



## **FINANCE, AUDIT AND RISK COMMITTEE**

### **Agenda**

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#### **NOTICE OF MEETING**

An ordinary meeting will be held in the Supper Room, Waihinga Centre, Martinborough, on Wednesday 11 December 2019 at 9:00am. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

#### **MEMBERSHIP OF THE COMMITTEE**

Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Brian Jephson, Brenda West, Ross Vickery and Mayor Alex Beijen.

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#### **Open Section**

- A1.** Apologies
- A2.** Conflicts of interest
- A3.** Public participation  
*As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.*
- A4.** Actions from public participation
- A5.** Extraordinary business
- A6.** Minutes for Receipt: Finance, Audit and Risk Committee  
Minutes of 28 August 2019  
***Proposed Resolution:*** *That the minutes of the Finance, Audit and Risk Committee meeting held on 28 August 2019 are received.*
- A7.** Notices of motion

Pages 1-4

**B. Decision Reports**

- |            |                                            |             |
|------------|--------------------------------------------|-------------|
| <b>B1.</b> | Terms of Reference for review and approval | Pages 5-25  |
| <b>B2.</b> | Amendment to Financial Delegations Policy  | Pages 26-43 |

**C. Information and Verbal Reports from Chief Executive and Staff**

- |            |                                                  |              |
|------------|--------------------------------------------------|--------------|
| <b>C1.</b> | Corporate Services Report                        | Pages 44-72  |
| <b>C2.</b> | Review of Operational and Strategic Risks Report | Pages 73-79  |
| <b>C3.</b> | Audit NZ Audit Report and Management Responses   | Pages 80-102 |



## **FINANCE, AUDIT AND RISK COMMITTEE**

### **Minutes from 28 August 2019**

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**Present:** Councillors Brian Jephson (Chair), Pam Colenso, Colin Wright and Ross Vickery.

**In Attendance:** Mayor Viv Napier, Harry Wilson (Chief Executive Officer), Jennie Mitchell (Group Manager Corporate Support, Suzanne Clark (Committee Advisor) and for part only Bryce Neems (Amenities Manager) and Tim Langley (Roading Manager).

**Conduct of Business:** The meeting was held in the Supper Room, Waihinga Centre, Texas Street, Martinborough and was conducted in public between 9:00am and 10:30am except where expressly noted.

**Also in Attendance:** Christine Webley

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#### **Open Section**

**A1. Apologies**

There were no apologies.

**A2. Conflicts of Interest**

There were no conflicts of interest declared.

**A3. Public Participation**

Ms Webley requested the Committee recommend that Council rescind the resolution approving \$200,000 from the Pain Farm Estate for the Martinborough Playground, pending a full review of the Martinborough Playground tender process. It was hoped an interim arrangement could be made to cover the Playground funding shortfall. Ms Webley could not locate the final design that contractors were working to and noted inconsistencies in design and approvals in the publicly available version. The cost of maintaining the water feature to standard was queried as was the loss of Pain Farm revenue when discharge of Martinborough wastewater to the farm started. Ms Webley requested that Pain Farm be listed as a strategic asset as it was an important part of Council's wastewater strategy.

**A4. Actions from Public Participation**

Ms Webley undertook to forward her notes to members.

**DISCLAIMER**

*Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness*

Cr Colenso reassured Ms Webley that Pain Farm Estate would be reimbursed by Council for any revenue loss as a result of wastewater irrigation and that this was being monitored by Martinborough Community Board.

**A5. Extraordinary Business**

There was no extraordinary business.

**A6. Minutes for Confirmation**

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/29)* that the Finance, Audit and Risk Committee minutes from meeting held 5 June 2019 are a true and correct record.

*(Moved Cr Vickery/Seconded Cr Colenso)*

Carried

**A7. Notices of Motion**

There were no notices of motion.

**B Decision Reports from Chief Executive and Staff**

**B1. Council and Committees Policy Review Report**

Members noted Policy amendments, discussed the purpose, delegations and public visibility of the Tenders Working Party, the reporting hierarchy for the 57 Fitzherbert Street Featherston Subcommittee, the status of the Wairarapa Combined District Plan Working Group, and agreed that the Community Housing Working Party needed a senior officer in attendance at meetings.

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/30):*

1. To receive the Council and Committees (A100) Policy Review Report.

*(Moved Cr Wright/Seconded Cr Colenso)*

Carried

2. To recommend that Council adopt the amended A100 Council and Committees Policy with agreed amendments, noting that it has been amended to reflect the governance structure adopted on the 20 February 2019 and appointments made on 18 March 2019.

*(Moved Cr Wright/Seconded Cr Colenso)*

Carried

3. To recommend to Council that the next review be completed by the end of February 2020.

*(Moved Cr Jephson/Seconded Cr Colenso)*

Carried

4. Action 83: Remove the duplicate Remutaka Hill Road Working Party item from the Council and Committees Policy; J Mitchell

5. Action 84: Discuss with the incoming Mayor corrections for committee structure inconsistencies (e.g. 57 Fitzherbert Street Featherston Subcommittee and the Tenders Working Party in relation to the Procurement of Goods and Services Policy); J Mitchell

6. Action 85: Correct the voting member on the Wairarapa Committee to Cr Wright with Cr Jephson being the alternate in the Council and Committees Policy; J Mitchell

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7. Action 86: Correct paragraph nine of the Council and Committees Policy to reflect working parties and groups will wind-up automatically at the 'end of every triennium' rather than 'at the start of the triennium'; J Mitchell

## **C Information and Verbal Reports from Chief Executive and Staff**

### **C1. NZTA Audit Report**

Mr Langley discussed the NZTA audit findings and work being undertaken with members. Mr Wilson summarised by saying the condition of South Wairarapa rural roads were good and indicative of a well-run roading network.

Mr Langley discussed the urban roading network, town growth, footpaths, and NZTA funding arrangements with members. Additional footpath funding would be channelled towards standardisation, improvement of pedestrian ramps and cleaning.

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/31)* to receive the NZTA Audit Report.

*(Moved Cr Colenso/Seconded Cr Jephson)*

Carried

### **C2. Corporate Service Report**

Ms Mitchell noted an amendment to the report; the proposed Council meeting on the 23 October 19 to adopt the Annual Report will be a workshop to take the new Council through the Annual Report and to answer questions in preparation for approval at a Council meeting on 30 October 19. Members discussed rates arrears, processes put in place in response to the interim audit report, and contractor health and safety audits.

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/32):*

1. To receive the Corporate Services Report.

*(Moved Cr Jephson/Seconded Cr Vickery)*

Carried

2. Action 87: Start a review of the Procurement Policy by the end of February 2020; J Mitchell

3. Action 88: Invite NZ Audit to the elected member workshop on the 23 October 19; J Mitchell

### **C3. Project Summary Report**

Ms Mitchell discussed the lease of Featherston Golf Club land, market readiness of Tararua Junction and 57 Fitzherbert Street Featherston, and establishment of a Service Level Agreement and Key Performance Indicators with Wellington Water after the transition.

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/33):*

1. To receive the Project Summary Report

*(Moved Cr Wright/Seconded Cr Vickery)*

Carried

2. Action 89: Review the project summary report format to include project timeline dates; J Mitchell

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**C4. Action Items Report**

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/34)* to receive the Action Items Report.

*(Moved Cr Jephson/Seconded Cr Colenso)*

Carried

**Public Excluded**

*FINANCE, AUDIT AND RISK RESOLVED (FAR2019/35)* that the public be excluded from the following parts of the proceedings of this meeting, namely:

**D1. Public Excluded Finance, Audit and Risk Committee Minutes from 5 June 2019**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>Report/General Subject Matter</b>	<b>Reason for passing this resolution in relation to the matter</b>	<b>Ground(s) under Section 48(1) for the passing of this Resolution</b>
Public Excluded Finance, Audit and Risk Committee Minutes 5 June	Good reason to withhold exists under section 7(2)(a)	Section 48(1)(a)

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

<b>Reason for passing this resolution in relation to the matter</b>	<b>Ground(s) under Section 48(1) for the passing of this Resolution</b>
a) to protect the privacy of natural persons, including that of deceased natural persons	Section 7(2)(a)

*(Moved Cr Vickery/Seconded Cr Colenso)*

Carried

**Confirmed as a true and correct record**

.....(Chair)

.....(Date)

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# FINANCE, AUDIT AND RISK COMMITTEE

11 DECEMBER 2019

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## AGENDA ITEM B1

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### REVIEW OF FINANCE AUDIT AND RISK TERMS OF REFERENCE

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#### **Purpose of Report**

To present the Finance Audit and Risk Committee Terms of Reference review report.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Finance Audit and Risk Committee (FA&R) Terms of Reference review report.*
2. *Agree the proposed changes to the FA&R Terms of reference including appointment of an independent member (non-voting).*
3. *Agree to recommend to Council that Chris (Kit) Nixon be appointed as the independent member of the FA&R committee for the triennium.*

#### **1. Background**

Officers present the FA&R terms of reference for review by the committee at their first meeting of the triennium. One of the focuses of the new Mayor and Council is to be more transparent with Council's meeting processes.

After discussion between the Mayor, CEO, FA&R Chair and Group Manager Corporate Support it is proposed that Council appoint an independent member of the FA&R committee for the first time.

