

**The Meeting of the
Audit and Risk Committee will be
held on Monday 10 June 2024
commencing at 1.00pm**

A G E N D A

AUDIT AND RISK COMMITTEE

Her Worship the Mayor – F K N Tunui

Councillor C J Ion

Councillor A Rangihika

Councillor B J Julian

Philip Jones – Consultant - P J Associates (Chair)

KAWERAU DISTRICT COUNCIL

The Meeting of the Audit and Risk Committee will be held on
Monday 10 June 2024
commencing at 1.00pm

AGENDA

Karakia Timatanga

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 CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 8 April 2024

Pgs. 1 - 2

Recommendation

That the minutes of the Audit and Risk Committee Meeting held on 8 April be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 April – 31 May 2024 (Group Manager, Regulatory and Planning (509500))

Pgs. 3 - 12

Attached is the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing report for period 1 April – 31 May 2024.

Recommendation

That the report “Health, Safety and Wellbeing report for period 1 April – 31 May 2024” be received.

3 Treasury Report to 31 March and to 30 April 2024 (Group Manager, Finance and Corporate Services) (110551)

Pgs. 13 - 18

Attached is a report on the Treasury Report to 31 March and to 30 April 2024.

Recommendation

That the report “Treasury Report to 31 March and to 30 April 2024” be received.

4 Annual Plan Performance for the Nine Months Ended 31 March 2024

Pgs. 19 - 23

Attached is a report on the Annual Plan Performance for the Nine Months Ended 31 March 2024

Recommendation

That the report “Annual Plan Performance for the Nine Months Ended 31 March 2024” be received.

5 Kawerau District Council Top 8 Risks (Chief Executive Officer) (105000)

Pgs. 24 - 28

Attached is a report on Kawerau District Council’s Top 8 Risks

Recommendation

- 1. That the report “Kawerau District Council’s Top 8 Risks” be received.*
- 2. That Committee members engage in the identification of relevant strategic risks.*

6 Kawerau District Council Policies Overview (Group Manager, Regulatory and Planning) (110800)

Pgs. 29 - 33

Attached is a report on Kawerau District Council Policies Overview.

Recommendation

That the report “Kawerau District Council Policies Overview” be received.

7 Audit and Risk – Capital Projects 2023 - 24 (Group Manager, Operations and Services) (440000)

Pgs. 34 - 37

Attached is a report on the Audit and Risk – Capital Projects 2023 - 24.

Recommendation

That the report “Audit and Risk – Capital Projects 2023 - 24” be received.

8 Audit and Risk Review Timetable (Group Manager, Finance and Corporate Services) (101300)

Pgs. 38 - 40

Attached is the Audit and Risk Review Timetable.

Recommendation

That the report “Audit and Risk Review Timetable” be received.

9 Update on Audit Management Report Recommendations for the Year Ended 30 June 2023 (Group Manager, Finance and Corporate Services) (201000)

Pgs. 41 - 66

Attached is an update on Audit Management Report Recommendations for year ended 30 June 2023.

Recommendation

That the report "Update on Audit Management Report Recommendations for Year Ended 30 June 2023" be received.

10 Proposed Timetable for Annual Report to 30 June 2024 (Group Manager, Finance and Corporate Services) (110400)

Pgs. 67 - 68

Attached is the proposed timetable for Annual Report to 30 June 2024.

Recommendation

That the report "Proposed Timetable for Annual Report to 30 June 2024" be received.

11 Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024

Pgs. 69 - 93

Attached is the Audit NZ – Draft Audit Plan for the Annual Report to 30 June 2024.

Recommendation

That the report "Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024" be received.

12 Long Term Plan 2025 – 2034 Proposed Timetable (Group Manager, Finance and Corporate Services) (110555)

Pgs. 94 - 98

Attached is a report on the Long Term Plan 2025 – 2034 Proposed Timetable.

Recommendation

That the report "Long Term Plan 2025 – 2034 Proposed Timetable" be received.

Karakia Whakamutunga

M Godfery

Chief Executive Officer

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**Kawerau District Council Minutes of an
Audit and Risk Committee held on 8 April 2024
commencing at 1.00pm**

Present: Philip Jones – P J Associates (Chair)
Her Worship the Mayor – F K N Tunui
Deputy Mayor – A Rangihika
Councillor C Ion
Councillor B J Julian

In Attendance: Chief Executive Officer (M Godfery)
Group Manager, Finance and Corporate Services (L Butler)
Group Manager, Regulatory and Planning (M Glaspey)
Group Manager, Operations and Services (D Lye)
Customer Service Officer (L Kerei)

Apologies

No apologies were received.

Declarations of Conflict of Interest

No conflicts of interest were received.

1 CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 12 February 2024

Resolved **Councillor Julian / Deputy Mayor Rangihika**

That the minutes of the Audit and Risk Committee Meeting held on 12 February 2024 be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 February 2024 – 31 March 2024 (Group Manager, Regulatory and Planning (509500))

Attached is the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing report for period 1 February 2024 – 31 March 2024.

Resolved **Councillor Ion / Her Worship the Mayor**

That the report “Health, Safety and Wellbeing report for period 1 February 2024 – 31 March 2024” be received.

3 Treasury Report to 31 December 2023 and to 31 January 2024 (Group Manager, Finance and Corporate Services) (110551)

Attached is a report on the Treasury Report to 31 December 2023 and to 31 January 2024.

Resolved

That the report “Treasury Report to 31 December 2023 and to 31 January 2024” be received.

4 Treasury Report to 29 February 2024 (Group Manager, Finance and Corporate Services) (110551)

Attached is a report on the Treasury Report to 29 February 2024.

Resolved

Deputy Mayor Rangihika / Councillor Julian

That the report "Treasury Report to 29 February 2024" be received.

5 Annual Plan Performance for the Six Months Ended 31 December 2023 (Group Manager, Finance and Corporate Services) (110400)

The Committee received the Annual Plan Performance for the Six Months Ended 31 December 2023.

Resolved

Her Worship the Mayor / Councillor Ion

That the report "Annual Plan Performance for the Six Months Ended 31 December 2023" be received.

6 Audit and Risk Review Timetable for 2024 (Group Manager, Finance and Corporate Services) (101300)

The Committee received a report for Audit and Risk Review Timetable for 2024.

Resolved

Chair Jones / Her Worship the Mayor

That the report "Audit and Risk Review Timetable for 2024" be received.

7 Annual Plan 2024 / 25 Updated Timetable (Group Manager, Finance and Corporate Services) (110400)

The Committee received the report for the Financial Contributions Policy Review

Resolved

Councillor Ion / Councillor Julian

That the report "Annual Plan 2024 / 25 Updated Timetable" be received.

8 Kawerau District Council Bylaw Review (Group Manager, Finance and Corporate Services) (320000)

The Committee received the report for the Review of Councils Investment Policy and Liability Management Policy.

Resolved

Her Worship the Mayor / Chair Jones

That the report "Kawerau District Council Bylaw Review" be received.

Meeting closed 1.40pm

P Jones

Chairperson

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Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: **Health, Safety and Wellbeing Report for period – 1 April 2024
– 31 May 2024**

File No: 509500

1 **Purpose**

This report provides a summary of the activities Kawerau District Council undertakes to meet the requirements of the Health and Safety at Work Act 2015 and our efforts to ensure everyone goes home healthy and safe.

2 **Executive Summary**

The core systems and controls in place to manage Council's health, safety and wellbeing risks include:

- Ensuring Elected Members and all Council Staff are aware of their specific and general duties under current Health and safety legislation, through inductions and training.
- Development of a health and safety culture that encourages the identification, reporting and mitigation of new and existing health, safety and wellbeing risks, with ongoing risk monitoring and reviews.
- Dedicated Health and Safety Officer engaged to monitor compliance with health and safety legislation, driving continuous improvement and continual learning.
- Maintaining an effective Health and Safety Committee by engaging with staff, which enables participation and provides leadership, guidance and support across the organisation to better inform health and safety decisions and policies for Council staff, contractors and visitors.
- Implementation of health, safety, and wellbeing software (BWARE) to enable reporting, investigation and ongoing monitoring of identified risks.
- Provision of an employee assistance programme, a wellbeing service, policies and training for staff.
- Health and safety monitoring of contractors engaged by Council, through random site audits.

The key items which elected members should note from this report are:

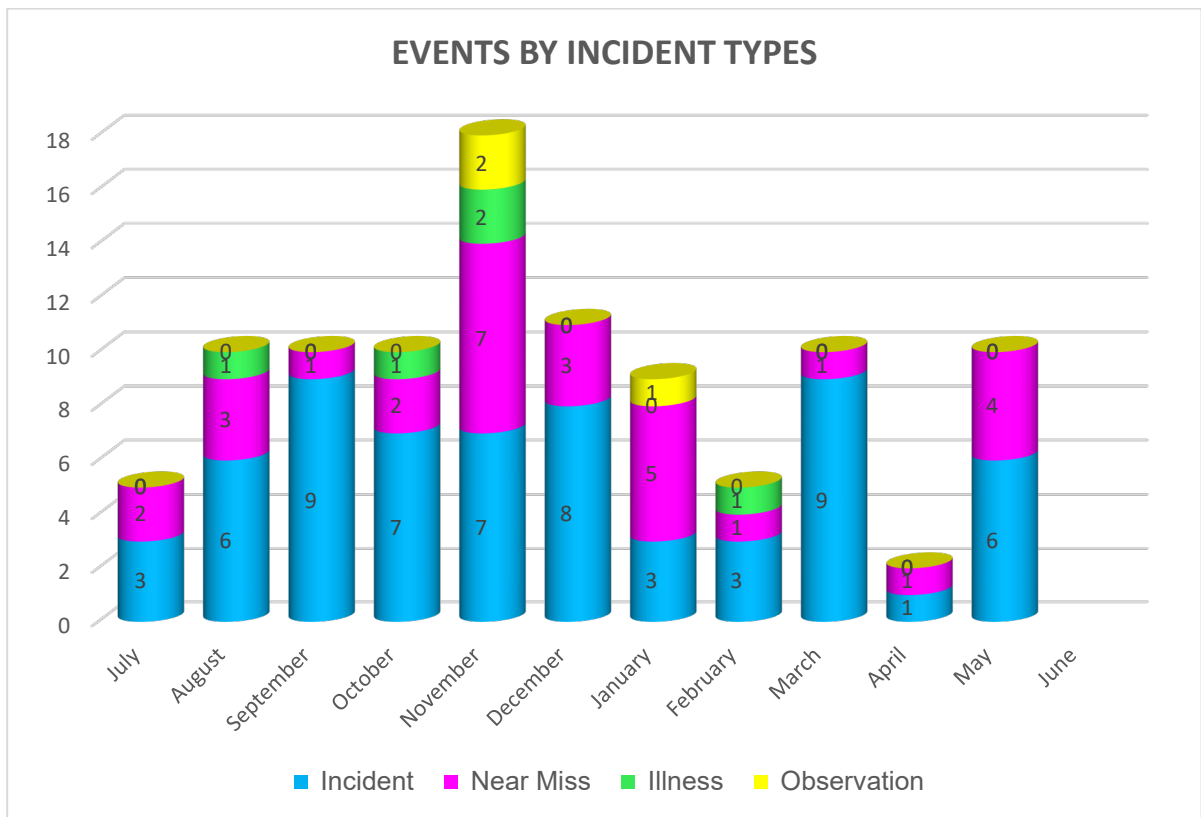
- No notifiable events occurred during this period.

- A total of 12 health and safety incidents reported for the period 1 April 2024 to 31 May 2024. This includes the report of a hazard (weather event – slip) which also amounts to an incident.
- Three contractor audits have been completed for the period of 1 April 2024 to 31 May 2024. No issues identified in the three audits, however there is a theme coming through, that many contracting companies do not provide staff with ongoing health monitoring for exposure to airborne contaminants and occupational noise.

3 Incident and Injury Reporting

**Incidents for period – 1 April 2024 – 31 May 2024
(Brackets – Year to Date)**

Incidents 7 (62)	Near Miss 5 (30)	Illness 0 (5)	Observations 0 (3)
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Note:

- Illness is defined as a health condition or disease directly caused or significantly aggravated by factors in the workplace. These include breathing issues, heat exhaustion, dehydration, but do not include covid-19 cases.
- Safety Violations (staff actions in breach of policy) are recorded as observations.

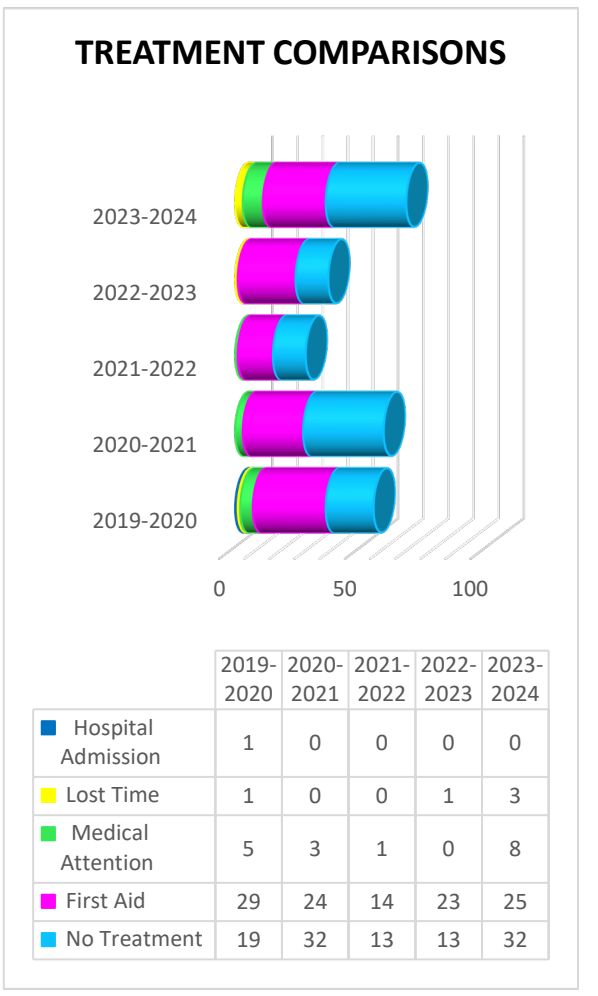
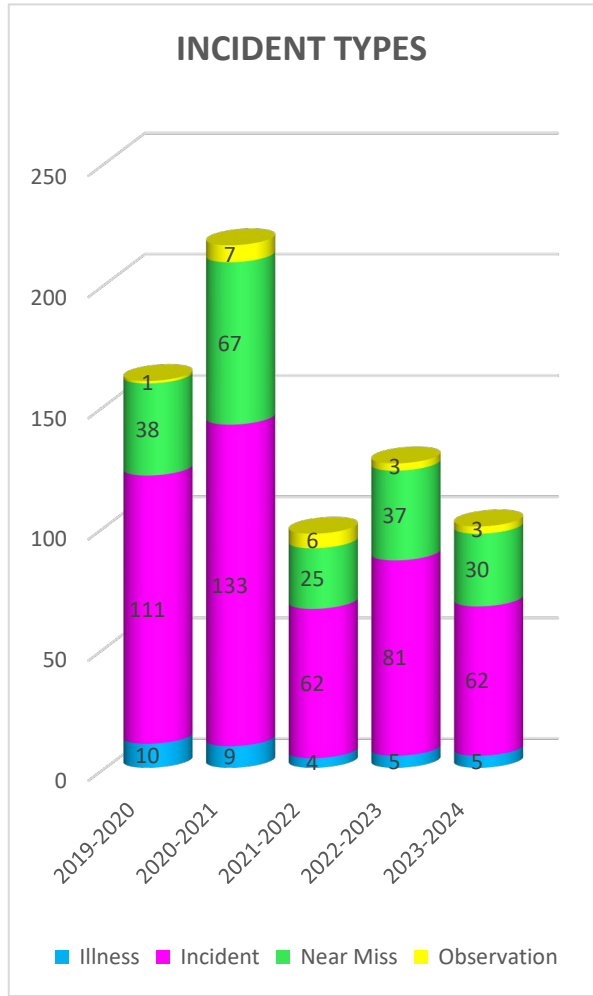
**Incidents Risk Type and Treatment for Period
1 April 2024 – 31 May 2024**

