

**AGENDA**

**Apologies**

**Declarations of Conflict of Interest**

Any member having a “conflict of interest” with an item on the Agenda should declare it, and when that item is being considered abstain from any discussion or voting. The member may wish to remove themselves from the meeting while the item is being considered.

**1 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)**

**Pgs. 1 - 18**

Attached is the report for the Health and Safety Manager covering The OSH Management System.

**Recommendation**

*That the report “Occupational Health and Safety Management System Status” be received.*

**2 Treasury Report to 30 June 2021 (Manager, Finance and Corporate Services) (110551)**

**Pgs. 19 - 23**

Attached is a report showing Councils cash position at 30 June 2021 and where the funds are invested.

**Recommendation**

*That the report “Treasury report to 30 June 2021” be received.*

**3 Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document (Manager, Finance and Corporate Services) (201000)**

**Pgs. 24 - 41**

Attached is a report which summarises the issues (and responses) that were raised in the Audit Management Report for the 2021-31 Long Term Plan Consultation.

**Recommendation**

*That the report “Audit Management Report for the 2021 – 31 Long Term Plan Consultation Document” be received.*

4 **2020/21 Annual Report Timetable (Manager, Finance and Corporate Services) (110400)**

**Pgs. 42 - 45**

Attached is a report which summarises the Councils 2020/21 Annual Report Timetable

**Recommendation**

*That the report "2020/21 Annual Report Timetable" be received.*

5 **Annual Plan Performance for the Year Ended 30 June 2021 (Manager, Finance and Corporate Services) (110400)**

**Pgs. 46 - 50**

Attached is a report that compares Council's financial and non-financial performance to 30 June 2021 with what is in the Annual Plan for 2020/21.

**Recommendation**

*That the report "Annual Plan Performance for the Year Ended 30 June 2021" be received.*

R B George

**Chief Executive Officer**

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**Meeting:** Audit and Risk Committee

**Meeting Date:** 03 August 2021

**Subject:** Occupational Health and Safety Management System Status

**File No:** 509500

## 1 **Executive Summary**

<b>Kawerau District Council's Top 5 Hazards identified by workers</b>				
Hazard	Raw Risk Score	Residual Risk Score	Status	Comment
<b>Public/People/Customers</b>	15 High	10 Moderate	<b>Underway</b>	Target is: 20 Control Measures Completed
				Control Measures
				Completed 19
				Underway 1
<b>Stress</b>	15 High	10 Moderate	<b>Completed</b>	Target is: 25 Control Measures Completed
				Control Measures
				Completed 25
				Underway 0
<b>Slips, Trips and Falls</b>	15 High	10 Moderate	<b>Completed</b>	Target is: 24 Control Measures Completed
				Control Measures
				Completed 24
				Underway 0
<b>Lone Working</b>	15 High	10 Moderate	<b>Underway</b>	Target is: 22 Control Measures Completed
				Control Measures
				Completed 21
				Underway 1
<b>Manual Handling</b>	15 High	12 Moderate	<b>Completed</b>	Target is: 27 Control Measures Completed
				Control Measures
				Completed 27
				Underway 0
				Not Started 0

Above is the top five hazards table based on the results of the staff survey in October 2020.

Data in this report is aligned with Council's Financial Year period.

The COVID – 19 pandemic response is currently at Alert Level 1.

Contact tracing Quick Reader (QR) codes are displayed at all Council sites.

Lead/Lag indicator data has been improved to include comparative data from previous years graphically.

The Retirement Policy is been reviewed by the Human Resources Advisor (HRA) and is now with the Leadership team for review.

The Drug and Alcohol Policy review is underway.

Hazard management and reviews are ongoing with workgroups and managers.

Investment in appropriate health and safety training for staff is ongoing.

Several core training courses relevant to the organisation's needs are scheduled over the coming months.

Workstation Assessments and Ergonomics training is ongoing.

Health and Safety Inductions – re-inductions and site-specific safety inductions continue as required with two new inductions under development.

Event statistics are similar to previous years.

There have been no notifications to WorkSafe New Zealand during this report period.

The Health and Safety Committee (HSC) meetings continue on a monthly basis.

Staff Health Monitoring and Wellness checks are being scheduled beginning with a Skin Cancer awareness seminar and checks in September.

Audiometry and Spirometry monitoring will be scheduled later in the year for relevant staff.

Two Contractor site audits were completed in May and June.

Some detail has been included in this report about the organisation's contractor management.

## **2 Background**

This report provides a general overview of the current status of the Occupational Health & Safety Management System (OHSMS).

Source data is identified and accessed from VAULT.

VAULT is a cloud based Health and Safety software package.

## **3 Lead and Lag Indicators**

Lead Indicators identify activities aimed at preventing accidents and maintaining health and safety like induction, training, hazard management, monitoring and prompt event investigation.

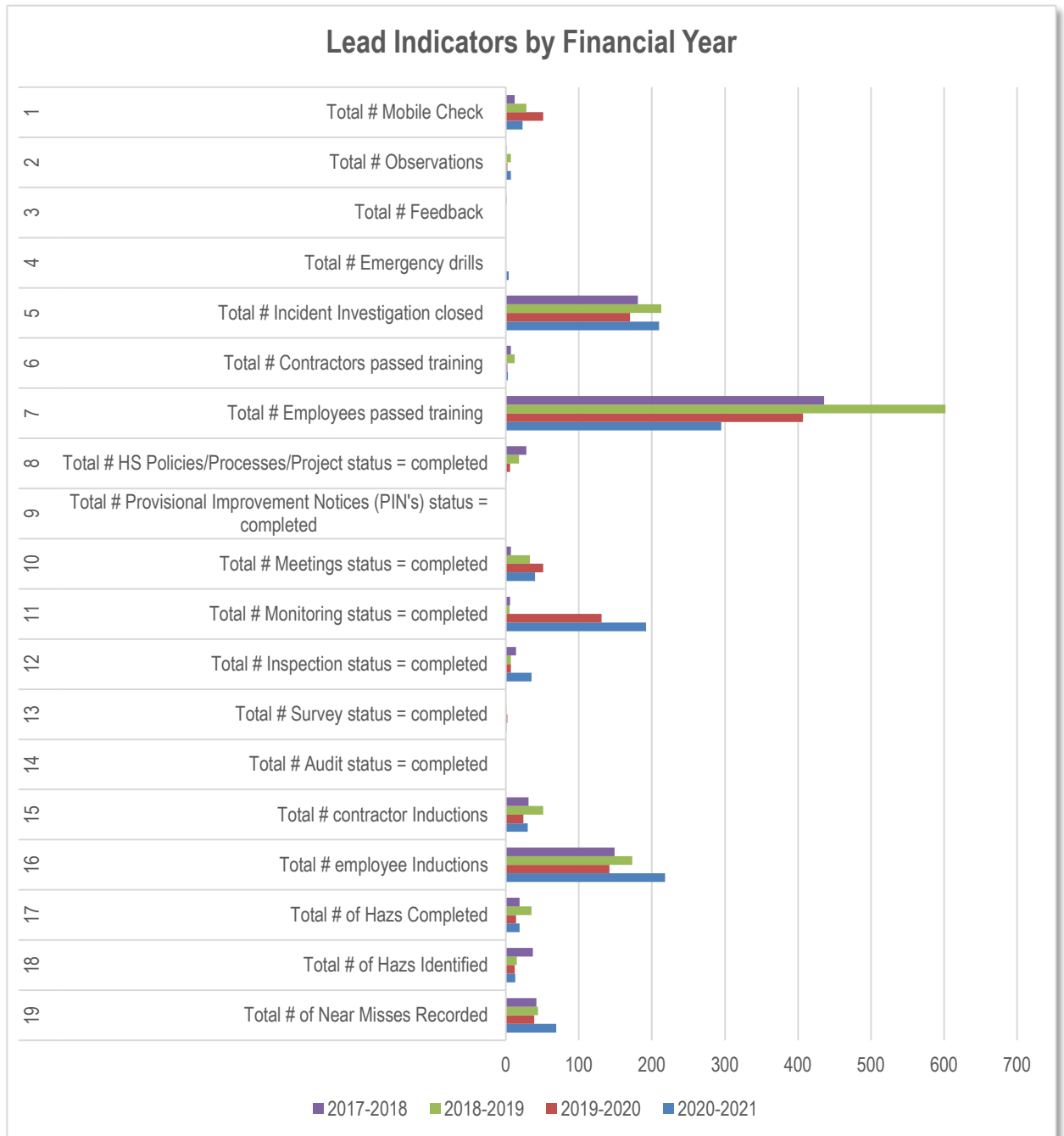
Near Miss events are considered as leading indicators because workers demonstrate awareness and understanding that a near miss represents the potential for harm, loss or damage should there be a repetition of the same or similar event.

Near Miss events when reviewed will identify learning and continuous improvement opportunities potentially adding to the preventative approach in Health and Safety management.

Lag Indicators identify data that has resulted from a work related injury or illness.

First aid events, medical events and lost working time are identified.

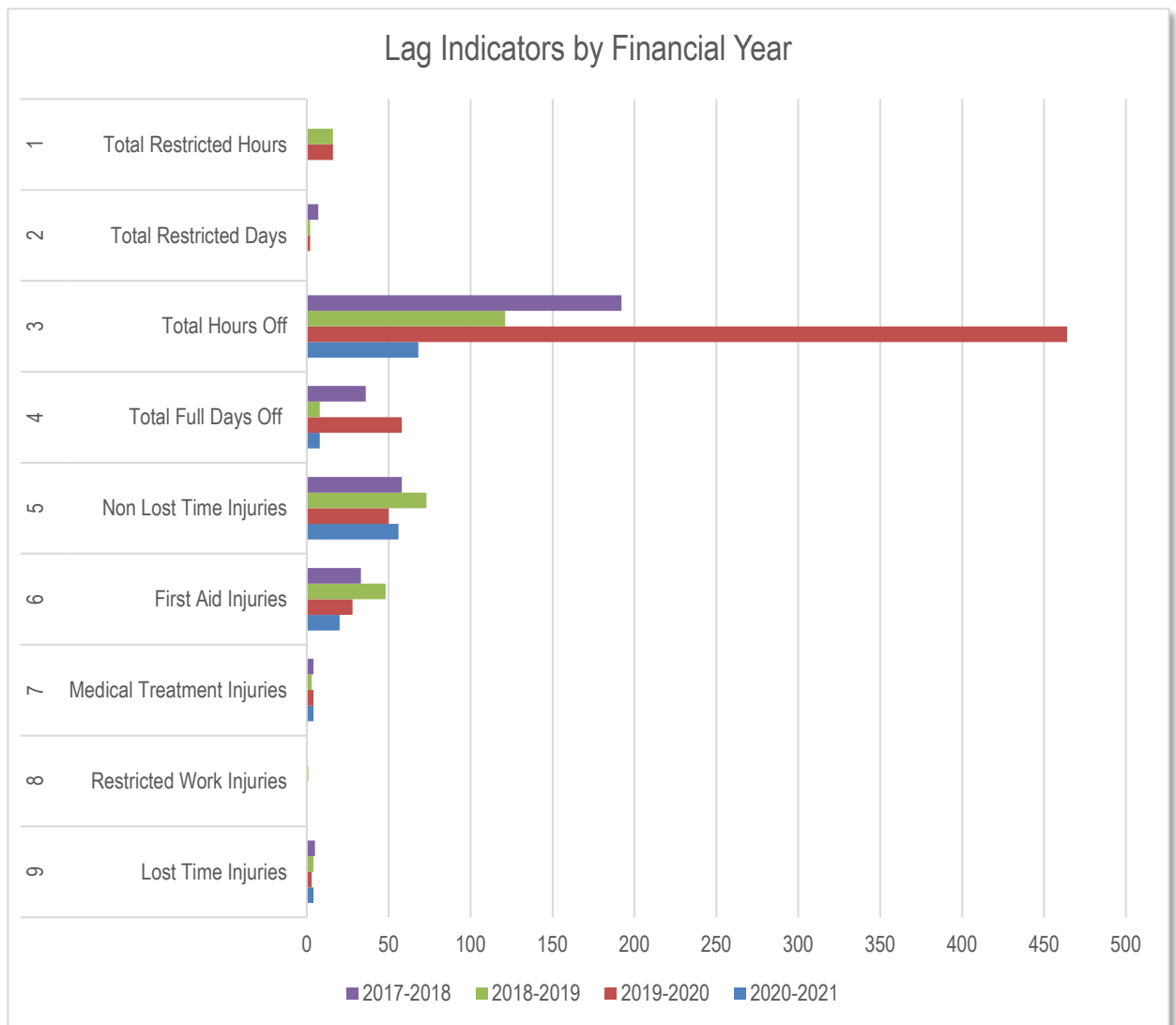
The bar graphs below identify lead and lag indicators by financial year.