#### **2. Executive Summary**

This paper explains the process conducted to choose the proposed candidate for independent membership of the FA&R committee and requests FA&R members to endorse this appointment and ask for Council to approve at their next meeting. The preferred candidate is Kit Nixon.

##### **2.1 Process**

Cr Hay (Chair, FA&R Committee) and the Group Manager Corporate Support (GMCS) reviewed a list of eight potential candidates from across the South Wairarapa. Consideration was also given to any perceived bias, availability to attend meetings and read committee papers, and willingness to work in a voluntary capacity.

The FA&R Chair sought advice from Dr Mike Reid, Principal Policy Advisor, Local Government New Zealand (LGNZ) and Harry Wilson, CEO, SWDC regarding the most important criteria for this role. Officer also researched job descriptions (JDs) and person specifications (PSs) used by other local authorities for similar roles.

From this the attached JD and PS were developed (see Appendix 3) .

Dr Reid indicated that many councils appoint external people from outside of the region, but it was felt we had people within our region with the correct skills and availability to assist in this area.

In addition, an external appointee from outside the region would have financial implications which were not budgeted for e.g. travel costs and possibly accommodation.

On that basis the final two candidates met with the GMCS and Cr Hay. Their CV's were also reviewed by the CEO and Mayor Beijen. The CEO and Mayor then met with the preferred candidate.

Finally, the preferred candidate has been asked to attend the first FA&R committee meeting of the triennium to meet the other members of the committee and for them to meet him.

## **2.2 Guidelines from LGNZ**

Having an external appointee not only brings additional skills to the committee that would not normally be available but also brings a degree of independence. The appointment of external people needs to be made by full Council. If it is decided that an external appointment will be made, then consideration must be given to how Council will select its external appointees. While a local chartered accountant may be well known in the community does that person have the appropriate skills in local governance matters?

It is recommended that an external appointee have the following experience:

- financial reporting (which should be emphasised in public entities with more complex financial reporting requirements);
- broad governance experience;
- familiarity with risk management disciplines (identification, evaluation and management);
- understanding of internal control and assurance frameworks;
- a good understanding of the roles of internal and external audit;
- industry or sector expertise;
- the ability to explain technical matters in their field to other members of the audit committee



### **2.3 Preferred Candidate**

The preferred candidate is Chris (Kit) Nixon from Greytown. Although Kit is not a chartered accountant or lawyer as some independent members are, he does have considerable experience in senior management, CEO roles and Directorships. He also spent time working in the local government sector in the Hawkes Bay from 1991 to 2002.

For these reasons, he is considered a suitable candidate for the role and it is recommended that the FA&R committee endorse this recommendation and request Council approves the appointment at their next meeting in February 2020.

### **2.4 Payment for Services**

This is a voluntary position with no payment. There will however be reimbursement (at Inland Revenue Department rates - currently 79 cents per km) for travel to and from meetings. Consideration on whether payment for services needs to be made will be reviewed annually by FA&R Committee. If it is determined this should be a paid position, then budget needs to be provided in the Annual Plan to cover this.

## **3. Appendices**

Appendix 1 – Finance Audit and Risk Committee (FA&R) Terms of Reference

Appendix 2 – Local Government Audit & Risk Management (Philip Jones paper for LGNZ)

Appendix 3 – Proposed Job Description and Person Specification for Independent Member of FA&R

Appendix 4 – Confidentiality agreement – independent member

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed by: Harry Wilson, Chief Executive Officer

**Appendix 1 –  
Finance Audit & Risk Terms of  
reference**



## **FINANCE, AUDIT AND RISK COMMITTEE**

### **TERMS OF REFERENCE**

<b>Reports to:</b>	Council
<b>Chairperson:</b>	Cr Leigh Hay (appointed by the Mayor)
<b>Membership:</b>	Six councillors including the chair
<b>Appointments 19-22:</b>	Cr Leigh Hay, Cr Pam Colenso, Cr Garrick Emms, Cr Brian Jephson, Cr Brenda West and Cr Ross Vickery
<b>Non-voting member:</b>	One external independent member appointed by the Chair in consultation with the Mayor and Chief Executive. The independent member is not a voting member of the Committee.
<b>Meeting Frequency:</b>	Quarterly Extraordinary meetings may be held
<b>Quorum:</b>	Three members (half the members)

#### **1. Purpose**

The purpose of the Finance, Audit and Risk Committee is to provide independent assurance and assistance to the Council on SWDC's risk, control and compliance framework, and its external accountability responsibilities.

#### **2. Delegations**

- To obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- To discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- To request the attendance of any employee, including the Chief Executive, at meetings; and
- To obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at SWDC's expense.

### **3. Membership**

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of SWDC. It is preferable that at least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

### **4. Role and responsibilities**

The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of SWDC rests with the Chief Executive.

#### **4.1 Risk management**

The Committee responsibilities are to:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of SWDC financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of SWDC's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing SWDC's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- review SWDC's fraud control plan and satisfy itself that SWDC has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

#### **4.2 Control framework**

The Committees responsibilities are to:

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls; and

- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

#### **4.3 External accountability**

The Committees responsibilities are to:

- review the financial statements and provide advice to the Council and Chief Executive (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chief Executive and Mayor;
- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in SWDC annual report is consistent with the signed financial statements;
- satisfy itself that SWDC has appropriate mechanisms in place to accurately report legislated service performance information;
- satisfy itself that SWDC has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- satisfy itself that SWDC has a performance management framework that is linked to organisational objectives and outcomes.

#### **4.4 Legislative compliance**

The Committees responsibilities are to:

- determine whether management has appropriately considered legal and compliance risks as part of SWDC's risk assessment and management arrangements; and
- review the effectiveness of the system for monitoring SWDC's compliance with relevant laws, regulations, and associated government policies.

#### **4.5 Internal audit**

The Committees responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- review the internal audit coverage and annual work plan, ensure that the plan is based on SWDC's risk management plan, and recommend approval of the plan by the Council;
- advise the Council on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions;

- review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of the internal auditor's recommendations;
- review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place;

#### **4.6 External audit**

The Committees responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- provide input and feedback on the financial statements and the audit coverage proposed by the external auditor, and provide feedback on the audit services provided;
- review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions: and
- provide advice to the Council and CEO on action taken on significant issues raised in relevant external audit reports and good practice guides.

#### **4.7 Projects**

- Review risk management plans for significant projects.

### **5. Administrative arrangements**

#### **5.1 Meetings**

A special meeting may be held to review SWDC's annual report.

The Committee or members of will meet separately with both the internal and external auditors at least once a year.

#### **5.2 Assessment arrangements**

The chairperson of the Committee, in consultation with the Mayor and CEO, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis unless otherwise determined by the Mayor with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, as determined by the Mayor in discussion with the chairperson of the Committee.

#### **5.3 Review of terms of reference**

At least once every three years, the Committee will review this terms of reference. This review will include consultation with the Council and CEO. Any substantive changes to the terms of reference will be recommended by the Committee and formally approved by the Council.

**Appendix 2 –  
Local Government Audit & Risk  
Management (Philip Jones paper for  
LGNZ)**

# Local Government Audit & Risk Management

Prepared for Local Government New Zealand  
Philip Jones, PJ & Associates







## Biography Philip Jones Principal

Philip Jones has over 20 years of financial experience in the local government sector and brings a wealth of practical experience and knowledge. He is the Principal of PJ & Associates Financial and Asset Management Solutions and has been consulting to a variety of local government related organisations since June 2007 including advising management and governance. Between 1993–2007 Philip was the Chief Financial Officer and Group Manager Revenue and Finance for Western Bay of Plenty District Council (WBOPDC), Tauranga. Prior to joining WBOPDC he was a Business Services & Audit Manager with Coopers & Lybrand (now PricewaterhouseCoopers) in London, Tauranga and Hamilton. He is a respected trainer of elected members through Local Government New Zealand KnowHow courses.

Equip, LGNZ's Centre of Excellence, has developed this guide specifically for the local government sector. The Office of the Auditor General supports this initiative and has been consulted in the preparation of the guide.

< A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region. >

### Local Government Act 2002

This guide provides a brief overview of the purpose, form and function of an audit and risk committee. A template Audit & Risk Report is available by contacting Equip. Taken together this information is designed to offer guidance and support on the establishment, recruitment and initial operation of an audit and risk committee.

Further services are available from Equip to support the on-going operation of an audit and risk committee, also covering wider aspects of financial excellence. For more information please contact the Equip team.

P: 04 924 1200 E: [equip@lgnz.co.nz](mailto:equip@lgnz.co.nz)  
[www.lgnz.co.nz/equip](http://www.lgnz.co.nz/equip)

## Audit and risk management are essential functions of any governance body

An effective audit and risk committee will be based on the following attributes:

- it will have a degree of independence from Council and management which will enable the robust consideration of Council's financial and non-financial risks; and
- the audit and risk committee will consist of both elected and non-elected (external appointee) members who have an enquiring mind and are not afraid to ask the tough questions. The committee will encourage open and effective relationships with external and internal auditors and with management.

## The importance of audit and risk from a governance perspective

The role of elected members is to set direction and context within which the administration can operate, to exercise stewardship of the community's assets for today and the future, and to manage risk, promote transparency and strengthen accountability.

It is the role of governance to ensure the integrity and reliability of financial reporting which are cornerstones of transparency and accountability. Auditing does assist in that process.

