



# **KAWERAU DISTRICT COUNCIL**

**Te Kaunihera ā rohe o Kawerau**

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**TAONGA O TE WHENUA - TREASURE OF THE LAND**

**The Meeting of the  
Audit and Risk Committee will be  
held on Monday 9 December 2024  
commencing at 1.00pm**

**AGENDA**

## **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 9 December 2024  
commencing at 1.00pm

**AGENDA**

**Karakia Timatanga | Opening Prayer**

**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 – 7 October 2024**

**Pgs. 1 - 3**

**Recommendation**

*That the minutes of the Audit and Risk Committee Meeting held on 7 October 2024 be confirmed as a true and accurate record.*

**2 Health, Safety and Wellbeing Report for period – 1 September 2024 to 31 October 2024 (Group Manager, Regulatory and Planning) (509500)**

**Pgs. 4 - 14**

Attached is a report from the Group Manager, Regulatory and Planning covering the Health, Safety and Wellbeing Report for period – 1 September 2024 to 31 October 2024.

**Recommendation**

*That the report “Health Safety and Wellbeing Report for period – 1 September 2024 to 31 October 2024” be received.*

**3 Audit New Zealand – Audit Engagement Letter Long Term Plan commencing 1 July 2025 (Group Manager, Finance and Corporate Services) (201300)**

**Pgs. 15 - 34**

Attached is a report from the Group Manager, Finance and Corporate Services covering the Audit New Zealand – Audit Engagement Letter Long Term Plan commencing 1 July 2025.

**Recommendation**

*That the report “Audit New Zealand – Audit Engagement Letter Long Term Plan commencing 1 July 2025” be received.*

**4 Report to the Council on the Audit for year ended 30 June 2024 (Group Manager, Finance and Corporate Services) (201000)**

**Pgs. 35 - 55**

Attached is a report from the Group Manager, Finance and Corporate Services covering the Report to the Council on the Audit for the year ended 30 June 2024.

**Recommendation**

*That the report "Report to the Council on the Audit for year ended 30 June 2024" be received.*

**5 Treasury Report to 30 September 2024 and 31 October 2024 (Group Manager, Finance and Corporate Services) (110551)**

**Pgs. 56 - 61**

Attached is the report from the Group Manager, Finance and Corporate Services covering the Treasury Report to 30 September 2024 and 31 October 2024.

**Recommendation**

*That the report "Treasury Report to 30 September 2024 and 31 October 2024" be received.*

**6 Annual Plan Performance for the three months ended 30 September 2024 (Group Manager, Finance and Corporate Services) (110400)**

**Pgs. 62 - 65**

Attached is the report from the Group Manager, Finance and Corporate Services covering the Annual Plan Performance for the three months ended 30 September 2024.

**Recommendation**

*That the report "Annual Plan Performance for the three months ended 30 September 2024" be received.*

**7 Audit and Risk Review Timetable from December 2024 to October 2025 (Group Manager, Finance and Corporate Services) (101300)**

**Pgs. 66 - 68**

Attached is a report from the Group Manager, Finance and Corporate Services covering the Audit and Risk Review Timetable from December 2024 to October 2025.

**Recommendation**

*That the report "Audit and Risk Review Timetable from December 2024 to October 2025" be received.*

**8 Long Term Plan 2025 – 2034 Update (Group Manager, Finance and Corporate Services) (110555)**

**Pgs. 69 - 73**

Attached is the report from the Group Manager, Finance and Corporate Services covering the Long Term Plan 2025 – 2034 Update.

**Recommendation**

*That the report "Long Term Plan 2025 – 2034 Update" be received.*

## **Karakia Whakamutunga | Closing Prayer**

M Godfery

**Chief Executive Officer**

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**Kawerau District Council Minutes of an  
Audit and Risk Committee held on 7 October 2024  
commencing at 1.00pm**

**Present:** Philip Jones – P J Associates (Chair)  
Her Worship the Mayor – F K N Tunui  
Deputy Mayor – A Rangihika - via Zoom  
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 (R Nel)  
Administration Officer (L Kerei)

**Karakia Timatanga | Opening Prayer**

*Chief Executive Officer Godfery opened the meeting with a prayer.*

**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 – 5 August 2024**

**Resolved**

*That the minutes of the Audit and Risk Committee Meeting held on 5 August 2024 be confirmed as a true and accurate record.*

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

**2 Health, Safety and Wellbeing Report for period – 1 July 2024 to 31 August 2024 (Group Manager, Regulatory and Planning (509500))**

Committee discussed the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing Report for period – 1 July 2024 to 31 August 2024.

**Resolved**

*That the report “Health, Safety and Wellbeing Report for period – 1 July 2024 to 31 August 2024” be received.*

**3 Treasury Report to 31 July 2024 and 31 August 2024 (Group Manager, Finance and Corporate Services) (110551)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Treasury Report to 31 July 2024 and 31 August 2024.

**Resolved**

*That the report "Treasury Report to 31 July 2024 and 31 August 2024" be received.*

**Councillors Ion / Julian  
CARRIED**

**4 Annual Plan Performance for year ended 30 June 2024 (Group Manager, Finance and Corporate Services) (110400)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Annual Plan Performance for year ended 30 June 2024.

**Resolved**

*That the report "Annual Plan Performance for year ended 30 June 2024" be received.*

**Her Worship the Mayor / Chair Jones  
CARRIED**

**5 Draft Annual Report to 30 June 2024 Update (Group Manager, Finance and Corporate Services) (201000)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Draft Annual Report to 30 June 2024 Update.

**Resolved**

*That the report "Draft Annual Report to 30 June 2024 Update" be received.*

**Chair Jones / Councillor Julian  
CARRIED**

**6 Audit and Risk Review Timetable from October 2024 to August 2025 (Group Manager, Finance and Corporate Services) (101300)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Audit and Risk Review Timetable from October 2024 to August 2025.

**Resolved**

*That the report "Audit and Risk Review Timetable from October 2024 to August 2025" be received.*



7 **Council Bylaw and Policy Review Update (Group Manager, Regulatory and Planning) (320000 & 110800)**

Committee discussed the report from the Group Manager, Regulatory and Planning covering the Council Bylaw and Policy Review Update.

**Resolved**

*That the report "Council Bylaw and Policy Review Update" be received.*

Chair Jones / Her Worship the Mayor  
CARRIED

8 **Long Term Plan 2025 – 2034 Update (Group Manager, Finance and Corporate Services) (110555)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Long Term Plan 2025 – 2034 Update.

**Resolved**

*That the report "Long Term Plan 2025 – 2034 Update" be received.*

Councillors Julian / Ion  
CARRIED

9 **Insurance Policies Update (Group Manager, Finance and Corporate Services) (201000)**

Committee discussed the report from the Group Manager, Finance and Corporate Services covering the Insurance Policies Update.

**Resolved**

*That the report "Insurance Policies Update" be received.*

Chair Jones / Her Worship the Mayor  
CARRIED

**Karakia Whakamutunga | Closing Prayer**

*Chief Executive Officer Godfery closed the meeting with a karakia | prayer at 2:04pm.*

P Jones

**Chairperson**

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**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** **Health, Safety and Wellbeing Report for period – 1 September 2024 to 31 October 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:

- One notifiable event occurred during this period. This related to a gas line strike during the excavation/thrusting for water lines to be installed. Sub-Contractor error

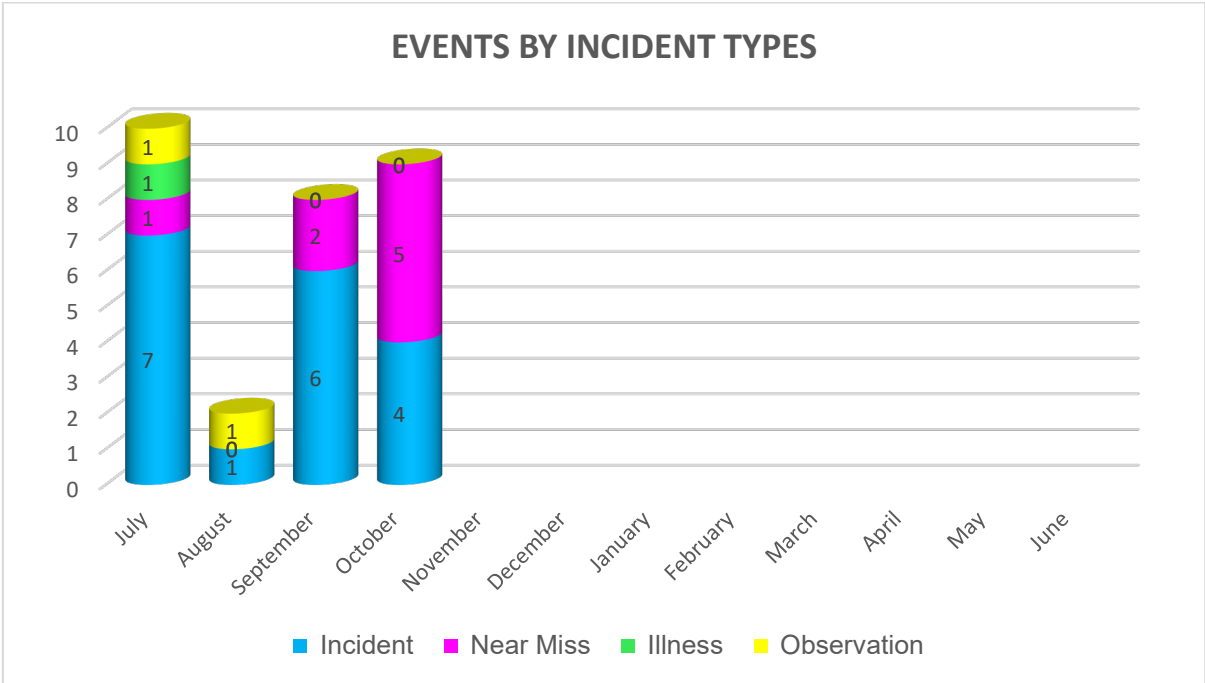
as they failed to check plans prior to undertaking a change of route. Contractor notified Worksafe, who advised they would not be investigating the incident further.

- A total of 17 health and safety reports were received for the period 1 September 2024 to 31 October 2024.
- Two contractor audits were completed for the period of 1 September 2024 to 31 October 2024. One contractor operated a very safe site, while improvements were recommended to the second contractor where opportunities were identified which could minimise exposure to risks for their staff.