### Key for Lead Indicators

1	Audit/Check Template Mobile Application e.g. Tablet Device used for – Contractor Audit, Site Audits or Workstation Assessment (Completed)
2	Positive Observation Records e.g. Comments by staff - <i>Workers observed wearing appropriate PPE or Traffic Management site well managed...</i>
3	Positive comments to H & S team e.g. New mower much quieter than older model or new agricultural much safer to use than the previous one...
4	Number of Emergency Drills – includes false alarms and evacuations.
5	Event Investigations – Designated Investigators have completed and closed the investigation into an event e.g. accident, near miss, incident, illness and pain or discomfort etc.
6	Contractors that have undergone training arranged by KDC.
7	Number of workers completing Health and Safety Related Training
8	Polices, Processes newly implemented or that have been reviewed
9	A record of PIN's (Provisional Improvement Notices) – where a specific health and safety improvement is legally required within a reasonable timeframe.
10	Health and Safety Meetings e.g. Committee meetings, toolbox, hazard reviews
11	Monitoring e.g. Panic Duress alarm test, Smartrak testing, Individuals or teams monitoring an issue – also records of Officer Due Diligence duties
12	Site Inspections – formal or informal e.g. Management by Walking About
13	Staff Health and Safety Surveys e.g. Safe Plus+ or Ask your Team
14	Audit e.g. Audit by internal or external auditors
15	Contractors inducted e.g. General and/or Site Specific Safety Inductions
16	Workers inducted e.g. General - and Site Specific Safety Inductions
17	Total number of Hazards/Risks completed all types e.g. site, task, plant, biological, environmental, psycho - social, ergonomic, substance, asbestos and physical
18	Total number of new Hazards/Risks identified all types (not previously listed)
19	Near Misses Recorded - To Identify potential weaknesses in the safety management system enabling learning opportunities to implement improvements to eliminate or further minimise harm, damage or loss in the future regarding the same or similar events.





Key for Lag Indicators	
1	Restricted hours worked as part of a return to work rehabilitation plan
2	Restricted days worked as part of a return to work rehabilitation plan
3	Number of hours lost resulting from a workplace injury event
4	Number of full days lost resulting from a workplace injury event
5	Injury events resulting in no work time lost
6	Injury events resulting in a First Aid Response
7	Injury events resulting in medical treatment e.g. doctor or practice nurse
8	Injury events resulting in a worker doing restricted or alternative work (Rehabilitation)
9	Number of injuries resulting lost working time

#### 4 **Employer Commitment to Safety Management Practices**

Commitment to health and safety management in the workplace is recorded in VAULT.

Policies are reviewed by the Health and Safety Committee (HSC), Health and Safety Representatives (HSR's) and their workgroups.

The leadership team complete a final review and approval.

Policies are reviewed at least triennially, unless an opportunity for improvement is identified earlier.

The Health and Safety Policy remains on an annual review cycle.

## Organisational Policies/Documents

The table below identifies status of Policy/Document reviews.

<b>Organisational Policy/Document</b>	<b>Status</b>
Health and Safety Policy	Review 01/12/2021 HSC
Rehabilitation Policy	Review 01/03/2022 HSC
Drug and Alcohol Policy	Review 01/08/2021 HSC (Underway)
Cash Handling Policy	Review 01/04/2024
CCTV Policy	Develop/Review MFCS (Underway)
Worker Engagement, Participation and Representation Agreement	Review 30/11/2022 HSC
Safe Driving Policy	Review 06/04/2021 HSC (Underway)
Staff Induction Safety Policies and Manual	Review 09/09/2022 HSC
Trespass Policy & Processes	Review 29/10/2022 HSC
Visitor Management Policy	Review 01/02/2022 HSC
Working Alone Policy	Review 05/06/2022 HSC
Bomb threat, Lock down & Suspicious mail policy	Review 18/06/2021 HSC (Underway)
VDU Management Policy	Review 03/09/2021 HSC
HSR Position Description	Review 01/04/2022 HSC
Workplace Stress & Fatigue Policy	Review 30/08/2022 HSC
Retirement Planning Policy	HRA to review completed - Leadership Team to review

## **5 Planning, Review and Evaluation**

VAULT provides source data for review and evaluation of the Occupational Health and Safety Management System (OHSMS).

VAULT Health and Safety Management reports are scheduled electronically to managers.

## **6 Hazard Identification, Assessment and Management**

Work associated with managing the top 5 hazards is outlined below:

1. Public/People
2. Stress
3. Slips, Trips and Falls
4. Lone Working
5. Manual Handling

### 1 Public/People

Customer Conflict Awareness training is scheduled for July 2021 for new staff and refresher training for existing staff.

The risk of death, injury, damage or loss from public is recorded with safety controls on the hazard register.

Development of staff guidelines is underway dealing with telephone abuse should it occur.

Customer messaging *Please be kind our staff are here to help you* has been developed by the HSC.

It is undergoing Leadership team review.

## 2 Stress

KDC maintains a policy for the management of Workplace Stress and Fatigue.

The risk of death, injury, damage or loss from stress is recorded with safety controls on the hazard register.

Core training and refresher training for staff about Bullying and Harassment and Mental Health Awareness is ongoing.

Staff have 24/7 free access to confidential Counselling and support services.

## 3 Slips, Trips and Falls

The risk of death, injury, damage or loss from slipping tripping or falling is recorded with safety controls on the hazard register.

## 4 Lone Working

KDC maintains a policy and process for Lone Working Management.

Risks associated with Working Alone and safety controls are recorded on the hazard register.

Where practicable – managers aim to eliminate lone working by staff not working alone, especially in remote or isolated areas.

## 5 Manual Handling

The risks associated with manual handling and safety controls are recorded on the hazard register.

Training is ongoing.

Early pain, discomfort and injury reporting is encouraged.

## Top 5 Hazards as per risk assessment and staff perception

The staff evaluation method is based on personal perception, knowledge and experience, which is valued by the organisation.

The organisation engages with the workforce to understand staff perceptions of danger.

Learning from this has resulted in commitment to invest in resources like site improvements, technology, equipment, training, policies and processes.

Learning and opportunities to improve are ongoing.

## Health Monitoring

The table below identifies health assessments, monitoring and vaccinations for workers.

<b>Monitoring/Vaccination</b>	<b>Status</b>
<b>Audiometry (Hearing monitoring)</b>	Completed 2020, Planning underway for 2021
<b>Immunisations/vaccinations (Tetanus, Hep A, B &amp; Diphtheria)</b>	Ongoing/Underway
<b>Work station assessments</b>	Ongoing/Underway
<b>Spirometry (Lung Function Monitoring)</b>	Completed 2020, Planning underway for 2021
<b>Full Asbestos Medical (Workers doing Asbestos Related/Removal Work)</b>	Completed 2020, Planning underway for 2021
<b>Pre-Employment-Medicals (PEM's)</b>	Ongoing/Underway
<b>Monitoring/Vaccination</b>	<b>Status</b>
<b>Face Fit Assessment &amp; Monitoring (RPE)</b>	Ongoing/Underway
<b>Drug &amp; Alcohol Pre-Employment, Random, Reasonable Cause and Post Event testing</b>	Ongoing/Underway
<b>Eye Health and Vision Check</b>	Ongoing/Underway for staff spending over 50% of their working day on a Visual Display Unit (VDU)

## Health & Wellbeing

The table below identifies opportunities for workers to find support and consider offers that could help maintain - or improve their health and wellbeing – including mental wellbeing.

<b>Opportunity on Offer to Workers</b>	<b>Status</b>
<b>Employee Assistance Programme (EAP Services)</b>	Available 24/7
<b>Employee Counselling Provider (VITAE)</b>	Available 24/7
<b>COVID – 19 Immunisation</b>	KDC Emergency Operations Staff offered early vaccination
<b>Annual Flu vaccine</b>	2021 immunisations underway
<b>Health Assessment (Heart, BP, Cholesterol, Glucose, BMI &amp; Waist Circumference etc.)</b>	Completed 2020, Planning underway for 2021
<b>Skin Checks (Melanoma/Skin Cancer)</b>	Scheduled September 2021
<b>Yoga Class</b>	Available weekly
<b>Zumba Dance Class</b>	Available weekly
<b>Domestic Violence Victims Protection Standard Operating Procedure</b>	Available on the KDC Intranet/SharePoint

## Drug & Alcohol Policy

Tests identified in the policy are:

- Pre-Employment
- Random (5% of staff per month)
- Reasonable Grounds
- Post Incident testing

## Workplace Monitoring

Methane and Hydrogen Sulphide gas levels are continually monitored at designated premises.

## Information, Training and Supervision

Investment in Health and Safety training remains relevant to the organisation's needs.

Several new staff members successfully completed the Construct Safe general Health and Safety assessment in June.

Customer conflict awareness training has been scheduled for new staff and existing staff in the refresher cycle in July.

Bullying and Harassment and Mental Health Awareness is scheduled for August.

Chemical Safety training is scheduled for October.

First Aid training continues with First Aiders refreshing their skills every 2 years.

Health and Safety Inductions have increased significantly as identified in the Lead Indicator graph near the front of the report.

The Swimming Pool Site Specific Safety Induction (SSSI) is under review due to site alterations.

Work is underway to develop a Health & Safety Representative (HSR) induction.

Work is also underway to develop a Civil Defence induction for new staff.

## **7 Incident and Injury Reporting, Recording and Investigation**

### Notifiable Events to WorkSafe NZ

(The death of a person, a notifiable injury, illness - or a notifiable incident that must be reported to WorkSafe NZ).

No events identified for this report.

### Event Statistics

Events recorded include Accidents, Incidents, Near Misses and Illness.

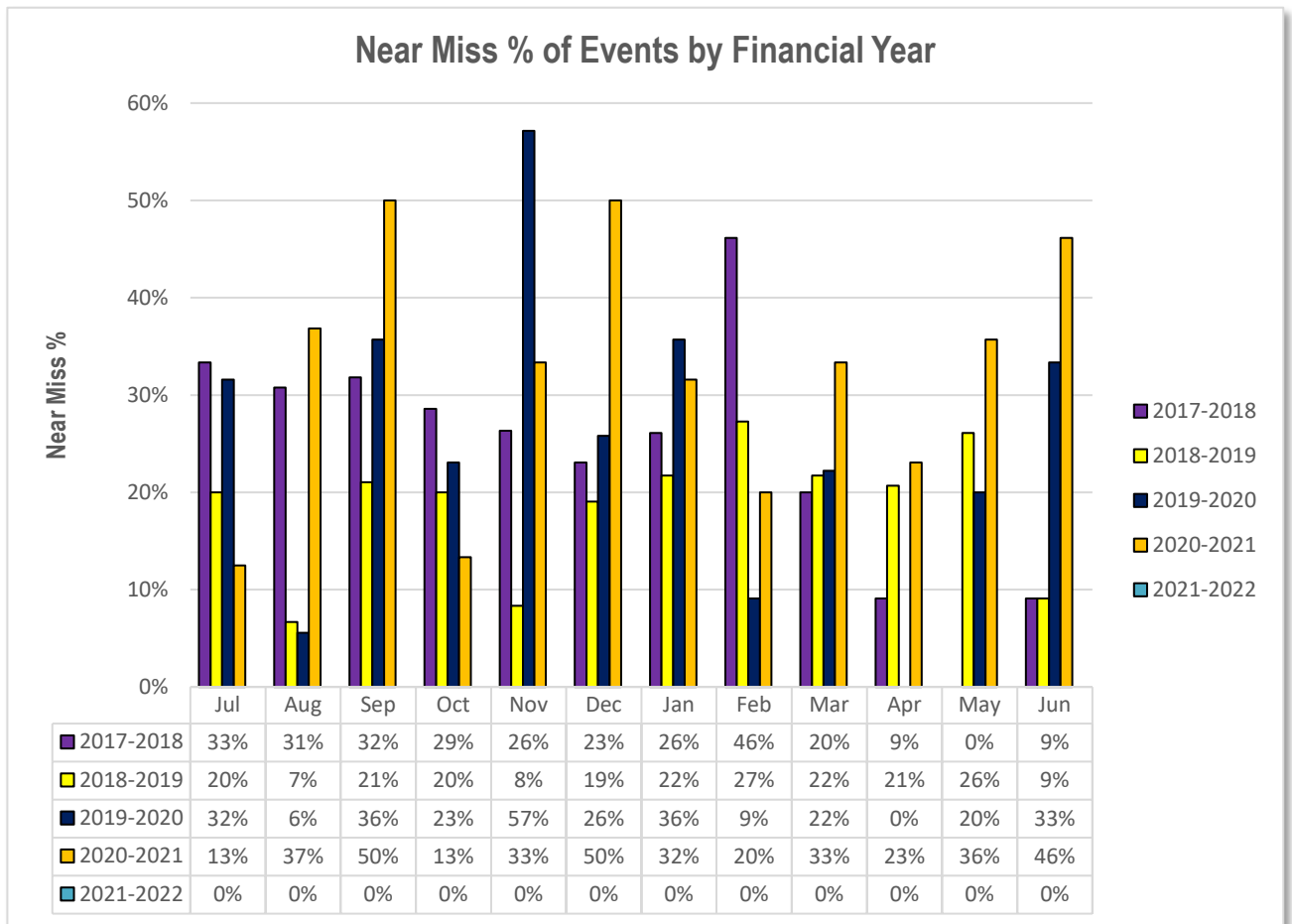
- Total 166 averaging 14 events per month for financial year 2017 - 2018
- Total 230 averaging 19 events per month for financial year 2018 - 2019
- Total 155 averaging 13 events per month for financial year 2019 - 2020
- Total 206 averaging 17 events per month for financial year 2020 - 2021  
(As at the end of June 2021)