In all actions there are risks, financial and non-financial. These risks must be identified, mitigated and then managed. This is the role of management. The role for governance is to gain an assurance that there is a robust process to manage risks appropriately.

< One of the roles of an audit and risk committee is to ensure that debt and investments are correctly managed within appropriate policy limits. >

## Why audit and risk committees are necessary

The Local Government Act 2002 (LGA) requires<sup>1</sup> a local authority to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The LGA also states that a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.

Whenever local government undertakes action to support their intended outcomes, there will always be risk. These risks cannot be avoided but must be identified and managed. The role of an audit and risk committee is to use good governance skills to gain an assurance that the risks have been identified and where possible have been mitigated. An audit and risk committee is the ideal structure to achieve this.

Monitoring of risk management can be an onerous task for some individual Councillors, and while some of these activities can be delegated to the Chief Executive, particularly where these relate to the actions supporting the Council's direction, it is the Council's role to ensure that there are effective controls in place to ensure that the Council meets both legislative requirements and community expectations.



<sup>1</sup> Section 101 (1) Local Government Act 2002.

Audit and risk committees have a valuable contribution to make in improving the governance, performance and accountability of all local authorities. They can play an important role in examining the Council's policies, processes, systems, and controls to improve its financial management.

Large projects or projects that are not part of 'business as usual' can increase the risk to Council. Local authorities have a number of complex and sometimes technically challenging areas to consider. Audit and risk committees<sup>2</sup> provide a process in which those challenging areas can be given due attention by competent people.

It is important the audit and risk committee is not just focused on one area of risk, but considers all Councils risks both financial and non-financial.

As an example of financial risk, a significant number of Councils have debt and investments which can expose them to additional risk if not correctly managed. One of the roles of an audit and risk committee is to ensure that debt and investments are correctly managed within appropriate policy limits.

An audit and risk committee can provide expertise in meeting these requirements by bringing a clarity of purpose by focusing a selected group including existing Councillors on the relevant risks.



## Areas of focus for an audit and risk committee

An audit and risk committee in a local government setting has four key areas of focus:

1. Financial reporting including the following
  - I. long term planning including the financial strategy;
  - II. appropriateness of accounting policies;
  - III. annual report; and
  - IV. internal report (monthly and/or quarterly).
2. Risk management and the system of internal controls
  - I. setting the Council's appetite for risk;
  - II. understanding the key risk areas including likelihood and consequences;
  - III. effectiveness of internal controls; and
  - IV. fraud risk and procurement risk.
3. External audit<sup>3</sup>
  - I. relationship with auditor;
  - II. understanding scope and engagement;
  - III. review significant audit findings/recommendations; and
  - IV. monitor progress on recommendations.
4. Internal audit<sup>4</sup>
  - I. appointment and relationship with internal auditor;
  - II. scope of work; and
  - III. responses to internal audit recommendations.

An audit and risk committee will also be responsible for maintaining and considering its own effectiveness. It must ensure that there are robust processes in place to ensure effective communication with both the full Council and management.

An effective audit and risk committee will ensure that there are adequate internal policies in place that are implemented for compliance with all legislative requirements local authorities face.

## Setting up the audit and risk committee

When deciding to form an audit and risk committee there are a number of considerations that need to be considered by Council. The committee or subcommittee can only be established by the Council.

The first step is to establish the role and responsibility of the audit and risk committee.

Once the roles and responsibilities of the audit and risk committee have been established then the form and function of the committee must be agreed by the full Council. For example, is it a committee reporting directly to Council or is it a subcommittee of the finance committee?

The next step is to select the membership of the committee. Considerations will include the number of elected members and external appointees. Having an external appointee not only brings additional skill to the committee that would not normally be available but also brings a degree of independence. The skills required are set out later in this paper. The appointment of external people needs to be made by full Council.

If it is decided that an external appointee(s) will be made then consideration must be given to how Council will select its external appointees. While a local chartered accountant may be well known in the community does that person have the appropriate skills in local governance matters?

What delegations will be given to the committee? Will they be able to appoint internal<sup>5</sup> auditors without reference to full Council? A sample of delegations are set out later in this paper.

## Managing risk

The management of risk is the process of identifying, mitigating where possible and monitoring all risks whether financial or non-financial. Good risk management also means effective communication with those who are managing and monitoring risks.

Risk management is important in helping managers to achieve objectives by addressing any threats to the achievement of these objectives. It assists in decision-making and in identifying opportunities for continuous improvement. Risk management is integral to public sector management and sound corporate governance and improves accountability for decision-making. Although it is only one of an audit and risk committee's wider functions, effective risk management is a vital responsibility that audit committees should always consider.

Risk management processes need to be ongoing and embedded in the culture. There should be the potential to re-adjust the organisation around performance improvement.

The governance responsibilities with respect to risk management and internal control can be summarised as follows:

- establish a 'tone at the top' that promotes a risk-aware culture;
- set the Council's risk approach;
- be informed as to the measures that management is taking in relation to significant risks;
- ensure that the Council has appropriate processes for identifying, assessing and responding to risks in accordance with the Council's risk approach, and that those processes are operating effectively; and
- ensure that the Council's activities are effectively controlled so that management's risk responses and policies are carried out as planned towards the achievement of the Council's objectives.

While establishing an appropriate 'tone at the top', setting the Council's approach to risk and monitoring the strategic risks facing the Council are responsibilities that is with Council, many of the other responsibilities with respect to risk management and internal control can be delegated to the audit and risk committee.

<sup>2</sup> As authorised by Schedule 7 Local Government Act 2002.

<sup>3</sup> The external auditor is appointed by the Office of the Auditor General, therefore the appointment of the external auditor is not a function of the audit and risk committee.

<sup>4</sup> Internal audit is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.

<sup>5</sup> Internal Auditors.

## Roles and responsibilities

Set out below are some of the items that could be considered as part of a charter for an audit and risk committee:

- satisfying itself about the existence and quality of cost-effective internal control and risk management systems, and the proper application of processes;
- monitoring existing corporate policies and recommending new corporate policies to prohibit unethical, questionable or illegal activities. This also includes a reviewing/monitoring role of the documentation of all policies and procedures;
- monitoring the Council's external and internal audit process;
- engaging with Council's external auditors regarding the external audit work programme and agreeing the terms and arrangements of the external audit;
- reviewing the effectiveness of the annual audit and 10-year plan audit;
- monitoring management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented;
- reviewing the effectiveness of the risk assessment/management policies and processes;
- ensuring the independence of Council's internal audit processes;
- monitoring the delivery of the internal audit work programme; and
- engaging with internal and external auditors on any specific one-off audit assignments.

Councils can ensure the operation of an effective internal audit function by:

1. identifying areas of risk for an internal audit focus;
2. approving and reviewing internal audit work programmes;
3. ensuring that the internal auditor has adequate resources and skills to undertake the work and is not subject to undue management influence; and
4. approving the appointment of the internal auditor<sup>6</sup> and internal audit engagement letter and letter of undertaking.

While often the external auditor will have a relationship with management, it is important that the elected members also have a relationship with the external auditor to build confidence that the auditor can raise issues directly with the elected members, ensuring good accountability.

<sup>6</sup> Only if this is an external appointee, if the internal auditor is an internal employee then there needs to be a protocol allowing the internal auditor to report directly to the audit and risk.

< It's the little details that are vital. Little things make big things happen. >

**Top US basketball coach  
John Wooden**



## Example of skills required for audit and risk committee

For an 'advisory-oriented' audit and risk committee, particular emphasis should be placed on strategy, performance management and associated risk management disciplines.

In determining the composition of the audit and risk committee, the combined experience, skills, and personal qualities of audit and risk committee members is critical. Members should bring:

- the ability to act independently and objectively;
- the ability to ask relevant and pertinent questions, and evaluate the answers;
- the ability to work constructively with management to achieve improvements;
- an appreciation of the public entity's culture and values, and a determination to uphold these;
- a proactive approach to advising the governing body and Chief Executive of matters that require further attention;
- business acumen; and
- appropriate diligence, time, effort and commitment.

It is recommended that an external appointee have the following experience:

- financial reporting (which should be emphasised in public entities with more complex financial reporting requirements);
- broad governance experience;
- familiarity with risk management disciplines (identification, evaluation and management);
- understanding of internal control and assurance frameworks;
- a good understanding of the roles of internal and external audit;
- industry or sector expertise; and
- the ability to explain technical matters in their field to other members of the audit committee.

## Examples of delegations

The audit and risk committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.

In exercising the delegated powers, the audit and risk committee will operate within policies, plans, standards or guidelines that have been established and approved by Council, the overall priorities of Council, the needs of the local communities and the approved budgets for the activity.

The audit and risk committee shall have delegated authority to approve the appointment of the internal auditor of risk management and internal audit programmes, audit engagement letters and letters of undertaking for audit functions and additional services provided by the external auditor.

The audit and risk committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to Council.

The audit and risk committee can recommend to Council:

- adoption, or non-adoption of completed financial and non-financial performance statements;
- governance policies associated with Council's financial, accounting, risk management, compliance and ethics programmes, and internal control functions;
- accounting treatments, changes in generally accepted accounting practice; and
- new accounting and reporting requirements.

The chairperson of the audit and risk committee shall have delegated authority to approve the letter of engagement for the external appointee to the audit and risk committee.

## Power to delegate

The audit and risk committee may not delegate any of its responsibilities, duties or powers.