### 3 Incident and Injury Reporting

**Incidents for period – 1 September 2024 – 31 October 2024  
(Brackets – Year to Date)**

Incidents 10 (18)	Near Miss 7 (8)	Illness 0 (1)	Observations 0 (2)
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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 September 2024 – 31 October 2024**

Events by Critical Risk	
Public/People/ Customers	4
Stress	0
Slips, Trips and Falls	2
Lone Working	0
Manual Handling	5
Other *	6

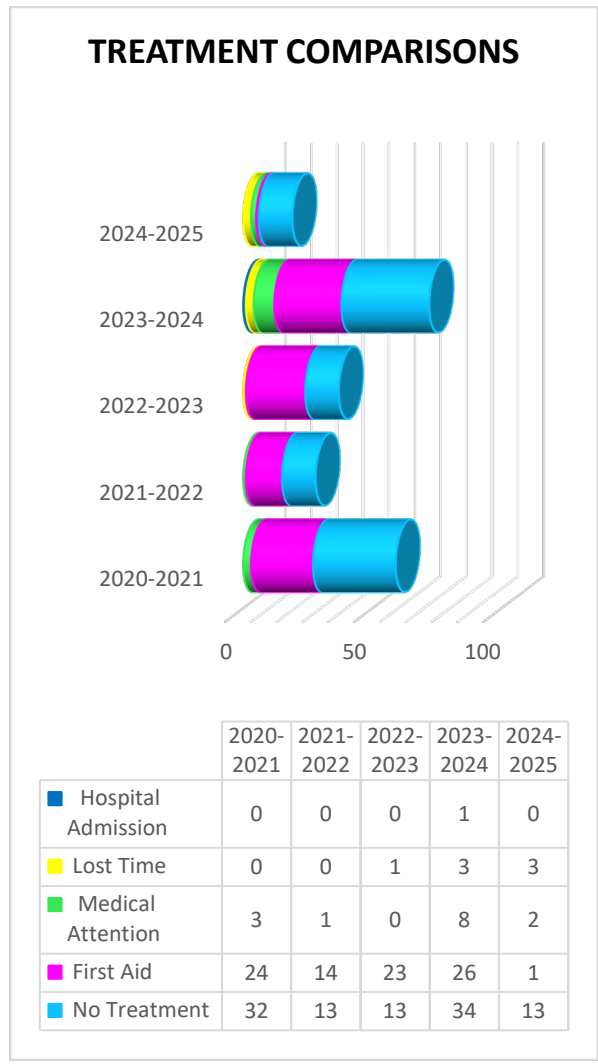
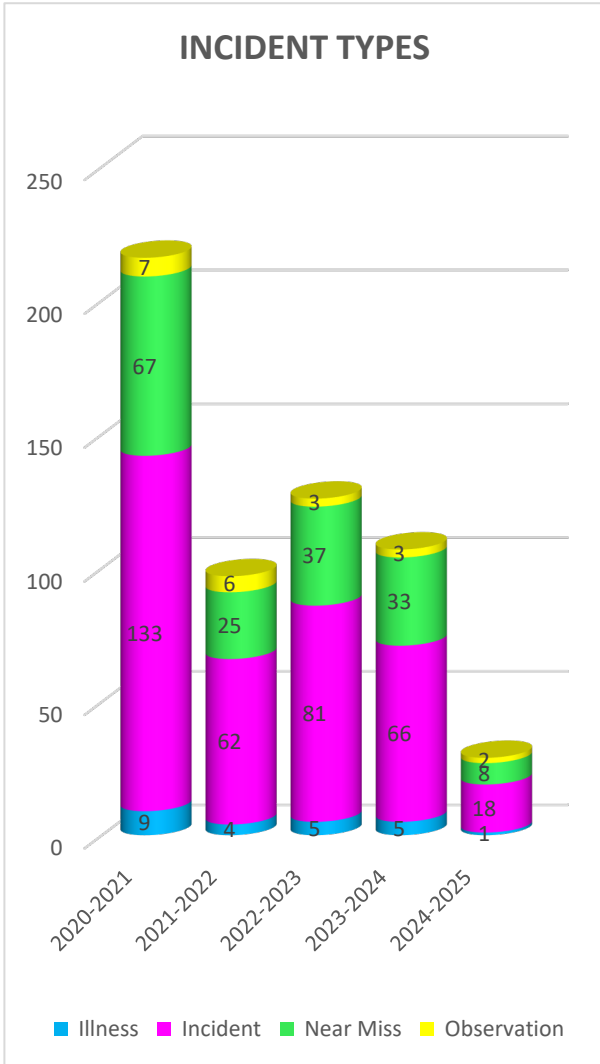
Outcome of Incidents	
No Treatment	6
First Aid	0
Medical Treatment	2
Lost Time	2
Hospital	0
Does not include Near Misses or Observations	

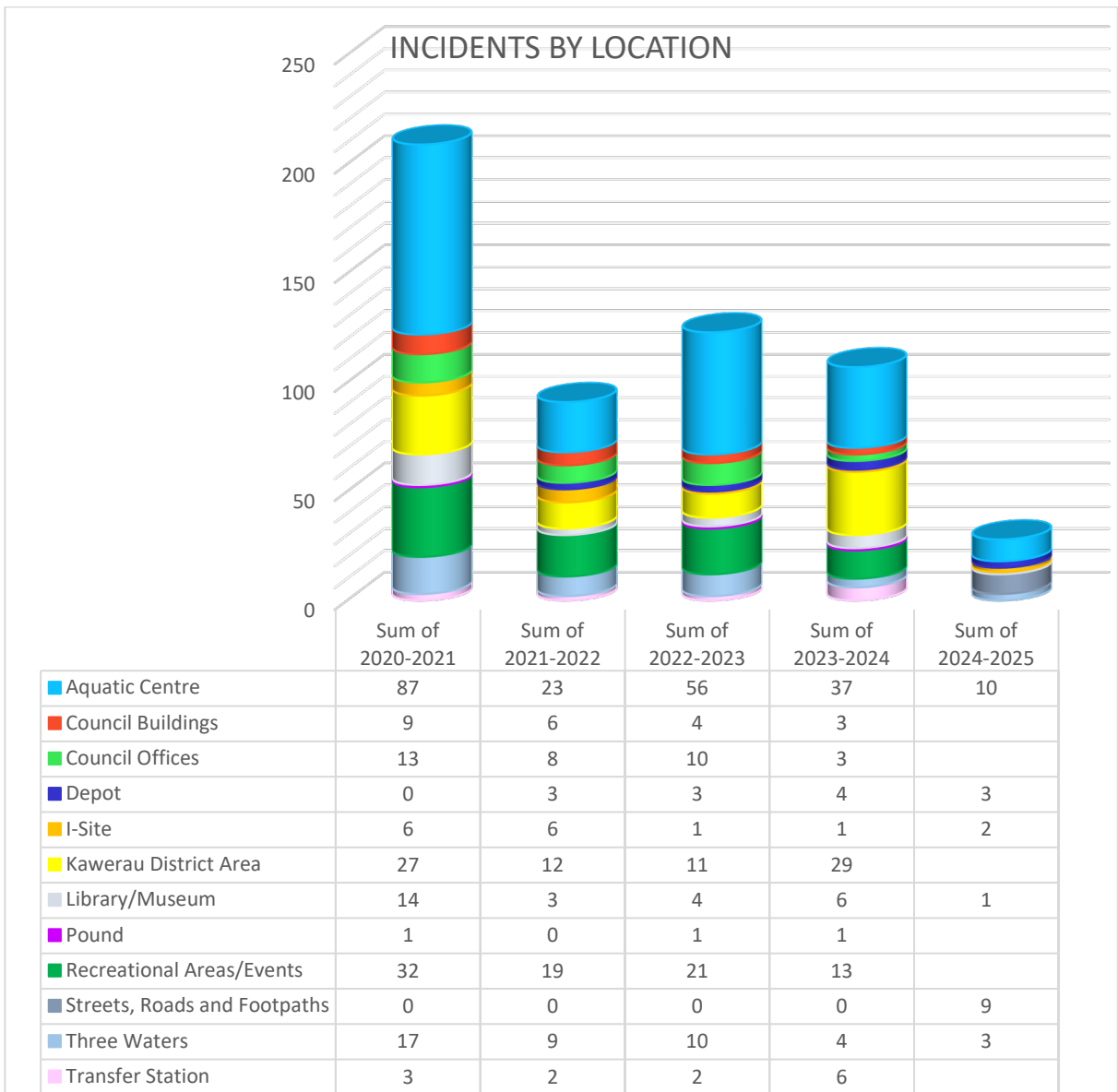
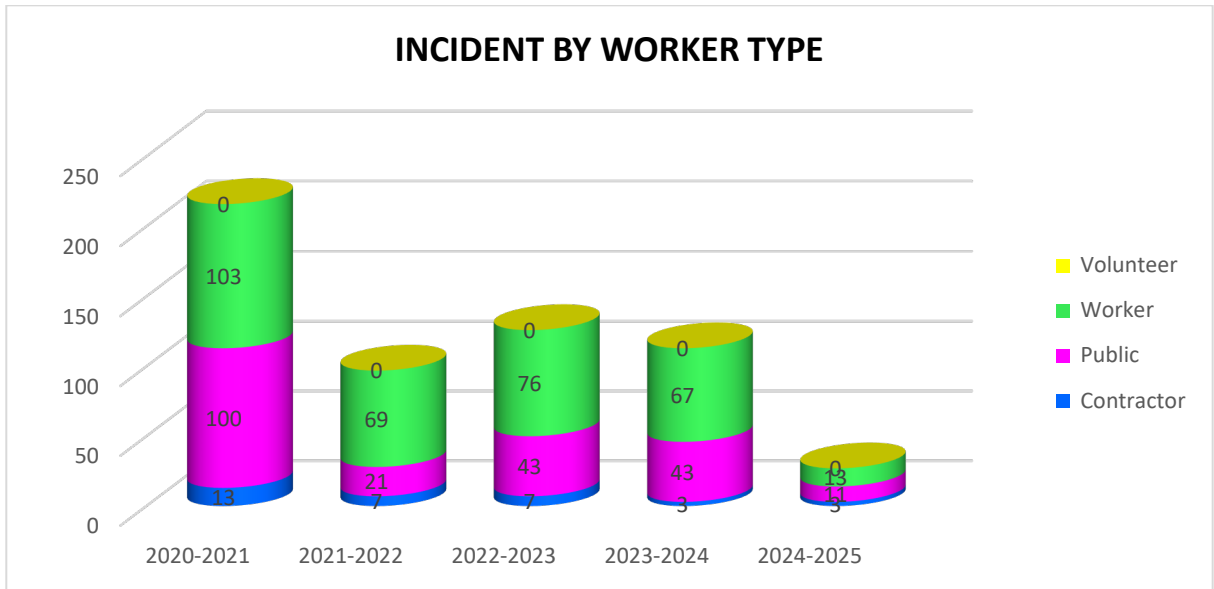
**Incidents Risk Type and Treatment for Period  
1 September 2024 – 31 October 2024**


Investigations Required	
Formal Investigation	0
Work Safe Investigation	0

\* Other – Fire in Waste Management Hopper, Gas line strike, Trailer detached, Customer left at site, Child underwater, Moving Large Plastic Pipe along Road.

**Incidents and Treatment Comparisons**





Note: Prior to 2024-2025, Street, Roads and Footpaths were reported under Kawerau District Area.

**Potentially Critical Events/Critical Events**  
**1 September 2024 – 31 October 2024**

Event	Critical Risk	Potential Consequence	Actual Consequence	Controls and Status
Fire in Waste Management Hopper – No injury	Manual Handling	High	Low	<ul style="list-style-type: none"> <li>Operator training/care</li> </ul> Driver smelt smoke, investigated and located smouldering in hopper, doused with water from garden hose. Returned to transfer station and emptied hopper onto concrete to douse again prior to pushing into pit. Worker stopped work immediately. No injury – discussed with staff to make them aware of possible risk.
Employee digging trench, injured elbow – Medical treatment sought, tear in forearm muscle.	Violence - People/ Customers /Visitors	High	Low	<ul style="list-style-type: none"> <li>Manual Handling Policy</li> </ul> Worker took all appropriate steps when identified pain and applied first aid (ice). Worker reminded of risk of repetitive work and taking breaks. Attending physio to help with recovery.
Employee emptying rubbish bins, injured shoulder – Medical treatment sought.	Violence - People/ Customers /Visitors	High	Medium	<ul style="list-style-type: none"> <li>Manual Handling Policy</li> <li>Operator training/care</li> </ul> Bin was heavier than normal and should have been lifted by two staff or partly emptied first. Worker reminded to know their limits and seek assistance where required. Lost time injury – 2 days.
Gas line strike during excavation for water line – Sub-contractor deviated from planned route with reviewing plans. Worksafe notification completed by contractor – No injury	Manual Handling	High	Low	<ul style="list-style-type: none"> <li>Manual Handling Policy</li> <li>Operator training/care</li> <li>Standard Operating Procedures</li> </ul> Contractor completed plan and dig out (checking lines), change in route was requested and Sub-contractor failed to review plans and complete dig out for new route. Service plans must be checked and any deviation approved prior to moving forward. Reminded of need to establish location of services before digging. Standard operating procedure should be followed in all circumstances.
Trailer detached from vehicle when leaving the Depot – Auto brakes engaged and did not enter the roadway - No	Vehicles	High	Low	<ul style="list-style-type: none"> <li>Operator training/care</li> <li>Standard Operating Procedures</li> </ul> Staff had completed vehicle and trailer checks prior to use. Trailer was warranted at the time but had no safety chains fitted (designed to brake when detached). Brake cable snapped when detached.