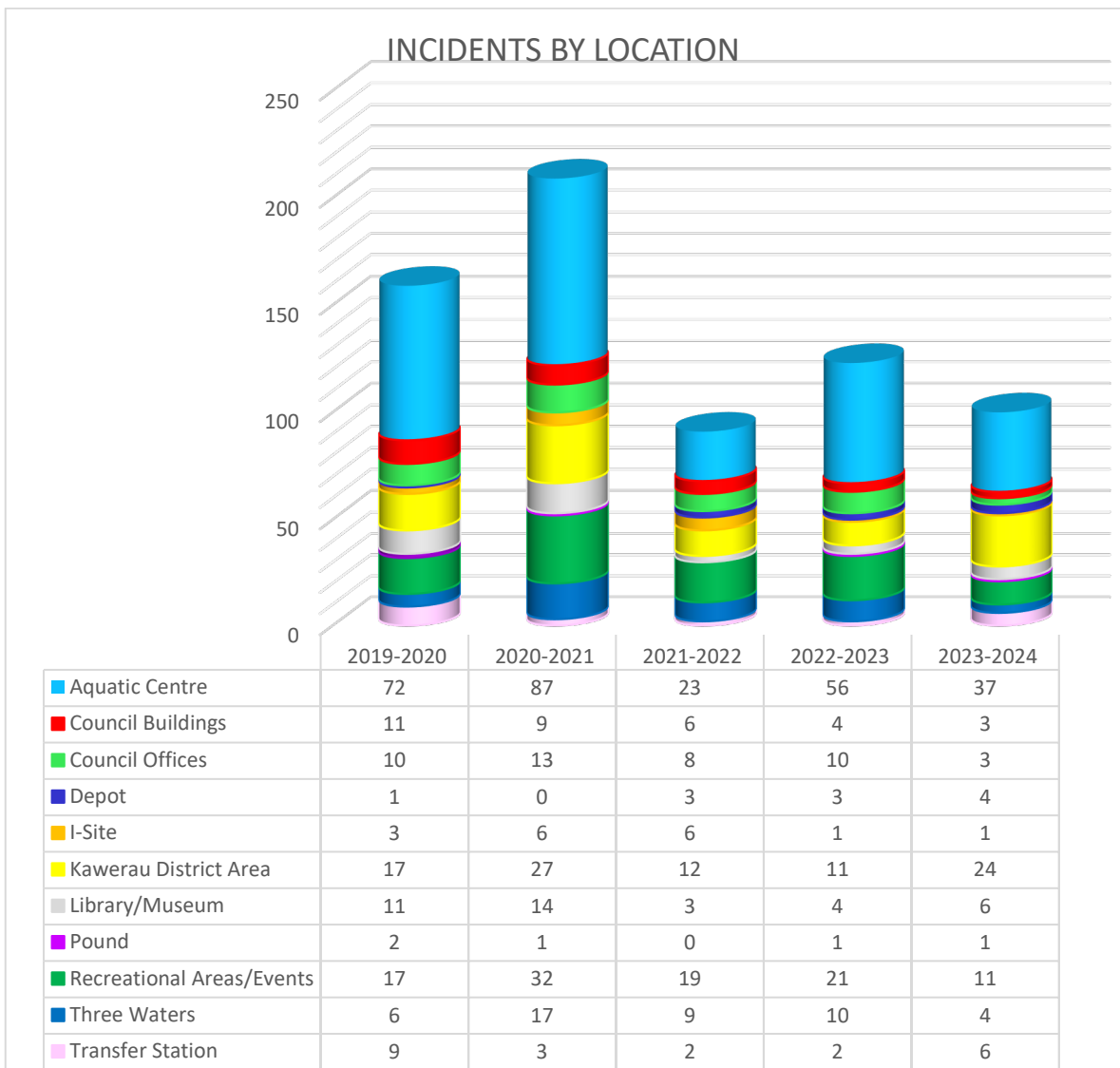
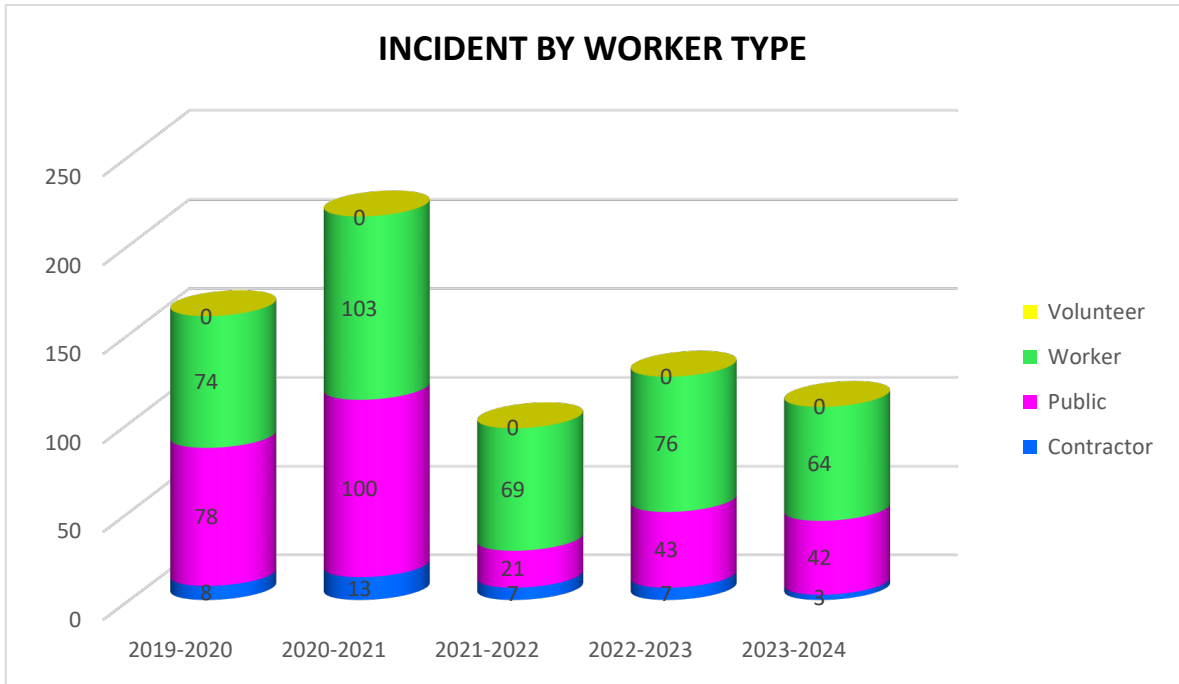
Events by Critical Risk	
Public/People/ Customers	3
Stress	0
Slips, Trips and Falls	2
Lone Working	0
Manual Handling	2
Other *	5

Outcome of Incidents	
No Treatment	4
First Aid	2
Medical Treatment	1
Lost Time	0
Hospital	0
*Does not include Near Misses	
Investigations Required	
Formal Investigation	0
Work Safe Investigation	0

* Other – Landslip, Bee Sting, Weather (blow over gate), Hot surface (BBQ), Drink driving (suspicious behaviour)

Incidents and Treatment Comparisons





Potentially Critical Events/Critical Events
1 April 2024 – 31 May 2024

Event	Critical Risk	Potential Consequence	Actual Consequence	Controls and Status
Moving fallen tree – Strained back – Aggravated old injury	Manual Handling	High	Low	<ul style="list-style-type: none"> Manual Handling Policy Operator training/care Workers reminded to be careful when lifting/moving heavy objects, including having assistance. First aid issued – Panadol and rest.
Vacuumping pool, stepped back into weir, No injury	Slips, Trips and Falls on the same level	High	Low	<ul style="list-style-type: none"> Operator training/care Weir is required to be opened during vacuuming. Team Leader investigating weir covering which enables vacuum to be attached removing risk.
Chainsaw being used above head – no injury	Manual Handling	High	Low	<ul style="list-style-type: none"> Manual Handling Policy Chainsaw handling skills Discussion with workers around chainsaw safety. Chainsaw training booked.
Unprovoked verbal abuse due to working at council – resulting in worker being pushed - no injury	Violence - People/Customers/Visitors	High	Low	<ul style="list-style-type: none"> Customer Conflict Training Dealing with Abusive Customers Process Worker took all appropriate steps and removed themselves once able. Manager followed up to check worker wellbeing. Limited options to protect staff when in public area, other than above training.
Landslide damaging Council property – fence		High	Medium	<ul style="list-style-type: none"> Weather event inspections Health and Safety Officer engaged to help assess risk. Works commenced once assessed removing further risk of trees falling or slips.
Public member swearing and threatening cleaner – Attempt made to calm them without effect, requested to leave, returned three times before leaving – No injury	Violence - People/Customers/Visitors	High	Low	<ul style="list-style-type: none"> Customer Conflict Training Dealing with Abusive Customers Process Worker took appropriate steps to remove the member of the public. Increased verbal aggression being encountered, workers reminded that verbal abuse is not acceptable. Manager checked on worker wellbeing.
Worker tripped getting into vehicle – Bruising and grazes – Medical treatment sought	Slips, Trips and Falls on the same level	High	Medium	<ul style="list-style-type: none"> Worker care Team Leader took to medical centre for treatment and check of staff wellbeing. Incident reviewed, caused due to vehicle being parked too close to building, workers reminded to allow more room.

Unprovoked verbal abuse due to working at council – resulting in worker being pushed - no injury	Violence - People/Customers/Visitors	High	Medium	<ul style="list-style-type: none"> • Customer Conflict Training • Dealing with Abusive Customers Process <p>Staff took all appropriate steps and removed themselves. Police complaint made. Manager followed up to check staff wellbeing. Staff requested to avoid the location during work hours. Offending party to be trespassed from Council premises to avoid escalation.</p>
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KEY:	
High	Potential or actual consequence which is serious in nature and could cause medium to long term loss of time (over a week), hospitalisation or significant damage to property
Medium	Potential or actual consequence which is moderate in nature and could cause short-term loss of time (under a week), medical treatment, or damage to property.
Low	Potential or actual consequence which is minor in nature resulting in no loss of time, no medical treatment (first aid only) and minimal damage to property.

4 Health, Safety and Wellbeing Risk Related Activities

Health, Safety and Wellbeing Related Activities		
Risk	Key Activity	Planned Activity
General Health and Safety Risk Management Programme	<ul style="list-style-type: none"> • BWARE went live on 1 July 2023 and work has been ongoing to ensure all data is included into the system and reviewed. • BWARE forms now available via APP <ul style="list-style-type: none"> - Contractor Site Monitoring - Checklists (accessible in the field) - Health and Safety Staff Inductions - Risk Assessments - Vehicle Inspections • New Staff Inductions (2) • District Office Site Safety Induction (3) • Transfer Station Site Safety Induction (3) • Waste Water Treatment Plant Induction (1) • Maurie Kjar Aquatic Centre Induction (1) • Recycle Truck Induction (2) • Workstation Assessment (1) • Monthly meeting ongoing – fully represented by all work groups • Identified the top 13 risks across the organisation and working on reducing to the top 10. • Health and Safety Awards completed on 2 May 2024, with the awards going to: <ul style="list-style-type: none"> - Health, Safety and Wellbeing Leader – Morne de Lange - Health, Safety and Wellbeing Champion – Adam Martin 	<ul style="list-style-type: none"> • Arrange for a SafePlus audit (a performance improvement initiative) to be completed late 2024. This audit will help identify areas of weakness and provide ideas for ongoing improvement. • Finalise the top critical risks. Critical risks identified and grouped. Health and Safety committee working through the last stage to reduce from 13 to 10 critical risks. • Re-establish Wellbeing Committee • Respirator Face Fit Testing arranged for July 2024. • Customer Conflict Training arranged for July 2024. • Bullying and Harassment Training arranged for August 2024.

<p>Contractor Management</p>	<ul style="list-style-type: none"> - Health, Safety and Wellbeing Champion Team - Library & Museum 	<ul style="list-style-type: none"> • Three contractor audits completed -<u>Footpath Replacement</u> – Replacement of footpath – site inspection completed. Site was supervised and managed safely. Contractor documentation held on safety software app. Temporary traffic management in place to manage foot traffic. Recommended contractor seek professional advice regarding monitoring workers exposure to airborne contaminants (silica dust) and occupational noise. -<u>Town Centre Storm Water Renewal</u> – Checking manholes. Site inspection completed. Site documentation on Health and Safety App. Site managed safely and did not affect traffic or pedestrian movement. Respirators worn if confined space entry is required. Recommended contractor seek professional advice regarding monitoring workers exposure to airborne contaminants and respirator face fit testing. -<u>Drain laying</u> - Site inspection completed. Site documentation on Health and Safety App. App showed risk management and plant checks had been completed. Site folder contained traffic management map and temporary traffic management was set up on site. Signage was good. Discussed the use of GAP 40 as a temporary fill material for footpaths that have been opened. Company not operating worker health monitoring, recommended and discussed face fit and hearing testing. 	<ul style="list-style-type: none"> • Contractor audits to be completed monthly.
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Training	<ul style="list-style-type: none"> • First Aid Training – (7) • Breathing Apparatus Training (1) • Certified Handler Compliance Certification (D Endorsement) (2) 	<ul style="list-style-type: none"> • Accident Investigation Training for Health and Safety Reps booked for July 2024. • Customer Conflict Training arranged for July 2024. • Bullying and Harassment Training arranged for August 2024. • Organise Dangerous Dog Training for Outdoors Staff. Deferred to next financial year. 	<ul style="list-style-type: none"> • Review KDC Property Spray Plan • Sun Protection Policy – Draft has been developed, for consideration of the Leadership Team before consultation with staff. • Caustic – Risk identified with small amounts of caustic sitting in drain above injection point at water treatment plant. • Dog Rangers PPE to be reviewed
Policy Reviews	<ul style="list-style-type: none"> • Volunteer Worker Policy – Approved by leadership team • Drug and Alcohol Policy – Approved by leadership team • Workplace Stress & Fatigue Policy – Approved by leadership team 		
Risk Reviews	<ul style="list-style-type: none"> • Caustic – Reviewed risk and added signage and advised workers in the area. 		

Risk	Potential Score	Risk	Activity	Planned Activity	Desired Risk level outcome (as per risk matrix)
Caustic - Risk identified with small amounts of caustic sitting in drain above injection point at water treatment plant.	Medium		<ul style="list-style-type: none"> • Follow procedures when dealing with caustic 	<ul style="list-style-type: none"> • Team Leader to update all workers on hazard. • Health and safety officer to also send notification to workers in that area. • Install sign "Flush tap before use" 	Low
Weather Events – Trees falling, Slips causing damage to property	High		<ul style="list-style-type: none"> • Weather watch updates provided to workers 	<ul style="list-style-type: none"> • Ongoing maintenance to minimise risk in weather events – such as clearing drains, removing/pruning trees that are identified a risk 	Medium

5 Health and Wellbeing

Health and Wellbeing

Emergency Readiness

Automatic External Defibrillators (AED's) available at Aquatic Centre and District Office
Emergency Response Team being developed and trained

General Health

Influenza Vaccination are currently available to staff

Wellbeing initiatives

Employment assistance programme provide by Vitae.
My Everyday Wellbeing web platform available to staff and their families.

Health Monitoring

Ongoing random drug testing and pre-employment drug testing
Occupational Health Monitoring (Audio, Spiro & Asbestos) commences June 2024

6 RECOMMENDATION

That the report "Health, Safety and Wellbeing Report for period - 1 April 2024 – 31 May 2024" be received.

Michaela Glaspey

Group Manager Regulatory and Planning

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Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: **Treasury Report to 31 March 2024 and to 30 April 2024**

File No: 110551

1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 31 March 2024 and 30 April 2024 and provide explanations for any significant variances from the previous year.

2 **Background**

This report was presented to the Regulatory and Services Committee on 10 April 2024 for the Treasury Report to 31 March 2024, and 15 May 2024 for the Treasury Report to 30 April 2024. The report shows the funds currently held and the banks where those funds are invested. All investments were made in accordance with Council's Investment Policy.

Council's investment policy allows up to 50% of total funds to be invested with any one bank but up to a limit of \$1.5 million. The exception is Council's principal bank where funds can exceed 50% and/or \$1.5 million.

Council currently has reduced surplus funds than in previous years making it more difficult to spread investments, but it is still required to act prudently.

Council raised a loan of \$2.0 million in December 2022, which was used to fund the water reticulation renewal project. The interest rate for this loan is 5.75% (fixed) and the maturity date is April 2025. On the 26th of October 2023 the next \$2.0m loan for the water reticulation project was uplifted, with a fixed interest rate of 6.5% with the same maturity date of April 2025.

Staff recommended a relatively short-term loan due to the increasing interest rates and the uncertainty around the 3 waters and other reforms that are currently being undertaken.

3 **Funds Held**

The following table shows Council's reserve and general funds balances as at 31 March 2024:

	March 2024	March 2023
Reserve Funds		
Depreciation Funds*	\$4,699,617	\$5,259,387
Total Special Funds	\$4,699,617	\$5,259,387
General Funds	(\$471,119)	(\$60,846)
Total – comprising cash & internal loans	\$4,228,498	\$5,198,541

* This includes loan funds uplifted.