**We are.**  
**LGNZ.**  
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The  
Centre of  
Excellence

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**Appendix 3–**  
**Proposed Job Description and Person**  
**Specification for Independent Member**  
**of FA&R**



## Job Description Independent Member (non-voting) Finance Audit and Risk Committee

1. To be involved in exercising the functions of the Finance Audit and Risk Committee as stated in the Terms of Reference.
2. To contribute to decisions in accordance with the Terms of Reference.
3. To comply with relevant legislation, delegated authority, confidentiality and any relevant policies and procedures.
4. To ensure that all financial matters including audit (internal and external) are properly and effectively undertaken.
5. To provide expert and independent professional advice to other committee members.
6. To use such personal and professional skills together with such contacts, experience, judgement, integrity and independence to optimise both the short-term and long-term financial performance of SWDC.
7. To exercise reasonable care, diligence and skill taking into account when making decisions or carrying out the responsibilities of the Committee.
8. To foster good working relationships.
9. To avoid situations in which a direct or indirect interest exists that conflicts, or possibly may conflict, with the interests of the Council.
10. To attend all Committee meetings unless prevented by exceptional circumstances.

### **Time Commitments / Expectations**

- Attendance at scheduled committee meetings
  - Minimum of 4 meetings per year (maximum of 2-3 hours duration)
- Preparation for committee meetings
  - Reading of reports
  - Requesting/considering additional information



## Person Specification Independent Member Finance Audit and Risk Committee

### **Essential skills, Knowledge and Experience:**

- Relevant tertiary qualifications and/or work experience in the areas of finance, audit (internal and external), treasury management, health and safety, and risk management.
- Senior management local government experience combined with governance and procurement experience with a range of Local Governments.
- Good knowledge of the relevant legislative and regulatory requirements.
- Able to understand financial reports including understanding of internal control and assurance.
- Good understanding of internal and external audit.
- Familiarity with risk management disciplines (identification, evaluation, mitigation and management).
- Ability to think independently and objectively.
- Ability to make long and short term sound analytical and financial decisions based on all information available.
- Have good business acumen and appropriate diligence, time, effort and commitment.
- Proven ability to foster and maintain good relationships with the CE, other committees, management, staff, internal and external auditors.
- Ability to actively participate as part of the committee and work productively and openly to raise and resolve issues and to achieve results.
- Willingness and the ability to ask relevant and pertinent questions and to evaluate the answers.
- Has a proven track record in terms of high business ethics, sound judgement and common sense.
- Maintains confidentiality.

### **Preferred Skills, Knowledge and Experience:**

CEO of mid - large successful NZ company, Director, Member of The Institute of Directors  
Experience with Local Government.

**Appendix 4 – Confidentiality  
agreement – independent member of  
Finance Audit & Risk**





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## **CONFIDENTIALITY AGREEMENT**

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**BETWEEN:**               **South Wairarapa District Council**  
(hereinafter referred to as "the Council")

**AND:**                   **Christopher (Kit) Nixon**  
(hereinafter referred to as "the Independent Member")

### **1. PURPOSE OF THE AGREEMENT**

- 1.1 The Independent Member (IM) shall act as an independent member of the South Wairarapa District Council Finance Audit and Risk Committee (FA&R) (the Committee).

### **2. TERM OF THE AGREEMENT**

- 2.1. This agreement will commence on *(after Council meeting approval)* and shall remain in force until the local government elections in October 2022, unless terminated earlier in accordance with the provisions of this agreement.
- 2.2. Either party may terminate this agreement at any time during its term, by giving 1 months' written notice of termination to the other party.
- 2.3. In the case of wilful breach, non-observation or non-performance by the im of any provision herein, the Council shall have the immediate right to cancel this agreement.

### **3. PAYMENT**

- 3.1. The role is voluntary and no payment for time will be made to the im.
- 3.2. The IM may be reimbursed for travel to and from FA&R meetings at the current Inland Revenue vehicle mileage rates.

### **4. CONDUCT**

- 4.1. The IM shall conduct their business at all times in accordance with the highest standards of professionalism and behaviour, to maintain the Council's reputation.
- 4.2. The IM shall at all times comply with the Code of Conduct for Council and Community Board Members and other applicable policies and procedures.

## **5. CONFIDENTIALITY**

- 5.1. Commercial and personal information and material regarding the Council's business which the IM comes into contact with is confidential to and the commercial property of the Council.
- 5.2. During this agreement or after the termination of the agreement, the IM will not disclose to any unauthorised person any confidential information relating to the Council's operations acquired by it in the course of exercising its responsibilities under this agreement.
- 5.3. Upon termination of the agreement or at any time at the Council's request, the IM will return to the Council all of the Council's property, including client lists, project specifications and the like.

## **6. CONFLICT OF INTEREST**

- 6.1. During this term of agreement, the IM shall not enter into any other contract for services, contract of employment or business interest which may conflict with their obligations under this agreement without the Council's express prior written agreement.

## **7. COPYRIGHT**

- 7.1. Unless the Council otherwise directs in writing, the Council shall have the title to and ownership of any copyright in all papers, submissions, ideas, suggestions and other materials and things which are expressly developed, prepared, submitted or brought into existence by the IM for or in connection with the IM's performance of this agreement.

## **8. HEALTH AND SAFETY**

- 8.1. The IM agrees to comply with any health and safety requirements of the Council, the Health and Safety at Work Act 2015 and the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016 while providing services to the Council both on and off the Council's premises.
- 8.2. The IM agrees to take all reasonable steps to ensure the safety of themselves and any other person on the Council's premises. All hazards identified by the IM must be reported to the Council so that appropriate action may be taken.

**SIGNED:**

**DATE:**

**Harry Wilson, CEO  
South Wairarapa District Council**

**SIGNED:**

**Christopher Nixon, Independent Member  
SWDC Finance Audit & Risk Committee**

**DATE:**



**DRAFT**

# FINANCE, AUDIT AND RISK COMMITTEE

11 DECEMBER 2019

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## AGENDA ITEM B2

### AMENDMENTS TO FINANCIAL DELEGATIONS POLICY O200

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#### **Purpose of Report**

To seek Finance Audit & Risk Committee (FA&R) approval of the proposed changes to Policy O200 Financial Delegations.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the Amendment to Financial Delegations Policy O200 Report.*
2. *Recommend Council approve the changes to Policy O200 Financial Delegations.*

#### **1. Executive Summary**

Council approved minor changes to the O200 Financial Delegations Policy in August 2019 incorporating changes relating to the combined roading contract with Carterton District Council (CDC). Due to further structural changes resulting in the new role of Group Manage Partnerships and Operations and the recent shareholding with Wellington Water Limited (WWL), officers have reviewed and updated the Policy for changes in titles and reviewed some delegation levels.

#### **2. Background**

Council approved changes to the O200 Financial Delegations Policy at the 7 August 2019 meeting.

Amendments are now being proposed to cover recent changes to job titles, the shareholding in WWL, and a number of other small changes.

#### **3. Discussion**

Attached at Appendix 1 is the revised Financial Delegations Policy which shows the proposed amendments as tracked changes.

Amendments include:

- Changes to job titles since the last review
- Addition of the Communications and Human Resources Manager roles to the delegations

- Addition wording regarding the WWL statutory powers due to SWDC becoming a shareholder.
- Deletion of the Assets and Operations Managers (AOM) role due to this function now being carried out by WWL.
- Addition of the Human Resources Manager (HRM) as a signatory on SWDC bank accounts due to removal of the AOM role.
- Changes to of the delegation levels for Capital expenditure – emergency works from up to \$10,000 to up to \$50,000. This is a result of feedback from Audit New Zealand, that some of the financial delegations were too low.
- Financial delegations for stock write offs changed from requiring the CEO to approve to any two of the Group Manager Corporate Support (GMCS), Finance Manager (FM) and Group Manager Partnerships and Operations (GMPO).
- Financial delegations for water use waivers changed from requiring the CEO to approve to any two of the Group Manager Corporate Support (GMCS), Finance Manager (FM) and Group Manager Partnerships and Operations (GMPO). The water waiver policy is attached at Appendix 2 for information for those committee members not familiar with the policy.

These increases in delegation levels are in response to Audit NZ recommendations from recent Audit reports as follows:

### **3.1 Low delegation levels**

**We continue to recommend** the District Council review the Delegations Policy and take into account that some areas of operation have inherently higher levels of expenditure than others and it may be practical to have higher delegations within these areas.

The review of the Financial Delegations Policy is now presented to FA&R for their review and recommendation to Council for their review and approval.

## **4. Appendices**

Appendix 1 – O200 Financial Delegations Policy

Appendix 2 – N1100 Water by meter water leak write off policy

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed By: Harry Wilson, Chief Executive Officer

# **Appendix 1 – O200 Financial Delegations Policy**



## **Financial Delegations Policy**

### **1. Introduction**

The South Wairarapa District Council (SWDC) Financial Delegations Policy sets out the delegations to the Chief Executive and staff of SWDC.

### **2. Financial Delegations**

2.1 Council's authority to delegate to Officers comes from Schedule 7 Clause 32 of the Local Government Act 2002.

2.2 The matters Council cannot delegate are also listed in Clause 32 as follows:

- a. the power to make a rate; or
- b. the power to make a bylaw; or
- c. the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or
- d. the power to adopt a long-term plan, annual plan, or annual report; or
- e. the power to appoint a chief executive; or
- f. the power to adopt policies required to be adopted and consulted on under the Act in association with the long-term plan or developed for the purpose of the local governance statement; or
- g. the power to adopt a remuneration and employment policy.