injury, minor damage				<p>Investigation identified the tow ball size on the vehicle (1'7/8) did not match that of the trailer cup link (50mm).          Action taken – safety chains installed and vehicle tow balls replaced (for all Depot vehicles) to match the trailer requirements (50mm), to ensure this does not happen again.</p>
Member of the Public Locked inside Maurie Kjar Aquatic Centre – No damage/injury		<b>Medium</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Operator training/care</li> <li>• Standard Operating Procedures</li> </ul> <p>Facilities must be clear prior to departure. Human error due to each employee checking the toilets assumed the other had checked the family room. Member of the public phoned Council and Duty Supervisor opened venue up. Employee reminded to follow standard operating procedures and never assume a task assigned to them has been done by others. All clear to be given by staff responsible.          Other considerations – leaving changing room doors open once checked, use announcement system to remind patrons of closing times (2 -3 announcements).</p>
Trial of ATV (All Terrain Vehicle) helmet aggravated previous injury – Neck strain	Manual Handling	<b>Medium</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Manual Handling Policy</li> <li>• Operator training/care</li> </ul> <p>New safety equipment being trialled.          Employee had pre-existing injury, which was not disclosed. Weight of helmet caused strain on neck. Employee rightfully raised injury and was told not to use further. Helmet to other staff to trial.          Working with manufacturer to identify lighter versions of the safety helmet.</p>
Large plastic pipe (50m long) moved along roadway by contractor blocking the roadway and causing traffic disruption – No injury/damage		<b>High</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Operator training/care</li> <li>• Standard Operating Procedures</li> </ul> <p>While the Contractor completed early to minimise traffic disruption, avoidance techniques were required. No damage or injury occurred.          Contractor reminded a traffic management plan, approved by Council, is required prior to working on roads.          Other consideration – community updates provided through KDC, appropriate vehicles with beacons fitted, temporary closures/detours.</p>



Glass/Plastic spilt on road – fall off rear of recycling truck when door swung open – No injury/damage	Manual Handling	<b>Medium</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Manual Handling Policy</li> <li>• Operator training/care</li> </ul> Latch not securely closed. Latch checked, no issues. Recycling cleared from road straight away. Operator reminded to ensure the door is securely closed prior to loading recycling.
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<b>KEY:</b>	
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"> <li>• BWARE forms now available via APP</li> <li>- <b>Spray Diary now added</b></li> <li>- Contractor Site Monitoring</li> <li>- Checklists (accessible in the field)</li> <li>- Health and Safety Staff Inductions</li> <li>- Risk Assessments</li> <li>- Vehicle Inspections</li> </ul> <ul style="list-style-type: none"> <li>• General Health and Safety Induction for staff (3)</li> <li>• Water Treatment Plant Site Safety Induction (2)</li> <li>• Maurie Kjar Aquatic Centre Site Safety Induction (1)</li> <li>• District Office Site Safety Induction (3)</li> <li>• Depot Site Safety Induction (2)</li> <li>• Fire and Emergency Warden – Main Office Building Induction (6)</li> <li>• Workstation Assessment (1)</li> <li>• Monthly meeting ongoing – fully represented by all work groups.</li> </ul>	<ul style="list-style-type: none"> <li>• Arrange for an internal audit Based on the 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.</li> <li>• Finalise the top critical risks. Critical risks identified and grouped. Health and Safety committee have been unable to reduce the top 13 to 10 critical risks. A report has been prepared for the Leadership Team for consideration at their next Leadership Meeting.</li> <li>• Re-establish Wellbeing Committee.</li> </ul>
Contractor Management	<ul style="list-style-type: none"> <li>• Draft Contractor Induction Booklet completed – now with the Health and Safety Committee for review</li> <li>• Two contractor audits completed</li> <li>• <u>Water Pump Engineers</u> – Physical locks and tags in place and controlled at time of visit and work permit for lock out tag out available. Contractor had no first aid kit available, however KDC did have kit available if required. Concrete cutting being undertaken with on-board water suppression but no respiratory protection worn. - Recommended they review the use of respiratory protection, consider</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor audits to be completed monthly (except December and January).</li> <li>• All contractor audits completed for the year</li> </ul>

	<p>occupational health monitoring for noise and obtain a new first aid kit.  <u>Concrete &amp; Block Laying Contractor</u> – Safety helmet and hearing protection in use with mini loader. PPE in good condition and used. Contractor provided very thorough site induction using cloud-based app on phone. Recommended they improve location of safety fencing to prevent people falling in the pool.</p>	
<p>Training</p>	<ul style="list-style-type: none"> <li>• Kerbside Collection Traffic Training (2)</li> <li>• Advanced Height Training (3)</li> <li>• Chemical Safety, Handling and Storage Foundation (3)</li> <li>• Dangerous Goods Licence Training NZQA Standard (1)</li> <li>• Fire &amp; Emergency Warden Training (12)</li> <li>• Fire Extinguisher Training (3)</li> <li>• First Aid Training (10)</li> <li>• Face Fit Test and RPE Training (5)</li> <li>• Mental Health Training 101 (13)</li> <li>• STMS – Universal Site Traffic Management Specialist (2)</li> <li>• STMS (A) &amp; (B) Non-Practising (2)</li> <li>• Traffic Management Operator – Practising – Part 1 &amp; 2 (3)</li> <li>• Temporary Traffic Management – Worker Workshop (3)</li> <li>• Temporary Traffic Management – Inspector Workshop (2)</li> </ul>	<ul style="list-style-type: none"> <li>• Drug and Alcohol Awareness Training for Managers/Supervisors arranged for November 2024</li> <li>• Drug and Alcohol Awareness Training for Staff Customer Conflict Training arranged for November 2024.</li> <li>• Organise Dangerous Dog Training for Outdoor Staff. Deferred to next financial year.</li> </ul>
<p>Policy Reviews</p>	<ul style="list-style-type: none"> <li>• No finalised and distributed policies for this period.</li> </ul>	<ul style="list-style-type: none"> <li>• Review KDC Property Spray Plan</li> <li>• Review Health and Safety Policy</li> <li>• Review Safe Driving Policy</li> <li>• Review Visual Display Unit (VDU) Policy</li> </ul>

		<ul style="list-style-type: none"> <li>• Sun Protection Policy – Draft has been developed, for consideration of the Leadership Team before consultation with staff.</li> <li>• <b>Introduction of wearing helmets on the ATV</b></li> </ul>
Risk Reviews		

Risk	Potential Score	Activity	Planned Activity	Desired Risk level outcome (as per risk matrix)
Fluoride - New chemical for water supply. Contact with skin or eyes may cause serious damage. Also harmful if inhaled	Medium	<ul style="list-style-type: none"> <li>• Legally required additive for water supply</li> <li>• Regulated dose at water treatment plant</li> <li>• Store on site as per safety data sheet</li> <li>• Follow procedures for delivery of replacement product and container change over.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer to safety data sheet for chemical information</li> <li>• Employee trained to certified handler level</li> <li>• Commence employee health monitoring</li> <li>• PPE provided</li> <li>• Maintain site location test certificate</li> <li>• Refer to safety data sheet for chemical information</li> </ul>	Low

## 5 Health and Wellbeing

### Health and Wellbeing

#### Emergency Readiness

Automatic External Defibrillators (AED's) available at Aquatic Centre and District Office

#### General Health

Skin Checks have been offered over this period and closing soon

#### 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  
Final Annual Respirator Face Fit Testing was completed in October 2024.  
Occupational Health Monitoring initiated for fluoride

## 6 RECOMMENDATION

That the report "Health, Safety and Wellbeing Report for period - 1 September 2024 to 31 October 2024" be received.



Michaela Glaspey

**Group Manager Regulatory and Planning**

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<b><u>Meeting:</u></b>	Audit and Risk Committee
<b><u>Meeting Date:</u></b>	9 December 2024
<b><u>Subject:</u></b>	<b>Audit New Zealand – Audit Engagement Letter Long Term Plan commencing 1 July 2025</b>
<b><u>File No.:</u></b>	201300

## **1 Purpose**

The purpose of this report is to provide the committee with the Audit New Zealand – Audit Engagement Letter for the audit of Council’s consultation document and Long Term Plan for the period commencing 1 July 2025.

## **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 financial year was to have been year one of the new 2024 - 2034 Long Term Plan. However, due to the Government reforms on the Three Waters Legislation, 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 an enhanced Annual Plan for 2024/25 and a nine year Long Term Plan 2025 to 2034.

The audited Long Term Plan 2025 to 2034 must be adopted prior to the commencement of the year to which it relates (that is before 1 July 2025).

## **3 Audit New Zealand – Audit of Consultation Document and Long Term Plan commencing 1 July 2025**

Included in the appendix to this report is the Audit Engagement Letter for the audit of the consultation document and Long Term Plan, which outlines the terms of engagement, scope, approach, timeline and the audit fee.

Council’s appointed Auditors for the Long Term Plan will continue to be René van Zyl, Audit Director of Audit New Zealand and the Audit Manager Katariana Macown. René van Zyl will be in attendance at this meeting, via zoom to discuss and clarify any queries relating to the Long Term Plan audit.

#### 4 **RECOMMENDATION**

That the report “Audit New Zealand – Audit Engagement Letter Long Term Plan commencing 1 July 2025” be received.



Lee-Anne Butler, CA, BMS

**Group Manager, Finance & Corporate Services**

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28 November 2024

Level 14, Shortland & Fort  
88 Shortland Street, Auckland 1010  
PO Box 1165, Auckland 1140

Faylene Tunui  
Mayor  
Kawerau District Council  
Private Bag 1004  
Kawerau 3169

Tēnā koe Faylene

## **Audit engagement letter: audit of the consultation document and Long-term Plan for the period commencing 1 July 2025**

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities,” including Kawerau District Council (the Council), under section 14 of the Public Audit Act 2001.

The Council elected to defer the adoption of its 2024-34 long-term plan (LTP) in accordance with clause 48(1) of Schedule 1AA of the Local Government Act 2002 (the Act) and will instead adopt an audited 2025-34 LTP as required by clause 49(1)(a) of Schedule 1AA of the Act.

The Auditor-General has appointed me, Rene van Zyl, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and LTP.

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

## **1 Specific responsibilities of the Council for preparing the consultation document and the Long-term Plan**

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP.
- Section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

## **2 Our audit scope**

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
  - whether the consultation document gives effect to the purpose specified in section 93B; and
  - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
  - whether the LTP gives effect to the purpose in section 93(6); and

- the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

### **3 Our approach to this audit**

#### **3.1 The content of the consultation document**

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

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

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before your deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

### **3.3 Control environment**

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

### **3.4 Project management, reporting deadlines, and audit progress**

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

### **3.5 Self-assessment**

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 10 December 2024.

The self-assessment is like those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

## **4 Our particular areas of audit emphasis**

### **4.1 The impact of the Local Water Done Well reform programme on the 2025-34 LTPs**

The Government is progressing its Local Water Done Well reform programme. The Local Government (Water Services Preliminary Arrangements) Act 2024 (the WSPA Act) establishes the Local Water Done Well framework and the preliminary arrangements for the new water services system. Further legislation is expected to be introduced in December 2024 that will establish the enduring settings for the new water services system.

The WSPA Act requires Council to prepare a water services delivery plan. In broad terms, a water services delivery plan must identify the current state of the Council's water services, and show how the Council will deliver those services in a way that:

- meets relevant regulatory quality standards for stormwater, wastewater, and water supply networks;
- is financially sustainable;
- ensures compliance with drinking water quality standards; and
- supports the council's housing growth and urban development objectives.