### Near Miss events

The organisation values near miss events being reported understanding the learning potential and opportunity to improve health and safety preventative control measures.

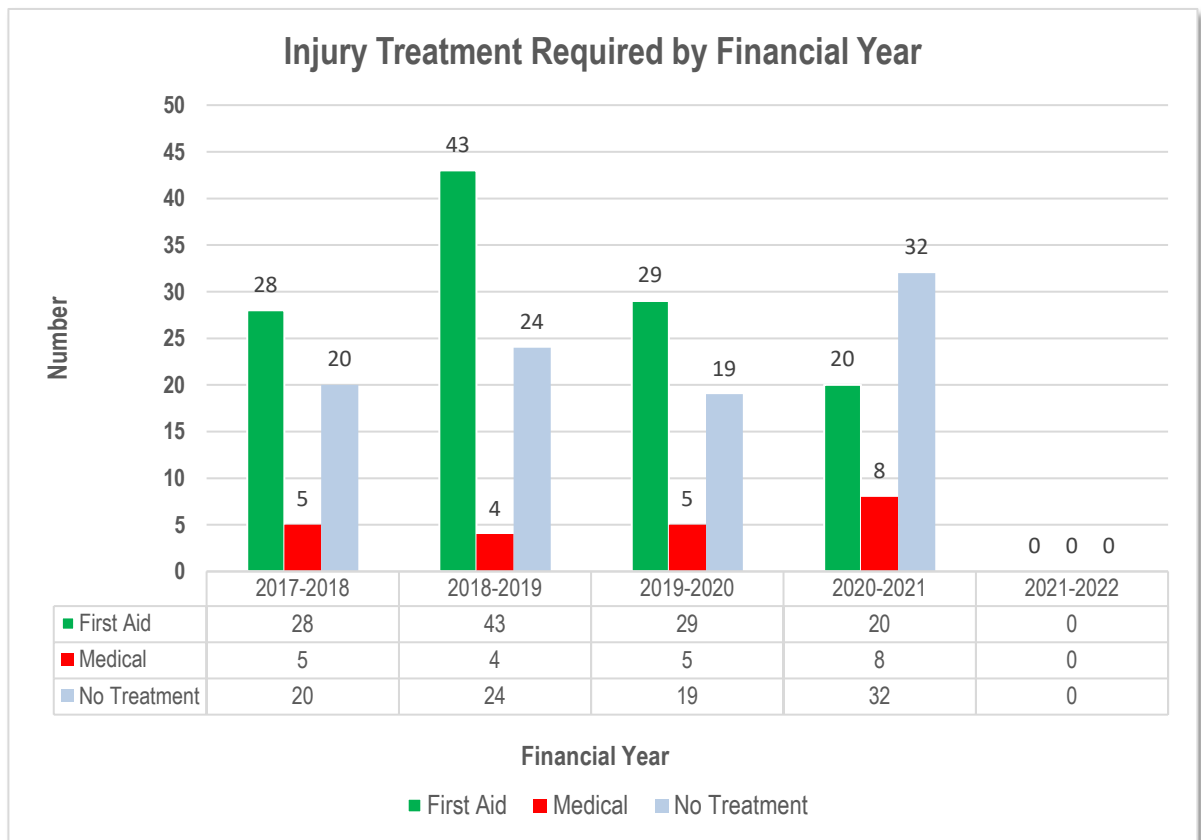
- Near miss events contributed to 24% of total events for financial year 2017-2018
- Near miss events contributed to 18% of total events for financial year 2018-2019

- Near miss events contributed to 25% of total events for financial year 2019- 2020
- Near miss events contributed to 32% of total events for financial year 2020-2021



The column combination graph above identifies the financial year focusing on the percentage of near misses recorded.

## Accidents



The column combination graph above identifies injury/illness treatment outcomes by financial year.

All sites and all person types are included in the data.

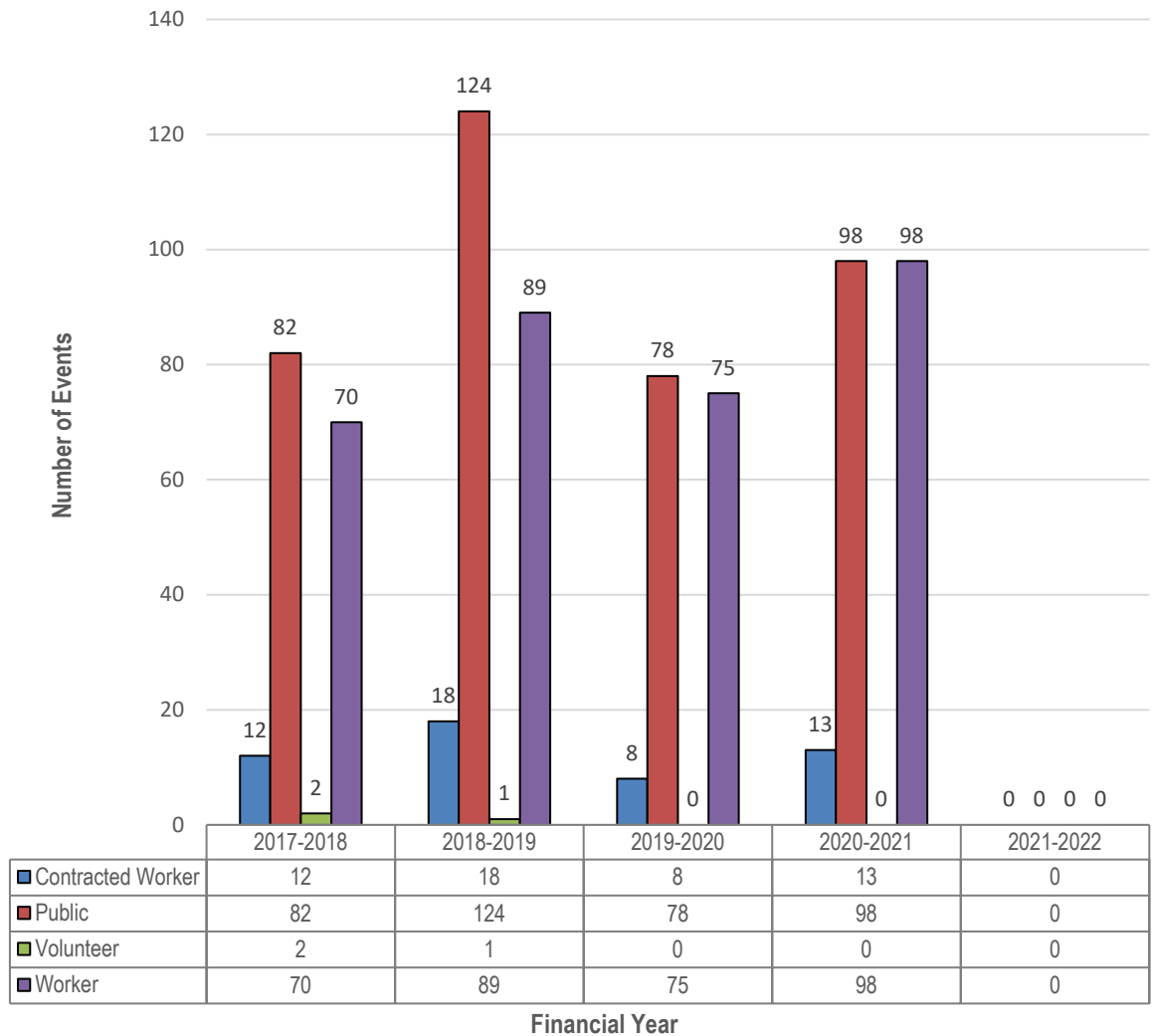
- First Aid means attention given to reduce the effects of the injury or illness.
- Medical means professional medical attention has been required to attend to the effects of an injury or illness e.g. General Practitioner, Registered Nurse, Paramedic or Physiotherapist.
- No treatment means the injury did not require first aid attention - or First Aid assistance was refused.

### Types of Person Involved in Events

The organisation records the type of person involved in events.

The public and workers identify similar results.

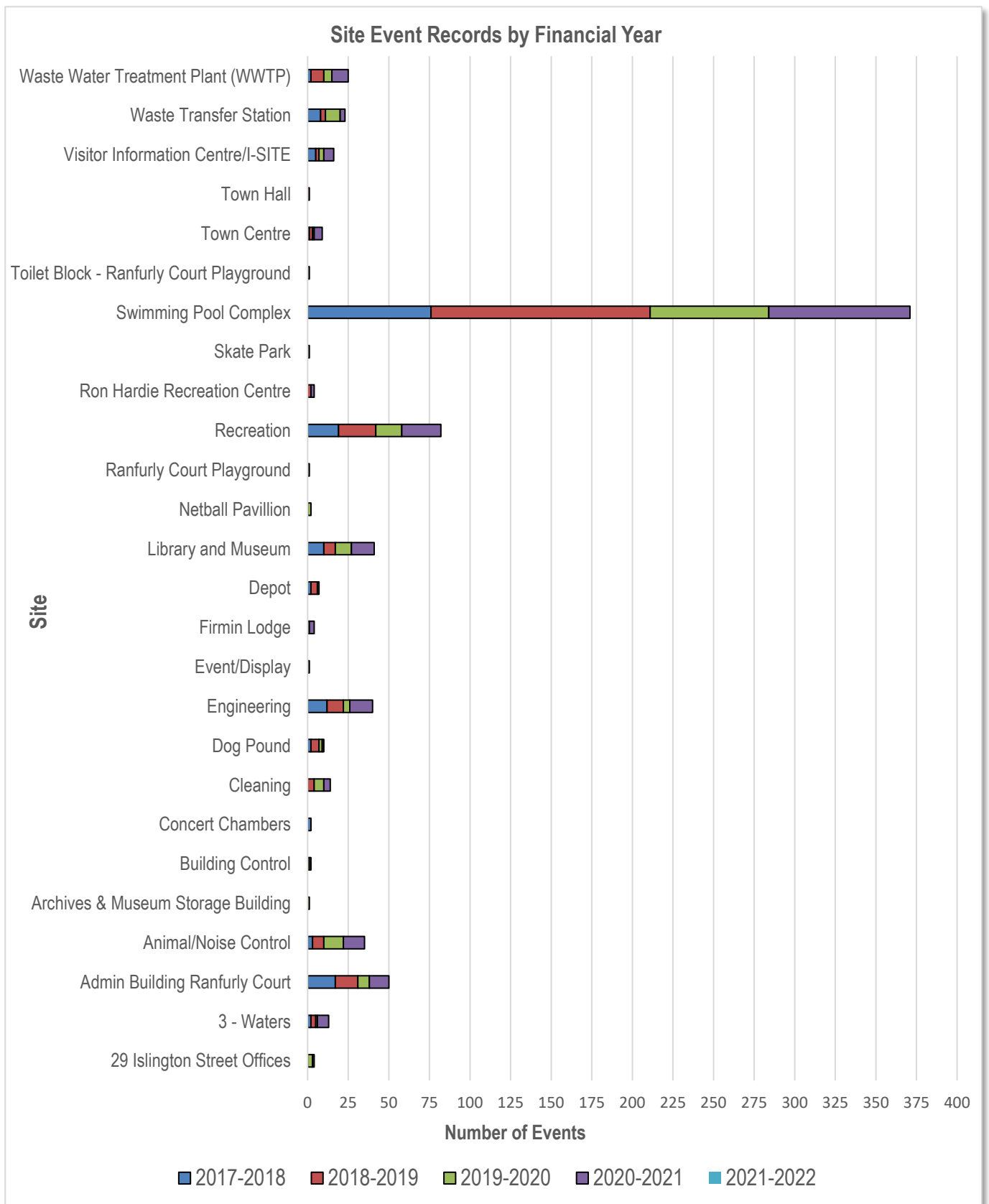
Types of Persons Involved in Events by Financial Year



The column combination graph above identifies the type of person involved in all events for the financial year.