2.3 Schedule 7 Clause 32(7) also states:

To avoid doubt, no delegation relieves the local authority, member, or officer of the liability or legal responsibility to perform or ensure performance of any function or duty.

The following section outlines financial delegations for the Chief Executive and sub-delegations to staff to approve transactions in a financial capacity.

#### **2.4 Delegation of authority and authority limits**

SWDC has specific responsibilities with regard to financial delegations of authority and authority limits.

#### **2.5 Expenditure Delegations**

The Chief Executive has a schedule of staff who have expenditure delegations. The schedule can be found in Appendix 1 of this policy.

**All delegations are for expenditure that has been budgeted for in the Annual Plan (AP) or the Long Term Plan (LTP).**

Once every three years, Council prepares an LTP, in the other two years an AP is prepared. References to delegations for the LTP in this policy relate to expenditure that has been budgeted for in the **first year of the Long Term Plan** (LTP).

**Any expenditure above approved Annual Plan or the Long Term Plan amounts must be authorised by the CEO.**

All transactions must comply with the Procuring Goods & Services Policy (M500).

2.6 The Chief Executive sub-delegates the authority to raise purchase orders and authorise invoices for payment to a maximum of \$100,000 to:

- Group Manager Planning and Environment (GMPE)
- Group Manager ~~Infrastructure and Services~~ Partnerships and Operations (GMPOIS) and
- Group Manager Corporate Support (GMCS)

2.7 The Group Managers may further sub-delegate the authority to raise purchase orders and authorise invoices for payment as per the table in Appendix 1:

- Building Team Manager
- Environmental Services Manager
- Roading Manager
- Amenities Manager
- Asset & Operations Manager
- Finance Manager
- Planning Manager
- Communications Manager
- Human Resources Manager

2.8 The Amenities Manager sub-delegates to the Branch Librarians at Featherston, Greytown and Martinborough Libraries, the authority to purchase books for their Library to the value of \$1,000 per transaction. These purchases are Capital Expenditure.

2.9 The Chief Executive delegates to the Featherston, Greytown and Martinborough Community Boards and the Maori Standing Committee annual budgets for Operational expenditure for them to use as appropriate. The Community Boards are also delegated Capital expenditure for them to use as appropriate. Purchase orders and Invoices for Community Board (CB) and Maori Standing Committee (MSC) expenditure will be approved by the Finance Manager (FM) or Group Manager Corporate Support (GMCS) based on resolutions from CB and MSC meetings.

2.10 **Delegation Form and Specimen Signatures**

All new Managers commencing in roles with Financial Delegation will complete and sign a Delegation form. This form provides a specimen signature for the Finance team and auditors. Originals of these forms will be held by the Accounts Payable Officer.

Temporary delegation forms will be completed where a person has been asked to "Act" in a role for a period of more than one week while the incumbent is on leave.



If a delegation form has not been completed then all expenditure will need to be authorised by the Manager one up from the person who is absent. For example, the CEO will sign on behalf of the GM Planning & Environment, the GMPE will sign on behalf of the Building Team Manager etc.

The Delegation form is attached as Appendix 3 of this policy.

## 2.11 Financial Management

The Chief Executive has delegated authorisation to manage SWDC finances within the Council approved annual budget. This includes:

- Opening and operating accounts with the Council's selected bankers as necessary for the conduct of Council business
- Reviewing the services provided by the selected banker, opening and operating accounts with, and accepting banking services from, other registered banks (if and when required)
- Investing Council funds in accordance with investment policies, strategies, limits and security requirements
- Monitoring the circumstances of approved institutions and reporting back to Council should they be, or appear likely to be required to be, excluded from use for investment purposes

The Chief Executive can sub-delegate any of these authorities to the Group Manager Corporate Support.

## 2.12 Contracts

The Chief Executive is delegated authority to enter, sign, go to market, and vary contracts for the supply of goods or services on behalf of the Council to the value of \$500,000 that have been budgeted for in the Annual Plan or Long Term Plan.

The Chief Executive has delegated authority to enter, sign, and go to market for programmed infrastructure renewal and maintenance contracts (\$500,000 or more) that have been budgeted for in the Annual Plan or Long Term Plan.

2.13 The Chief Executive sub-delegates the authority to enter, sign, go to market and vary contracts to a maximum of \$100,000 to:

- Group Manager Planning and Environment
- Group Manager ~~Infrastructure and Services~~ Partnerships and Operations and
- Group Manager Corporate Support

2.14 All delegations in this clause are for expenditure that is budgeted for in the Annual Plan or Long Term Plan. Any expenditure above approved Annual Plan amounts must be authorised by the CEO. All transactions must comply with the Procuring Goods & Services Policy (M500).

See Appendix 1 for further detail on the financial delegation limits for various transactions.

## 2.15 Ruamahanga Roads

From 1 July 2019, South Wairarapa District Council (SWDC) and Carterton District Council (CDC) have entered into a joint contract to provide roading maintenance and capital works as part of a joint network covering the roads in both districts. The two roading teams will work as one to deliver this contract via the lead contractor Fulton Hogan. On a day to day basis, the SWDC Rooding Manager may authorise roading works to occur within the Carterton District. Likewise, the CDC Senior Rooding Officer may authorise roading works to be done in the South Wairarapa District. Delegated authority is given to these two positions up to \$75,000 for work covered by the joint contract. Anything over the delegated amount, or which is not covered by the joint contract, will be approved in line with normal delegation policies for each respective council. Clear records will be kept to ensure that expenditure on roading in one district is paid for by that district and that claims from NZTA for that district are received by that district. The purpose of this delegation is to ensure the smooth running of the roading shared service between SWDC and CDC known as Ruamahanga Roads.

## **2.16 Wellington Water Limited**

On 1 October 2019, SWDC became a shareholder of Wellington Water Limited (WWL). This means that WWL carries out the day to day operating of SWDC's three waters networks. As part of this relationship the Service Level Agreement (SLA) with WWL provides for the following statutory powers to be delegated to WWL to enable them to manage the three waters networks

### **Exercise of Statutory Powers**

1.1 Council by this agreement appoints the Chief Executive Officer of Wellington Water (CEO) as its officer and gives the CEO the following powers to exercise on the Council's behalf:

1.1.1 the general powers of entry given to a local authority by section 171 of the LGA 2002;

1.1.2 the powers given to a local authority in an emergency or where there is danger, by section 173 of the LGA 2002, provided Wellington Water notifies Council of the event as soon as possible; and

1.1.3 the powers in relation to construction of works on private land given to a local authority by section 181 of the LGA 2002.

1.2 Council (acting through its Chief Executive) shall delegate to Wellington Water and Wellington Water Personnel such further Statutory Powers as are necessary to enable Wellington Water to provide the Management Services.

1.3 The CEO may, subject to the terms of any delegation, delegate any of the powers set out in clause 1.1 and 1.4 to Wellington Water Personnel, other than the power to further delegate the power.

1.4 Council may, by separate written delegation, delegate additional powers to the CEO.

1.5 Council may from time to time issue initial or additional sealed warrants to Wellington Water Personnel identified by Wellington Water as suitable to hold a warrant as are required to enable Wellington Water to provide the Management Services.

### 2.1.67 **Payment Authorisation**

The Chief Executive or Manager responsible for an operational area may authorise payments for goods and services, provided these have been purchased in accordance with Council policy.

Any two of the following signatories must sign together to operate the Council's accounts, endorse cheques or other lodgements for credit or debit:

- Chief Executive
- Group Manager Planning and Environment
- Group Manager ~~Infrastructure and Services~~ Partnerships and Operations and
- Group Manager Corporate Support
- Finance Manager
- ~~Roading~~ Roading Manager
- Human Resources Manager
- ~~Assets and Operations Manager~~

All electronic funds transfers must be authorised by designated signatories, one of whom must include the Group Manager Corporate Support or the Finance Manager.

## 3. **Chief Executive Delegations**

Under section 42 (2) of the Local Government Act 2002, the Chief Executive has delegated authority and responsibility for:

- Implementing the decisions of the local authority;
- Providing advice to members of the local authority;
- Ensuring that all responsibilities, duties, and powers delegated to any person employed by SWDC, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised;
- Ensuring the effective and efficient management of the activities of SWDC;
- Maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority;
- Providing leadership for the staff of SWDC;
- Employing the staff of SWDC; and
- Negotiating the terms or employment of the staff of SWDC.

### 3.1 **Staffing Matters**

All SWDC staff are employed by the Chief Executive.

### 3.2 **Planning Documents**

The Chief Executive has delegated authority to implement any proposal or matter included in a Long-Term Plan or Annual Plan that has been adopted by Council.

### 3.3 **Delegation to facilitate Council borrowing generally**

The Chief Executive has delegated authority to facilitate Council borrowing with recognised banking institutions including the Local Government Funding Authority (LGFA).

### 3.4 **Delegation to the Chief Executive under Local Government Official Information and Meetings Act 1987**

The Chief Executive has authority under the Local Government Official Information and Meetings Act 1987, to determine:

- Whether a request for information is to be refused; and/or
- Whether a charge is to be imposed
- Whether a request for information should be transferred.