Among other things, water services delivery plans must identify the anticipated or proposed model or arrangement for delivering water services. The Council must formally consult their community on the anticipated or proposed model or arrangement for delivering water services.

Water services delivery plans must be submitted to the Secretary for Local Government by 3 September 2025, unless an extension is granted.

Given the required content of the water services delivery plan, we expect there will be a level of consistency between the content of the water services delivery plan and the information and assumptions used to support the three waters forecasts included in the LTP. Checking that the LTP is consistent with the water services delivery plan will be a focus of this audit. Specifically, we will check the following information included in the water services delivery plan is reflected in the LTP:

- What the Council proposes to do to ensure that the delivery of water services will be financially sustainable by 30 June 2028.
- How Council will separate revenue from, and delivery of, water services from its other functions and activities.

- The anticipated or proposed model or arrangements for delivering water services.
- The capital and operational expenditure required to deliver the water services.

We acknowledge that the water services delivery plan is required later than the 2025-34 LTP. If the submitted water services delivery plan is not available, we will review the most completed draft available.

## 4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and

- assess the reasonableness of the prepared forecasts by:
  - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
  - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
  - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

### 4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty, and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.



**Climate change assumption**

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

**4.4 Quality of asset-related forecasting information**

A significant portion of the Council's operations relates to the management of its infrastructure. These activities typically make up about 16% of operational expenditure and 69% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

## 5 Other matters

### 5.1 Our independence

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

### 5.2 Publication of the consultation document and adopted Long-term Plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

## 6 Audit logistics

### 6.1 Audit timing

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	2 December 2024
Self-assessment returned to audit team for consideration	13 December 2024
Interim visit	6 March 2025
Proposed consultation document available	26 February 2025
Audit report on consultation document required	2 April 2025
Draft report to governors on consultation document engagement	9 April 2025
Finalised report to governors on consultation document engagement	23 April 2025
Final LTP visit	26 May 2025
Proposed LTP for adoption available	26 May 2025
Audit report on adopted LTP required	25 June 2025

Draft report to governors on LTP engagement 25 June 2025

Finalised report to governors on LTP engagement 9 July 2025

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- A suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1).
- Electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## **7 Professional fees**

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2025, is \$104,475 (excluding GST and disbursements).

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$220 per hour, the fee will be reduced to a maximum \$220 per hour.

For the 2018 LTP, our actual hours were 539. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we charged was \$80,000, which was an effective hourly rate of \$148. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163-\$211 per hour.

For the 2021 LTP, our actual hours were 794. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we charged was \$80,900, which was an effective hourly rate of \$102. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180-\$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The proposed 2024 fee is an increase of \$23,575 compared to the 2021 agreed fee.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
December 2024	10,000
February 2025	10,000
March 2025	50,000
April 2025	20,000
June 2025	<u>14,475</u>
	\$104,475

## 8 Personnel

Our personnel involved in the management of the audit are:

René van Zyl	Audit Director
John Whittal	Engagement Quality Control Review Director
Suzanne Merriott	Associate Director, SAAS
Kataraina Macown	Audit Manager
Arin Bevie	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

## 9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2025; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 20 July 2023.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Nāku noa, nā



René van Zyl  
Director

cc Morgan Godfery, Chief Executive  
Lee-Anne Butler, Group Manager, Finance and Corporate Services

*I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 20 July 2023.*

*Signed:* \_\_\_\_\_ *Date:* \_\_\_\_\_

*Faylene Tunui*  
Mayor

## **Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP**

### **Objectives**

The objectives of the audit of the consultation document and LTP are:

- to provide independent reports on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
  - whether each document gives effect to the relevant statutory purpose; and
  - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

### **Provision of a report to the governors of the Council**

At a minimum, we will report to the governors of the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

## **Materiality**

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

## **The standards applied when conducting the audit of the consultation document and adopted long-term plan**

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that are consistent with those requirements.



## Responsibilities

### General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 20 July 2023 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
  - responsibilities for compliance with laws and regulations; and
  - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

### Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
  - correctly record and explain the forecast transactions of the Council;
  - enable the Council to monitor the resources, activities, and entities under its control;
  - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
  - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
  - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
  - additional information that we may request from the Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation of representations made to us in connection with the audit.

## **Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without 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 you 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.

**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** **Report to the Council on the Audit for year ended 30 June 2024**

**File No:** 201000

## **1 Purpose**

The purpose of this report is to update the committee on the issues raised in the Audit New Zealand Report for the year ended 30 June 2024 and management's responses to the issues identified.

## **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 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 the legal obligations.

Council received an interim audit report, which was reported to this committee on 5 August 2024, which also included management's comments to the recommendations.

## **3 Issues Raised in the Audit Report to 30 June 2024**

Attached to this report is the report to the Council on the Audit for the year ended 30 June 2024, as well as management's responses to the issues raised.

There are no new urgent priority recommendations and processes will be put in place for the four new recommendations. There were eight previous recommendations, which includes recommendations reported following the interim audit. Of the eight recommendations two have been closed, five have been addressed and the one relating to completeness of the valuations cannot be closed until the 30 June 2025 audit is completed.

Council's Audit Director René van Zyl will attend the meeting via zoom to discuss and clarify any of the issues raised in the management report.

**4** **RECOMMENDATION**

That the report “Report to the Council on the Audit for year ended 30 June 2024” be received.



Lee-Anne Butler, CA, BMS

**Group Manager, Finance & Corporate Services**

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

For the year ended 30 June 2024

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## Key messages

We have completed the audit of Kawerau District Council (the District Council) for the year ended 30 June 2024. 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.

This report should be read in conjunction with the interim Report to Council dated 17 July 2024.

### Audit opinion

We have issued an unmodified audit opinion on 30 October 2024. 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.

### Matters identified during the audit

The District Council's land, buildings and infrastructure assets were last valued as at 30 June 2022. We reviewed management's fair value assessment 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.

The District Council was well prepared for the audit and worked with us in an open and collaborative manner to assist us in completing the audit. We received a good quality first draft of the financial statements and supporting documentation that allowed for a smooth audit process which was completed within the agreed timeframes.

We followed up on our recommendations identified in our previous management reports. We have updated the progress made towards these recommendations in Appendix 1 of this report.

### 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.



René van Zyl  
Appointed Auditor  
3 December 2024

# 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><b>Needs to be addressed <i>urgently</i></b></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><b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b></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><b>Address, <i>generally within six to 12 months</i></b></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
The District Council reviews the useful lives in the fixed asset register and ensure these are consistent with the asset management systems.	4.1	Necessary
The District Council should consider what additional controls and processes are needed to ensure the correct information is being recorded and reports used to generate results for performance measures are up to date.	4.2	Necessary
The annual reconciliation between the rating information database and the district valuation roll is independently reviewed.	4.3	Necessary



Recommendation	Reference	Priority
To ensure compliance with the policy, we recommend the District Council remind staff of the importance of ensuring expenditure incurred complies with the District Council's sensitive expenditure policy	5.1	Necessary

## 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	1	5	0	6
Implemented or closed	1	1	0	2
<b>Total</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>8</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 30 October 2024. 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.

In forming our audit opinion, we considered the following matter. Refer to sections 3 and 4 for further details on these matters.

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

### 2.3 Corrected misstatements

We 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 2024 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 Matters raised in the Audit Plan



In our Audit Plan of 6 June 2024, we identified the following matters as the main audit risks and issues:

### 3.1 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 2024.

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.

#### 3.1.1 Infrastructure asset valuations – unit rate information

To develop reasonable and supportable unit rates for future valuations and fair value assessments, the District Council should maintain a unit rate database updated annually with reference to recent contract data and other cost indicators.

Information sources to inform unit rates should include recent contract rates for physical works, indexed to the current financial year where needed. This analysis should include all costs associated with the contract, including materials supply and installation, reinstatement, and other relevant direct costs, as well as preliminary and general costs. Care should be taken to ensure the contracts used for comparison reflect typical projects and exclude, for example, emergency repairs which may incur unusually high costs.

Recent vested asset cost schedules provided by developers can be another source of relevant cost information.

Where the District Council has limited construction-based unit rate information available, reliable and relevant information to supplement its own unit rates may be obtained from other nearby local authorities.

When establishing standard unit rates, adjustments are likely to be needed to “normalise” recent contract rates or information obtained from other local authorities. This would include adjustments to remove non-recurring significant variances in unit costs across contracts, such as location, infrastructure complexity and scale of work. Procurement methods and design standards may also differ across projects or local authorities, leading to different cost profiles.

The application of indices to unit rates from previous valuations may also be useful to address gaps in cost information. However, indexed unit rates should not be the primary source of information as they may not accurately reflect movements in the local construction market, especially beyond the short-term.

The District Council should also ensure that the indirect costs, including overheads, applied when developing unit rates are complete, comparable to accepted ranges used across the industry, and are informed by information extracted from actual contracts.

The methodology and assumptions used in deriving unit rates and overheads, and what each of these include, should be documented for inclusion in the District Council's valuation report.

Before finalising unit rates, the District Council needs to consider whether the updated unit rates can be justified and are reflective of sustainable market conditions. This judgement should be well documented.

### **3.2 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.

### **3.3 Capital works programme**

During the 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 and contractor delays.

We reviewed the work in progress at year-end to ensure those projects reported as work in progress were not yet completed at year-end. We also completed a review of costs that have been capitalised during the year to ensure they meet the definition of capital expenditure rather than operational costs. No issues from our testing.

### **3.4 “Local Water Done Well” programme**

Local Water Done Well is the Coalition Government’s plan to address New Zealand’s water infrastructure challenges. It replaces the Three Waters reform legislation of the previous Labour Government.

The Local Government (Water Services Preliminary Arrangements) Act 2024 was recently enacted on 2 September 2024 and establishes the Local Water Done Well framework and the preliminary arrangements for the new water services system.

A further Local Government Water Services Bill is planned to be introduced to Parliament in December 2024 which will set out a range of changes to the water services delivery system and to the water services regulatory system.

We will maintain a watching brief over further developments in this area. As advised by the OAG, there is no disclosure impact on the 2024 audit opinion of the reforms. We reviewed the District Council’s disclosure and concluded that the District Council’s disclosure is reasonable.

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).

We have noted that the Council has included sufficient disclosure about the impact of the programme under events after balance date.

## 4 Other matters identified during the audit



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

### 4.1 Inconsistency of useful lives between the fixed asset register and the accounting policy

During our review of the useful lives of property, plant and equipment assets, we noted there were differences between the useful lives recorded in the accounting policies and what had been recorded in the fixed asset register. This inconsistency could result in depreciation being calculated incorrectly and the assets being written off before their economic useful lives, or vice versa.

Reviewing useful lives ensures accurate financial reporting and informs decision-making as the asset information is used to help determine which assets to purchase and replace.

#### Recommendation

We recommend the District Council reviews the useful lives in the fixed asset register and ensure these are consistent with the asset management systems.

#### Management comment

*The useful lives of the assets in the fixed asset register will be reviewed to ensure accuracy and consistency.*

### 4.2 Processes and procedures for recording result of performance measures

We reviewed the systems and processes that provide information for non-financial performance reporting, and tested results to verify the reasonableness of the content of the statement of service provision. Our testing focused on the measures and targets that we have identified as significant from an audit perspective. The following performance measure was among those selected as material:

*The number of dry weather sewage overflows from Council's sewerage system, expressed per 1000 connections to that sewerage system.*

In reviewing the overflow times, we found inconsistencies in the information held within the District Council's Customer Relationship Management (CRM) system, which is used to generate the reported performance information for the above measures.

Our review also noted for the roading performance measure *the percentage of the sealed local road network that is resurfaced* the RAMM report that is used to report this result had not been updated since 2021.

**Recommendation**

The District Council should consider what additional controls and processes are needed to ensure the correct information is being recorded and reports used to generate performance measure results are up to date.