The following funds were held at 31 March 2024:

Invested in	\$	Mean Interest	% External
ANZ – on call	732	0.9%	0.03%
BNZ – current & on-call	2,644,843	3.0%	99.09%
Rabobank (on-call)	23,435	4.3%	0.88%
Total Funds (Cash)	2,669,010		100.0%
Internal Loans	1,559,488		
Total Investments	4,228,498		

The following table shows Council's reserve and general funds balances as at 30 April 2024:

	April 2024	April 2023
Reserve Balances		
Depreciation Reserve Funds*	\$4,008,303	\$5,381,528
Total Reserve Balances	\$4,008,303	\$5,381,528
General Funds	(\$1,012,453)	(\$608,157)
Total (comprising funds & internal loans)	\$2,995,850	\$4,773,371

* This includes loan funds uplifted.

The following funds were held at 30 April January 2024:

Invested in	\$	Interest Rate	% External
ANZ – on call	732	0.9%	0.03%
BNZ – current & on-call	1,419,404	3.0%	99.09%
Rabobank (on-call)	23,517	4.3%	0.88%
Total Funds (Cash)	1,443,653		100.0%
Internal Loans	1,552,197		
Total Investments	2,995,850		

The figures show that overall Council has \$1,777,521 fewer funds at the end of April than the same time last year, even though the April 2024 balance includes the additional \$2m loan funds that Council uplifted on the 26th of October 2023 to pay for the water asset renewals.

Overall, Council's cashflows for the last year have continued to be lower than previous years, as Council has short term cash funds invested in the Central Cove sections, Bell Street duplexes and three Porritt Glade units that will become realised cash funds once these properties are sold and have occupation agreements, respectively.

4 RECOMMENDATION

That the report “Treasury Report to 31 March 2024 and 30 April 2024” be received.

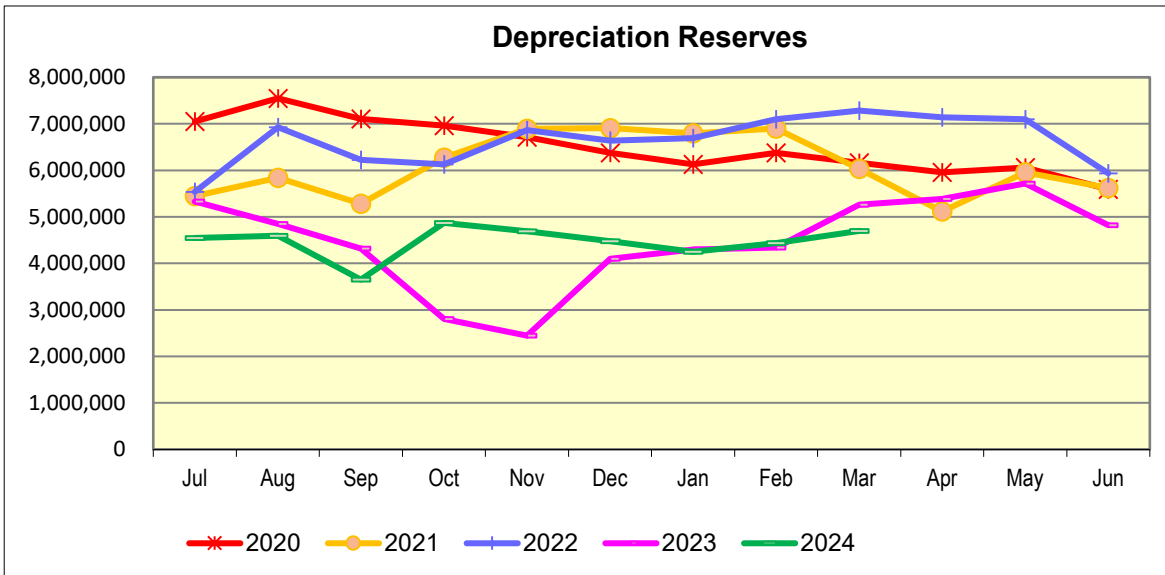


Lee-Anne Butler, CA, BMS

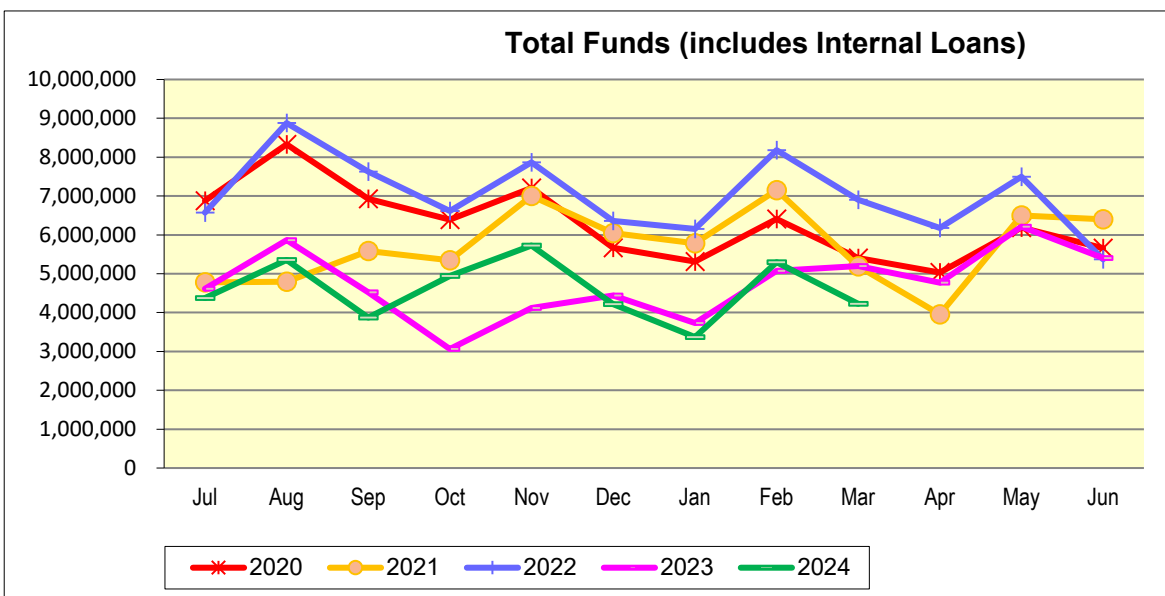
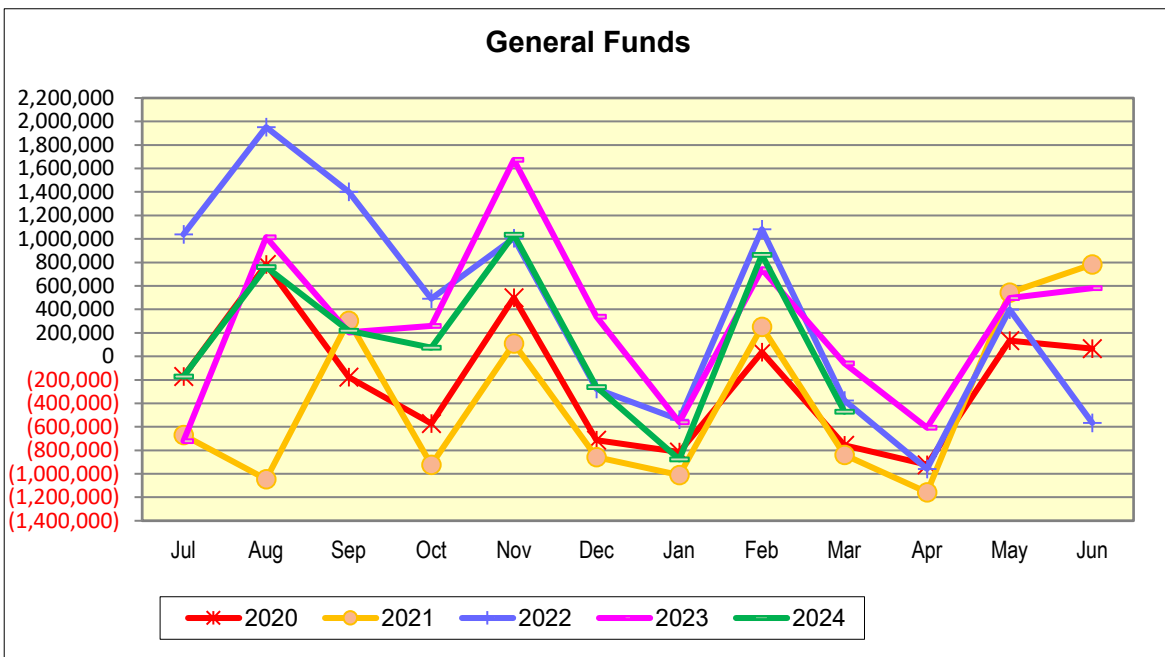
Group Manager, Finance & Corporate Services

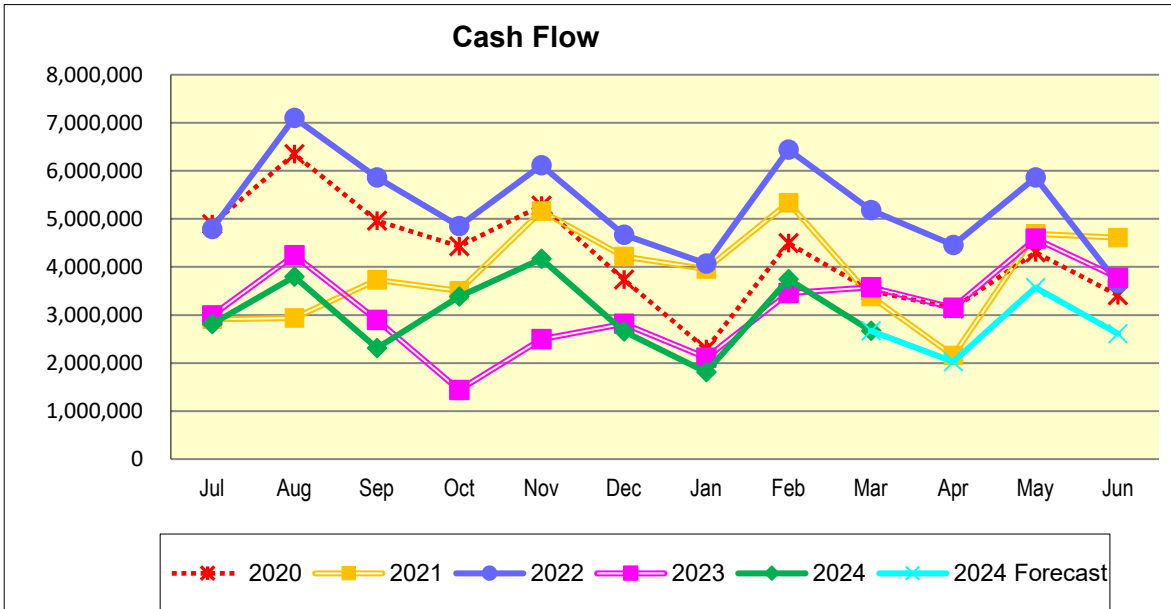
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**Appendix
Financial Data - March 2024**



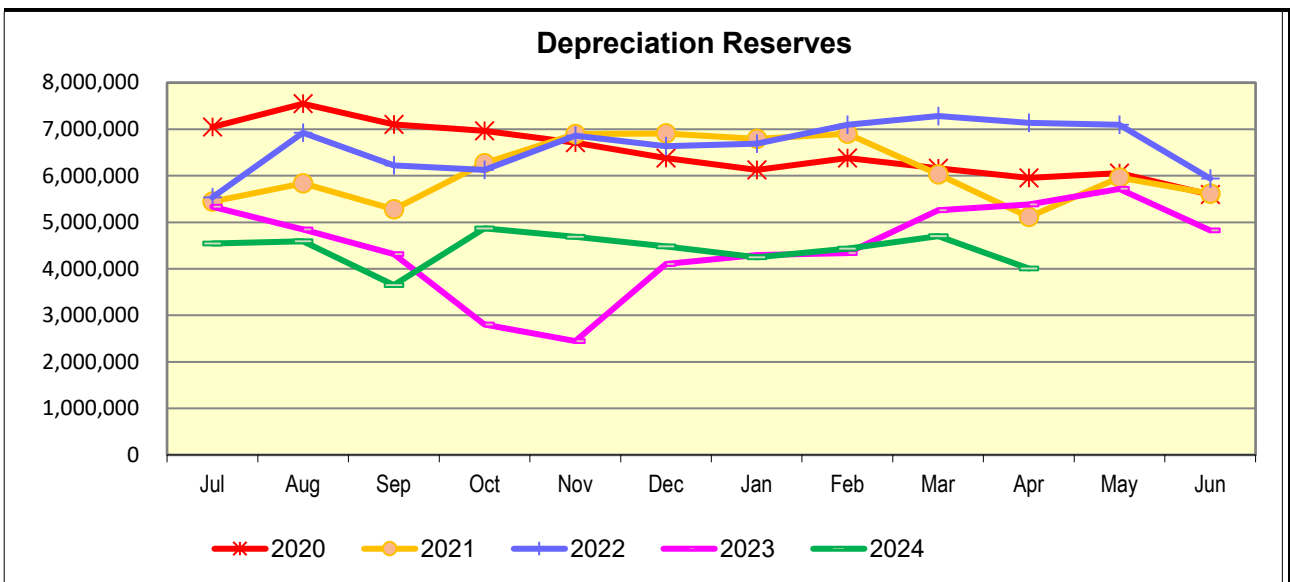
The depreciation reserves funds above includes the loan funding Council has uplifted.