### 3.5 **Civil Defence Emergency Management**

The Chief Executive has delegated authority for undertaking planning, operational and co-ordination measures to ensure effective and efficient use of resources before and during a state of civil defence emergency, including an overview of the Council's participation in the civil Defence Emergency Management Group.

The GMISPO is the Response Manager in the event of a declared emergency.

The GMCs is the Recovery Manager in the event of a declared emergency.

The Mayor has the authority to declare a civil emergency for the district if necessary.

## 4. **Affixing the Common Seal**

Any two of the following are authorised to execute documents under seal:

- Heris Worship the Mayor
- Deputy Mayor
- Chief Executive

## 5. **Finance Department Delegations**

The Finance function of SWDC is responsible for financial and accounting management, revenue and rates, internal audit, as well as internal IT systems.

### 5.1 **Fees and Charges**

The Chief Executive sub-delegates to the Group Manager ~~Infrastructure and Services~~Partnerships and Operations, the Group Manager Planning and Environment and the Group Manager Corporate Services authority to determine fees and charges for any of the Council's facilities and services and vary any of the fees and charges on reasonable grounds. Where fees for services are required to be consulted upon with ratepayers (e.g. Resource Management Act), the relevant Group Manager will make recommendations and approval will be granted by Council once the consultation process has been completed.

### 5.2 **Debts**

The Chief Executive sub-delegates to the Group Manager Corporate Support (GMCS) authority to write-off bad debts as considered appropriate, subject to all reasonable steps having been taken to obtain recovery. The Chief Executive or GMCS will report to the Finance Audit and Risk Committee any write-offs of rates debts and sundry debtor accounts over the value of \$5,000 for any one ratepayer or debtor.

### 5.3 **Rates**

Under Section 132 of the Local Government (Rating) Act (2002) the Council delegates the exercise of functions, powers or duties conferred by this Act, to the Chief Executive, the Group Manager Corporate Support and the Finance Manager. This delegation is specific to the administration of rates collection, rates rebate eligibility, rates remissions, postponement and relief from paying rates.

**Appendix 1**  
**South Wairarapa District Council - Delegations Schedule**

Financial delegation	Council	CEO	Group Manager	Managers	Other	
<b>Planned operating expenditure within a Contract for Service</b>						
\$0 to \$10,000		√	√		Finance Manager	
\$10,001 to \$20,000		√	√	√	Roading Manager <del>Assets &amp; Operations Manager</del> Amenities Manager	
\$20,001 to \$75,000		√	√		Roading Manager with regard to Ruamahanga Roads contract	
\$75,001 to \$100,000		√	√			
\$100,001 to \$500,000		√				
Over \$500,000	√				<del>CEO &amp; Mayor</del>	
<b>Other Planned operating expenditure</b>						
\$0 to \$100		√	√	√	Branch Librarians	
\$101 to \$3,000		√	√	√	All Managers	
\$3,001 to \$10,000		√	√		Finance Manager, Amenities Manager, Roothing Manager, <del>Assets &amp; Operations Manager</del>	
\$10,001 to \$75,000		√	√		Roothing Manager with regard to Ruamahanga Roads contract	
\$75,001 to \$100,000		√	√			
Over \$100,000		√				
<b>Planned capital expenditure</b>						
Up to \$1,000		√	√	√	Branch Librarians	
\$1,001 to \$3,000		√	√		Finance Manager, <del>Communications Manager</del>	
\$3,001 to \$10,000		√	√	√	Finance Manager, Amenities Manager, Roothing Manager, <del>Assets &amp; Operations Manager</del>	
\$10,001 to \$75,000		√	√		Roothing Manager with regard to Ruamahanga Roads contract	
\$75,001 to \$100,000		√	√			
\$100,001 to \$500,000		√				

Financial delegation	Council	CEO	Group Manager	Managers	Other	
Over \$500,000	√					
<b>Unplanned expenditure</b>						
Capital expenditure – emergency works up to \$10,000		√				
Unplanned other work over \$10,000	√					
<b>Signing authority</b>						
For payment of expenditure and payroll by cheque or electronic transfer. Two signatures, one must be a Group Manager or CEO.		√	√		Finance Manager Rooding Manager <del>Assets &amp; Operations Manager</del>	
<b>Sale/disposal of obsolete, surplus or non-repairable fixed assets</b>						
Land and buildings	√					
Vehicles		√				
Plant and equipment up to \$2,000 net book value		√	√			
Plant and equipment over \$2,000 net book value		√				
Computer equipment		√	√			
Sale or disposal of library books					Branch Librarians, Amenities Manager	
<b>Stock</b>						
Sale of surplus/obsolete or damaged stock		√	√			
Write off stock		✗	√ In consultation with <u>GMCES</u>	<u>Finance Manager</u>	<u>Two to review and approve</u>	
<b>Transfer/Investment of Reserve Funds</b>						
Transfer and payments – approved within the Annual Plan		√	Group Manager Corporate Support			

Financial delegation	Council	CEO	Group Manager	Managers	Other	
Transfer funds between Council's bank accounts		√	Group Manager Corporate Support		Finance Manager	
Invest surplus funds (within Policy)		√	Group Manager Corporate Support		Finance Manager	
<b>Debtors</b>						
Write off debts up to \$5,000		√	Group Manager Corporate Support			
Write off debts excluding rates \$5,001 to \$10,000		√				
Write off debts over \$10,000					Finance, Audit & Risk	
Write off additional water usage accounts up to \$1,000 (in line with water leaks policy)		√	Group Manager Corporate Support  Group Manager <u>Infrastructure</u> <u>Partnerships &amp; Operations</u> <u>Service</u> s	<u>Assets &amp; Operations</u> <u>Finance</u> Manager	<u>Both Two</u> to review and approve	
Write off additional water usage accounts over \$1,000 (in line with water leaks policy)		√	Group Manager Corporate Support  Group Manager <u>Partnerships &amp; Operations</u> <u>Infrastructure &amp; Services</u>	<u>Assets &amp; Operations</u> <u>Finance</u> Manager	<u>Both Two</u> to review and approve	
Rates penalty remission within Policy		√	Group Manager Corporate Support	Finance Manager		
Rates penalty remission outside Policy		√	Group Manager Corporate Support			



## Appendix 2

### South Wairarapa District Council - Schedule of Delegations by Cost centre

The following schedule indicates which Managers have the ability to authorise expenditure on which cost centres (please see Key on following page for explanation of Roles). The CEO can authorise expenditure for any Cost centre.

Cost centre	Cost centre Name	Roles that can sign for this Cost centre*
001	General	GMCS, FM
002	Corporate <del>Services</del> <u>support</u>	GMCS, FM
	<u>Communications</u>	<u>CM**</u>
	<u>Human Resources &amp; Health and Safety</u>	<u>HRM**</u>
003	Professional Services	<del>GMIS</del> , <u>PO</u>
105	Elected Members	GMCS, FM
106	Community Board Featherston	<del>FCBF</del> , GMCS, FM
107	Community Board Greytown	<del>GCBG</del> , GMCS, FM
108	Community Board Martinborough	<del>MCBM</del> , GMCS, FM
109	Maori Standing Committee	MSC, GMCS, FM
211	Public Protection & Health	GMPE, ESM
212	Building & Construction	GMPE, BM
213	Animal Control	GMPE, ESM
215	Emergency Management	<del>GMIS</del> <u>PO</u>
319	Resource Management	GMPE, PM
425	Economic, Cultural & Community Development	GMCS, FM Grants per Annual plan/LTP
426	Community Wellbeing	GMCS, FM
530	Parks & Reserves	AM, <del>GMIS</del> <u>PO</u>
532	Campgrounds	AM, <del>GM</del> <u>POIS</u>
536	Swimming Pools	AM, <del>GM</del> <u>POIS</u>
540	Library Featherston	LF, AM, <del>GMIS</del> <u>PO</u>
541	Library Greytown	LG, AM, <del>GM</del> <u>POIS</u>
542	Library Martinborough	LM, AM, <del>GM</del> <u>POIS</u>
546	Community Buildings	AM, <del>GM</del> <u>POIS</u>
547	Greytown Town Centre	AM, <del>GM</del> <u>POIS</u>
548	Waiinga Centre	AM, <del>GM</del> <u>POIS</u>
552	Cemeteries	AM, <del>GM</del> <u>POIS</u>
554	Housing	AM, <del>GM</del> <u>POIS</u>
557	Rental Properties	AM, <del>GM</del> <u>POIS</u>
558	Pain Farm	AM, <del>GM</del> <u>POIS</u>
559	Toilets	AM, <del>GM</del> <u>POIS</u>
660	Land Transport	<del>GM</del> <u>POIS</u> , RM
665	Unsubsidised Land Transport	<del>GM</del> <u>POIS</u> , RM
770	Water Supply	<del>GM</del> <u>POIS</u> , <del>AOM</del>
876	Solid Waste Management	<del>GM</del> <u>POIS</u> ,

977	Wastewater	GM <del>POIS</del> , <del>AOM</del>
980	Stormwater	GM <del>POIS</del> , <del>AOM</del>

* Key to Roles	
AM	Amenities Manager
<del>AOM</del>	<del>Asset &amp; Operations Manager</del>
BM	Building Manager
<del>CM</del>	<del>Communications Manager</del>
<del>FCBF</del>	Featherston Community Board
<del>GCBG</del>	Greytown Community Board
<del>MCBM</del>	Martinborough Community Board
CEO	Chief Executive Officer
ESM	Environmental Services Manager
FM	Finance Manager
GMCS	Group Manager Corporate Support
<del>GMPOIS</del>	Group Manager <del>Infrastructure Partnerships &amp; Operations Services</del>
GMPE	Group Manager Planning & Environment
<del>HRM</del>	<del>Human Resources Manager</del>
LF	Librarian - Featherston
LG	Librarian - Greytown
LM	Librarian - Martinborough
RM	Roading Manager
PM	Planning Manager

\*\* The Communications Manager and Human Resources Manager have delegation to approve appropriate costs in other cost centres. E.g. reprinting of new brochures (CM), advertising for new staff (HRM) as well as delegation for their own cost centre budgets.