**Management comment**

*Additional checking processes have been implemented to reconcile the Customer Relationship Management System (CRM) with the supporting waters spreadsheets that are used for reporting on non-financial performance targets.*

*For the roading performance measures, Council will ensure to use the updated RAMM reports.*

**4.3 Independent review of the rating information database**

Before the rates are struck for the next financial year, the District Council prepares an annual reconciliation of the rating information database to the district valuation roll. We reviewed the reconciliation and noted the reconciliation was prepared by the Finance Officer however, there was no evidence an independent review had been performed by the GM Finance and Corporate Services.

The annual reconciliation is a key reconciliation as this determines what rates will be struck for the next financial year.

**Recommendation**

The annual reconciliation between the rating information database and the district valuation roll is independently reviewed by an appropriate, for example the GM Finance and Corporate Services and the reconciliation evidenced as reviewed.

**Management comment**

*Evidence of the review of the reconciliation of the Rating Information Database and the district valuation roll will be signed by the Financial Accountant and the GM Finance and Corporate Services.*

## 5 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.

Our review identified the following issue:

### 5.1 Sensitive expenditure testing

Each year, as part of the audit, we select a sample of expenditure transactions to review for compliance against the District Council's policies and accepted good practice in the public sector. Our review focuses on expenditure incurred by key management personnel, those in charge with governance and senior management. Based on our sample testing, we identified one instance where there was no approval of travel and accommodation expenditure incurred by the former Chief Executive and one missing parking invoice.

#### **Recommendation**

To ensure compliance with the policy, we recommend the District Council remind staff of the importance of ensuring expenditure incurred complies with the District Council's sensitive expenditure policy.

#### **Management comment**

*Management do circulate the sensitive expenditure policy to all staff to remind them of the policy requirements, this will be communicated to all staff again.*



## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<b>No evidence of approval for access to new users on Ozone</b>		
Access to Ozone is approved by the Group Manager Finance and Corporate Services and evidence of this approval is retained.	2023/24 – interim	<p>This matter was raised in our interim management report and actioned by management. We will follow up as part of next year’s interim audit.</p> <p><b>Management comment</b></p> <p><i>As reported in the interim management report, the Ozone forms had been approved by either the Manager or the Team Leaders for the new staff members to be added to Ozone as was the process. The process has now been changed, whereby Ozone access is now being approved the Group Manager Finance and Corporate Services and evidence of approval is retained.</i></p> <p><i>This process was implemented immediately given advised as an urgent point.</i></p>
<b>Necessary</b>		
<b>Completeness of valuations</b>		
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	<p>This item will remain open until the District Council performs their next valuation.</p> <p><b>Management comment</b></p> <p><i>As stated above, this item cannot be closed until the revaluation is completed for the year ended 30 June 2025.</i></p>
<b>Sensitive expenditure testing</b>		
The District Council remind staff of the importance of ensuring expenditure	2019/20	Refer to section 5.1 above for our findings.

Recommendation	First raised	Status
<p>incurred complies with the sensitive expenditure policy and accepted good practice in the public sector.</p>		<p><b>Management comment</b></p> <p><i>Reminders have been sent to staff to ensure all expenditure is approved in accordance with the sensitive expenditure policy.</i></p> <p><i>This will be communicated to all staff again.</i></p>
<p><b>Approval for disposal of property, plant and equipment</b></p>		
<p>The District Council implements a process that all asset disposals are approved by the asset managers and this is provided in written format.</p>	<p>2022/23</p>	<p>We were unable to follow up on this issue as there were no material disposals that occurred during the year.</p> <p><b>Management comment</b></p> <p><i>The process of the asset disposals being approved by the asset managers has been implemented and evidenced in writing.</i></p>
<p><b>Regular reviews of network users not being performed</b></p>		
<p>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.</p>	<p>2022/23</p>	<p>Our review of the IT systems shows that there is no documentation evidencing this review. We note due to the size of the Council and the team involved the process implemented by management seems appropriate and will be reviewed during the next interim audit.</p> <p><b>Management comment</b></p> <p><i>As reported in the interim management report, there are key controls on the adding and removal of users with access to Ozone. Given there are very few system changes, a monthly report is run and reviewed to ensure user access is correct, which is being evidenced as reviewed. There is no option of an automated weekly report.</i></p> <p><i>This review process was implemented following the interim audit report.</i></p>

Recommendation	First raised	Status
<b>Property, plant and equipment reconciliations</b>		
<p>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.</p>	<p>2022/23</p>	<p>During our testing we noted no evidence for annual reconciliation prepared of RAMM and fixed asset register.</p> <p><b>Management comment</b></p> <p><i>Unfortunately, this situation was due to staff turnover and vacancies. Council will look to have this implemented for year end 30 June 2025.</i></p>

## Implemented or closed recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<b>Roading smoothness survey – traffic counts</b>		
<p>The District Council ensures traffic counts are performed at least annually.</p> <p>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.</p>	2022/23	<p>Traffic counts was performed this year.</p> <p><b>Matter closed</b></p>
<b>Necessary</b>		
<b>Monthly suspense and payroll reconciliations</b>		
<p>Reconciliations should be evidenced as prepared and independently reviewed. Any variances are appropriately investigated and corrected, in a timely manner.</p>	2022/23	<p>The District Council has made progress to ensure reconciliations are independently reviewed.</p> <p><b>Matter closed.</b></p>

## 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 \$149,389 (excluding GST), as detailed in our Audit Proposal Letter.</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> <p>Other fees charged for the period are \$7,000 (excluding GST) for the review of the debenture trust deed reporting certificate. We also performed the annual audit and assurance over the compliance certificate for the Porritt Glade Retirement Village of \$11,849 and \$3,590 (excluding GST) respectively.</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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**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** Treasury Report to 30 September 2024 and 31 October 2024

**File No:** 110551

## 1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 30 September 2024 and 31 October 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 16 October 2024 for the Treasury Report to 30 September 2024, and 13 November 2024 for the Treasury Report to 31 October 2024. The report shows the funds 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 has now raised three loans to fund the water reticulation renewals project, the first loan of \$2.0 million was raised in December 2022, and the second in October 2023, with both loans having the maturity date of April 2025. During October 2024, the third \$2.0 million loan was uplifted, which has a fixed interest rate of 4.91% with the maturity date of April 2029.

## 3 **Funds Held**

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

	<b>Sept 2024</b>	<b>Sept 2023</b>
<b>Reserve Funds</b>		
Depreciation Funds*	\$4,446,914	\$3,649,937
<b>Total Special Funds</b>	<b>\$4,446,914</b>	<b>\$3,649,937</b>
General Funds	\$482,361	\$219,787
<b>Total – comprising cash &amp; internal loans</b>	<b>\$4,929,275</b>	<b>\$3,869,724</b>

\* This includes loan funds uplifted.

The following funds were held at 30 September 2024:

Invested in	\$	Interest Rate	% External
ANZ – on call	743	3.10%	0.02%
BNZ – current & on-call	3,390,008	2.75%	99.28%
Rabobank (on-call)	23,932	4.00%	0.70%
<b>Total Funds (Cash)</b>	<b>3,414,683</b>		<b>100.0%</b>
Internal Loans	1,514,592		
<b>Total Investments</b>	<b>4,929,275</b>		

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

	October 2024	October 2023
<b>Reserve Balances</b>		
Depreciation Reserve Funds*	\$5,654,919	\$4,869,600
<b>Total Reserve Balances</b>	<b>\$5,654,919</b>	<b>\$4,869,600</b>
General Funds	(\$505,480)	\$73,554
<b>Total (comprising funds &amp; internal loans)</b>	<b>\$5,104,439</b>	<b>\$4,943,154</b>

\* This includes loan funds uplifted.

The following funds were held at 31 October 2024:

Invested in	\$	Interest Rate	% External
ANZ – on call	743	2.60%	0.02%
BNZ – current & on-call	2,175,362	2.75%	60.47%
Rabobank (on-call)	1,421,335	4.00%	39.51%
<b>Total Funds (Cash)</b>	<b>3,597,440</b>		<b>100.0%</b>
Internal Loans	1,506,999		
<b>Total Investments</b>	<b>5,104,439</b>		

During September two retirement unit occupation agreements were completed and the Bell Street sale settled, with these proceeds increasing Council's cash position.

At the end of October, overall Council has increased funds of \$161,285 when compared to October 2023. During October 2024, Council uplifted the third \$2m loan to fund the water reticulation renewals, likewise the second water loan was uplifted in October 2023.

There was an additional creditors payment (3 for the month) which impacted Council's general funds balance for October 2024.

#### 4 **RECOMMENDATION**

That the report "Treasury Report to 30 September 2024 and 31 October 2024" be received.