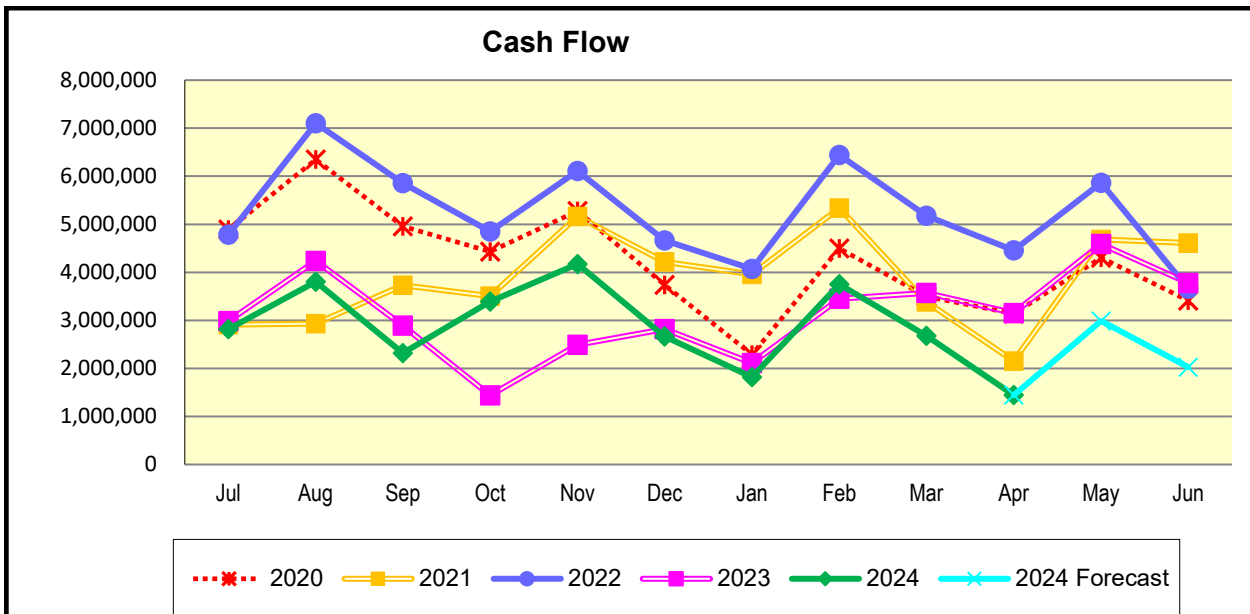
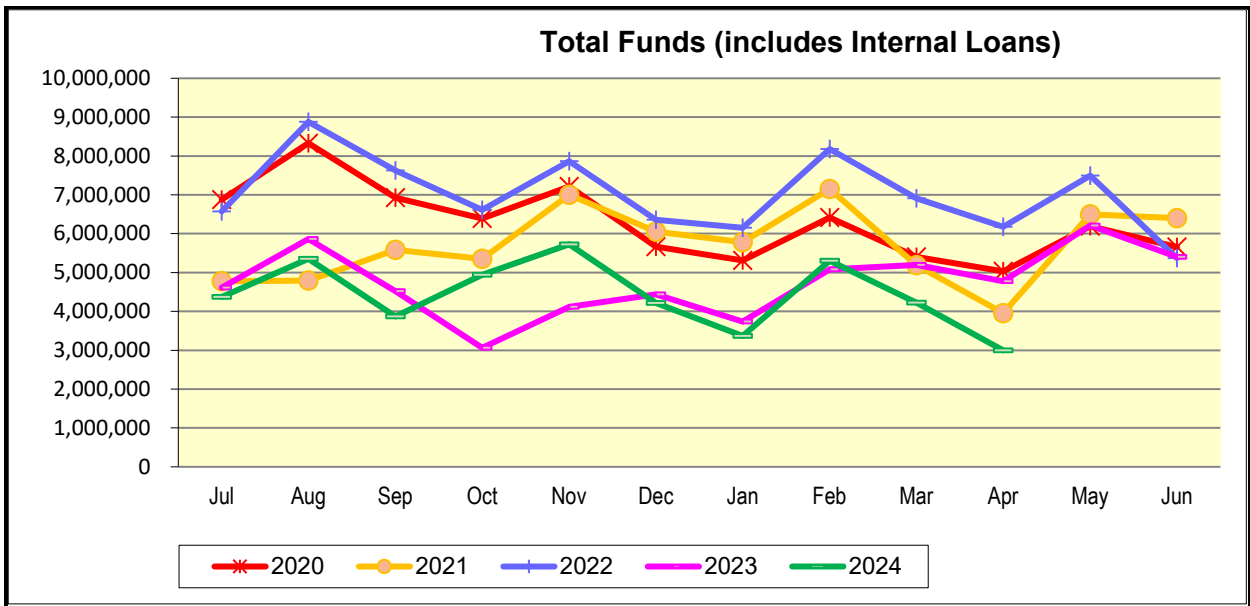
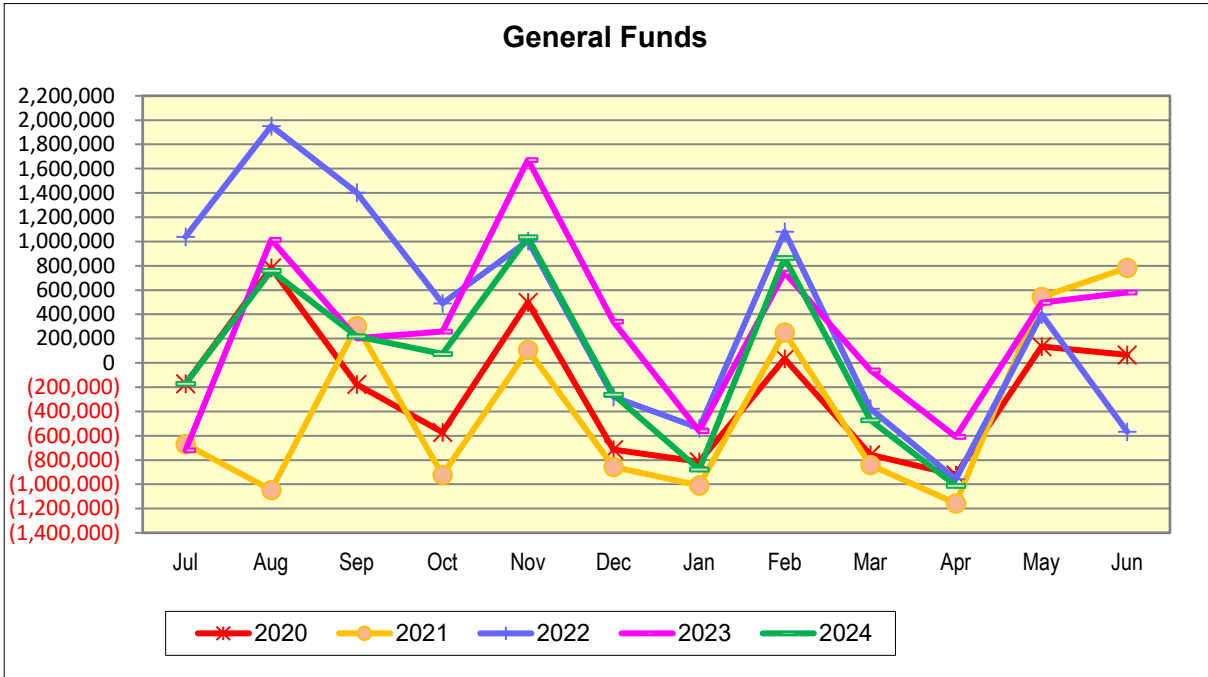


Please note that the 2023/24 actual cashflow is the same as the forecast cashflow for months year to date.

April 2024 – Financial Data



The depreciation reserves funds above includes the loan funding Council has uplifted.



Please note that the 2023/24 actual cashflow is the same as the forecast cashflow for months year to date.

Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: Annual Plan Performance for the nine months ended 31 March 2024

File No.: 110400

1 Purpose

The purpose of this report is to review and compare Council's actual financial and non-financial performance for the nine months to 31 March 2024 with the Annual Plan for 2023/24.

Comments are provided where expenditure/revenue is likely to vary from budget, or the performance target is unlikely to be achieved for the year.

2 Financial Performance

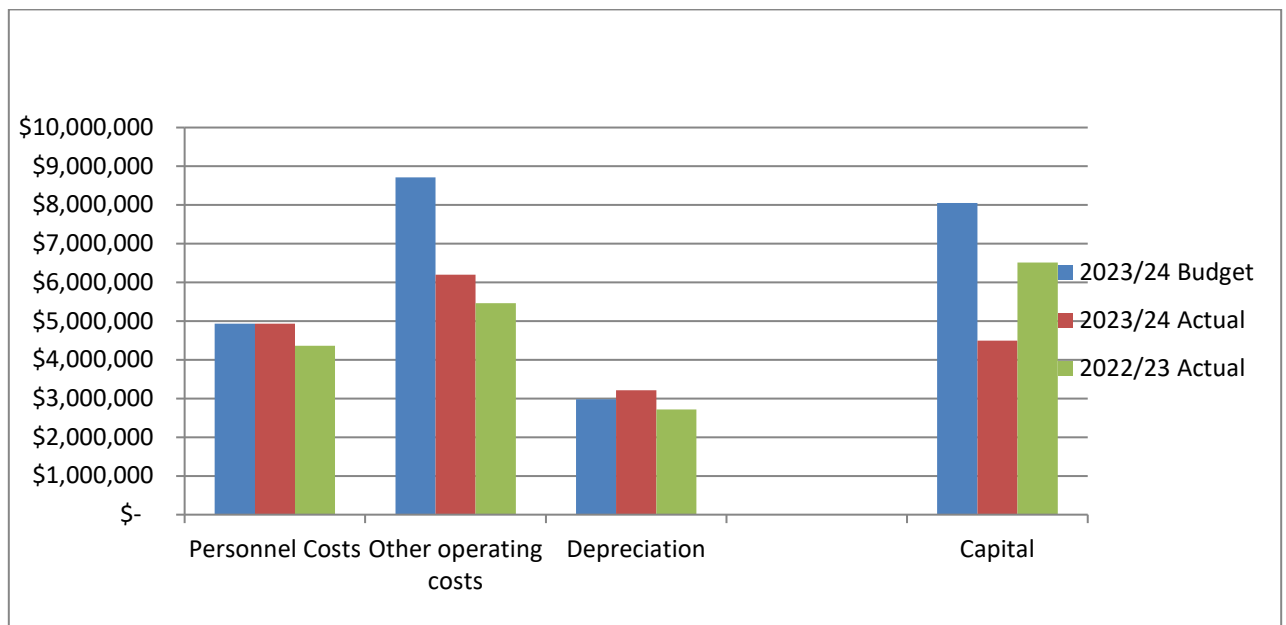
2.1 Statement of Comprehensive Revenue and Expense

The following table shows Council's financial performance for the nine months compared to the adopted annual budget. The capital budget for 2023/24 has been amended to include the carried forward figures as well as any budget amendments approved by Council. NB: There will be timing differences for some revenue and expenditure. This report was presented to Council on 29 May 2024.

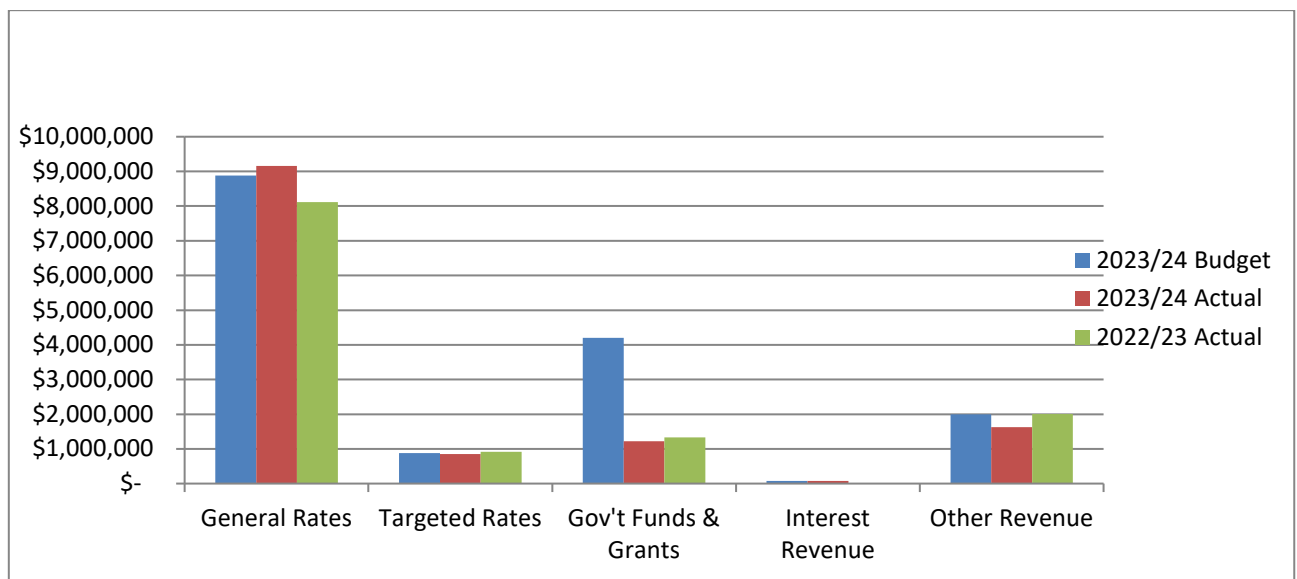
	Adopted Budget	Actual 31-03-2024	Comments
Revenue:	\$	\$	
Rates	12,938,210	10,071,701	
Subsidies and Grants	5,596,530	1,216,349	Includes Stoneham Park Grant \$4.3m
Interest Revenue	97,530	73,497	
Fees and Charges	2,802,160	1,526,490	
Other Revenue	65,000	42,855	Petrol Tax
Total Revenue	21,499,430	12,930,892	
Expenditure:			
Personnel Costs	6,579,380	4,936,726	
Depreciation	3,973,210	3,217,115	
Finance Costs	177,500	186,493	
Other Expenses	11,553,390	6,008,701	Includes Stoneham Park costs \$4.3m
Total Expenditure	22,283,480	14,349,035	
Surplus (Deficit)	(784,050)	(1,418,143)	
	Revised Budget	Actual 31-03-24	
Capital Expenditure	10,734,953	4,496,085	

Council's expenditure and revenue for the year to date are shown in the graphs below, compared to the budget and expenditure/revenue for last year 2022/23.

Expenditure to 31 March 2024



Revenue to 31 March 2024



Variance Analysis

The following are explanations for some of the significant variances year to date for revenue and expenditure:

- Government Grants includes a budget of \$4.3m for Stoneham Park development, the grants are only received once the funding has been incurred. The majority of the Stoneham Park Development will be expensed in 2024/25, with the majority of the Government's grants income being received then. The majority of capital expenditure for roading is to be completed and Waka Kotahi roading subsidies are received once the capital expenditure is incurred.
- Fees and Charges income includes \$283k of Porritt Glade Amenity Fees which are recognised at year end. There is also \$300k budgeted for proceeds from disposals of sections which are yet to be realised.

- Depreciation expenditure year to date is higher than budgeted, as when setting the budget the final depreciation for 2022/23 was yet to be finalised, which included the impacts from the asset revaluation. The additional depreciation year to date is \$237k.
- Other expenditure includes the Stoneham Park development for which the majority of the expenses will be incurred in 2024/25. There are other expenditure items that are higher than budgeted as follows:
 - Insurance costs have increased significantly \$74k
 - Additional expenditure for the clean out of the reservoirs \$62k
 - Electricity costs have increased.

2.2 Statement of Financial Position

The following table shows Council's financial position at 31 March 2024 compared to the budget.

The financial position does not include all the accruals for receivables and payables.

	Budget @ 30/6/2024	Actual at 31 March 2024	Comments
Current assets:			
Cash & cash equivalents	\$4,225,340	\$2,675,786	
Receivables	\$2,413,360	\$1,542,141	
Inventories	\$417,910	\$1,946,397	Includes sections
Non-current assets:			
Property, plant and equipment	\$114,957,740	\$110,761,717	
Intangible assets	\$85,500	\$99,379	
Other financial assets	\$36,250	\$136,252	
Total Assets	\$122,136,100	\$117,161,672	
Current liabilities:			
Payables, provisions & employee benefits	\$4,272,580	\$2,514,328	
Resident's Liability	0	\$7,609,752	*Porritt Glade
Borrowing	\$2,000,000	\$4,000,000	
Non-current liabilities:			
Provisions & employee benefits	\$241,410	\$61,678	
Borrowing	\$2,000,000	0	
Residents Liability & Deferred Revenue	\$8,380,490	\$142,857	*Budget is Porritt Glade Liability
Total Liabilities	\$16,894,480	\$14,328,615	
Ratepayers Equity	\$105,241,620	\$102,833,057	
Total liabilities & ratepayers equity	\$122,136,100	\$117,161,672	

2.3 Statement of Cashflow

The cashflow statement shows a decrease of \$1,103,715 in Council's cash position since the beginning of the financial year. As reported in Council's Treasury reports, cash balances are lower due to investment of funds in Central Cove sections and the Bell Street duplex houses.

	Budget @ 30/6/2024	Actual to 31 Mar 2024	Comments
Cashflow from operating activities:			
Rates	\$12,261,580	\$9,722,720	
Subsidies & Grants	\$5,596,530	\$1,500,683	
Fees & Charges & Other Revenue	\$2,867,160	\$1,406,061	
Interest Received	\$97,530	\$73,497	
Payments to suppliers and employees	\$(16,654,010)	\$(11,252,139)	
Interest paid on debt	\$(177,500)	\$(186,494)	
Net cashflow from Operations	\$3,991,290	\$1,264,328	
Net cashflow from investing:			
Disposal of Assets/Contributions ORA	\$0	\$755,000	
Property, Plant & Equipment/Inventory	\$(6,727,700)	\$(5,120,915)	
Purchase of Investments		\$(50,000)	
Net cashflow from investing:	\$(6,727,700)	\$(4,415,915)	
Net cashflow from financing:			
Loans raised	2,000,000	\$2,047,872	Includes Lease
Debt repayment	\$(16,500)	\$0	
Net cashflow from financing	\$1,983,500	\$2,047,872	
Total Net cash inflow/(outflow)	\$(752,910)	\$(1,103,715)	
Opening balance (1/7)	\$4,978,250	\$3,779,501	
Closing cash balance	\$4,225,340	\$2,675,786	

3 Capital Expenditure

The following is Council's capital budget (including carry forwards and amendments) and expenditure for the first nine months.

Activity	2023/24 Budget	Actual at 31 Mar 2024	Comments
Economic & Community Development	\$61,800	\$2,515	
Environmental Services	\$600,000	\$1,825	Dog Pound
Roading	\$1,384,500	\$232,448	
Stormwater	\$380,000	\$70,709	
Water Supply	\$3,772,600	\$1,325,692	Pipe renewals
Wastewater	\$2,278,600	\$1,050,501	WW pipe renewals
Solid Waste	\$30,000	\$6,291	
Leisure & Recreation	\$1,733,650	\$1,331,610	Rangi Delamere Pavilion
Plant, Depot and Office	\$493,800	\$474,493	New plant/vehicles, PCs & office building renewals
Total	\$10,734,950	\$4,496,084	

4 **Non-Financial Performance**

The following is a summary of the non-financial targets performance (excludes N/As) to date:

Activity	2023/24 No. of Targets	On Target to Achieve 2023/24	2022/23 Achievement Rate
Democracy	3	2	33%
Economic & Community Development	5	5	80%
Environmental Services	11	8	64%
Roading (including Footpaths)	7	4	57%
Stormwater	3	3	100%
Water Supply	13	12	83%
Wastewater	7	7	43%
Solid Waste Management	2	2	50%
Leisure and Recreation	13	11	58%
TOTAL	64	54	65%

5 **RECOMMENDATION**

That the report "Annual Plan Performance for the year ended 31 March 2024" be received.