Appendix 3

**South Wairarapa District Council Delegation Form**

To be completed when new Managers appointed at SWDC.

I agree to abide by all South Wairarapa District Council policies with regard to incurring expenditure and to stay within my delegation limit when exercising this delegation. I have read and understood the Financial Delegations Policy and agree to abide by the delegations appropriate to my role as outlined in Appendices 1 and 2 of the Financial Delegations Policy:

Name of employee: \_\_\_\_\_ whilst performing the Role of:

\_\_\_\_\_

Date Delegation commences \_\_\_\_\_

Date Delegation ceases (for temporary delegations) \_\_\_\_\_

**Signed by the Delegatee:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Initials)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date signed: \_\_\_\_\_

**Witnessed by:**

\_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date signed: \_\_\_\_\_

## **Appendix 2 – N1100 Water by meter water leak write off policy**



# **WATER BY METER LEAK WRITE-OFF POLICY**

## **1. Rationale**

To provide for write-off of water by meter usage charges where genuine reasons exist to do so.

To encourage reduction in water usage through prudent application of policies.

## **2. Purpose**

- To set out fair procedures for the write-off of water by meter charges where a leak has been detected.
- To reduce overall consumption through identification and repair of leaks.
- To recognise genuine and real hardship.

## **3. Guidelines**

1. Current owners will be allowed one write-off under this policy per financial year.
2. The write-off will only apply where the leak identified is of such magnitude that usage will exceed the allowance set in any year. For example, a slowly dripping tap is unlikely to result in excess usage.
3. A copy of the invoice for repair is supplied. Again the nature of the repair must indicate that excess usage is likely.
4. Meter readers will be issuing notices where they suspect excess usage, at the time they read the meter. If this notice is not acted on within four weeks then this policy will not apply.
5. A write-off will be available due to council error, or the meter reading inaccurate usage.
6. If a property changes ownership during the year, usage for the rest of that year will start from nil from the time of change of ownership.
7. If a write-off is agreed, but the user has a history of usage in excess of the allowance, and estimated usage (based on historical usage) amount will be calculated and invoiced.

## **4. Delegation**

Implementation of this policy is delegated to the Chief Executive who may further delegate as is seen fit.

# FINANCE, AUDIT AND RISK COMMITTEE

11 DECEMBER 2019

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## AGENDA ITEM C1

### CORPORATE SERVICES REPORT

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#### **Purpose of Report**

To present the Corporate Services Report for December 2019.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Corporate Services Report including the Audit New Zealand annual audit report for the year ended 30 June 2019.*
2. *Note the management responses to issues raised in the audit report.*

#### **1. Executive Summary**

Officers present the following Reports for review by the Finance, Audit and Risk Committee:

- Financial statements to 30 September 2019
- Financial statements and commentary to 31 October 2019
- Investment policy update
- Rates arrears report to 30 November 2019
- Audit report from Audit New Zealand dated 19 November 2019
- Health and Safety report to 30 November 2019

#### **2. Financial and Other Reports**

##### **2.1 Financial Statements**

The financial statements for the three month period to 30 September 2019 and the four month period to 31 October 2019 are presented at this meeting for review. (See Appendix 1). Commentary on material variances is also included with the October financial reports.

## 2.2 Investment Policy

SWDC's investment policy provides that investments should be spread around a number of financial institutions to reduce the risk of loss to Council. A copy of the Investment policy M400 is included at Appendix 2.

Clause 2 of the Investment policy covers the 30% rule:

- *The maximum amount to be invested with any one approved institution is 30% of Council's total investments except for the Wairarapa Building Society which shall be 10%.*
- *Occasional and short term exceedances of the 30% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party.*

It should be noted that since the last report to Finance Audit and Risk there have been 4 incidences of investments exceeding the 30% threshold at the end of the month:

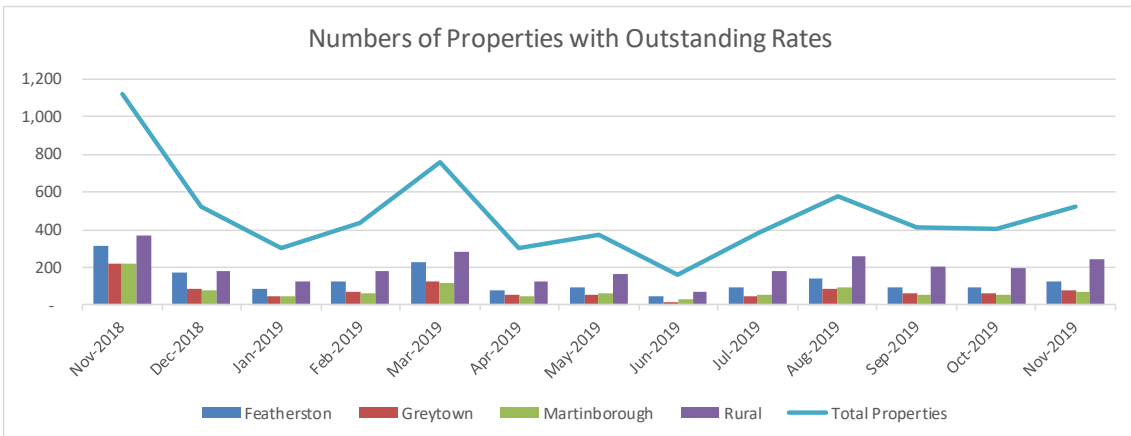
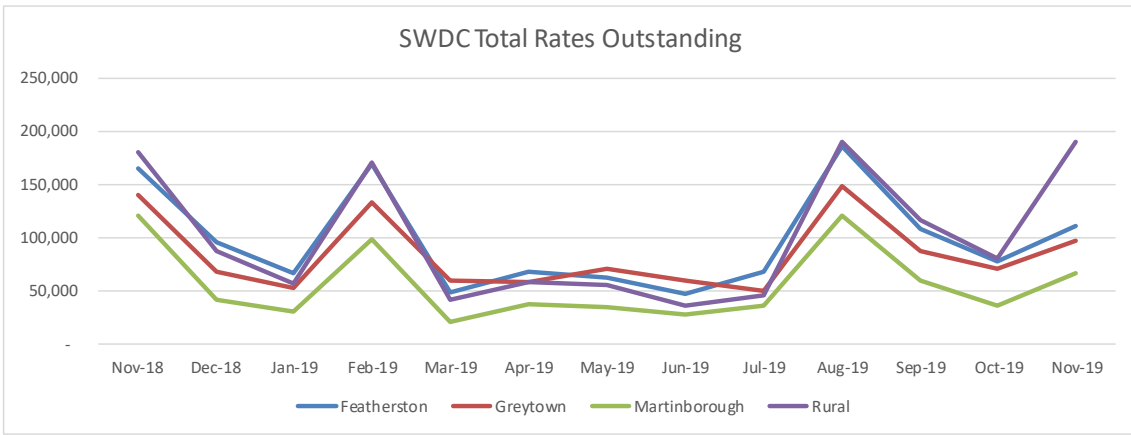
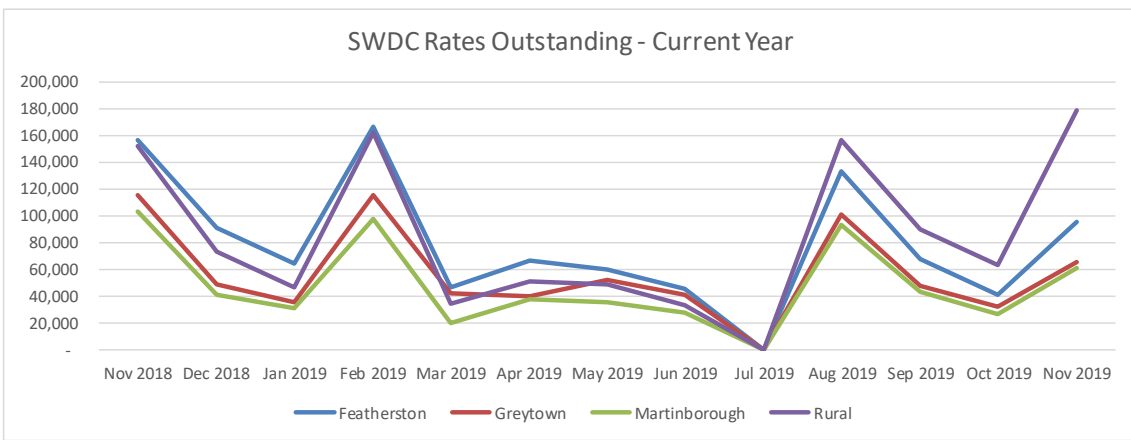
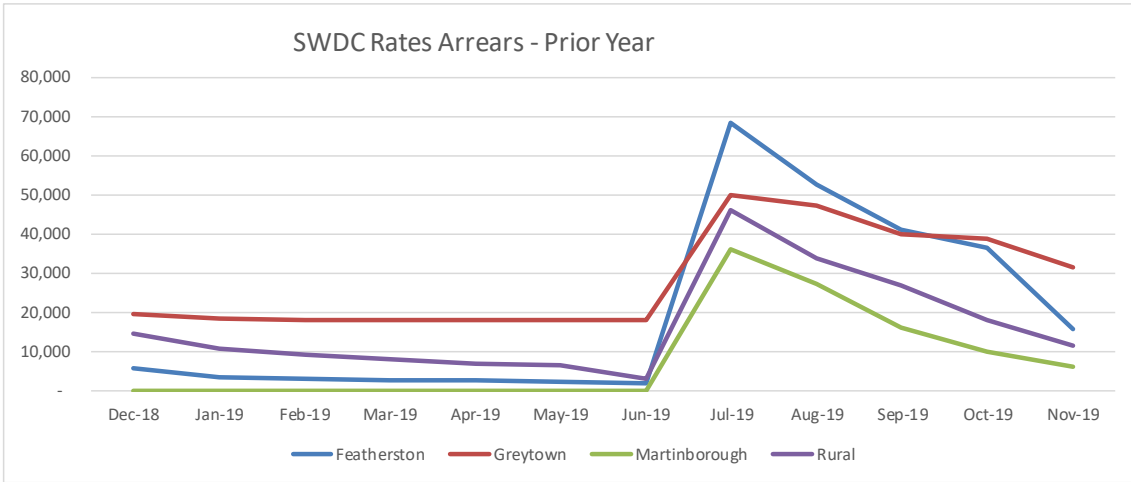
June 2019	No exceedances
July 2019	BNZ Term deposits 32% of total
August 2019	No exceedances
September 2019	Westpac Term deposits 33% of total
October 2019	Westpac Term deposits 31% of total