- Contracted worker means a contractor or sub-contractor engaged by Council
- Public means the general public including customers or visitors
- Volunteer means a Volunteer worker engaged to work for Council unpaid
- Worker means any person employed by Council as an employee





The stacked bar chart above identifies the sites where an event has been reported and recorded for financial years 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-2022.

## 8 Employee Participation in Health and Safety Management

The Health and Safety Committee (HSC) continues to meet monthly. Health and Safety is an agenda point for departmental business improvement meetings, management meetings and Leadership team meetings.

HSR's are leading toolbox meetings with Parks and Reserves team members.

2 newly elected HSR's have just completed their stage 1 training and qualification.

The Hazards – Manual Handling and Slips, Trips and Falls have been reviewed by the HSC and VAULT updated.

The Economic Community and Development Manager (ECDM) is acting HSC Chairman.

## **9 Emergency Planning and Readiness**

Certain Council premises are required to have Building Warrant of Fitness Certificates (BWoF) e.g. District Office/Library and Firmin Lodge because they are identified as having specified systems.

Specified Systems require scheduled inspection and maintenance for health and safety reasons annually.

Specified systems can include fire warning (alarm), sprinkler systems, emergency lighting, riser mains, automatic doors, mechanical ventilation and lifts etc.

Compliance checks for specified systems are done by an Independent Qualified Person (IQP) namely Cove Kinloch.

A Building not requiring a BWoF has emergency plans, emergency exits and assembly points maintained by Operations and Services.

### First Aid

- Training is ongoing
- Kits are inspected and maintained
- Kits located in all KDC buildings, Venues, Vehicles and Plant
- Automatic External Defibrillators (AED's) are located at the District Office and the Swimming Pool
- Evacuation chair is located on the first floor of the district office – inspected and maintained
- Wheel chair is located on ground floor of the district office inspected and maintained

### Duress Alarms and Emergency Lock Down

All Council counter services have duress alarms and emergency lockdown buttons.

## **10 Protection of Employees from On-site Work undertaken by Contractors and Sub-contractors**

### Contractor Monitoring Key Performance Indicator (KPI)

Contractors can be subject to site audits by the HSO and the relevant Kawerau District Council (KDC) contract manager.

Contractor auditing measurement uses a Key Performance Indicator (KPI) with a target set at one Audit per month – except during holiday periods when contractor activity is low.

SMART KPI methodology is applied to set the target.

- Specific
- Measurable
- Achievable
- Realistic
- Time bound

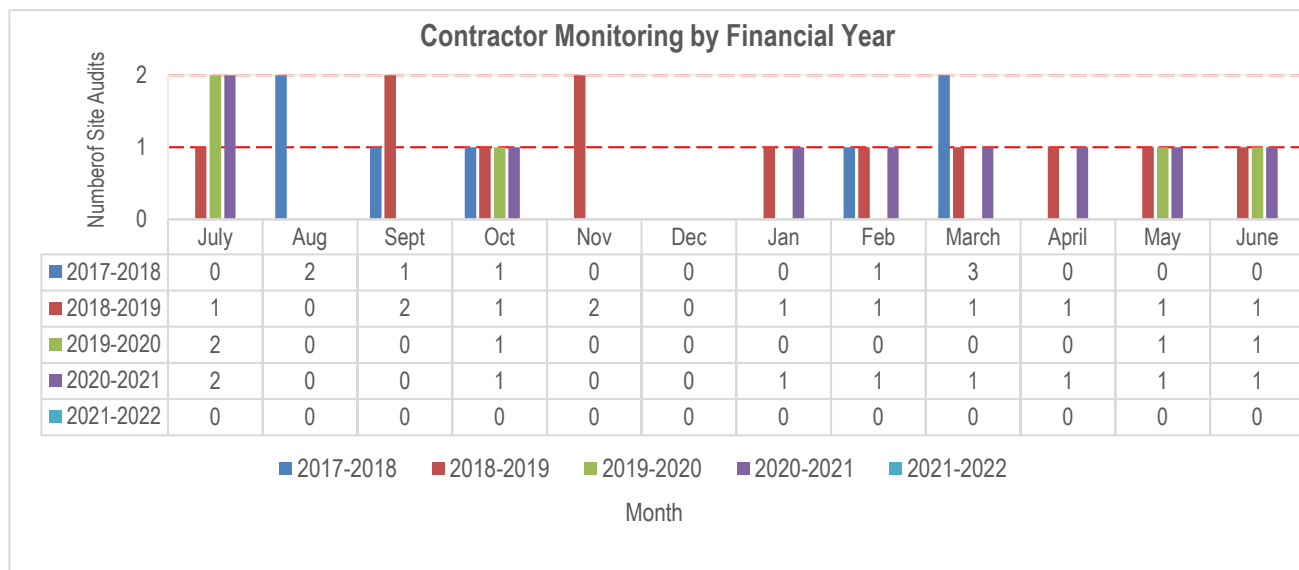
Individual or combined factors influence the KPI target being met - like; unplanned or reactive work taking priority, leave, availability of a variety of contractors, suitable projects to audit and weather.

The KPI target was 10 for the financial year 2020 – 2021.

9 audits were completed.

<b>Key Performance Indicator (KPI) Contractor Health and Safety Monthly Monitoring</b>				
<b>Financial Year 1 July 2020 – 30 June 2021</b>				
<b>Month</b>	<b>Monthly Site Inspections Required</b>	<b>Monthly Site Inspections Completed</b>	<b>Monthly KPI Achieved</b>	<b>Comment</b>
July 2020	1	2	Exceeded	<i>Town Centre Re-Development Project and Council Car Park Resurfacing Project</i>
Aug 2020	1	-	No	-
Sept 2020	1	-	No	-
Oct 2020	1	1	1	<i>River Rd – Culvert Replacement Project</i>
Nov 2020	1	-	No	-
Dec 2020	0	-	No	<i>Contractor activity low over Christmas period</i>
Jan 2021	0	1	Exceeded	<i>Contractor activity low over Christmas period BUT Riser Main Replacement project underway providing an Audit opportunity.</i>
Feb 2021	1	1	Yes	<i>Water Line Replacement project.</i>
March 2021	1	1	Yes	<i>Waste Water Treatment plant – structural maintenance/corrosion management</i>
April 2021	1	1	Yes	<i>River Road – Culvert Replacement Project (near pump house)</i>
May 2021	1	1	Yes	<i>Town Centre - Footpath Improvements</i>
June 2021	1	1	Yes	<i>KDC Depot – Building Recladding Project</i>
<b>Totals</b>	<b>10</b>	<b>9</b>	<b>Yes</b>	-
<b>KPI:</b> 1 Monthly Site Inspection			<b>Assigned to:</b> Health & Safety Officer (HSO)	
<b>Review:</b> as a minimum - Annually Next Review Date 31/07/21			<b>Review team:</b> Chief Executive Officer (CEO), Manager Economic & Community Development (MECD) & HSO.	
<b>Review Objectives:</b> Identify opportunities for improvement ensuring KPI remains Specific, Measurable, Achievable, Realistic and Time bound.			<b>Method of Review:</b> Team Meeting to review objectives identify and implement opportunities for improvement.	

The combination chart below identifies the number of contractor site audits for the financial years 2017- 2018, 2018-2019, 2019-2020, and 2020-2021.



### Contractor Management overview

#### Pre-qualification to work for KDC

KDC collaborates with other Councils using SHE Assure to complete Health and Safety prequalification verification of its high and moderate risk contractors.

#### KDC Induction

This organisation's contractor manager is responsible for the Health and Safety of contracted workers engaged and documents the Health and Safety Induction in the contractor project file in VAULT.

#### Monitoring

The KDC contract manager is responsible for monitoring the contractor during the works.

The HSO will accompany the manager to complete a site audit as required.

Elements covered during a site audit are:

- Contractor Site Documentation
- Worksite Observation
- Plant/Equipment/Transport
- Workers
- Work/Task/Activities
- Site Materials
- Welfare
- Emergencies

Serious deficiencies identified in the audit results are communicated to the CEO and can result in suspension of works until remedied.

The HSO adds the results to the contractor project file in VAULT.

#### Post Contract Review

The KDC Contract manager completes the post contract review.

The results of the Health and Safety audit report are available for inclusion in the review.

## 11 Prioritisation of Tasks

The table below sets out steps and the priority level of tasks.

<b>Critical Element</b>	<b>Priority</b>	<b>Actions Required</b>	<b>Started</b>	<b>By Whom</b>	<b>Target for Completion</b>	<b>Current Status</b>
<b>Covid- 19 Pandemic</b>	High	Remain ready and prepared to respond to Managing Risks to Staff/Community Health based on Govt Guidelines Maintain preparedness to react to COVID -19 Alert level changes	23/01/2020	HSO	Unknown - Ongoing	Underway
<b>Hazard, Identification, Assessment and management</b>	High	Create and manage a register aligned with legal requirements current knowledge and thinking. All registered hazards to achieve completed status. Monitor and review hazards.	June 2016	HSO and Work Groups and Managers	Unknown - Ongoing	Underway
<b>Protection of employees from on-site work undertaken by contractors and sub-contractors (Contractor Management)</b>	High	SHE prequalification complete. Contractor induction document in place. Contractor Monitoring KPI in place. Contractor Post Contract review In place.	June 2016	HSO	June 2019	Complete
<b>Employee Participation in Health and Safety Management</b>	High	Health and Safety Representative Job Description complete.	June 2016	HSO	June 2019	Complete
<b>Employer Commitment to Safety Management Practices</b>	Medium	Review H&S Policies. Identify and implement a performance based management system.	June 2016	HSO	Ongoing	Underway
<b>Emergency Planning and Readiness</b>	Medium	Monitor and review plans.	June 2016	HSO	Ongoing	Underway

Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
Planning, Review and evaluation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Information, Training and Supervision	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Near Miss, Incident and Injury Reporting, Recording and Investigation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway

## 12 **Conclusion**

The Occupational Health and Safety Management system is in place and continues to be developed and improved.

## 13 **RECOMMENDATION**

That the report 'Occupational Health and Safety Management System Status' be received.



Paul Snook, ProfNZISM. MIIRSM. HASANZ

**Health & Safety Officer**

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**Meeting:** Audit and Risk Committee

**Meeting Date:** 24 August 2021

**Subject:** Treasury Report to 30 June 2021

**File No:** 110551

## 1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 30 June 2021 and provide explanations for any significant variances from the previous year.

## 2 **Background**

This report also went to the Regulatory and Services Committee, and shows the funds currently held and the banks where those funds are invested.

All investments were made in accordance with Council's Investment Policy.