Lee-Anne Butler, CA, BMS

Group Manager Finance & Corporate Services

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Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: Kawerau District Council Top 8 risks

File No.: 105000

1 **Background**

At the Committee's request the CEO is adopting a public sector risk reporting framework which tracks the top 8 risks to Kawerau District Council (KDC). This risk reporting framework, with rankings and commentary attached in the table below, is a shorthand guide to the primary risks to the public sector in general and KDC in particular. Aon, the insurance company, and the Office of the Auditor-General (OAG) adopt a similar framework. For example, the OAG regularly surveys local authorities asking each respondent to rank their top five risks and provide commentary. The OAG then collates the collective rankings and offers its own risk ranking and commentary.

The purpose of the document at hand is that it is iterative, capable of feedback from staff and the Committee to ensure that risk ranking can change from review to review. At this first presentation staff invite Committee members to consider the ranking and commentaries provided. The OAG notes that often governance can offer a different perspective of risk citing that, where staff respondents to the risk survey did not identify local relationships and their management as a risk, governance members often did. The OAG agreed with that assessment writing that where local relationships fail it can threaten operations – for example, the delivery of projects – as well as governance – for example, trust in Council as a representative organisation.

The framework before the Committee ranks only the top 8 risks. These risks are taken from Aon's top 12 public sector risks with adjustments for the particular circumstances of KDC. In future this document will become more customised for KDC. For example, a risk staff will track in its own right – and which is included here as a subset of legislative and regulatory change – is Council's asset management plans and whether they are fit for purpose given central government's increasing expectations.

2 **Top 8 risks**

RISK	RANKING	REASONING
Legislative and regulatory changes creating higher costs or reducing subsidies	HIGH	With the change of government in November 2023, a significant reform programme is underway in Parliament including repealing the Natural and Built Environment Act, proposing a fast track consenting system, and proposing Local Water Done Well reforms to

		<p>replace the former Affordable Water reforms. These changes drain significant staff time in understanding the implications and compliance burdens for KDC as well as in adjusting long term planning. In 2024 KDC adopted the transitional option to complete a 9-year LTP in 2025.</p>
<p>Economic slowdown reducing ratepayers' ability to meet their obligations</p>	<p>HIGH</p>	<p>Inflation remains high with the Reserve Bank indicating in its Monetary Policy Statement of 22 May 2024 that interest rates are forecast to remain high until at least the end of the year. With inflation still outside of the target band households face increasing costs to meet their needs and perhaps reducing their ability to comfortably meet their rates obligations. Councils also face increasing costs as suppliers pass on the impact of increasing labour, material, and other costs. With inflation labour costs also increase.</p>
<p>Cyberattack compromising key services or information</p>	<p>HIGH</p>	<p>Central government revealed in 2024 that Parliament was subject to cyberattack in 2021. Cyberattacks are increasingly common – especially as a ransom tool. Local governments in Australia have become the target of malicious attacks. Attacks can target service delivery or confidential information.</p>

Failing to attract and retain top talent	HIGH	KDC maintains a highly skilled senior leadership team, but attraction and retention can become challenging given the organisation's small size and its ability to attract talent as well as its ability to pay market rates to retain that talent. Between January 2024 and May 2024 KDC has had three GMs of Operations and Services.
Political risk and damaging trust	MODERATE	This risk is related to legislative and regulatory changes. Government directives, especially regarding fresh water and Council drinking water supplies, are undermining trust in institutions with a significant number of residents arguing that decisions over drinking water should remain in local community hands rather than with central government.
Business interruption	MODERATE	Increasingly severe weather events present a threat to business continuity. In a recent weather event in May 2024 a small landslide came down behind the River Road water treatment plant. As climate change increases the likelihood of severe weather events, we expect this risk to increase as well as present increasing civil defence risks.
Failure to innovate and meet evolving community needs	MODERATE	Organisational size, limited financial resources, and workloads can contribute to difficulties in forward planning and the identification of new opportunities.

		Although KDC punches above its weight in this regard, recently rolling out a new customer relationship management system, continuous improvement in a high workload environment is challenging.
Cash and liquidity risk	MODERATE	KDC's cash position is tighter than in previous years with cash tied up in strategic residential investments. Council expects to realise these investments in time (while noting the challenge of a downturn in the property market). In the meantime the cash position requires careful monitoring to ensure Council can continue to meet its obligations to creditors, payroll, and so on. Although Council's cash position is tighter than in the past, the risk is only rated as moderate given KDC's ability to raise debt (with the proviso that raising debt to meet operational requirements should be avoided).

3 Mitigations

Mitigating risk does not necessarily happen in isolation. For example, mitigating the risk of central government reforms happens via cross-regional work. The CE is working with colleague CEs from across the Bay of Plenty to understand the requirements of Local Water Done Well. This cross-regional work helps spread the professional load, saving significant staff time, and it also applies to spatial planning, in IT, and to other parts of the organisation. This mitigation, then, addresses both the legislative and regulatory risk as well as the risk of failure to innovate or improve. As a separate example some mitigations are largely outside of KDC's hands. For example, if political risk is increasing – or rather, public trust is decreasing – because of central government actions (e.g. fluoridation directive) then the mitigations available to KDC are limited. In the case of the Director-General of Health's fluoridation directive KDC took the steps available including writing to the Director-General seeking an extension, raising the matter with the Minister of Local Government arguing for local decision-making, and contacting the local electorate MP. However, these actions still rely on central government decision-making.

4 **Strategic context**

Committee members offer a different perspective in the identification of risk. Given this process is iterative, relying on constant review, Committee members are invited to consider from a governance perspective any strategic risks.

Strategic risks are external risks that threaten planned or desired outcomes. This differs from operational risks which are internal risks threatening planned or desired outcomes. For illustrative purposes, a strategic risk is central government regulation while an operational risk is human error. A strategic risk is inflation (external) while an operational risk is incorrect creditor systems (internal).

5 **RECOMMENDATIONS**

1. That the report “Kawerau District Council Top 8 risks” be received.
2. That Committee members engage in the identification of relevant strategic risks.



Morgan Godfery
Chief Executive Officer

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Meeting: Audit & Risk Committee

Meeting Date: 10 June 2024

Subject: Kawerau District Council Policies Overview

File No: 110800

1 Purpose

The purpose of this report is to provide the Audit and Risk Committee an overview of Council Policies and identify any policies that may be outdated and require review.

2 Background

Council previously employed a Policy Analyst/Strategic Planner who was responsible for reviewing the existing policies among other things, such as Bylaws and assisting with the Annual Plan. This was a part time role.

In order to reduce costs, the Policy Analyst/Strategic Planner position was not reinstated, with the Managers in each area becoming responsible for the monitoring and reviews of all policies, bylaws and the Annual Plan.

The overall purpose of policies is to aid with decision-making. Council has a wide range of policies which extend from finance policies to smoke free public places. Some policies are required by legislation, while others are set by Council and do not have a legislative policy review timeframe.

This report covers all policies within the scope of this report, that the writer was aware of at the time. Where additional policies are identified, these will be added to the attached list of policies for ongoing monitoring purposes.

This report does not include internal operational policies or health and safety policies.

3 Situation

Currently Council has thirty policies relating to a range of matters. A list of all thirty policies is attached at Appendix A. A quick review of the policies indicate nine policies are currently out of date and are requiring review, these are listed below:

Management of Street Trees 2016

- Last reviewed in June 2016 and was due for review in June 2019. This policy is optional and the review date is set out in the policy.

Library Membership Policy 2010

- Last reviewed in September 2010 and was due for review in September 2020. This policy is optional and the review date is set out in the policy.

Board Venues Policy 2017

- Last reviewed in December 2017 and was due for review in December 2020. This should be reviewed in line with the Class 4 Gambling Venue Policy.

Class 4 Gambling Venue Policy 2017

- Last reviewed in December 2017 and was due for review in December 2020. A Social Impact Statement is required to be completed to enable this policy to be renewed. This is a legislated requirement and should be given priority.

Graffiti and Vandalism Policy 2016

- Last reviewed in September 2016 and was due for review in August 2021. This policy is optional and the review date is set out in the policy.

Methamphetamine Building Contaminations Policy 2016

- Last reviewed in December 2016 and was due for review in November 2021. This policy is optional and the review date is set out in the policy.

Easter Trading Policy 2017

- Last reviewed in April 2017 and was due for review in February 2022. This came to Council attention in April 2024 and has been scheduled for review later this year to ensure consideration is undertaken prior to next Easter. This is an optional policy, which Council may implement if it wishes to enable extended trading (beyond the scope of legislation), over Easter weekend.

Cemetery Memorials, Ornamentation and Multiple Interments 2019

- Last reviewed in September 2016 and was due for review in July 2022. This policy is optional. This policy would be best reviewed alongside the Cemetery Bylaw, to enable consultation on related matters to occur simultaneously.

Procurement Policy 2020

- Last reviewed in May 2020 and was due for review in June 2023. This policy is optional, however is recommended to manage procurement processes.

There are a further three policies which require review now or within the next 6 month period. These include:

Dangerous, Insanitary and Affected Buildings Policy 2019

- Review due June 2024 and is currently underway and will be with Council prior to the end of June.

Backflow Prevention (2019)

- Review due June 2024, a quick review indicates this may no longer be required due to a change in legislation. This is an optional policy and will need to be reviewed even if to confirm it is no longer required.

Community Awards (2020)

- Review due November 2024.

The Managers responsible for the above mentioned policies have been advised of the requirement to update the policies to align them with current practices and requirements.

4 **Legal Considerations**

Legislation requires Council to adopt a policy for Board Venues and Class 4 Gambling Venues and once adopted this must be reviewed every three years. Council is currently in breach of the legislation. The Policies do not cease to have effect when due for review, however priority must be placed on the development of a Social Impact Statement to enable these policy reviews to be completed.

Consultation is required in regards to Council policies under s82 of the Local Government Act 2002. Some policies, such as the Board Venues and Class 4 Gambling Venues Policies will need to follow the special consultative process under s 83 of the Local Government Act 2002.

The majority of the policies past their review dates, are optional policies, so not legislatively required. However where any of these policies are no longer deemed necessary, they must be reviewed and recommendations made to revoke the policy.

5 **Risks**

Policies are not automatically revoked where a review has not been undertaken. Review timeframes, in many cases are not legislated however, the standard practice is to review policies every three years. Policies can be reviewed at any time if circumstances change which requires an early review.

Policies are difficult to enforce, and their purpose is generally to aid with decision-making. Where a policy is in place, even if it has passed its review date, for fairness to the community, decisions should be made on the existing policy until this can be reviewed and public consultation undertaken. This may be a risk where circumstances have significantly changed since the introduction of the policy.

Council Policy documents are held in multiple places, in different formats and with limited documentation showing process. This risk can be minimised through having one comprehensive system showing all policies, a history of reviews, including previous versions.

6 **Appendix**

Attached at Appendix A is a list of the current policies, known to the writer at the time of preparing this paper, excluding operational and health and safety policies.

7 **RECOMMENDATION**

That the report "Kawerau District Council Policies Overview" be received.



Michaela Glaspey
Group Manager, Regulatory and Planning

Policy Review Dates

Policy Name	Last Reviewed	Next Review Date
Management of Street Trees 2016	Jun-16	Jun-19
Library Membership Policy 2010	Sep-10	Sep-20
Board Venues 2017	Dec-17	Dec-20
Class 4 Gambling Venue Policy 2017	Dec-17	Dec-20
Graffiti Vandalism 2016	Sep-16	Aug-21
Methamphetamine Building Contaminations Policy 2016	Dec-16	Nov-21
Easter Trading Policy 2017	Apr-17	Feb-22
Cemetery Memorials, Ornamentation and Multiple Interments 2019	Sep-16	Jul-22
Procurement Policy 2020	May-20	Jun-23
Dangerous, Insanitary and Affected Buildings Policy 2019	Aug-19	Jun-24
Backflow Prevention 2019	Jun-19	Jun-24
Community Awards 2020	Jan-21	Nov-24
Smoke-Free Public Places Policies 2020	Jun-20	Apr-25
Significance and Engagement Policy 2021	Apr-21	Apr-24 LTP
Revenue and Finance Policy	Feb-21	LTP
Rates Remissions and Postponement for Maori Freehold Land Policy	Apr-21	LTP
Rates Penalty Remission Policy	Apr-21	LTP
Rates Relief for Developments Policy	Apr-21	LTP
Rates Relief for Farm Properties Policy	Apr-21	LTP
Rates Relief for High Valued Properties Policy	Jun-23	LTP
Rates Remission Sporting and Cultural Organisations Leasing Council Land Policy 2024	Draft -24	LTP

Policy Name	Last Reviewed	Next Review Date
Election Signs Policy 2019	Jun-22	Mar-25
Public Communications by Elected Members in a Pre-Election Period Policy 2019	Jun-22	Mar-25
Sensitive Expenditure Policy	Aug-22	Jun-25
Fraud, Bribery and Corruption Policy 2023	Aug-23	Aug-26
Investment Policy 2024	Feb-24	Jan-27
Financial Contributions Policy 2021	Feb-24	Feb-27
Liability Management Policies 2024	Feb-24	Feb-27
Dog Control Policy 2019	Mar-19	Dec-28
Eastern Bay Local Alcohol Policy 2016	Mar-21	Reviewed - with ARLA

Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: **Audit and Risk - Capital Projects 2023-24**

File No.: 440000

1 **Purpose**

The purpose of this report is to update the Committee on progress of Capital Projects 2023-24.

2 **Background**

Council is undertaking various capital projects, significant renewals, and essential maintenance activities. These projects are funded through internal depreciation funds, externally subsidized funding such as NZTA roading subsidies, and ad hoc external funding from entities like the Ministry of Health, Lottery, and Trust Horizon Energy Fund.

As of June 4, 2024, 52% of major capital projects (by value) have been completed. By the end of the year (June 30, 2024), 65% of projects are expected to be completed.

The NZTA-funded projects and major renewal activities are part of the 2024-27 triennium National Land Transport Plan Fund (NTLP) bid submission. Projects not completed in the 2023/24 financial year are included in the bid. The outcome of the bid submission is anticipated to be confirmed by NZTA in early September 2024. All successful bids will receive a 75% subsidy from NZTA.

Projects funded by other agencies, such as the Ministry of Health, have been requested to extend funding into the next financial year.

Significant staff vacancies and high turnover during 2023-24 have significantly impacted project delivery. Recruitment processes are ongoing to fill these vacancies.

3 **Projects**

The Regulatory & Services monthly report lists major projects, renewals, and significant maintenance activities during the 2023-24 financial year.

The tables below display cost and timeline variations for all major projects and capital activities that may still need to be completed during this financial year.

Project	Budget	Actual *	Projected FY 24	Completion	Comments
NZTA Funded Projects					
Kerb Replacement	\$110,000	\$0	\$29,870	Jun-24	River Road
Reseals - Roads	\$260,000	\$0	\$101,879	Jun-24	River Road
Pavement Treatment	\$160,000	\$0	\$176,144	Jun-24	River Road
Minor Safety Improvements	\$80,000	\$0	\$0	Jun-24	Roading Manager Vacant
Footpath replacement	\$190,000	\$106,653	\$130,000	Jun-24	Reticulation
Lane realignment	\$320,000	\$0	\$0	Jun-24	Improvement works
Drainage Works	\$136,000	\$139,151	\$139,151	Jul-23	Completed
Reseals - Carparks	\$50,000	\$56,926	\$56,926	Aug-23	Completed
Stormwater Renewals	\$380,000	\$64,890	\$349,074	Jun-24	Ongoing Project

*Actual as at 30 April 2024

The first three projects were allocated to the River Road replacement works to repair the damage caused by high water tables between the Water Treatment Plant culvert and the Transfer Station access road.

This work is underway and expected to be completed by 30 June 2024. The allocated funding is sufficient; however, the project must be completed by 30 June to obtain the full NZTA subsidy.

Minor safety improvements refer to speed humps, pedestrian crossings, and signage. These works were not completed due to current staff shortages.

The lane realignment works have been deferred to the next triennium and are included in the 2024-27 NLTF submission.

It is expected that \$349,074 of the allocated \$380,000 subsidized stormwater renewals will be completed by 30 June 2024.