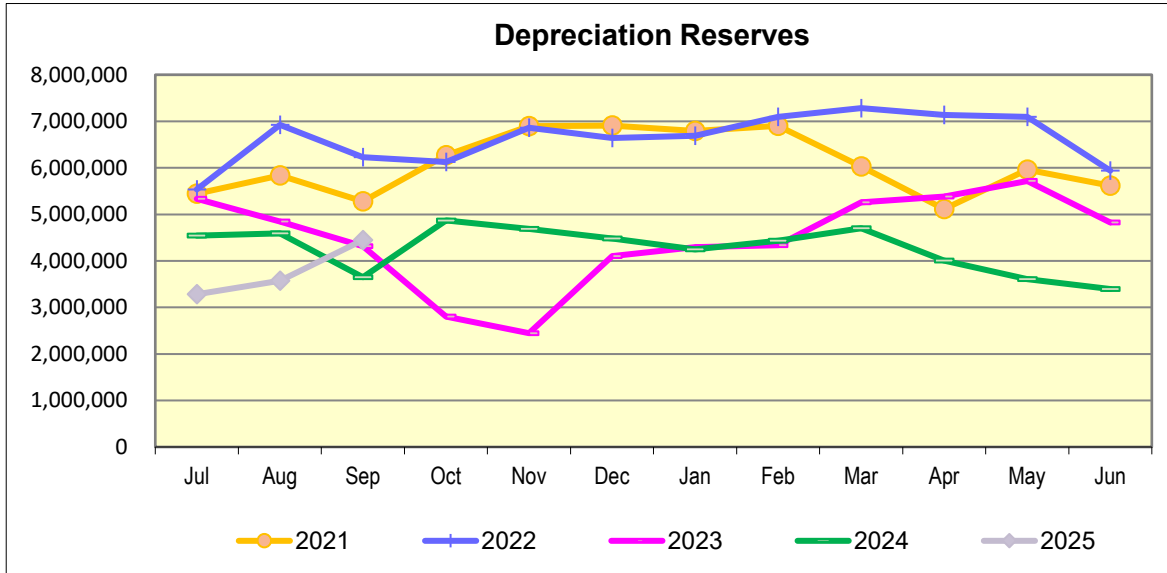
Lee-Anne Butler, CA, BMS

**Group Manager, Finance & Corporate Services**

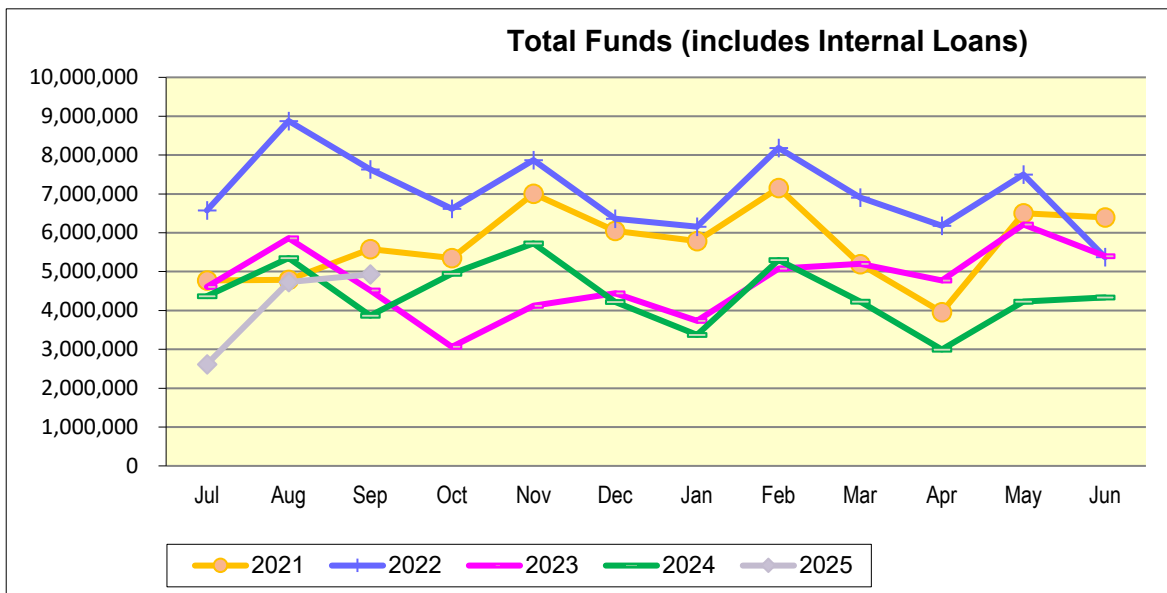
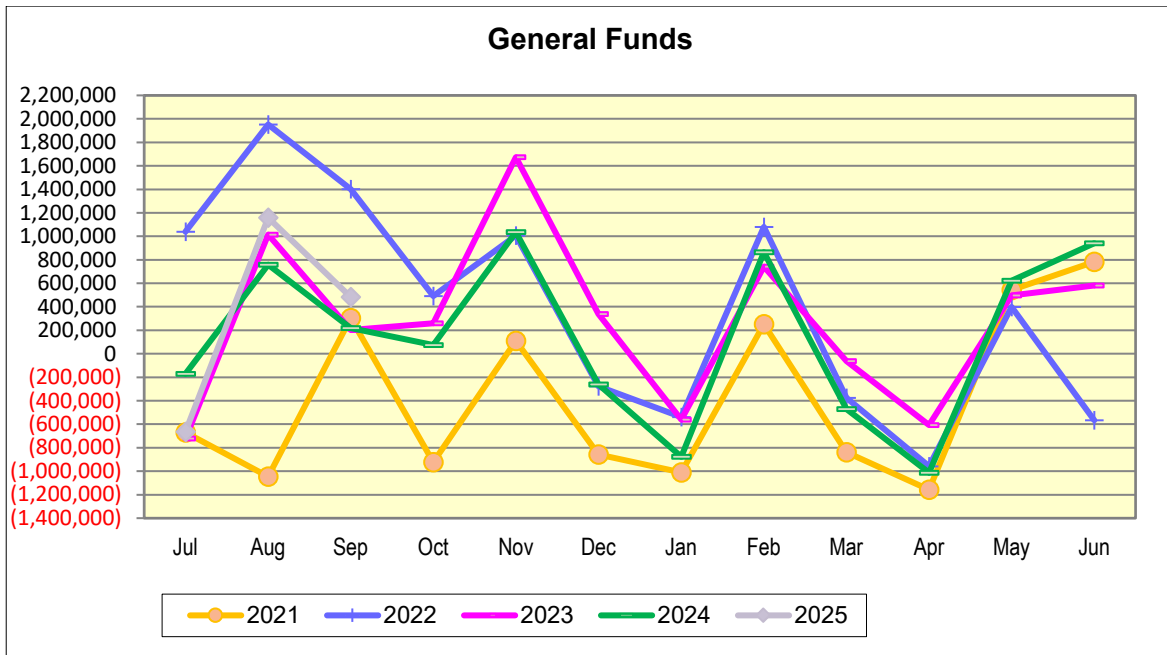
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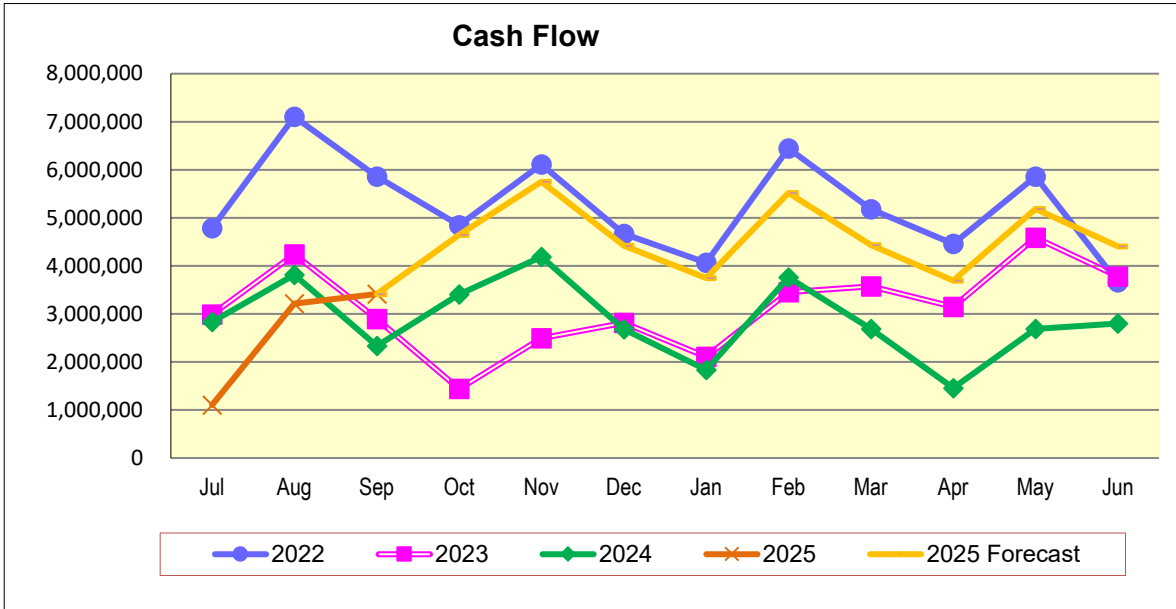
Appendix

Sept 2024 – Financial Data



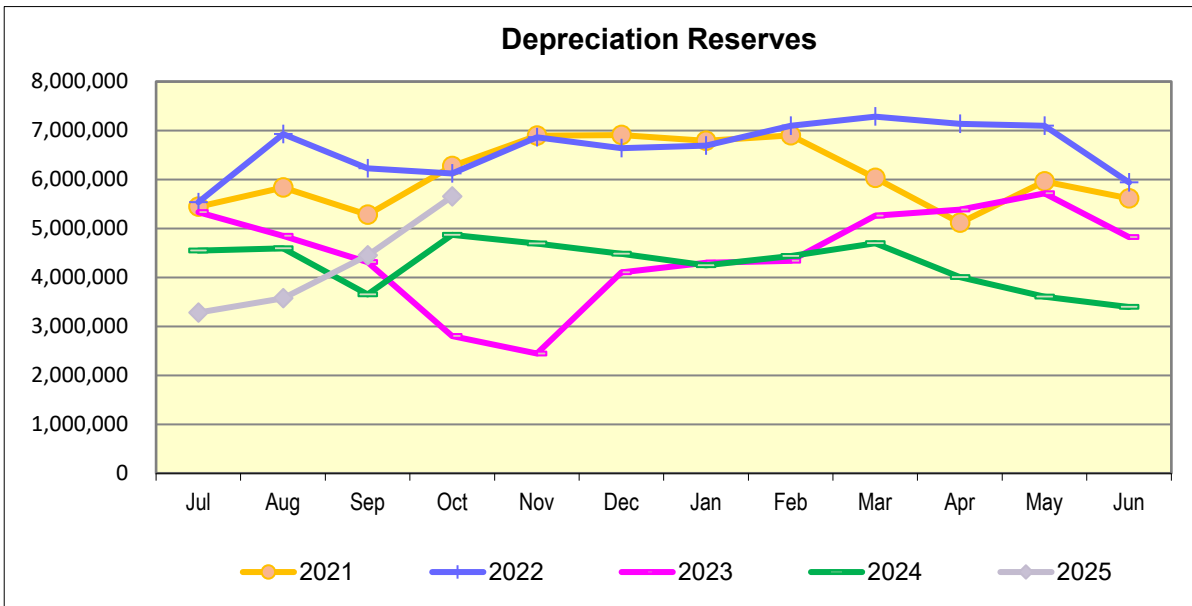
The depreciation reserves funds above includes the loan funding Council has uplifted.