The investment policy was amended to increase the limit to 50% that can be invested with a single institution, and also a limit of \$1.5 million has been introduced. The exception is Council's principal bank where funds can exceed 50%.

The reason for the change is that with less funds it is more difficult to spread investments but Council still needs to act prudently.

## 3 **Funds Held**

The following funds were held at 30 June 2021:

	<b>June - 2021</b>	<b>June - 2020</b>
<b>Special Funds</b>		
Depreciation Funds	\$5,300,448	\$5,582,000
Development Feasibility	\$11,000	\$11,000
<b>Total Special Funds</b>	<b>\$5,311,448</b>	<b>\$5,593,000</b>
General Funds	\$1,087,260	\$67,000
<b>Total – comprising cash &amp; internal loans</b>	<b>\$6,398,709</b>	<b>\$5,660,000</b>

At the end of June 2021 the balance in the general funds is \$1,020.3k more while depreciation funds are \$281.5k less than they were for the same period last year.

The increase in funds overall has resulted from additional funds being received for: sale of sections \$440k, NZ Lotteries grants \$575k, water reform funds \$397k and receipts for retirement units

There have been a number of significant capital projects carried out during the month including:

- Retirement units construction (near completion of next 6 units)
- Road kerbs and footpaths (including town centre)
- Water supply pipe
- Pool upgrades

Most of the capital work was carried out during the year, however, there are some projects that will be carried forward into 2021/22. These include:

- Dog Pound (\$700k)
- Water renewals (\$300k)
- Wastewater renewals (\$120k)
- Pool Office/Entrance (\$430k)
- Netball Pavilion (\$600k)

The last graph in this report shows the cash-flow to date as well as the anticipated cash-flow to the end of December 2021 (prior to borrowing any funds).

Funds held @ 30 June 2021 are as follows:

Invested in	\$	Interest (Average) %	% External
ANZ – on call	\$895	.05%	0.02%
ASB	\$800,270	0.30%	17.36%
BNZ – current & on-call	\$2,106,352	.05%	45.70%
Rabobank (on-call)	\$1,702,014	0.35%	36.92%
<b>Total Funds (Cash)*</b>	<b>\$4,609,531</b>		<b>100.00%</b>
Internal Loans	\$1,789,178		
<b>Total Investments</b>	<b>\$6,398,709</b>		

\*These figures include the accrued interest to 30 June 2021

The funds were invested as follows:

Bank	Invested	Days	Interest	Amount (\$)
ANZ	895	On call	0.05%	895
ASB	800,000	55	0.30%	800,270
BNZ	1,116,937	On call	0.05%	1,116,937
Rabobank - Call	1,702,014	On call	0.35%	1,702,014
BNZ - current	989,415			989,415
<b>Total</b>				<b>4,609,531</b>
Interest rates (includes on-call)	Average interest rate		0.19%	
	Weighted average interest rate		0.20%	



**4**     **RECOMMENDATION**

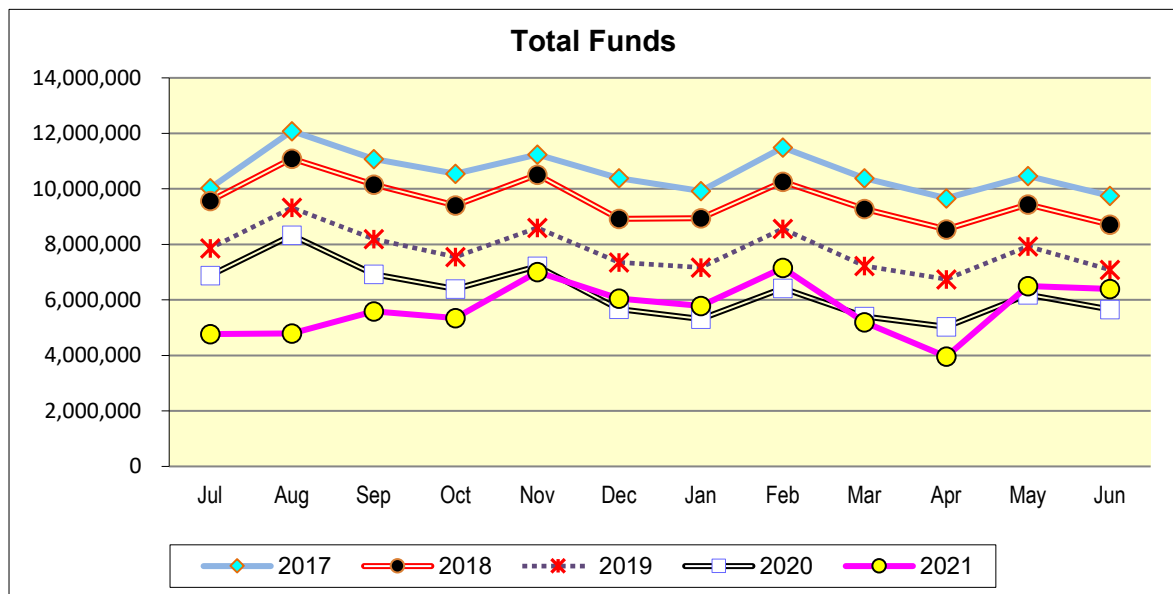
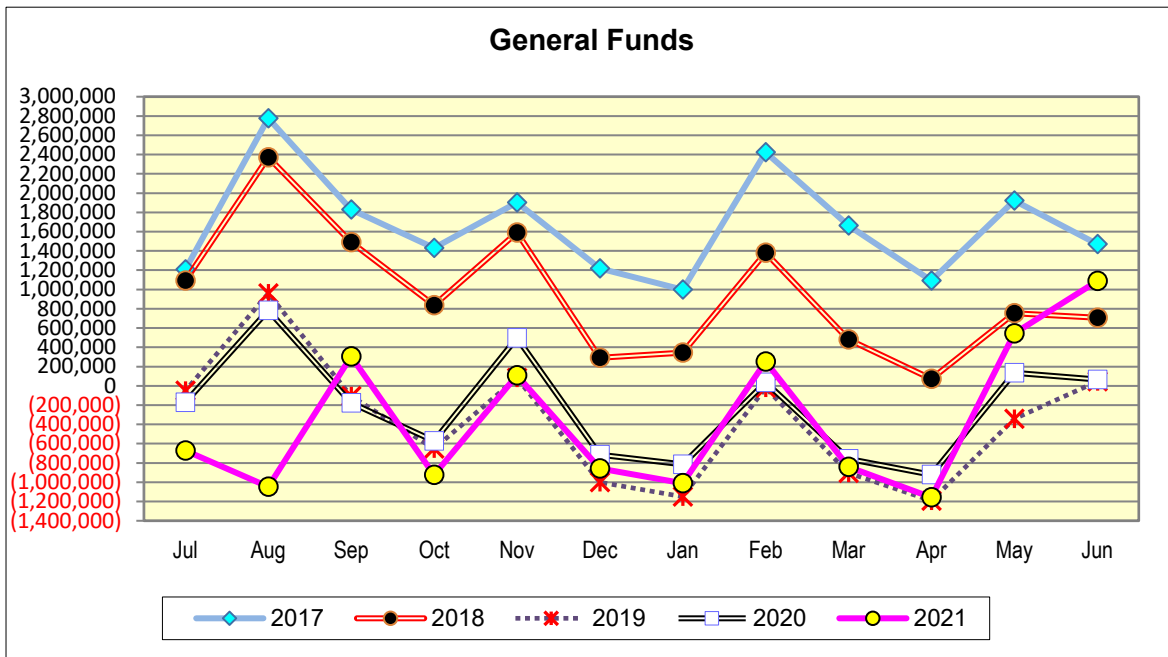
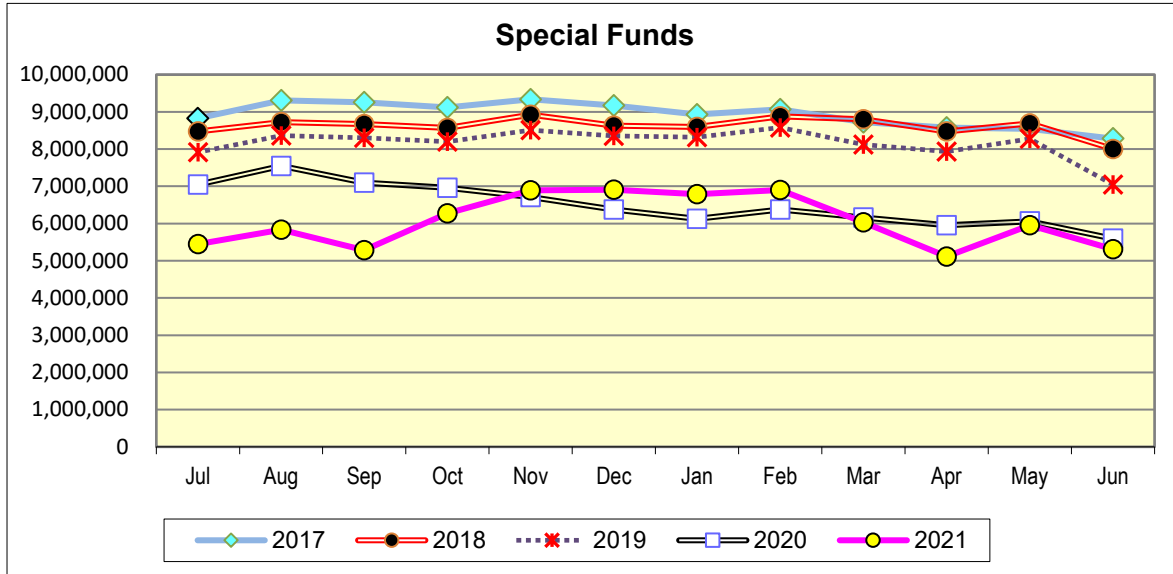
That the report “Treasury report to 30 June 2021” be received.

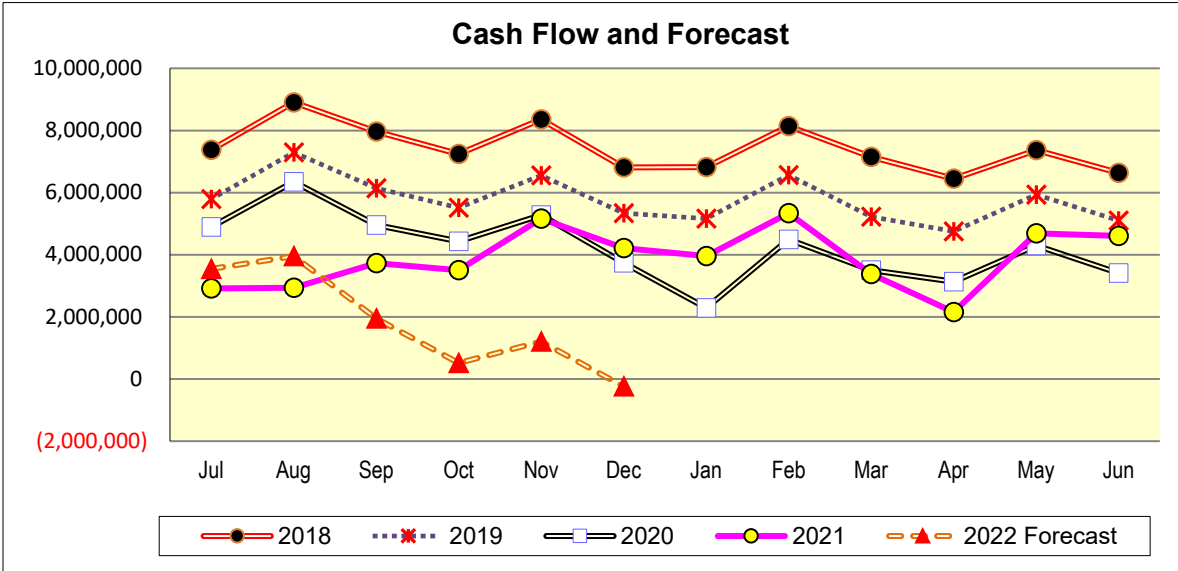
A handwritten signature in black ink, appearing to read 'Peter Christophers', with a long horizontal stroke extending to the right.