Project	Budget	Actual *	Projected FY 24	Completion	Comments
Trust Horizon Funded					
Air Conditioning	\$88,700	\$80,670	\$80,670	May-24	Completed - Funded
Council Funded Projects					
Reticulation Replacement - Zone 2	\$2,300,000	\$1,453,295	\$2,000,000	Oct-24	Ongoing Project
Reticulation Replacement - Zone 6	\$470,000	\$0	\$0	Nov-24	Roll Over
Lime & Flouride System	\$425,000	\$153,605	\$253,000	Sep-24	Funded by MoH
Headworks	\$400,000	\$271,996	\$271,996	Nov-24	Ongoing Project
Reticulation Replacement - Zone 1	\$1,176,100	\$540,154	\$540,154	Jan-25	Tender Out

Project	Budget	Actual	Projected FY 24	Completion	Comments
Milliscreens Renewals	\$161,000	\$28,697	\$28,697	Jun-24	Completed
Waste Water Treatment Plant	\$854,500	\$504,504	\$504,504	Nov-24	Ongoing Project
Ron Hardie Roof	\$60,000	\$780	\$60,000	Feb-24	Completed
Rangi Delamere Pavilion Reconstruction	\$1,000,000	\$1,132,921	\$1,132,921	Dec-23	Completed
Dog Pound - Extension of facilities	\$600,000	\$3,820	\$3,820	Dec-24	Concept Phase
Vehicles	300,700	322,143	322,144	Sep-23	Completed

*Actual as at 30 April 2024

The ongoing water reticulation replacement in Zone 2/3 is expected to be completed by December 2024. By 30 June 2024, \$1,800,000 is projected to be spent, and \$500,000 will need to be carried over from the 2023/24 budget to the 2024/25 financial year.

The water reticulation replacement in Zone 6, the Lime and Fluoride System, and Headworks are part of the ongoing Water Treatment Plant and water source upgrades. These projects will be completed in stages from September to December 2024. It is expected that by 30 June 2024, \$600,000 will be spent on the larger project, and \$695,000 of the total combined budget of \$1,295,000 will need to be rolled over to the 2024/25 financial year.

The majority of planned works at the Wastewater Treatment plant have been completed. The final upgrades (raw pit) and replacements (a new centrifuge) are out on tender; these remaining works are expected to be completed by January 2025. \$350,000 will need to be rolled over to the next financial year.

Staff and stakeholders are still developing the Dog Pound Extension, which must be rolled over to the next financial year.

4 Financial Considerations

Capital Projects, Major Renewals, and Must-do maintenance activities funded by Council Depreciation reserves may roll over to the next financial year. A separate report on rollover projects will be presented to Council in August 2024, for approval of the rollover capital expenditure and funding (depreciation reserves/loans).

Funding applications to the NZTA NLTP fund are included in the 2024/25 annual plan.

5 Risks

Funds allocated to NZTA-funded road works that are not completed by the end of this period will not carry over and will need to be reapplied for. The subsidy rate (currently 75%) may be reduced, or the allocated funding amount may decrease.

For low-risk/low-cost projects, there is a risk that some projects may not receive funding.

Council is required to install fluoridation systems and fluoridate the water supply by 1 July 2024. However, Council is seeking an extension to this date in recognition of the uncertainty surrounding legal action. The Mayor and CEO wrote to the Minister of Health and Director-General of Health respectively seeking this extension. Council is awaiting a formal response.

It is important to note that the water treatment plant upgrades and reticulation replacement works pose a public health risk if not completed.

Similarly, the waste treatment plant upgrades and replacement works pose environmental and public health risks if not completed.

RECOMMENDATION

That the report “Audit & Risk – Capital Projects 2023-24” be received.



Riaan Nel, B. Tech, BSc Hons
Group Manager, Operations & Services

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Meeting: Audit and Risk Committee
Meeting Date: 10 June 2024
Subject: **Audit and Risk Review Timetable**
File No: 101300

1 **Purpose**

The purpose of this report is to inform the committee of the proposed timetable for the review of key risks and financial policies and performance for the Audit and Risk Committee for the next 12 months.

2 **Background**

Council has appointed an Audit and Risk Committee to overview Council's finances and risks, to ensure that adequate controls are in place to safeguard the community's assets. Most Councils have an Audit and Risk committee to undertake these functions. This Council first established its Audit and Risk Committee on 8 April 2015.

3 **Proposed Audit and Risk Review Timetable**

The Proposed Audit and Risk Review Timetable for 2024 was presented to the committee at the 8 April 2024 meeting. A request was made for this report to be to be presented each meeting as a rolling timetable of work to be completed.

The appendix to this report contains the proposed timetable for the review of risk management, financial policies, as well as financial reporting and planning, for the next 12 months of scheduled meetings.

There may be other policies or reviews that the committee would like to be reviewed which can be added to the schedule at any stage.

4 **RECOMMENDATION**

That the report "Audit and Risk Review Timetable" be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

Appendix

Audit & Risk Committee Meetings and Review Schedule

Topic	Tasks	10 June 2024	5 August 2024	7 October 2024	9 December 2024	10 February 2025	7 April 2025	
Risk management	Insurance renewal plan			Provide insurance renewal proposals		Report on current Council insurance policies		
	Health and safety policy and reporting requirements	Reports (monthly) monitoring Council's Health and Safety systems throughout the year						
	Review/update Risk Policy, Risk Register and Risk Framework	Review/update risk framework, register and policy	Review/update risk framework, register and policy				Undertake further reviews as required in line with best practice	
Policy Review	Identification of risks and mitigations for significant projects			Residential Developments – Risks identified and mitigations & controls			Undertake further reviews as required in line with best practice	
	Sensitive Expenditure Policy			Review/update policy for committee consideration				
	Procurement Policy (OAG guidelines)		Review/update policy for committee consideration					
	Financial policies (Code of Conduct, Gifts Policy, Fraud Policy)			Review/update Council's gift policy.				

Topic	Tasks	10 June 2024	5 August 2024	7 October 2024	9 December 2024	10 February 2025	7 April 2025
	Bylaws and Policies	Update on Council Policies		Update on Council By-Laws		Update on Council By-Laws	
	Investment and Liability Management Policies				Review/update policy for committee consideration		
	Treasury Reports	Reports (monthly) monitoring Council's Health and Safety systems throughout the year					
Financial reporting and Annual Report	Quarterly financial and non-financial performance	Performance report to 31 March 2024		Performance report to 30 June 2024	Performance report to 30 September 2024		Performance report to 31 December 2023
	Audit Management Report	Report on Audit Management Points			Final Audit Management Report 2023/24		
Annual Plan/LTP amendments	Prepare 2023/24 Annual Report	Timetable for Annual Report		Draft Annual Report			
	Timetable for the preparation and adoption of AP/LTP amendments	Long Term Plan timetable for 2025-2034			Long Term Plan Progress Report	Updated Long Term Plan timetable	
Internal Audit	Review and consider provision of internal audit functions				Proposed internal audit programme for Council		
Asset Management Plans	On-going programme to improve the AMIPs			Report progress to update asset management plans in line with best practice for 2025-34 Long Term Plan			

<u>Meeting:</u>	Audit and Risk Committee
<u>Meeting Date:</u>	10 June 2024
<u>Subject:</u>	Update on Audit Management Report Recommendations for year ended 30 June 2023
<u>File No:</u>	201000

1 **Purpose**

The purpose of this report is to update the committee on progress addressing the issues raised in the Audit New Zealand Management Report for the year ended 30 June 2023.

2 **Background**

The Local Government Act 2002 requires that Council produces each year an annual report and that the annual report is audited.

As part of the audit process, an audit management report is prepared by Council's auditors, which identifies issues that Council needs to address to improve its internal controls and ensure it is meeting legal obligations.

The Audit Management Report was presented to the Committee at the Audit and Risk Meeting on 10 December 2023, including Management responses and in attendance at the meeting was Audit New Zealand Audit Director René van Zyl and Kataraina Macown, who discussed and clarified any of the issues raised in the management report.

3 **Issues Raised in the Audit Management Report to 30 June 2023**

Attached to this report is the Audit Management report for the year ended 30 June 2023, as presented on 10 December 2023, which includes management's responses to the issues raised.

Of the six new recommendations, three of the recommendations were already in place by 10 December 2023 and three are in the process of being implemented, as part of the year end annual report procedures. There were nine prior year recommendations, six of these recommendations have been closed and of the three still open, one will stay open until after the next asset revaluation in 2025, one recommendation has been actioned and the procurement policy recommendation is in the process of being reviewed.

3.1 **New recommendations**

The following table summarises new recommendations and their priority.

Recommendation	Reference	Priority	Progress Update
Payroll and suspense monthly reconciliations should be evidenced as prepared and independently reviewed, any variances appropriately investigated and corrected, in a timely manner.	3.2.1	Necessary	All payroll reconciliations are being evidenced as prepared and reviewed. Variances are investigated and corrected in a timely manner.
The District Council prepares an annual reconciliation of its asset management systems to the fixed asset register. This reconciliation should also be evidenced as independently reviewed and any variances investigated and corrected.	3.2.2	Necessary	For the year ended 30 June 2024, the annual reconciliation of the asset management system and fixed assets will be independently reviewed. This review will be evidenced, and variances investigated and corrected.
Regular reviews and reporting be carried out on the network, and within applications, to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time. These reviews should be evidenced as reviewed and any mitigating or corrective actions noted.	3.2.3	Necessary	The systems access is controlled by the IT team of two, who have an excellent overview and control over access. There are onboarding and termination of staff systems in place to ensure that systems access is appropriately updated, which includes supporting documentation. Further reviews are being considered within given Council's resources.
We recommend the District Council improve password settings to minimise the risk of easy to guess passwords. Should the password settings adopted still not align with NZISM recommendations these should be presented to Council for approval. Additional mitigating actions such as the implementation of multi factor authentication and user training on the use of passphrases could also be considered.	3.2.4	Necessary	The password number of characters was updated following audit's recommendation. To further conform with NZISM, the password renewal timeframe has been shortened. Prior to this recommendation Council had already implemented multi factor authentication.
The District Council implements a process that all asset disposals are approved in writing by the asset managers.	5.1	Necessary	Approval of all asset disposals will be obtained in writing from the appropriate Managers. The majority of these are processed at the end of the financial year.
The District Council ensures traffic counts are performed at least annually.	5.2	Urgent	The traffic count for 2023/24 was completed in May 2024 by WSP and Council is waiting on the final data.

3.2 Prior year recommendations

The following table summarises prior years recommendations that are still open:

Recommendation	First raised	Status	Progress Update
Necessary			
Completeness of valuations			
The District Council ensures all assets within a class are subject to periodic revaluation in accordance with the requirements of PBE IPSAS 17 <i>Property, plant and equipment</i> .	2021/22	This item will remain open until the District Council performs its next valuation.	This item cannot be closed until the revaluation is completed for the year ended 30 June 2025.
Sensitive expenditure testing			
The District Council remind staff of the importance of ensuring expenditure incurred complies with the sensitive expenditure policy and accepted good practice in the public sector.	2019/20	Our testing of Mayor expenditure identified an instance where approval had not been obtained by two Councillors as per the Sensitive Expenditure policy. We also identified an expense that had been approved by someone who didn't have the appropriate delegated authority.	Reminders have been sent to staff to ensure all expenditure for elected members and staff is approved in accordance with the sensitive expenditure policy and delegated authority.
Procurement practices			
The next revision of the procurement policy includes a comparison with the Government Procurement Rules, to ensure all good practice elements are reflected in the policy.	2020/21	This policy is in the process of being reviewed.	Review of this policy is still in progress.

4 RECOMMENDATION

That the report "Update on Audit Management Report Recommendations for year ended 30 June 2023" be received.



Lee-Anne Butler, CA, BMS
Group Manager, Finance & Corporate Services

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

For the year ended 30 June 2023

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Key messages

We have completed the audit of Kawerau District Council (the District Council) for the year ended 30 June 2023. 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.

Audit opinion

We have issued an unmodified audit opinion on 25 October 2023. Without modifying our opinion, we included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the impact of the Government's water services reform programme on the District Council.

This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Water services reform programme

The water services reform programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the structure of the District Council.

Council included disclosures about the reform in the annual report. Given the significant impact the reform is likely to have on the District Council, we have included an emphasis of matter paragraph in our audit report to draw a readers' attention to this disclosure.

Control environment

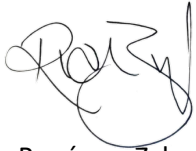
We performed a high-level review of the District Council's control environment. Overall, we are satisfied the control environment is effective for the purpose of undertaking an efficient and effective audit.

Adoption of PBE FRS 48 *Service Performance Reporting*

PBE FRS 48 *Service Performance Reporting* replaced that part of PBE IPSAS 1 *Presentation of Financial Statements* that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022. For the District Council, this was for the year ended 30 June 2023. We reviewed the District Council's compliance with the new standard and are satisfied the District Council's disclosures are appropriate and meet PBE FRS 48 requirements.

Thank you

We would like to thank the Council, management, and staff for their continued assistance during the audit process. We appreciate the co-operation we received, and the way management worked with us to ensure the annual report was adopted within the statutory deadline.

A handwritten signature in black ink, appearing to read 'René van Zyl', written in a cursive style.

René van Zyl
Appointed Auditor
5 December 2023

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Payroll and suspense monthly reconciliations should be evidenced as prepared and independently reviewed, any variances appropriately investigated and corrected, in a timely manner.	3.2.1	Necessary
The District Council prepares an annual reconciliation of its asset management systems to the fixed asset register. This reconciliation should also be evidenced as independently reviewed and any variances investigated and corrected.	3.2.2	Necessary

Recommendation	Reference	Priority
Regular reviews and reporting be carried out on the network, and within applications, to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time. These reviews should be evidenced as reviewed and any mitigating or corrective actions noted.	3.2.3	Necessary
We recommend the District Council improve password settings to minimise the risk of easy to guess passwords. Should the password settings adopted still not align with NZISM recommendations these should be presented to Council for approval. Additional mitigating actions such as the implementation of multi factor authentication and user training on the use of passphrases could also be considered.	3.2.4	Necessary
The District Council implements a process that all asset disposals are approved in writing by the asset managers.	5.1	Necessary
The District Council ensures traffic counts are performed at least annually.	5.2	Urgent

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	3	0	3
Implemented or closed	0	6	0	6
Total	0	9	0	9

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 October 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our audit opinion, we included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements and statement of service performance that describe the overall impact of the three waters reform on the District Council.

In forming our audit opinion, we considered the following matter.

2.1.1 Impact of the water services reform programme

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026.

For the financial statements of 30 June 2023, the District Council continues to recognise its three waters assets. There has been no adjustment in the 2022/23 financial statements to reflect the expected future transfer of assets to the new water entity.

As further details are established this may require adjustments to the District Council's three water assets either in respect of disclosure or measurement. The District Council has included disclosure in the annual report about the impact of the three waters reform and the uncertainty this creates in relation to the future operation of the three waters services. Given the significant impact the reform is likely to have on the District Council, we have included an emphasis of matter paragraph in our audit report to draw a reader's attention to this disclosure.

Management comment

The Prime Minister elect (following the 2023 elections) has stated that he intends to repeal this legislation as part of his governments first 100 days in office, which reinforces the decision not to make amendments to the financial statements for the 3 waters legislation.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Assets	Liabilities	Equity	Financial performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Accrued expenditure		32,496		
Operating expenditure				(32,496)

2.2.1 Explanation of uncorrected misstatements

Audit fee accrued does not agree to the signed audit proposal letter. The audit proposal letter for the 2022/23 year was only signed on the 3rd of October 2023 due to the fee moderation and resetting proses that occurred for this fee-round. The difference represents discount that was negotiated during the final stages of the negotiations.

Management has opted not to make the change at such a late stage.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. A list of these misstatements has been supplied separately to management.

2.4 Quality and timeliness of information provided for audit



Management is required to provide information for audit. During 2021, Audit New Zealand implemented AuditDashboard, an online tool that allows for easier collaboration and file sharing between our teams and for easy tracking of audit document requests.

AuditDashboard was used for the audit of the 2023 financial statements and statement of service performance information. The management team provided us with the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase of the audit to proceed efficiently and reduced the level of interruption to the management team.

3 Assessment of internal control



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

3.1 Control environment

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

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

Overall, we concluded that the control environment is effective.

3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We identified areas where we believe improvement can be made to internal controls. This is detailed below.

3.2.1 Monthly suspense and payroll reconciliations

We reviewed the monthly reconciliations for payroll and suspense account. We noted that the suspense reconciliations have not been prepared and independently reviewed on a timely manner.

We were also unable to confirm if the payroll reconciliations had been independently reviewed in a timely manner as there was no evidence that a review had been performed.

Recommendation

Reconciliations should be evidenced as prepared and independently reviewed. Any variances are appropriately investigated and corrected, in a timely manner.

Management comment

The payroll reviews were completed in a timely manner when processing payroll, however it is acknowledged that there was no evidence of the reviews in the format audit required.

All reconciliations are now completed and reviewed in a timely manner, with all reviews signed and dated as evidence of review.

3.2.2 Property, plant and equipment reconciliations

We reviewed the property, plant and equipment system and noted that the District Council has not performed a reconciliation between its asset management systems and the fixed asset register.