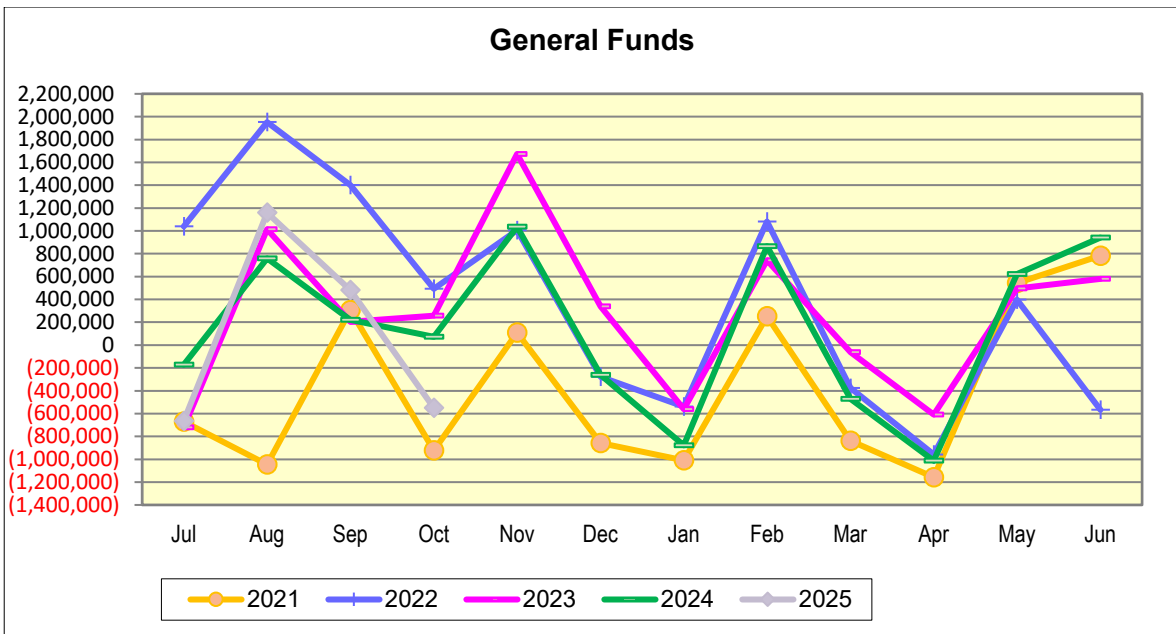


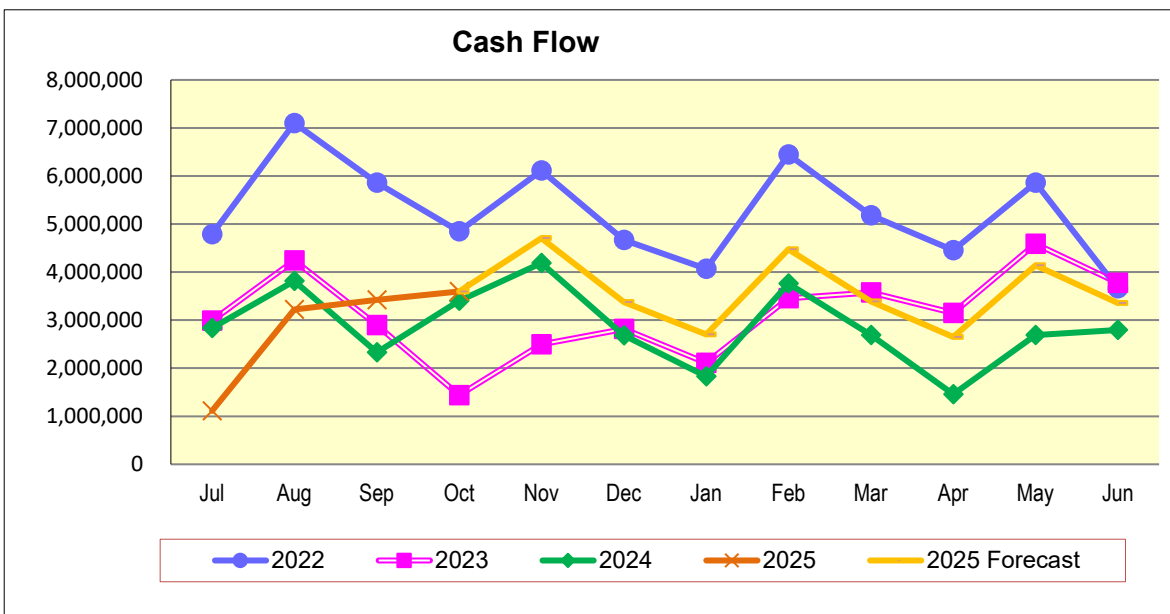
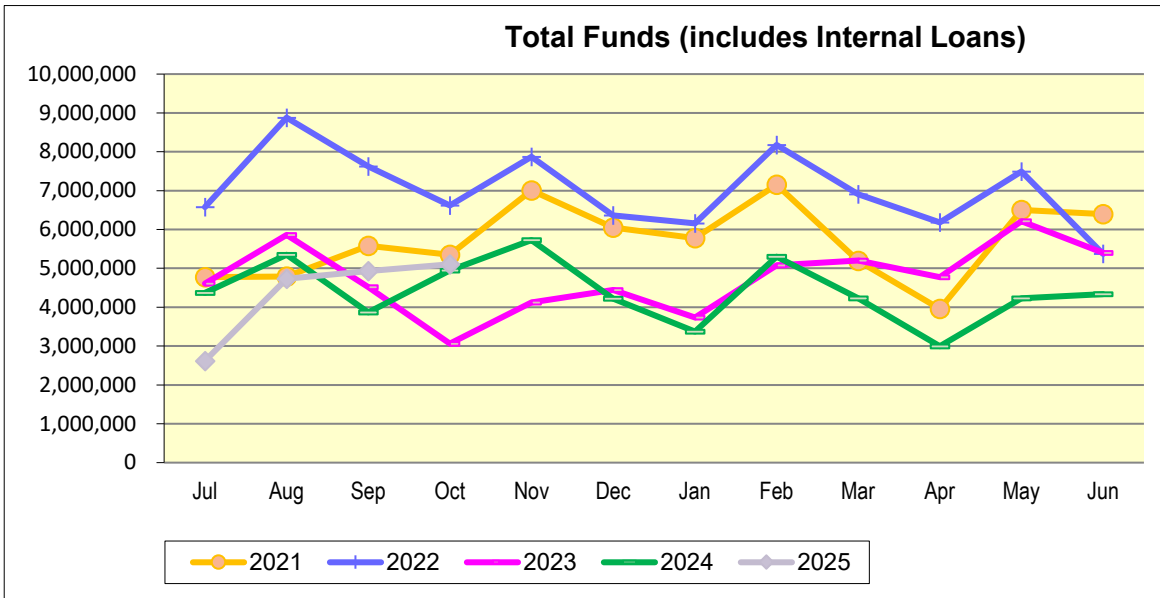
Please note that the 2024/25 actual cashflow is the same as the forecast cashflow for months year to date.

### October 2024 – Financial Data



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





Please note that the 2024/25 actual cashflow is the same as the forecast cashflow for months year to date.

**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** Annual Plan Performance for the three months ended 30 September 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 three months to 30 September 2024 with the Annual Plan for 2024/25.

Comments are provided where expenditure/revenue is likely to vary from budget, or the performance target is unlikely to be achieved for the year. This report was presented to the Council meeting on 27 November 2024.

## 2 Financial Performance

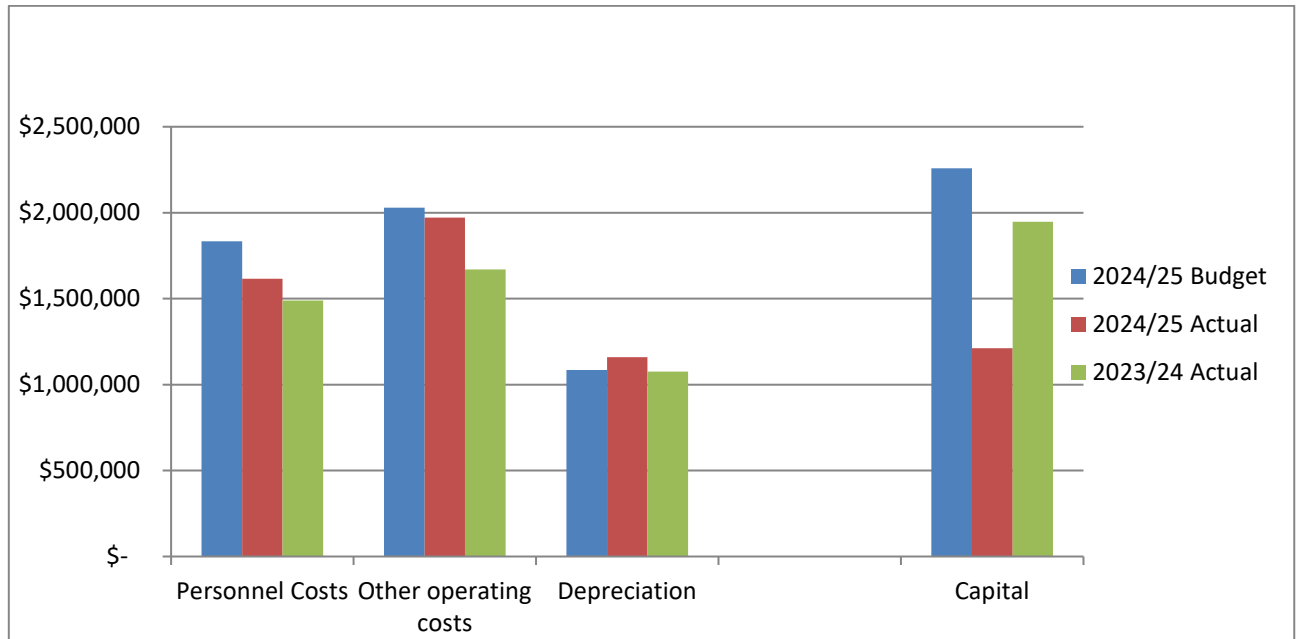
### 2.1 Statement of Comprehensive Revenue and Expense

The following table shows Council's financial performance for the three months compared to the adopted annual budget. The capital budget for 2024/25 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.

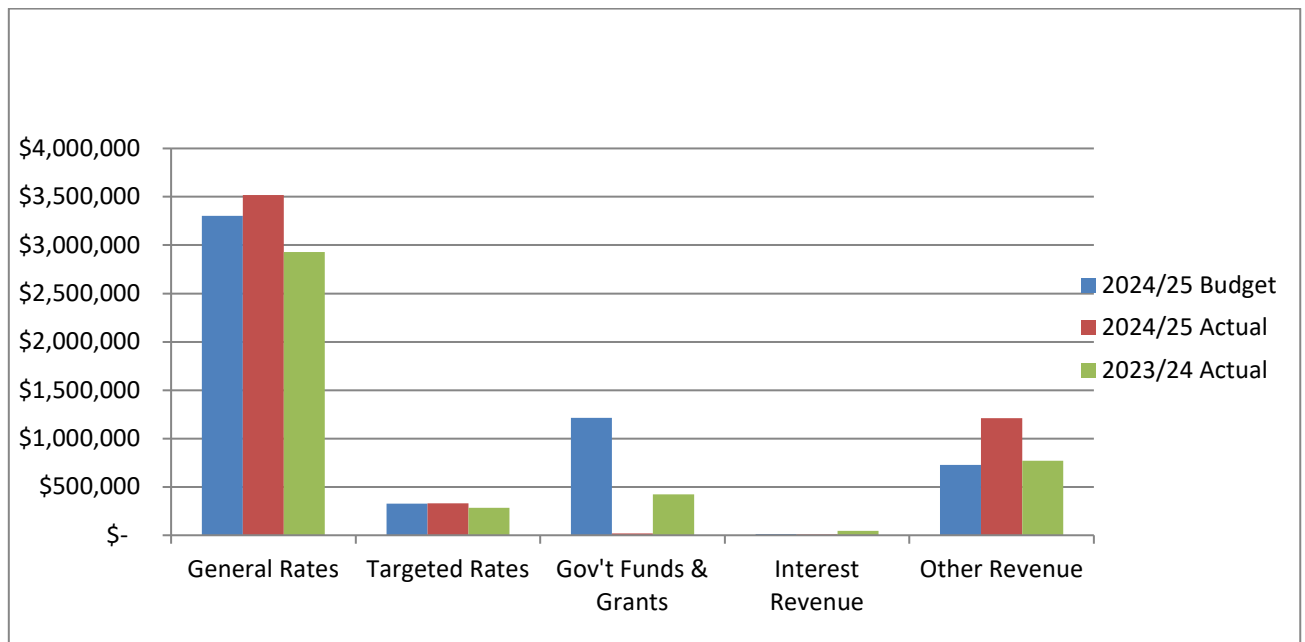
	<b>Adopted Budget</b>	<b>Actual 30-09-2024</b>	<b>Comments</b>
<b>Revenue:</b>	<b>\$</b>	<b>\$</b>	
Rates	14,518,750	3,848,532	
Subsidies and Grants	4,852,850	18,707	Includes Stoneham Park Grant
Interest Revenue	52,000	8,884	
Fees and Charges	2,840,680	1,192,470	
Other Revenue	65,000	18,198	Petrol Tax
<b>Total Revenue</b>	<b>22,329,280</b>	<b>5,086,791</b>	
<b>Expenditure:</b>			
Personnel Costs	7,335,980	1,615,459	
Depreciation	4,338,620	1,160,078	
Finance Costs	350,000	110	
Other Expenses	7,770,210	1,971,812	
<b>Total Expenditure</b>	<b>19,794,810</b>	<b>4,747,459</b>	
<b>Surplus (Deficit)</b>	<b>2,534,470</b>	<b>339,332</b>	
	<b>Revised Budget</b>	<b>Actual 30-09-24</b>	
<b>Capital Expenditure</b>	<b>9,032,139</b>	<b>1,212,552</b>	

Council's expenditure and revenue for the year to date is shown in the graphs below, compared to the budget and expenditure/revenue for last year 2023/24.

### Expenditure to 30 September 2024



### Revenue to 30 September 2024



## 2.2 Statement of Financial Position

The following table shows Council's financial position at 30 September 2024 compared to the budget.

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



	Budget @ 30/6/2025	Actual at 30 September 2024	Comments
<b>Assets:</b>			
<b>Current assets:</b>			
Cash & cash equivalents	\$3,482,150	\$2,945,255	
Receivables	\$2,477,970	\$1,260,471	
Inventories	\$8,742,360	\$2,728,614	Sections, Bell St
<b>Non-current assets:</b>			
Property, plant and equipment	\$129,915,267	\$110,954,140	
Intangible assets	\$106,430	\$90,741	
Other financial assets	\$286,250	\$136,252	
<b>Total Assets</b>	<b>\$145,010,427</b>	<b>\$118,115,473</b>	
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Payables, provisions & employee benefits	\$4,371,777	\$2,711,265	
Resident's Liability	\$8,245,000	\$8,484,617	Porritt Glade
Borrowing	\$17,800	\$8,554	
<b>Non-current liabilities:</b>			
Provisions & employee benefits	\$142,080	\$55,866	
Borrowing	\$6,068,810	\$6,033,982	
Deferred Revenue	\$62,910	\$131,429	
<b>Total Liabilities</b>	<b>\$18,908,377</b>	<b>\$17,425,713</b>	
<b>Ratepayers Equity</b>	<b>\$126,102,050</b>	<b>\$100,689,760</b>	
<b>Total liabilities &amp; ratepayers equity</b>	<b>\$145,010,427</b>	<b>\$118,115,473</b>	

### 2.3 Statement of Cashflow

The cashflow statement shows an increase of \$143,286 in Council's cash position.