Peter Christophers, BBS, ACA  
**Manager, Finance & Corporate Services**

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Funds Monitoring Graphs  
**June 2021**





**Meeting:** Audit and Risk Committee

**Meeting Date:** 24 August 2021

**Subject:** **Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document**

**File No:** 201000

## **1 Purpose**

The purpose of this report is to update the committee on the issues raised in the Audit Management report for the 2021-2031 Long Term Plan Consultation Document.

## **2 Background**

The Local Government Act 2002 requires that Council produce a Long Term Plan at least every three years which covers a period of ten years. Also, the Long Term Plan must be consulted on with the community and as part of that consultation a formal Consultation Document must be prepared. Both the Consultation Document and the final Long Term Plan must be audited prior to adoption.

As part of the audit process, an Audit Management report is prepared by Council's auditors (both for the Consultation Document and the Long Term Plan), which identifies issues and areas that Council needs to address to ensure it is meeting the legal obligations.

The auditors issued a qualified audit opinion for the Consultation Document based on the funding assumptions for the stormwater activity and raised a couple of emphasis of matter.

The 2021 – 2031 Long Term Plan was finally adopted Tuesday 27 July 2021 with an unmodified audit opinion.

## **3 Issues raised following the audit of Council's "Consultation Document"**

Attached to this report is the audit management report issued for the Council's Consultation Document.

The issues raised at the time include:

- No reference in accounting policies of reporting standards expected to be used in the future (PBE IPSAS 41)

- Funding for stormwater activity – assumption that Waka Kotahi (NZTA) would continue to fund 75% of costs including renewals for next 10 years – qualified opinion
- Uncertainty over 3 waters renewals forecasts – based on age of assets rather than condition – emphasis of matter
- Uncertainty over the 3 water reforms – emphasis of matter
- Lack of clarity on what the Council was consulting on in Consultation Document
- Suggested improvements for the Infrastructure Strategy
- Updating asset management plans to agree with Infrastructure Strategy
- Assessment of impact needed for pending closure of paper mill
- Suggested improvements for performance targets

Staff amended the accounting policies for the 2021 - 2031 Long Term Plan to include the reporting standards that will be used in the future. Also, following the confirmation of funding from Waka Kotahi (NZTA), staff amended the budgets for stormwater (and roading) to reflect the approved programme (and subsidy) for the next three years.

The suggested improvements were made to the Infrastructure Strategy and asset management plans have been updated to agree with costs in the strategy.

A paragraph was included in the significant forecasting assumptions about the pending closure of the paper mill (a significant ratepayer) which noted there may be some impact for ratepayers and the local economy, however, that impact at this point in time is not known. The mill will still be liable for the 2021-22 rates – levied on the 2018 rateable value.

Finally, all suggested improvements were made to the non-financial performance targets

#### **4 RECOMMENDATION**

That the report “Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document” be received.



Peter Christophers, BBS, ACA  
**Manager, Finance & Corporate Services**

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# Report to the Council on the audit of

## Kawerau District Council's Long-Term Plan Consultation Document

For the period 1 July 2021 to 30 June 2031

# Contents

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## Key messages

We have completed the audit of the Kawerau District Council's (the District Council's) Long-Term Plan Consultation Document (LTP CD) for the period 1 July 2021 to 30 June 2031. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement. It also provides the next steps in the audit process of the Long-Term Plan (LTP).

While it is extremely early days we will need to get an understanding of the impact of the Paper Mill closure on the District Council's LTP and the underlying assumptions applied.

### Audit report

We issued a non-standard audit opinion on the LTP CD on 11 May 2021. We qualified our audit opinion based on the assumption related to external funding for the stormwater pipe network renewals. We also included emphasis of matter paragraphs in the opinion to draw readers' attention to uncertainty over the three waters reform and the level of uncertainty surrounding the asset condition of the District Council's critical assets and the potential impact of this on the delivery of the three waters renewals capital programme.

Overall, we are of the view that the District Council produced a LTP CD that fulfilled its primary purpose of providing an effective basis for public participation in decision making on the content of the LTP. The LTP CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

### Matters identified during the audit

Our review over the infrastructure strategy and proposed performance framework identified some suggestion areas of enhancement for the District Council as it considers feedback and prepares its final LTP.

PBE IPSAS 41 *Financial Instruments* becomes effective for the year ending 30 June 2023, or the second year of the LTP. The LTP is required to be prepared in accordance with the accounting policies expected to be used in the future which means that the LTP will need to reflect this new accounting standard. Refer section 3.1 for further information.

### Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that we anticipate will be adopted in July 2021.

The District Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2021. These systems will assist with annual reporting, and internal monitoring and reporting to the Council.



The District Council's final LTP is required to be reviewed by the Office of the Auditor-General before the audit opinion can be issued. It is therefore crucial for the District Council to have an appropriate project plan in place and be prepared as soon as possible to deliver a final LTP, a document that tracks all changes made to the underlying information underlying that will now form the LTP and appropriate supporting documentation with timeframes.

## **Thank you**

We would like to thank the Council, management and staff for the assistance received during the audit process.

J R Smaill  
Appointed Auditor  
10 June 2021 - Draft

# 1 Our audit report

## 1.1 We issued a non-standard audit opinion



We issued a non-standard audit opinion on the LTP CD on 11 May 2021.

We qualified our audit opinion based on the assumption related to external funding for renewals of the stormwater pipe network. Except for this matter, we were satisfied that the District Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the District Council's decisions about the proposed content of the 2021-31 LTP.

We also found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

We included emphasis of matter paragraphs in the opinion to draw readers' attention to uncertainty over the three waters reform and the level of uncertainty surrounding the asset condition of the District Council's critical assets and the potential impact of this on the delivery of the three waters renewals capital.

These matters are further explained below.

### 1.1.1 Assumption related to external funding for renewals of the stormwater pipe network

The District Council plans to renew 15.4 kilometres of its stormwater pipe network. In the information underlying the LTP CD, the District Council assumed that 75% of the costs to renew the stormwater pipe network, over the next 10 years, would be funded by Waka Kotahi NZ Transport Agency (Waka Kotahi).

If this assumption was removed, the impact on the underlying information, over the next 10 years, would be a need to obtain other funding, which may include an increase in debt. The District Council has included appropriate disclosure in the LTP CD outlining this assumption and the implications of this assumption.

We consider this assumption unreasonable, because although Waka Kotahi has previously funded 75% of the costs for stormwater asset maintenance, Waka Kotahi is not clearly responsible for funding 75% of the renewal of the District Council's stormwater pipe network. As a result, we have issued a qualified audit opinion for this assumption.

### 1.1.2 Uncertainty over the three waters renewals forecasts – emphasis of matter paragraph

A significant portion of the District Council's operations relates to the management of its infrastructure: the roading network and the 'three waters'; being water supply, sewerage and stormwater drainage. These activities typically make up a significant percentage of the District Council's operational and capital expenditure.

We found the asset management control environment is reliable for the purposes of supporting the LTP CD. This involved assessing the quality of asset management information and the accuracy, reliability, and supportability of the flow of information from asset management planning into the LTP CD. This is based on a high level assessment of the District Council's asset management planning systems, review of asset management plans, infrastructure strategy, and discussions with staff involved in asset management planning for key infrastructure activities.

Our review also identified that the District Council is forecasting for three waters asset renewals based on the assets' minimum lifespan. We note that using age-based information, rather than condition information, increases the risk that assets requiring renewal are not replaced at the best time. The District Council plans to carry out an asset evaluation programme and to use this information to determine the actual renewals required.

Due to the level of uncertainty surrounding the condition of the District Council's critical assets, we have included an emphasis of matter paragraph in the audit opinion to draw attention to the District Council's disclosures included in the LTP CD that highlight this risk.

### **1.1.3 Uncertainty over three waters reform – emphasis of matter paragraph**

In line with sector guidance, the District Council has assumed that there is currently insufficient detail regarding the possible changes to services which will result from the three-waters reform programme, and therefore it is prudent to plan on a business-as-usual approach to service delivery. The future decisions on the three-waters reform may result in significant changes, which would affect the information on which the LTP CD has been based.

An emphasis of matter paragraph was also included in the audit opinion to draw attention to the uncertainties associated with the three-water reform.

## **1.2 Uncorrected misstatements**

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that were individually and collectively not material to the LTP CD.

We discussed any misstatements that we found with management. All misstatements identified have been corrected.

### 1.3 Project management, reporting deadlines and audit progress



The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

The District Council had a detailed project plan which included key milestones and deadlines required to complete the LTP CD and underlying information.

The audit process for the LTP CD did not go as smoothly as anticipated. The first draft of the LTP CD provided to us was not particularly clear in terms of what matters the District Council was consulting on or in providing sufficient information to the ratepayer to enable them to be effectively consulted with. The changes to the underlying information required additional audit work and caused delays in the finalisation of the LTP CD. These extra time costs incurred are above those expected in the agreed audit fee.

The main reasons for the delay were:

- the initial draft provided for audit was based on underlying information that did not support the LTP CD. This resulted in multiple sets of underlying information needing to be audited that required additional audit time;
- there were multiple drafts of the LTP CD to ensure the final LTP CD included appropriate information to enable consultation with the public on key matters and ensure compliance with legislative requirements;
- a number of errors were identified in the financial model that were not supported by appropriate documentation. This required a number of changes to be made to the financial model as well as changes to key policies and underlying information;
- there was no comprehensive audit file that included relevant supporting documentation or workpapers to support information in the LTP CD. When information was requested there were delays in the District Council providing the information;
- the draft infrastructure strategy was not in compliance with the legislative requirements; and
- the Asset Management Plan updates had not been completed resulting in the financial information not being able to be pulled from these documents as we would usually expect.

Following the completion of the final LTP audit work, we will discuss with management potential cost recoveries as a result of the additional audit work undertaken.

#### **Management comment**

## 2 Matters raised in the audit engagement letter



In our audit engagement letter dated 3 March 2021, we identified the following key risks and issues which were areas of emphasis during our audit.

### 2.1 The content of the consultation document

We identified that in the initial draft LTP CD, it was not always clear what matters the District Council was consulting on and whether the LTP CD provided sufficient information to the ratepayer in terms of the options and their implications.

We recommended to the District Council that for every matter they wanted to consult on, clearer information on the options they wanted considered and an explanation covering the impact on debt, rates and levels of service was required.

The District Council made these updates in line with our recommendations. We are satisfied that the final LTP CD included appropriate information to enable consultation with the public on key matters.

Going forward, the District Council can start to consider how it can improve the LTP CD for the 2024-34 LTP. We do note that the District Council is very small and the preparation of such a document will require resources that will stretch existing staff. However, an improved LTP CD may result in more engagement with the community.

### 2.2 Control environment

Our approach to the audit was to identify, confirm and assess the District Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

We found that the overall control environment is reliable for the purposes of supporting the LTP CD.

### 2.3 Financial strategy

We reviewed the District Council's financial strategy and considered whether it is financially prudent and allows for the right debate with the community.

The District Council's financial strategy has not significantly changed from the strategy used in the 2018-28 LTP. We reviewed the financial strategy and the links to the infrastructure strategy and are satisfied the financial strategy is financially prudent, is reflected in the forecast financial information and is adequately summarised in the LTP CD.

We also noted that the District Council has resolved to operate an unbalanced budget due to the decision not to fund depreciation on certain non-strategic assets (such as halls, the District Council's administration building, community pools and Waka Kotahi funded roads). We are satisfied that the decision to operate an unbalanced budget has been appropriately discussed in the LTP CD. We will need to consider the reasonableness of the disclosure about this as part of the audit of the LTP.

## **2.4 Infrastructure Strategy**

We reviewed the infrastructure strategy and are satisfied that it provides an overview of the District Council's intentions regarding the management of its critical assets, including wastewater, stormwater, water supply and roading, and significant works planned for the upcoming 30 years. The document explains the issues well and substantially meets the requirements of section 101B of the Local Government Act 2002.

We have identified some opportunities to further reflect good practice or otherwise improve the District Council's infrastructure strategy. They are:

- include further information on the District Council project carry forwards from 2020, how much of these backlogs are expected to be done in 2021; and what the District Council's plan for the projects that carry forward to the LTP 2021-31 year;
- how the District Council measures its levels of service in relation to its infrastructure assets; and
- include further information on what critical assets the District Council has for each activity and what the condition and performance are for these assets. This should also summarise the outlined proposed improvements to the condition and performance of critical assets.

We have communicated these to management for consideration and will follow up on this as part of our work on the final LTP document.