There is a risk that if these systems don't align and decisions may be made based on incorrect information, which may create issues in the future.

Recommendation

The District Council prepares an annual reconciliation of its asset management systems to the fixed asset register and the reconciliation is evidenced as independently reviewed and any variances corrected.

Management comment

The key asset management systems used are the Fixed Asset register and RAMM which is just for roading purposes. Discussions with the Engineering team confirmed the fixed asset register is used for all their planning from a financial perspective. The system "asset find" does not have financial functionality at present. Council will look to do a reconciliation with RAMM for the year ended 30 June 2024.

3.2.3 Regular reviews of network users not being performed

Our review of the District Council's general IT control environment, identified that reviews of network user accounts were not being performed. This raises the risk that staff may have access to systems that are not appropriate for their role.

Recommendation

Regular reviews and reporting be carried out on the network, and within applications, to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time. These reviews should be evidenced as reviewed and any mitigating or corrective actions noted.

Management comment

Regular reviews are now being performed of the network to ensure that terminated employee's system access is immediately updated after their termination date. However, there are some modules in Ozone where ex-employees may have to remain in the system otherwise the history is removed for the purchase order and invoice approvals they have processed. To address the issue of not being able to terminate the ex-employee the financial delegations are changed to zero, so nothing can be approved.

3.2.4 Password configuration settings

Password configuration settings are in place to minimise the chance of easy to guess passwords being set by users. The current password configuration at the District Council does not meet good practice as defined by the NZ Information Security Manual (NZISM). As a result there is a greater risk that users can set up easy to guess passwords that may then be exploited and used by unauthorised users.

Recommendation

We recommend the District Council improve password settings to minimise the risk of easy to guess passwords. Should the password settings adopted still not align with NZISM recommendations these should be presented to Council for approval.

Additional mitigating actions such as the implementation of multi factor authentication and user training on the use of passphrases could also be considered.

Management comment

Multi-factor authentication has been enforced for all network access (introduced in June 2022), also for payroll and bank transactions systems. The multi-factor authentication provides a high level of security. Staff will look at the NZISM recommendations and implement those where it is determined that access will pose a risk to the organisation. There has not been any evidence of users accessing other people's passwords to date.

4 Matters raised in the Audit Plan



In our Audit Plan of 20 July 2023, we identified the following matters as the main audit risks and issues:

4.1 Fair value assessment of property, plant and equipment

The District Council's land, buildings and infrastructure assets were last valued as at 30 June 2022. Management prepared fair value assessments to consider the unrecognised valuation movements to 30 June 2023.

Our review of the assumptions used and the resulting calculation did not indicate a material difference between the current carrying value and approximate fair value at that date for land, buildings and infrastructure assets.

4.2 The risk of management override of internal controls

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override can occur, it results in an inherent risk of a material misstatement due to fraud, which audit standards require us to consider in every audit.

To address the risk of management override, we carried out substantive audit procedures. These included reviewing journal entries, accounting estimates and significant transactions that were outside the normal course of business.

We didn't identify any matters of concern to bring to your attention.

4.3 Drinking water quality performance measures

Providing safe drinking water is a core function of the council and reporting how the District Council has performed in respect of this function in the annual report is important performance information.

The regulatory regime in place over the safety of drinking water transitioned in the financial year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022.

Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in the District Council's annual report.

There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the District Council included appropriate performance information about their compliance with the new DWQARs.

Given these changes, the District Council engaged WaiComply to provide assurance that the District Council has complied with the DWS and the DWQAR. We reviewed the processes and procedures used by the external consultant and are satisfied that they are suitably qualified and experienced.

The District Council has reported their compliance with both the DWS and DWQAR in the annual report. We have reviewed disclosures and are satisfied that the performance result is fairly stated and includes appropriate information about the District Council's compliance with both the DWS and the new DWQARs.

4.4 New accounting standard - First-time adoption of PBE IPSAS 41 *Financial Instruments*

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 *Financial Instruments* and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. This standard is effective for the year ended 30 June 2023.

The main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost;
- a new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses; and
- revised hedge accounting requirements to better reflect the management of risks.

We reviewed the District Council's compliance with the new standard and are satisfied the District Council's disclosures are appropriate and meet the requirements of PBE IPSAS 41.

4.5 New accounting standard - Adoption of PBE FRS 48 *Service Performance Reporting*

PBE FRS 48 *Service Performance Reporting* replaced that part of PBE IPSAS 1 *Presentation of Financial Statements* that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the District Council, it was for the year ended 30 June 2023.

The objective of the standard is "to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report". PBE FRS-48 required an appropriate and meaningful mix of performance measures and/or descriptions, including, where appropriate, measures of both the goods and services provided and of what has been achieved in the District Council's areas of responsibility.

In addition, PBE FRS 48 imposed additional disclosure obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Further, if the District Council changes what it reports as service performance information compared to the previous year, then PBE FRS 48 requires the District Council to explain the nature of the changes and their effect.

The District Council adopted the new accounting standard PBE FRS 48 *Service Performance Reporting* for the financial statements for the year ended 30 June 2023. We reviewed the District Council’s compliance with the new standard and are satisfied the District Council’s disclosures are appropriate and meet the requirements of PBE FRS 48.

4.6 Impairment of Property plant and equipment/Intangible assets

PBE IPSAS 21, *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*, requires at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.

We reviewed management’s assessment of impairment indicators to determine if there is any indication that assets were impaired. Management indicated that there were no indicators of impairment for the year and we are satisfied with the assessment.

5 Other matters identified during the audit



During the audit, we also identified the following matters that we wish to bring to your attention.

5.1 Approval for disposal of property, plant and equipment

During our testing of asset disposals, we noted that there is no formal written approval by asset managers to approve the disposal of the assets. We understand the disposal of assets is based on knowledge from the finance team as part of the annual report process.

Recommendation

The District Council implements a process that all asset disposals are approved by the asset managers and this is provided in written format.

Management comment

The disposal of assets to a third party only relates to plant and vehicles and the Group Manager Operations confirms the disposal of these assets (also it is usually identified as “trade-in” on the invoice for the replacement vehicle). Finance staff will obtain written confirmation from Group Manager in future.

Other disposals are the assets which are replaced (mostly pipes, pumps, footpaths, K&C) – there is no sale to a third party. The disposal length of pipe matches the new replacement length.

5.2 Roading smoothness survey – traffic counts

The performance measure ‘*The average quality of ride on a sealed local road network, measured by smooth travel exposure*’ is a mandated performance measure by the Department of Internal Affairs that is required to be reported against in the District Council’s annual report.

The Non-Financial Performance Measure Rules include the following definition:

‘Smooth travel exposure means a measure of the percentage of vehicle kilometres travelled on roads that occurs above the targeted conditions for those roads, calculated in accordance with standard industry methodology’.

Therefore the District Council needs to consider both the road smoothness and traffic counts to accurately report this performance measure.

The contractors who performed the survey to calculate the roading smoothness performed a traffic count this year. However the contractors did comment that the last count performed was in 2018 and before this in 2003. Vehicle kilometres is a key component of this performance measures that is measured by traffic counts, which should be performed annually.

Recommendation

The District Council ensures traffic counts are performed at least annually.

It is possible the District Council measures traffic counts every two years if they consider it to be more cost effective, provided the lack of annual information does not result in poor decisions on which roads to perform maintenance/renewals work on.

Management comment

Staff don't believe "traffic counts" determine the smoothness of a road. We could have 10 or 100 cars counted on a road but that does not give us any indication of the smoothness of that road.

Staff believe the consultants engaged provide the necessary evidence of Council's road smoothness with their specialist independent processes. As Kawerau has a static population and rating base, there are no significant changes in traffic movements. Council will complete a traffic count for the 2023-24 financial year and then assess the regularity of the traffic count timeframe to ensure the best use of Council resources and to ensure access to appropriate data for good road maintenance decision making.

6 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

No new concerns were identified from our review of the District Council's transactions that need to be brought to your attention. Refer to Appendix 1 for the status of matters we raised in our previous audits.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Completeness of valuations		
The District Council ensures all assets within a class are subject to periodic revaluation in accordance with the requirements of PBE IPSAS 17 <i>Property, plant and equipment</i> .	2021/22	This item will remain open until the District Council performs their next valuation.
Sensitive expenditure testing		
The District Council remind staff of the importance of ensuring expenditure incurred complies with the sensitive expenditure policy and accepted good practice in the public sector.	2019/20	<p>Our testing of Mayor expenditure identified an instance where approval had not been obtained by two Councillors as per the Sensitive Expenditure policy.</p> <p>We also identified an expense that had been approved by someone who didn't have the appropriate delegated authority.</p> <p>Management comment</p> <p><i>Staff will ensure expenditure for elected members including the Mayor (as well as staff) is approved in accordance with the sensitive expenditure policy and delegated authority.</i></p>
Procurement practices		
The next revision of the procurement policy includes a comparison with the Government Procurement Rules, to ensure all good practice elements are reflected in the policy.	2020/21	This policy is in the process of being reviewed.

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Sensitive expenditure policy		
The District Council undertakes a review of its sensitive expenditure policy with a view to aligning the policy with the “Controlling sensitive expenditure: Guidelines for public entities” issued by the OAG.	2018/19	The sensitive expenditure policy was updated to reflect our recommendations. Matter closed.
Journals		
All journals are independently reviewed and is evidence of this review is retained.	2021/22	Our testing of journals confirmed that all journals have been independently reviewed. Matter closed.
Bribery and corruption		
A separate policy or the code of conduct or other ethical guidelines are developed that include bribery and corruption. An effective policy is likely to include: <ul style="list-style-type: none"> • zero tolerance; • definitions; • consequences for breach of policy; • procedures to prevent, detect and respond (for example reporting mechanisms, protections for whistle-blowers, investigations process); and • roles and responsibilities. 	2018/19	The fraud policy was updated to include bribery and corruption. Matter closed.
Interests declared in the interest register		
All interests are declared and recorded in the interests register and any mitigations to declared interests are included in the minutes of meetings.	2018/19	All interests have been declared and recorded on the interests register. Matter closed.
Terminated employees		
Ensure all terminated employees are removed from the payroll system.	2018/19	Our testing of payroll confirmed all terminated employees had been removed from the payroll system. Matter closed.

Recommendation	First raised	Status
Necessary		
Risk management		
Consider if the current process used to comply with health and safety legislation is still in line with the District Council's overall risk strategy.	2018/19	The District Council has incorporated health and safety legislation as part of their risk management strategy.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out limited assurance audit work on the debenture trust deed which is compatible with those independence requirements. Other than the audit, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$127,479 (excluding GST), as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$7,000 (excluding GST) for the review of the debenture trust deed reporting certificate.</p> <p>Where we incur audit hours which are not included in the audit proposal letter budget due to additional audit work required, we go through a process to seek approval from the OAG to seek a fee recovery. We are currently going through this process and will discuss the outcome with management.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

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<u>Meeting:</u>	Audit and Risk Committee
<u>Meeting Date:</u>	10 June 2024
<u>Subject:</u>	Proposed Timetable for Annual Report to 30 June 2024
<u>File No.:</u>	110400

1 Purpose

The purpose of this report is to inform the committee of the proposed timetable for the preparation of the Annual Report for year ended 30 June 2024.

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. Staff have prepared a timetable to ensure that all the necessary tasks are undertaken for the Annual Report to be adopted within the statutory deadline.

The annual report will include the appropriate recognition of the Porritt Glade Lifestyle Village and a separate set of audited accounts for the retirement village will be completed.

The Auditors have completed the audit planning and interim audit which was performed from 20 to 31 May. The commencement of the final audit is scheduled from 23 September to 11 October with Auditors onsite, with the final audited Annual Report being adopted on 30 October 2024.

The audit of Porritt Glade will run concurrently with the Council's full audit. The final legislative date for adoption of the Porritt Glade Annual Report to 30 June 2024 is 30 November 2024. The adoption date is scheduled for 29 November 2024.

3 Proposed Timetable

The appendix to this report contains the proposed timetable for the completion of the Annual Report 2023/24. The timetable ensures the annual report will meet the Auditors timeframes and Council's statutory reporting requirements. The timetable also includes the preparation of the annual report for Porritt Glade.

4 **RECOMMENDATION**

1. That the report "Proposed Timetable for Annual Report to 30 June 2024" be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

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APPENDIX**Annual Report 2024 Timetable**

Non Financial Tasks:		
Performance Target results including supporting documents	Managers	12 August
Preparation of "pro-forma" financial statements (including any changes arising from Financial Reporting Requirements)	GMFCS	20 August
Availability of Council minutes for 2023/24	GMFCS	4 September
Financial Tasks:		
Schedule of bank signatories	Accounting Team Lead	30 June
Inventories: <ul style="list-style-type: none"> Carry out stock takes as @ 30 June 2024 	Accounting Team Lead	30 June
GL balances agreed to Annual Report @ 1 July 2023 (opening balances)	Financial Accountant	12 July
Reconciliations completed for: <ul style="list-style-type: none"> Cash Accounts Payable Electronic Purchase Orders Payroll Other liabilities Debtors (Rates, Water & Sundry) Bonds/Suspense Accounts GST FBT Council External Loans Internal Loans Inventory – includes sections 	Accounting Team Lead	31 July
List of investments and cash at bank (accounts) <ul style="list-style-type: none"> Shares Impairment consideration Split between "current" and "term" 	Financial Accountant	31 July
Schedule of Debtors (Rates, water and sundry): <ul style="list-style-type: none"> Aged Debtors Doubtful debts calculation Write-offs 	Accounting Team Lead	31 July
Schedule of journal entries for year	Accounting Team Lead	12 August
Accruals for (and schedules of): <ul style="list-style-type: none"> Prepayments Creditors Income in advance Employee entitlements Provisions (Doubtful debts, landfill aftercare) Interest 	Accounting Team Lead	12 August

Investment properties (& movements)	Financial Accountant	12 August
Fixed Assets including: <ul style="list-style-type: none"> Balancing of register to GL Determine if material value changes for PP&E Recognizing additions Expensing depreciation Recognizing disposals Determining if obsolete (write off) Determine “deterioration” (vs dep) Work in progress schedule 	Financial Accountant	16 August
Allocation (final) of corporate overheads including: <ul style="list-style-type: none"> List “drivers” for allocating costs. List any changes to drivers from prior year annual report 	GMFCS	16 August
Schedule of commitments and contingencies	GMFCS	16 August
Annual Report Preparation:		
Preparation of Retirement Village Annual Report	Financial Accountant	30 August
Preparation of: <ul style="list-style-type: none"> Review of supporting documentation and all reconciliations Trial Balance – Management Book (2nd draft) FIS (for activities) Financial Statements (including notes) Cashflow and supporting documents. Financial Prudence Reports Mayor’s and CE’s report Māori Contribution to Decision-Making 	GMFCS Accounting Team Lead GMFCS GMFCS GMFCS Financial Acc Com Mgr Com Mgr	30 August 30 August 16 September 18 September 20 September 20 September 20 September 20 September
Draft Financial Statements prepared	GMFCS	20 September
Final draft Financial Statements (& Summary) – with audit changes	GMFCS	11 October
Reports and Financial Statements (including Summary) ready for adoption	GMFCS	24 October
Financial Statements adopted	Council	30 October
Financial Statements for Porritt Glade Lifestyle Village adopted	Council	27 November
Audit visits: <ul style="list-style-type: none"> Interim (completed) Final commences 		20 to 31 May 23 September

GMFCS = Group Manager Finance and Corporate Services
Com Mgr = Communication Manager

Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: **Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024**

File No.: 201300

1 **Purpose**

The purpose of this report is to provide the committee with the Audit New Zealand – Draft Audit Plan for the audit of Council’s Annual Report to 30 June 2024.

2 **Background**

The Local Government Act 2002 requires that councils produce each year an annual report as well as annual report summary and these documents must be audited. The annual report must comply with generally accepted accounting practices which includes the public benefit entity accounting standards.

The audited annual report and annual report summary must be adopted by Council, within 4 months of the end of the financial year and within a month of adoption the reports must be available to the public.

3 **Audit New Zealand - Audit Plan for the Annual Report to 30 June 2024**

The appendix to this report is the report from Audit New Zealand, with the Draft Audit Plan for the year ended 30 June 2024.

Council’s appointed Auditor will continue to be René van Zyl, Audit Director of Audit New Zealand and the Audit Manager Katariana Macown.

4 **RECOMMENDATION**

That the report “Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024” be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

Audit plan

Kawerau District Council

For the year ending 30 June 2024

Audit plan

I am pleased to present our audit plan for the audit of Kawerau District Council (the District Council) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process.....	6
Reporting protocols	12
Audit logistics.....	13
Expectations.....	15
Appendix 1 – Porritt Glade Lifestyle Village.....	16

The contents of this plan are based on our knowledge of the District Council and discussion with management. We will be happy to elaborate further on the matters raised in this plan.