	Budget @ 30/6/2025	Actual to 30 Sept 2024	Comments
<b>Cashflow from operating activities:</b>			
Rates	\$14,384,170	\$3,913,432	
Subsidies & Grants	\$4,852,850	\$245,874	
Fees & Charges & Other Revenue	\$2,969,740	\$1,382,172	
Interest Received	\$51,990	\$8,884	
Payments to suppliers and employees	\$(14,859,100)	\$(4,230,166)	
Interest paid on debt	\$(350,000)	\$(110)	
<b>Net cashflow from Operations</b>	<b>\$7,049,650</b>	<b>\$1,320,086</b>	
<b>Net cashflow from investing:</b>			
Disposal of Assets/Contributions ORA	\$0	\$750,000	
Property, Plant & Equipment/Inventory	\$(8,774,680)	\$(1,926,800)	
<b>Net cashflow from investing:</b>	<b>\$(8,774,680)</b>	<b>\$(1,176,800)</b>	
<b>Net cashflow from financing:</b>			
Loans raised	6,000,000	\$0	
Debt repayment	\$(4,017,800)	\$0	
<b>Net cashflow from financing</b>	<b>\$1,982,200</b>	<b>\$0</b>	
<b>Total Net cash inflow/(outflow)</b>	<b>\$257,170</b>	<b>\$143,286</b>	
Opening balance (1/7)	\$3,224,980	\$2,801,969	
<b>Closing cash balance</b>	<b>\$3,482,150</b>	<b>\$2,945,255</b>	

### 3 Capital Expenditure

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

Activity	2024/25 Budget	Actual	Comments
Economic & Community Development	\$12,000	\$0	
Environmental Services	\$596,502	\$0	New Dog Pound
Roading	\$1,822,900	\$12,558	
Stormwater	\$0	\$0	
Water Supply	\$3,579,936	\$1,004,063	Pipe renewals
Wastewater	\$1,829,392	\$12,786	WW pipe renewals
Solid Waste	\$65,000	\$0	
Leisure & Recreation	\$580,049	\$81,752	
Plant, Depot and Office	\$546,360	\$101,393	New plant/vehicles, PCs & office building renewals
<b>Total</b>	<b>\$9,032,139</b>	<b>\$1,212,552</b>	

### 4 Non-Financial Performance

The following is a summary of the non-financial targets performance to date:

Activity	2024/25 No. of Targets	On Target to Achieve 2024/25	2023/24 Achievement Rate
Democracy	3	3	67%
Economic & Community Development	5	4	100%
Environmental Services (excludes N/As)	13	10	45%
Roading (including Footpaths)	7	4	43%
Stormwater	3	3	100%
Water Supply	13	13	77%
Wastewater	7	7	86%
Solid Waste Management	2	2	100%
Leisure and Recreation	13	12	75%
<b>TOTAL</b>	<b>66</b>	<b>58</b>	<b>71%</b>

### 5 RECOMMENDATION

That the report "Annual Plan Performance for the three months ended 30 September 2024" be received.



Lee-Anne Butler, CA, BMS

**Group Manager Finance & Corporate Services**

**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** **Audit and Risk Review Timetable from December 2024 to October 2025**

**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.

The initial 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 at each meeting as a rolling timetable of work to be completed.

## 3 **Proposed Audit and Risk Review Timetable**

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 that can be added to the schedule at any stage.

The dates for the Audit and Risk meetings for 2025, have the June meeting scheduled on the second Monday due to Kings birthday and also the August meeting due to availability of Chair Jones. With the Council Election in October 2025, no audit and risk meeting has been scheduled and the December meeting will be confirmed following the election.

## 4 **RECOMMENDATION**

That the report "Audit and Risk Review Timetable from December 2024 to October 2025" be received.



Lee-Anne Butler, CA, BMS

**Group Manager, Finance & Corporate Services**

## Appendix

## Audit &amp; Risk Committee Meetings and Review Schedule

Topic	Tasks	9 December 2024	10 February 2025	7 April 2025	9 June 2025	11 August 2025	October 2025 (Election)	
<b>Risk management</b>	Insurance renewal plan		Report on current Council insurance policies			Insurance Update Report		
	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	Undertake further reviews as required in line with best practice				
<b>Policy Review</b>	Identification of risks and mitigations for significant projects		Local Water Done Well update, risks and implementation 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				
	Financial policies (Code of Conduct, Gifts Policy, Fraud Policy)		Fraud Risk Assessment	Review/update Council's gift policy.				
	Bylaws and Policies		Update on Council Policies and By-Laws		Update on Council Policies and By-Laws			

Topic	Tasks	9 December 2024	10 February 2025	7 April 2025	9 June 2025	11 August 2025	October 2025 (Election)	
<b>Financial reporting and Annual Report</b>	Treasury Reports	Reports (monthly) monitoring Council's Cash position throughout the year						
	Quarterly financial and non-financial performance	Performance report to 30 September 2024		Performance report to 31 December 2025	Performance report to 31 March 2025			
	Audit Management Report	Final Audit Management Report 2023/24				Report on Interim Audit Management Report - 2025		
	Prepare 2024/25 Annual Report				Timetable for Annual Report			
<b>Annual Plan/LTP amendments</b>	Timetable for the preparation and adoption of AP/LTP amendments	Audit Engagement Letter. Update on LTP Risks & issues	Long Term Plan Progress Report and Strategies	Long Term Plan Progress Report				
<b>Internal Audit</b>	Review and consider provision of internal audit functions			Proposed internal audit programme for Council				
<b>Asset Management Plans</b>	On-going programme to improve the AMPs		Report progress on AMP's and Infrastructure Strategy for 2025-34 Long Term Plan	Report progress on AMP's and Infrastructure Strategy for 2025-34 Long Term Plan				



**Meeting:** Audit and Risk Committee

**Meeting Date:** 9 December 2024

**Subject:** Long Term Plan 2025 – 2034 Update

**File No:** 110555

## 1 **Purpose**

The purpose of this report is to provide the committee with an update on the Long Term Plan 2025-2034 (LTP) and timetable.

## 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 financial year would have been year one of the new 2024 - 2034 Long Term Plan. However, due to the Government reforms on the Three Waters Legislation, 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 an enhanced Annual Plan for 2024/25 and a nine year Long Term Plan 2025 - 2034. The Long Term Plan must be adopted prior to the commencement of the year to which it relates (that is before 1 July 2025).

## 3 **Long Term 2025 – 2034**

For staff the focus and priority is working on the Long Term Plan 2025 - 2034. The following is further information regarding key Long Term Plan work:

### 3.1 **Local Water Done Well**

The three stage process of legislative changes to Local Water Done Well has a significant impact on Council's water services delivery moving forward. Two of the three bills have been enacted with the passing of the Water Services Acts Repeal Act and the Local Government (Water Services Preliminary Arrangements) Act. The third bill, Local Government Water Services Bill is yet to be passed, with planned enactment to be December 2024. This bill aims to establish a new water services system framework.

Council has begun the process of preparing water services delivery plans (WSDP).

The Long Term Plan needs to account for the impacts of the Local Water Done Well legislation, particularly ensuring that both the LTP and water service delivery plans are consistent and include details on the proposed model.

Once the final Bill is passed Council will know the full extent of the impacts, all requirements and timeframes. Staff in the meantime are progressing work on the WSDP's to ensure that the plan can be adopted by 3 September 2025.

### 3.2 Asset Management Plans and Infrastructure Strategy

The work on finalising the Asset Management Plans is well underway. A key consideration with the three waters asset management plans, is the link with the requirements of the Water Service Delivery Plans. It is important that appropriate time is invested to ensure that all documents are consistent and complete, while trying not to double up the workload.

The completion of the Asset Management Plans is the key document that links in with the Infrastructure Strategy, which must also link in and be consistent with the Local Water Done Well requirements, which is pending the enactment of the third bill.

### 3.3 Financial Strategy

The Long Term Plan must include Council's Financial Strategy, which outlines how Council proposes to manage its finances over the next nine years.

The preparation of the initial detailed line item budgets that feed into Council's key overall financial requirements have been completed. The budget is now being reviewed to ensure all items have been captured and if there are any areas where savings can be made. Once the initial budget review is completed, this will be presented to Council for consideration.

The requirements of the Local Water Done Well legislation have a significant impact on the overall budget and financial strategy, particularly for years two and three of the Long Term Plan. With so much interlinking between all the strategies and plans, the financial strategy cannot be completed in isolation, without ensuring all relevant data is correct and consistent. Work continues on the financial strategy and financials.

### 3.4 Rates Review

A key part of the Long Term Plan is determining the overall rates requirement and what rating mechanisms will be used in setting the rates. The triennial revaluation of all properties within the Kawerau District has been completed by Quotable Value (QV) and is now subject to the objection process, which closes on 24 December 2024. Staff are in the process of analysing the impact of the new values on rates requirement for properties.



### 3.5 Summary

The appendix to this report contains the timetable for the preparation and adoption of the Long Term Plan 2025-2034, to ensure that all necessary tasks are completed prior to adoption. With competing priorities for staff resources the Long Term Plan timetable is a living document, adapting to changing timeframes and resource availability.

## 4 **RECOMMENDATION**

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



Lee-Anne Butler, CA, BMS

**Group Manager Finance and Corporate Services**

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## Project Plan for 2025 – 2034 Long-Term Plan

<b>Tasks</b>	<b>Responsible</b>	<b>Completion</b>
<b>Policy &amp; Strategy Reviews</b>		
Investment Policy	GMFCS	Completed
Liability Management Policy	GMFCS	Completed
Significant Forecasting Assumptions	GMFCS	20/01/2025
Revenue and Financing Policy	GMFCS	20/01/2025
Rates Remission & Postponement Policies	GMFCS	20/01/2025
Infrastructure Strategy (30 years)	GMOS/GMFCS	07/02/2025
Financial Strategy	GMFCS	07/02/2025
Financial Contributions Policy	GMRP	12/02/2025
Significance and Engagement Policy	CEM/GMFCS	12/02/2025
Rates Review	GMFCS	12/02/2025
<b>Asset Management Plans</b>		
Roading	GMOS/FA	20/01/2025
Water Supply	GMOS/FA	20/01/2025
Wastewater	GMOS/FA	20/01/2025
Stormwater	GMOS/FA	20/01/2025
Community Facilities & Property	GMOS/FA	20/01/2025
Parks & Reserves	GMOS/FA	20/01/2025
<b>Financials</b>		
Prepare initial Budgets for 2025-2034 LTP	SLT	Completed
Budget Collation and Managers Review	GMFCS/SLT	12/12/2024
Budget Overview	GMFCS	18/12/2024
Rates Impact	GMFCS	12/02/2025
Agree Budget and Rates impact for Community Consultation	GMFCS	26/02/2025
<b>Long Term Plan Preparation &amp; Consultation</b>		
Prepare Performance targets (non-financial)	All Managers	18/12/2024
Pre-Consultation with Community	CEM/GMFCS	1/02/2025 to 14/02/2025
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 26/03/2025

<b>Tasks</b>	<b>Responsible</b>	<b>Completion</b>
Adoption of LTP Statement of Proposal/Draft LTP Document for Consultation	Council	2/04/2025
Special Consultative Consultation Period: Public Meetings/Newsletter/Website/Media	CEM/GMFCS	04/04/2025
Submissions Close		05/05/2025
Advise Submitters wanting to speak	CEM/Admin	8/05/2025
Hear and consider all submissions	Council	14/05/2025
Submission Deliberations	Council	14 & 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