We also noted that the timing and forecast spending for capital projects in the infrastructure strategy were updated before the Asset Management Plans (AMPs) were developed. These projects were adequately reflected in the financial forecasts incorporated into the LTP CD.

Once the final LTP is adopted by the District Council, the AMPs will need to be updated to reflect the approved capital projects (including both the timing and financial budgets for those projects).

### **Management comment**

## **2.5 Assumptions**

We reviewed and assessed the appropriateness of assumptions that the District Council has used as a basis for the development of the LTP CD. In particular, we tested the assumptions covering the impact of Covid-19, climate change – changing weather patterns and natural hazards, capital do-ability, NZTA subsidies, three waters reform, growth, inflation, and borrowing rates.

Other than the District Council’s assumption about the funding of stormwater pipe replacements which we considered was unreasonable we were satisfied that at the time the LTP CD was drafted the assumptions were appropriate and had been applied consistently in the development of the underlying information on the LTP CD.

The District Council will need to reassess the reasonableness of the assumptions when finalising the LTP in light of the recent decision to close the Paper Mill. The growth and economic impact assumptions in particular may need to be updated.

Please refer to Section 1.1.1 above for details about the stormwater funding assumption.

The following focuses on three of the assumptions that we considered to be more significant during the audit of the LTP CD:

### **2.5.1 Impact of the economic downturn caused by Covid-19 on the District Council’s forecasts**

The response to manage Covid-19 has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. We understand the District’s economy has to date been cushioned from the more severe impacts of Covid-19 due to the indirect support provided to the local economy by the paper mill industry, and the low reliance placed on international tourism.

For the purposes of the LTP CD the District Council has assumed that there will be no significant impact on their activities and services because of Covid-19.

We reviewed the District Council’s approach to the impact of Covid-19 and were satisfied the District Council’s assumption has been factored into the underlying policies, strategies and assumptions used to prepare the LTP CD. We were also satisfied the District Council’s Covid-19 assumption was reasonable and supportable and the disclosure of this assumption was sufficiently complete.

In preparing the LTP the District Council will need to assess the impact of the decision to close the Paper Mill on the district’s economy. This maybe able to be included in this assumption or alternatively a new assumption around the Mill closure will need to be developed.

#### **Management comment**

### **2.5.2 Climate change**

During this LTP round we are paying more attention to the assumptions that the District Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We noted that the District Council's climate change assumptions are that extreme rainfall events are likely to get heavier and more frequent, but there are likely to be longer dry spells and hotter weather, therefore increasing severity of droughts for the district. The District Council has disclosed the level of uncertainty for this assumption as "medium".

We reviewed the District Council's climate change assumption and found the assumption to be reasonable and supportable. We also assessed the quality of the supporting documentation the District Council used in the development of its assumption and are satisfied the climate change assumption has been applied consistently in the development of the underlying information.

### **2.5.3 Capital expenditure delivery**

A key focus area for the audit of the LTP CD was assessing the reasonableness of the assumption the District Council has made about capital expenditure delivery. From our previous reports on local authorities, we have identified that local authorities have, on average, only spent 77% of their capital expenditure budgets from 2012/13 to 2018/19. In each of these financial years a majority of councils spent less than 80% of their capital expenditure budgets.

Under delivery of capital expenditure budgets can have significant implications to the local authority and the community, including reductions in levels of service, and ratepayers paying for work that has not been completed.

In forming a view of the reasonableness of the District Council's capital expenditure forecasts, we reviewed how well the District Council has delivered against its previous forecasts, as well as understanding how the District Council planned to meet its delivery forecasts for the LTP period.

We found that the District Council has a strong track record of delivery especially on its core renewal budget for wastewater, stormwater and roading. While there has been an underspend in water supply, there have been appropriate and justifiable explanations for why projects have been deferred.

We also considered the District Council's plans to support the delivery of its capital expenditure programme and found that the District Council increased its internal capacity, secured arrangements with external service providers and developed realistic timeframes. Given the mechanisms the District Council has put in place to improve capital delivery and noting that capital investment forecasts do not increase significantly, we are satisfied the timeframes for delivery are realistic.



We concluded the District Council's capital expenditure do-ability assumption is likely to be reasonable but with "high" uncertainty. We are satisfied that the disclosure in the underlying information is appropriate.

## **2.6 Performance management framework**

We reviewed the District Council's performance framework and made a number of recommendations to management regarding the framework, in particular the need for clearer targets for performance measures.

We communicated these improvements to management who have advised that they will consider addressing these as part of the final performance framework that gets adopted with the final LTP. We will follow up as part of our audit of the final LTP document.

## **2.7 Adopting and auditing the underlying information**

The District Council prepared and adopted the underlying information necessary to support the LTP CD.

We found the majority of the documents presented for audit were of a reasonable standard, although a number of updates were subsequently required as a result of audit recommendations.

## 3 Other matter



In this section, we have detailed one matter in relation to other areas of focus.

### 3.1 IPSAS 41 Financial Instruments

PBE IPSAS 41 *Financial Instruments* becomes effective for the year ending 30 June 2023, or the second year of the LTP. The LTP is required to be prepared in accordance with the accounting policies expected to be used in the future which means that the LTP will need to reflect this new accounting standard.

The District Council performed a high level assessment of the impact of PBE IPSAS 41 and concluded that no adjustment was required to forecast the financial statements included in the underlying information to support the LTP CD (as they are not consulting on a matter that may be affected by the application of PBE IPSAS 41).

For the LTP, the District Council will need to:

- perform a detailed and robust assessment on the impact of PBE IPSAS 41 on the financial forecasts;
- ensure any material measurement adjustments that arise on transition to PBE IPSAS 41 that may affect the forecasts are made;
- ensure the financial instrument accounting policies disclosed are updated to be consistent with the requirements of PBE IPSAS 41;
- ensure disclosures are made about the change in accounting policy; and
- consider whether a decision to early adopt PBE IPSAS 41 for the LTP, if made, will impact the preparation of their financial statements for the year ending 30 June 2022.

#### Management comment

## 4 Audit of the Long-Term Plan

The next step in the audit process will be the audit of the LTP. To ensure our audit of the LTP is efficient we expect the District Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the LTP forms part of the LTP, which the District Council is required to adopt before 1 July 2021 (section 93(3)). Currently our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 27 July 2021, at which time the 2021-31 LTP will be formally adopted. As the District Council is adopting after 1 July 2021, we recommend that legal advice is sought to ensure any legal implications that may arise as a result of this decision are managed.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the District Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decision to close the Paper Mill and the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the District Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template towards the end of the LTP audit.

## Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the LTP CD and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 3 March 2021 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the LTP CD audit we have carried out engagements in the area of the annual audit, which is compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Local Authority.</p>
Fees	<p>The audit fee, covering both the LTP CD and LTP audit for the year is \$80,900 as detailed in our audit engagement letter.</p> <p>We will also charge an audit fee for the audit of the annual report for the year ending 30 June 2021 during this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Local Authority that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Local Authority during or since the end of the financial year.</p>

# AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 1165  
Auckland 1140  
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**Meeting:** Audit and Risk Committee  
**Meeting Date:** 24 August 2021  
**Subject:** **2020/21 Annual Report Timetable**  
**File No:** 110400

## **1 Purpose**

The purpose of this report is to inform the committee of the proposed timetable for the 2020/21 Annual Report.

## **2 Background**

The Local Government Act 2002 requires Council to prepare an annual report each year.

The Annual Report must be adopted within four months of the end of the financial year and be available to the public. Therefore, staff have prepared a timetable to ensure that all the necessary tasks are undertaken so that it is adopted within the statutory deadline.

The annual report will need to include the appropriate recognition of the residential developments and a separate set of audited accounts for the retirement village. Also, there are new reporting standards (PBE IPSAS 34 – 38, 39 and 41) which relate to accounting treatment for: Council Controlled Organisations, employee benefits and financial instruments which will need to be incorporated into the annual report.

Audit New Zealand has produced a set of Local Government Model Financial Statements (Te Motu), which will assist the necessary disclosures required for the Annual Report.

The auditors have again indicated that staff will need to ascertain whether there has been any material movements in the value of assets, so they can be assured that the amounts in the asset register and annual report are reasonable.

## **3 Proposed timetables**

The appendix to this report contains the proposed timetables for the completion of 2020/21 Annual Report.

## **4 RECOMMENDATIONS**

1. That the report “2020/21 Annual Report Timetable” be received.

2. That the Audit and Risk Committee recommend any amendment(s) to the proposed timetable to ensure that Council meets its statutory requirements.



Peter Christophers, BBS, ACA  
**Manager, Finance & Corporate Services**  
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**APPENDIX****Project Plan for 2020/21 Annual Report**

<b>Non Financial Tasks:</b>		
Performance Target results including supporting documents	Managers	15 August
Review/Update: <ul style="list-style-type: none"> <li>Interest Register and “conflicts of interest”</li> </ul>	MFCS	30 June
Availability of Council minutes for 2020/21	MFCS	21 Sept
Schedule of authorised cheque signatories	Accountant	30 June
Preparation of “pro-forma” financial statements (including any changes arising from Financial Reporting Requirements)	MFCS	15 August
<b>Financial Tasks:</b>		
GL balances agreed to Annual Report @ 1 July 2020	MFCS	30 June
Reconciliations done (and authorised) for: <ul style="list-style-type: none"> <li>Cash (unpresented cheques &amp; deposits in transit)</li> <li>Accounts Payable</li> <li>EPO</li> <li>Payroll</li> <li>Other liabilities</li> <li>Debtors (Rates, Water &amp; Sundry)</li> <li>Bonds/Suspense Accounts</li> <li>GST</li> <li>FBT</li> <li>Public Debt</li> <li>Internal Loans</li> <li>Stock</li> </ul>	Accountant	31 July
Accruals for (and schedules of): <ul style="list-style-type: none"> <li>Prepayments</li> <li>Creditors</li> <li>Income in advance</li> <li>Employee entitlements</li> <li>Provisions (Doubtful debts, landfill aftercare)</li> <li>Interest</li> </ul>	Accountant	15 August
Inventories: <ul style="list-style-type: none"> <li>Carrying out stock takes</li> <li>Reconciliation to GL</li> </ul>	Accountant	1 July 31 July
Schedule of journal entries for year	Accountant	15 August



List of investments and cash at bank (accounts) <ul style="list-style-type: none"> <li>• Shares</li> <li>• Impairment consideration</li> <li>• Split between “current” and “term”</li> </ul>	Accountant	31 July
Schedule of Debtors (Rates, water and sundry): <ul style="list-style-type: none"> <li>• Aged Debtors</li> <li>• Doubtful debts calculation</li> <li>• Write-offs</li> </ul>	Finance Officer	31 July
Investment properties (& movements)	MFCS	15 August
Fixed Assets including: <ul style="list-style-type: none"> <li>• Balancing of register to GL</li> <li>• Determine if material value changes for PP&amp;E</li> <li>• Recognizing additions</li> <li>• Expensing depreciation</li> <li>• Recognising disposals</li> <li>• Determining if obsolete (write off)</li> <li>• Determine “deterioration” (vs dep)</li> <li>• Work in progress schedule</li> </ul>	MFCS	15 August
Allocation (final) of corporate overheads including: <ul style="list-style-type: none"> <li>• List “drivers” for allocating costs</li> <li>• List any changes to drivers from 2018/19</li> </ul>	MFCS	15 August
Schedule of commitments and contingencies	MFCS	15 August
<b>Annual Report Preparation:</b>		
Preparation of: <ul style="list-style-type: none"> <li>• Trial Balance – Management Book (2<sup>nd</sup> draft)</li> <li>• FIS (for activities)</li> <li>• Financial Statements (including notes)</li> <li>• Cashflow and supporting documents</li> <li>• Financial Prudence Reports</li> <li>• Mayor’s and CE’s report</li> <li>• Maori Contribution to Decision-Making</li> </ul>	Accountant MFCS MFCS MFCS MFCS MFCS Com Mgr Com Mgr	31 August 31 August 31 August 31 August 31 August 31 August 15 Sept 15 Sept
Draft Financial Statements prepared	MFCS	21 Sept
Preparation and audit of Retirement Village Annual Report	MFCS	30 September
Final draft Financial Statements (& Summary) – Audit changes	MFCS	9 October
Financial Statements available for adoption	MFCS	20 October
Financial Statements adopted	Council	27 October
Audit visits: <ul style="list-style-type: none"> <li>• Interim – 10 May to 14 May 2021</li> <li>• Final commences – 20 September 2021</li> </ul>		

MFCS = Manager Finance and Corporate Services  
Com Mgr = Communication Manager

**Meeting:** Audit and Risk Committee

**Meeting Date:** 24 August 2021

**Subject:** Annual Plan performance for the year ended 30 June 2021

**File No.:** 110400

## 1 **Purpose**

The purpose of this report is to review and compare Council's financial and non-financial performance to 30 June 2021 with what is in the Annual Plan for 2020/21.