We are committed to delivering a high-quality audit. Our audit is a risk based public sector audit, which means that we focus on the areas that are most important in that context.

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.

Nāku noa, nā

René van Zyl
Appointed Auditor
Draft: 20 May 2024

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. 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 the factored into our audit response and reporting to you.

Audit risk/issue	Our audit response
The risk of management override over internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Fair value assessment of property, plant and equipment	
<p>The District Council is not planning to revalue their property, plant and equipment for the year ended 30 June 2024. In this case, the District Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the District Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>Our response to this risk includes reviewing the reasonableness of the District Council's assessment including the appropriateness of the assumptions used in the assessment.</p> <p>If the movement of the assets individually or in combination with other asset classes is significant the District Council may need to complete a revaluation. In certain circumstances it may be acceptable to make an adjustment based on the desktop revaluation.</p>

Audit risk/issue	Our audit response
Capital works programme	
<p>During the 2023 audit we considered the progress Council is making against budget for its capital work programme. We identified a number of projects that have been carried forward as a result of resource shortages, contractor delays and weather events.</p> <p>This could impact the delivery of desired levels of service for key functions of Council.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • reviewing the overall control environment in place in relation to procurement, contract management, project management and asset management; • considering the progress against budget for the capital works programme, in terms of both the number of projects completed as well as the proportion of actual spend to budget; • reviewing the work in progress at year-end to ensure those projects reported as work in progress were not yet completed at year-end, and we will also complete a review of costs that have been capitalised during the year to ensure they meet the definition of capital expenditure rather than operational costs.
“Local Water Done Well” programme	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its “Local Water Done Well” programme through the passing of two further bills through Parliament.</p> <p>The first bill will set out provisions relating to council service delivery plans and transitional economic regulation. It will also provide for streamlining the establishment of council-controlled organisations to deliver water should councils desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.</p>	<p>Our audit response to this risk includes reviewing the Council’s assessment of the impact of the legislative change on the annual report to ensure any accounting or disclosure implications are considered.</p>

Audit risk/issue	Our audit response
<p>The first and second bills are expected to be passed by mid-2024 and mid-2025 respectively.</p> <p>Until the content of the bills is known the impact on the District Council and on the 30 June 2024 annual report is unclear.</p> <p>The District Council should ensure the annual report includes sufficient disclosure about the impact of the programme (to the extent that the impact is known).</p>	

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 the 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 the 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.parliament.nz/reports/fraud-reports.

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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.

Prioritising higher risk work to ensure an efficient year-end processes

To ensure the year-end annual report and audit thereof are efficient, Council should prioritise their work to ensure higher risk areas and those that involve significant management judgment are planned to be ready for auditing as soon as possible. Timelines for this information should be agreed with us early. Delays in providing this information to us could impact our ability to resolve technical issues late in the audit process.

Examples of areas that typically involve management and auditor judgment include, and should be resolved early include:

- fair value assessments and revaluations of property, plant and equipment held at fair value;
- impairment assessments for property, plant and equipment;
- provision estimates; and
- financial assets or liabilities held at fair value.

Materiality

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

- influence readers' overall understanding of the financial statements and service 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.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. 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. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall materiality** for the financial statements at \$9,200,000 based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

For this audit we have set a lower, **specific materiality** of \$670,000 for all items not related to the fair value of property, plant and equipment.

A lower specific materiality is also determined separately for some items due to their sensitivity. For example, related party and key management personnel disclosures.

Overall materiality	\$9,200,000
Specific materiality	\$670,000
Clearly trivial threshold	\$33,500

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements other than those that are **clearly trivial**. We consider misstatements of less than \$33,500 to be clearly trivial unless there are qualitative considerations that heighten its significance. 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 from management and the Council on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the District Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the District Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
Water supply	
<p>The extent to which the local authority's drinking water supply complies with:</p> <p>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) part 5 of the drinking-water standards (protozoal compliance criteria).</p>	<p>The result reported is either right or wrong. It is not appropriate to set a materiality level.</p>
<p>The total number of complaints received by the local authority about any of the following:</p> <p>(a) drinking water clarity;</p> <p>(b) drinking water taste;</p> <p>(c) drinking water odour;</p> <p>(d) drinking water pressure or flow;</p> <p>(e) continuity of supply, and</p> <p>(f) the local authority's response to any of these issues</p> <p>expressed per 1000 connections to the local authority's networked reticulation system.</p>	<p>8% of the reported result.</p>
Wastewater	
<p>Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of:</p> <p>(a) abatement notices;</p> <p>(b) infringement notices;</p> <p>(c) enforcement orders, and</p> <p>(d) convictions</p> <p>received by the Council in relation to those resource consents.</p>	<p>5% of the reported result.</p>
<p>The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p>	<p>8% of the reported result.</p>

Material measure	Materiality
Stormwater	
Compliance with the Council’s resource consents for discharge from its stormwater system, measured by the number of: <ul style="list-style-type: none"> (a) abatement notices; (b) infringement notices; (c) enforcement orders, and (d) convictions received by the Council in relation to those resource consents.	8% of the reported result.
Roading and footpaths	
The percentage of the sealed local road network that is resurfaced.	8% of the reported result.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8% of the reported result.

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 one or more of its members, office holders, 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 one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the District Council's audit committee throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

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

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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:

René Van Zyl	Appointed Auditor
Kataraina Macown	Audit Manager
Opeyemi Akinkugbe	Audit Supervisor
Senzo Pato	Audit Supervisor

Timetable



Our proposed timetable is:

Interim audit begins	20 May 2024
Draft interim report to the Council issued	14 June 2024
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	17 September 2024
Final audit begins	23 September 2024
Final financial statements available, incorporating all the amendments agreed to between us	11 October 2024
Verbal audit clearance given	23 October 2024
Audit opinion issued	30 October 2024
Draft report to the Council issued	30 October 2024
Management comments available	20 November 2024

AuditDashboard

In prior years, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring files as part of the audit.

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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.

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 them 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.

Appendix 1

Audit plan for Porritt Glade Lifestyle Village (the Village)

I am pleased to present our audit plan for the audit of the Village as an appendix to the audit plan for the District Council for the year ending 30 June 2024. Because the Village does not have a stand-alone set of accounts and utilises the District Council's processes and controls in place, we rely on certain of the audit work performed by the District Council audit team.

The purpose of this appendix is to discuss a couple of high-level areas pertaining specifically to the audit of the Village:

- Audit risks and issues.
- Materiality.
- Audit logistics.
- Additional assurance work.

Audit risks and issues



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
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</p>

Audit risk/issue	Our audit response
	As the Village's journals are posted as part of the Council's journal system and included in the Council's journals of interest, they are subject to testing as part of the Council's journal testing process. The audit will take a substantive approach to reviewing the material balances for the Village's performance report. Any material journals will be included in the material balances testing at year-end.
Net Resident Liabilities	
<p>The Council built retirement accommodation for their aging community under their planned Economic and Community Development activities. The Village was registered as a retirement village under the Retirement Villages Act 2003 on 10 February 2020. The property units remain under Council's ownership.</p> <p>Right to Occupy (RTO) agreements are signed with individuals for occupancy in the units as the units are completed. At the end of the FY23 financial year there were 29 units complete, and 24 RTO contracts signed.</p> <p>Because the liabilities recognized are material in value and unique in nature, there is a risk that the accounting treatment may not comply with the generally accepted accounting practice.</p>	<p>We will review the Retirement Village assessment of the recognition of net resident liabilities and determine whether the accounting treatment is compliant with the generally accepted accounting practice.</p> <p>We will assess the appropriateness of the assumptions around lease term estimates.</p>

Materiality

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

- influence readers' overall understanding of the financial statements; 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.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations.

Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Village and management need to consider materiality in preparing the financial statements and make their own assessment of materiality from a preparer's perspective. 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. Management and the Village should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall materiality** for the financial statements at \$18,500 based on budgeted expenditure. This is subject to change once the actual results for the current year are available.

Overall materiality	\$18,500
Clearly trivial threshold	\$925

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements other than those that are **clearly trivial**. We consider misstatements of less than \$925 to be clearly trivial unless there are qualitative considerations that heighten its significance. 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 from management and the on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

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:

René Van Zyl	Appointed Auditor
Shirley Yan	Audit Manager
Jitesh Myanger	Audit Supervisor

Timetable



Our proposed timetable is:

Interim audit began	19 February 2024
Draft Performance Report and all information ready for audit	30 August 2024
Final audit begins	2 September 2024
Audit opinion issued	On or prior to 29 November 2024
Assurance report issued	On or prior to 29 November 2024
Updates of progress will be given during the audit.	

Additional assurance work**Assurance Report in respect of the Kawerau District Council's Deed of Supervision**

We will also undertake a reasonable assurance engagement, to provide a report to the Statutory Supervisor, as required by clause 11.3 of the Deed of Supervision dated 29 November 2019 (the Deed of Supervision), for the year ended 30 June 2024.

The scope of this Assurance Engagement is to report on certain matters stated in clause 11.3 of the Deed of Supervision based on information obtained as a by-product of the audit of the annual financial statements of the Council and retirement village for the year ended 30 June 2024.

Our approach involves verifying compliance with clause 11.3 of the Deed of Supervision.

DRAFT

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Meeting: Audit and Risk Committee

Meeting Date: 10 June 2024

Subject: Long Term Plan 2025 – 2034 Proposed Timetable

File No: 110555

1 **Purpose**

The purpose of this report is to inform the committee on the proposed timetable for the preparation of the Long Term Plan 2025-2034.

2 **Background**

The Local Government Act 2002 requires Council to prepare a Long Term Plan at least every three years and an annual plan in the years in between. Council must also consult on its Long Term Plan using the special consultative process, which includes preparing a consultation document and engaging with the community. There is also a requirement that the Long Term Plan and the consultation document must be audited. The 2024/25 rating year would have been year one of the new 2024-2034 Long Term Plan.

The Government in February 2024 enacted the Water Services Acts Repeal Act 2024, and the Three Waters legislation is to be replaced by new legislation known as Local Water Done Well. As this legislative change has a significant impact on all Councils water services financial preparations for the Long Term Plan, transitional options were provided by the Government for Local Authorities to consider and adopt their preferred option.

On 10 April 2024, Council resolved that *“under clauses 48 and 49 of Schedule 1AA of the Local Government Act 2002 (inserted by the Water Services Acts Repeal Act 2024), to prepare and adopt:*

- *An Annual Plan for 2024/25;*
- *An Annual Plan Consultation Document 2024/25; and*
- *A nine-year Long Term Plan for 2025-2034, which will be adopted in 2025.*

Following completion of the Annual Plan 2024/25, work will begin on the preparation of the nine year Long Term Plan 2025-2034. There is a significant amount of work required prior to the final Long Term Plan being adopted, which includes the preparation of a number of policies and strategies, as well as 10 years of forecasted financial data. The Long Term Plan must be adopted prior to the commencement of the year to which it relates (that is before 1 July 2025). Staff have prepared a proposed timetable for the preparation of the Long Term Plan to ensure that all the necessary tasks are completed prior to the adoption.

3 Preparing a Long Term 2025 - 2034

There continues to be uncertainty regarding Local Water Done Well, with the legislation still in the process of being prepared. As was intended in Council taking the transitional option, it is anticipated that as the Long Term Plan 2025-2034 is prepared there will likely be more information available to assist the preparation of the Long Term Plan. There is a risk that there may still be uncertainty regarding all legislative changes as the Long Term Plan 2025-2034 is prepared, however it is expected that the Government's intentions should be clearer.

Council prepared an Annual Plan 2024/25 Consultation Document that was consulted on with the Community, with the same consultative process as there would have been should Council have prepared a Long Term Plan. There was full engagement with the community with 62 submissions being received and five submitters who spoke to their submissions. There are further deliberations to be undertaken by Council, before finalising the budget and the Annual Plan for 2024/25, which is to be adopted by Council on 26 June 2024.

The Annual Plan 2024/25 must include comparisons with year four of the Long Term Plan 2021-2031. Given the significant changes in the economic environment, since 2021, especially post-covid, it is important to note that the comparative figures will show differences due the changes during this time.

With Council preparing an Annual Plan 2024/25, the non-financial service targets set are also for year four of the Long Term Plan 2021-2031. During Council's activity reviews there were recommended changes to a couple of Council's non-financial service targets, and these will now be included in the Long Term Plan 2025-2034. The consequence of this is that Council is likely to continue to not meet some of the stringent delivery timeframes for the dog control activity, however this has been the case for a few years.

Following the Long Term Plan 2025-2034, the next Long Term Plan (LTP) will need to be completed in two years for the period 2027-2037, which will bring the Long Term Plan cycle back into the normal three yearly cycle. While the 2027-2037 Long Term Plan preparation is a quicker turn around, this is a legal requirement to keep within the same LTP cycle as all other Councils. To address this tight turn around risk, it is key to plan and ensure enough resources are available for the 2027-2037 LTP preparations. Planning the consultation and balancing this with other community consultation will also be key to ensure there is no risk of community engagement fatigue.

4 Proposed Timetable for Long Term Plan 2025-2034

The appendix to this report contains the proposed timetable for the preparation and adoption of the Long Term Plan 2025-2034.

There are two audit reviews required for the Long-Term Plan. At this stage there are no set times for the audit, however the first audit will likely be in March 2025, for the Long-Term Plan Consultative Document and then the final audit of the full Long-Term

plan is likely to be in May 2025. The audit dates require discussion and confirmation from Audit New Zealand.

5 **RECOMMENDATION**

That the report “Long Term Plan 2025 – 2034 Proposed Timetable” be received.



Lee-Anne Butler, CA, BMS

Group Manager Finance and Corporate Services

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Project Plan for 2024 – 2034 Long-Term Plan

Tasks	Responsible	Completion
Policy & Strategy Reviews		
Investment Policy	GMFCS	25/09/2024
Liability Management Policy	GMFCS	25/09/2024
Financial Contributions Policy	GMRP	25/09/2024
Significance and Engagement Policy	CEM/GMFCS	30/10/2024
Significant Forecasting Assumptions	GMFCS	30/10/2024
Infrastructure Strategy (30 years)	GMOS/GMFCS	27/11/2024
Financial Strategy	GMFCS	27/11/2024
Revenue and Financing Policy	GMFCS	27/11/2024
Rates Review	GMFCS	11/12/2024
Rates Remission & Postponement Policies	GMFCS	11/12/2024
Asset Management Plans		
Roading	GMOS/FA	28/08/2024
Water Supply	GMOS/FA	28/08/2024
Wastewater	GMOS/FA	28/08/2024
Stormwater	GMOS/FA	28/08/2024
Community Facilities & Property	GMOS/FA	25/09/2024
Parks & Reserves	GMOS/FA	25/09/2024
Financials		
Prepare initial Budgets for 2025-2034 LTP	SLT	11/10/2024
Budget Collation and Managers Review	GMFCS/SLT	30/10/2024
Budget Overview	GMFCS	20/11/2024
Rates Impact	GMFCS	20/11/2024
Agree Budget and Rates impact for Community Consultation	GMFCS	29/01/2025
Long Term Plan Preparation & Consultation		
Pre-Consultation with Community	CEM/GMFCS	1/09/2024 to 30/09/2024
Prepare Performance targets (non-financial)	All Managers	30/10/2024
Draft LTP Consultation Document – LTP Statement of Proposal prepared and presented to Council for consideration and changes	CEM/GMFCS	26/02/2025
Audit of LTP Statement of Proposal	GMFCS	6/03/2025 to 21/03/2025

Tasks	Responsible	Completion
Adoption of LTP Statement of Proposal/Draft LTP Document for Consultation	Council	26/03/2025
Special Consultative Consultation Period: Public Meetings/Newsletter/Website/Media	CEM/GMFCS	27/03/2025
Submissions Close		28/04/2025
Advise Submitters wanting to speak	CEM/Admin	1/05/2025
Hear and consider all submissions	Council	7/05/2025 to 8/05/2025
Submission Deliberations	Council	14/05/2025 to 15/05/2025
Implement any changes – amend LTP & prepare rates		22/05/2025
Audit of LTP 2025-2034 (to be confirmed by Audit)	Auditors	26/05/2025 to 6/06/2025
Obtain Legal opinion concerning FIS & rates resolution		6/06/2025
Implement any changes – amend LTP & prepare rates	Any audit adjustments	9/06/2025 to 16/06/2025
Adopt Long Term Plan 2025-2034 & rates resolution	Council	25/06/2025
Long Term Plan on website	CEM/GMFCS	30/06/2025

GMFCS = Group Manager Finance and Corporate Services
CM = Communications & Engagement Manager
GMRP = Group Manager Regulatory and Planning
FA = Financial Accountant
SLT = Senior Leadership Team