The report provides a summary of the financial performance, capital renewals and performance targets for the year. The annual report will include further amendments to these figures with the inclusion of additional accrued costs and revenues.

Comments are provided where expenditure/revenue has varied from the budget and the performance targets are not achieved for the year.

This is a summary of the report that will go to the Council meeting on 31 August 2021.

## 2 **Financial Performance**

### 2.1 **Statement of Comprehensive Revenue and Expense**

The following table shows Council's financial performance, the annual budget and the amended annual budget. The amended budgets include the carried forward figures as well as any additional expenditure approved by Council.

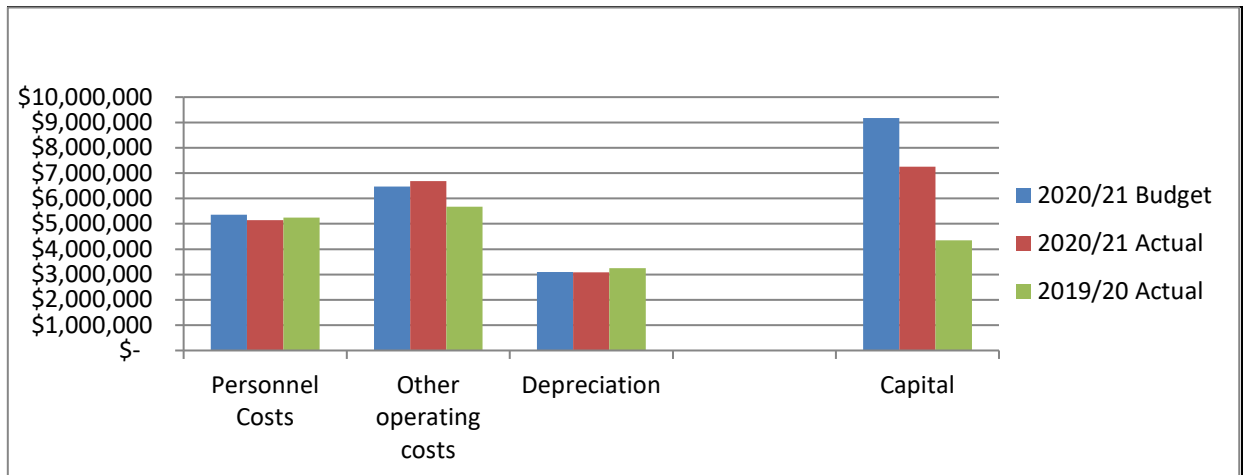
There is an operating surplus for the year to date, and explanations are provided where there are significant variances from the budget.

	<b>Adopted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Comments</b>
<b>Revenue:</b>				
Rates	10,751,220	10,751,220	10,749,330	
Subsidies and Grants	1,393,820	1,960,815	1,956,837	
Interest Revenue	28,310	28,310	17,574	
Fees and Other	2,784,730	3,453,400	3,708,222	Includes residential sale proceeds
Petrol Tax	69,000	69,000	66,341	Petrol Tax
<b>Total Revenue</b>	<b>15,027,080</b>	<b>16,262,745</b>	<b>16,498,304</b>	
<b>Expenditure:</b>				
Personnel Costs	5,366,150	5,366,150	5,141,023	On track
Depreciation	3,082,300	3,082,300	3,088,031	
Finance Costs	6,210	6,210	2,602	

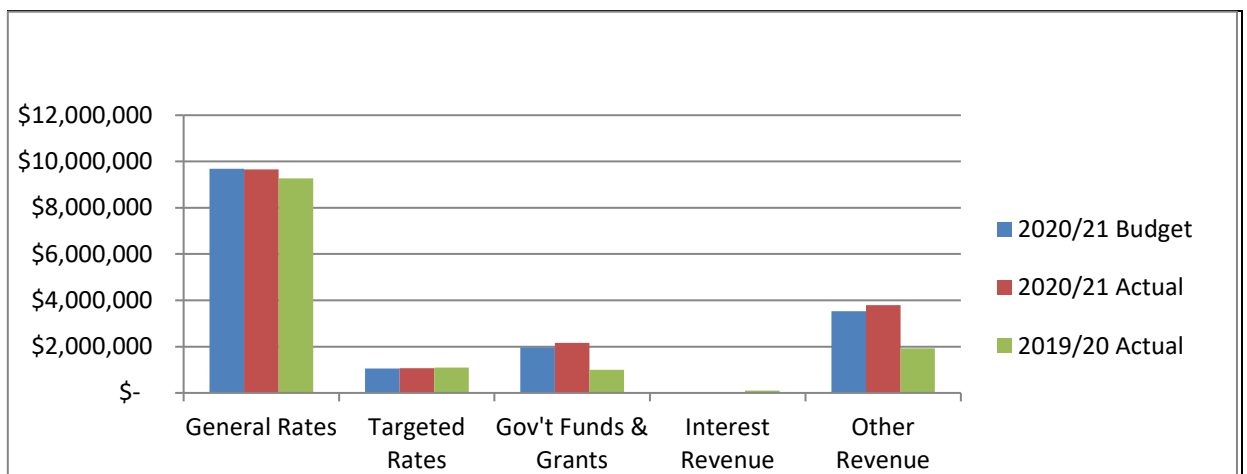
	Adopted Budget	Amended Budget	Actual	Comments
Other Expenses	6,215,870	6,459,390	6,685,615	There will be additional expenditure for refuse disposal, KPTW & events
<b>Total Expenditure</b>	<b>14,670,530</b>	<b>14,914,050</b>	<b>14,917,271</b>	
<b>Surplus (Deficit)</b>	<b>356,550</b>	<b>1,348,695</b>	<b>1,581,033</b>	

Council's expenditure and revenue for the year to 30 June 2021 are shown in the graphs below, compared to the budget and expenditure/revenue for 2019/20.

### Expenditure to 30 June 2021



### Revenue to 30 June 2021



Overall, expenditure was close to budget, apart from some additional expenditure for Taskforce for Jobs which funded from a government grant.

Capital expenditure was \$1,901k below budget, which resulted from the delay in the following projects:

- Dog Pound \$635k
- Toby renewals, restrictor & pump refurbishment \$281k
- Pool renewals \$575k
- WWTP upgrade of software \$80k

## 2.2 Statement of Financial Position

The following table shows Council's financial position at 30 June 2021 compared to the budget. The financial position figures do not include all the accruals for receivables and payables, which will be done for the Annual Report.

	<b>Budget @ 30/6/2021</b>	<b>Actual to 30 June 2021</b>	<b>Comments</b>
<b>Assets:</b>			
Current assets:			
Cash & cash equivalents	\$2,648,950	\$4,616,631	
Receivables	\$1,377,790	\$1,065,907	
Inventories	\$1,495,800	\$1,219,632	Includes residential developments
Non-current assets:			
Property, plant and equipment	\$68,517,750	\$69,686,988	
Intangible assets	\$85,100	\$55,926	
Other financial assets	\$36,250	\$36,252	
<b>Total Assets</b>	<b>\$74,161,640</b>	<b>\$76,681,336</b>	
<b>Liabilities:</b>			
Current liabilities:			
Payables, provisions & employee benefits	\$3,136,260	\$3,441,722	
Borrowing	\$10,340	\$5,203	
Non-current liabilities:			
Provisions & employee benefits	\$249,530	\$219,237	
Borrowing	\$9,560	\$14,714	
<b>Total Liabilities</b>	<b>\$3,405,690</b>	<b>\$3,680,876</b>	
<b>Ratepayers Equity</b>	<b>\$70,755,950</b>	<b>\$73,000,460</b>	
<b>Total liabilities &amp; ratepayers equity</b>	<b>\$74,161,640</b>	<b>\$76,681,336</b>	

## 2.3 Statement of Cashflow

The cashflow statement shows that Council is in a reasonably healthy position financially and overall there was an increase of \$823.1k in Council's cash position to 30 June 2021.

	<b>Budget @ 30/6/2021</b>	<b>Actual to 30 June 2021</b>
<b>Cashflow from operating activities:</b>		
Rates	\$10,620,810	\$10,823,283
Subsidies	\$1,393,820	\$1,973,247
Fees & Charges	\$2,853,730	\$3,799,202
Interest Received	\$28,310	\$19,903
Payments to suppliers and employees	\$(11,468,730)	\$(10,275,059)
Interest paid on debt	\$(6,200)	\$(2,602)
<b>Net cashflow from Operations</b>	<b>\$3,421,740</b>	<b>\$6,337,974</b>

	<b>Budget @ 30/6/2021</b>	<b>Actual to 30 June 2021</b>
<b>Net cashflow from investing:</b>		
Disposal of Assets	\$1,860,000	\$2,485,000
Property, Plant & Equipment purchase (less asset disposals)	\$(6,350,250)	\$(7,985,034)
<b>Net cashflow from investing:</b>	<b>\$(4,490,250)</b>	<b>\$(5,500,034)</b>
<b>Net cashflow from financing:</b>		
Debt repayment	\$(20,030)	\$(14,850)
<b>Net cash inflow/(outflow)</b>	<b>\$(1,088,540)</b>	<b>\$823,090</b>
Opening balance (1/7)	\$3,737,490	\$3,793,541
<b>Closing cash balance</b>	<b>\$2,648,950</b>	<b>\$4,616,631</b>

### **3 Non-Financial Performance**

The following is a summary of the non-financial targets performance for 2020/21:

<b>Activity</b>	<b>2020/21 No. of Targets</b>	<b>Achieved</b>	<b>%</b>	<b>2019/20 Achievement Rate</b>
Democracy	5	4	80%	38%
Economic & Community Development	7	7	100%	67%
Environmental Services (excludes N/As)	18	15	83.3%	37%
Roading (including Footpaths)	7	4	57.1%	44%
Stormwater	3	3	100%	100%
Water Supply	12	10	83.3%	77%
Wastewater	7	5	71.4%	63%
Solid Waste Management	4	4	100%	63%
Leisure and Recreation	16	11	68.8%	40%
<b>TOTAL</b>	<b>79</b>	<b>63</b>	<b>79.7%</b>	<b>51%</b>

Council has significantly improved the non-financial result when compared to the previous year. However, the previous year was impacted by COVID. Also Council undertook the 3 yearly community satisfaction survey and while there was a high level of community satisfaction for most activities, many of the targeted levels were not achieved.

### **4 Capital Expenditure**

The following is Council's capital budget (including carry forwards) and expenditure for the year:

<b>Activity</b>	<b>2020/21 Budget</b>	<b>Actual</b>	<b>Comments</b>
Economic & Community Development	\$1,523,740	\$2,346,636	Residential developments – Porritt Glade
Environmental Services	\$720,000	\$85,436	Dog Pound building
Roading	\$1,655,810	\$1,582,206	
Stormwater	\$150,000	\$146,433	Pipe renewal
Water Supply	\$2,557,150	\$1,424,931	Pipe replacement
Wastewater	\$814,760	\$662,696	WWTP renewals
Solid Waste	\$5,000	\$17,489	Includes Recycle Shed
Leisure & Recreation	\$1,165,970	\$502,021	Pool & Library renewals
Plant, Depot and Office	\$563,080	\$486,349	New plant/vehicles, PCs & office building
<b>Total</b>	<b>\$8,930,750</b>	<b>\$7,254,197</b>	

The capital projects that did not get completed are listed above and total \$1,571k, also the water pipe renewal project was significantly less than budget (\$784k).

## **5 RECOMMENDATION**

That the report “Annual Plan Performance for the year to 30 June 2021” be received.



Peter Christophers, BBS, ACA  
**Manager, Finance & Corporate Services**

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