Although there have been several instances in the last few months where the 30% threshold has been exceeded, this has not resulted in any loss to Council and the risk is considered very minor due to the stability of the banks the term deposits are held with. Council staff choose investments to maximise the return via interest payments which sometimes necessitates exceeding the 30% rule.

## 2.3 Rates Arrears

The rates arrears graphs below show continued improvement in the recovery of overdue rates which is due to a consistent approach to dealing with our overdue debtors.

Please see below the graphs as at 30 November 2019.





At the end of November 2018, the arrears amount was \$80k so this has dropped to \$64K at the end of November 2019 due to the consistent work done by the rates team.

We have commenced the process to recover arrears from those ratepayers who have mortgages through their banks as we are entitled to do through the Rating Act. A total of 59 letters went to ratepayers and their mortgagees to advise them that rates arrears needed to be paid. The total arrears for this group was \$110,000. Three months later we sent final demands to the property owner and the mortgagee for the 18 properties that had not yet paid. The total arrears owing at this stage was \$48,000. Most of these arrears have now been paid.

Where properties do not have a mortgage, we send the rates arrears debt to debt collection. In total 20 properties owing \$22,000 in rates arrears were sent to the debt collectors. By 25 November 6 of these ratepayers still had rates arrears owing of \$8,700.

There are now only five ratepayers with arrears dating back to the 2018 year and earlier. Of these 1 is on repayment plan, 2 have issues with the title of their property, and 2 are lodged with debt collectors.

We have had a good response to the rates rebate scheme already this year with 292 rebates processed to date. Last years total was 369 rebates, so we have processed over 78% the likely rebates already.

We now have 37% of ratepayers paying by Direct debit, and will continue to work on increasing this percentage as this reduces administration costs considerably.

#### **2.4 Occupational Health and Safety**

A health and safety report for 21 August – 30 November 19 is included in Appendix 3.

### **3. Appendices**

Appendix 1 – Financial statements to 30 September 2019 and 31 October 2019

Appendix 2 – Investment Policy M400

Appendix 3 – Health and Safety Report

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed by: Harry Wilson, Chief Executive Officer

**Appendix 1 –  
Financial statements to  
30 September 2019 and  
31 October 2019**



**SOUTH WAIRARAPA  
DISTRICT COUNCIL**

*Kia Reretahi Tātau*

**MONTHLY FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30 SEPTEMBER 2019**

Statement of Financial Performance

Statement of Financial Position

Statement of Cashflows

Schedule of Capital Expenditure

Schedule of Investments

# SOUTH WAIRARAPA DISTRICT COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 SEPTEMBER 2019

2018 LY Actual	Current Year			2019	
	Actual	Budget	Variance	Budget	% of Budget
<b><u>OPERATING INCOME</u></b>					
3,504,179	3,705,852	3,690,010	15,842	14,760,039	25%
61,399	41,120	23,676	17,444	128,000	32%
119,086	98,562	146,685	(48,123)	613,601	16%
5,263	5,263	5,268	(5)	20,885	25%
493,833	448,689	445,162	3,527	1,275,531	35%
110,111	144,322	133,551	10,771	733,308	20%
18,475	18,829	18,690	139	75,350	25%
210,975	324,563	326,573	(2,010)	1,306,292	25%
23,687	25,373	19,858	5,515	84,729	30%
4,523	1,482	7,241	(5,759)	15,198	10%
145,871	156,827	163,123	(6,296)	612,924	26%
-	-	-	-	-	0%
(15,163)	4,487	13,531	(9,044)	87,478	5%
<b>4,682,239</b>	<b>4,975,369</b>	<b>4,993,368</b>	<b>(17,999)</b>	<b>19,713,335</b>	
<b><u>OPERATING EXPENDITURE</u></b>					
459,442	618,060	489,223	(128,837)	2,282,418	27%
275,492	278,525	297,851	19,326	1,163,872	24%
132,956	148,331	142,611	(5,720)	565,933	26%
337,481	358,258	383,412	25,154	1,539,098	23%
103,436	174,028	141,843	(32,185)	611,287	28%
266,485	213,963	323,355	109,392	493,481	43%
777,980	905,763	895,083	(10,680)	2,875,083	32%
808,601	1,115,215	1,199,884	84,669	4,728,962	24%
706,081	704,835	595,565	(109,270)	2,332,828	30%
354,135	334,455	343,526	9,071	1,497,400	22%
415,211	514,707	414,964	(99,743)	1,806,971	28%
54,890	67,677	56,142	(11,535)	173,927	39%
4,710	5,499	-	(5,499)	30,000	18%
<b>4,696,684</b>	<b>5,439,315</b>	<b>5,283,459</b>	<b>(155,856)</b>	<b>20,101,261</b>	
<b>(14,445)</b>	<b>(463,946)</b>	<b>(290,091)</b>	<b>(173,855)</b>	<b>(387,926)</b>	
<b><u>OTHER INCOME AND EXPENDITURE</u></b>					
<b><u>Other Income</u></b>					
53,975	154,028	276,537	(122,509)	1,106,148	14%
161,298	366,969	125,783	241,186	1,135,828	32%
-	36,619	120,000	(83,381)	200,000	18%
-	-	-	-	-	0%
-	-	-	-	-	0%
<b>215,273</b>	<b>557,616</b>	<b>522,320</b>	<b>35,296</b>	<b>2,441,976</b>	
<b><u>Other Expenditure</u></b>					
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>\$ 200,828</b>	<b>\$ 93,670</b>	<b>\$ 232,229</b>	<b>\$ (138,559)</b>	<b>\$ 2,054,050</b>	
Included in the operating expenditure is:					
940,614	1,179,668	1,145,417	34,251	4,892,393	24%
147,832	147,532	171,102	(23,570)	740,220	20%

# SOUTH WAIRARAPA DISTRICT COUNCIL

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	30 SEPTEMBER 2019	30 JUNE 2019	MOVEMENT
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash equivalents	792,127	4,465,554	(3,673,427)
Term deposits	12,540,926	8,870,926	3,670,000
Prepayments & Receivables	1,605,481	2,271,130	(665,649)
Inventories	44,774	11,809	32,965
Properties Intended For Sale	1,500,000	1,500,000	-
<b>Total Current Assets</b>	<b>16,483,308</b>	<b>17,119,420</b>	<b>-636,112</b>
<b><u>Non-Current Assets</u></b>			
Investments	460,298	330,298	130,000
Investment Properties	9,101,216	9,100,000	1,216
Intangible Assets	78,509	87,061	(8,552)
Property, Plant & Equipment	447,573,233	447,073,128	500,105
<b>Total Non-Current Assets</b>	<b>457,213,256</b>	<b>456,590,487</b>	<b>622,769</b>
<b>TOTAL ASSETS</b>	<b>\$ 473,696,564</b>	<b>\$ 473,709,907</b>	<b>\$ (13,342 )</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Payables and Accruals	2,828,278	2,856,298	(28,020)
Employee Entitlements	346,204	425,197	(78,992)
Public Debt - Current Portion	5,000,000	5,000,000	-
Provisions - Current Portion	34,043	34,043	(0)
<b>Total Current Liabilities</b>	<b>8,208,525</b>	<b>8,315,538</b>	<b>(107,013)</b>
<b><u>Non-Current Liabilities</u></b>			
Public Debt - Non-Current Portion	14,900,000	14,900,000	-
Provisions - Non-Current Portion	424,358	424,358	-
<b>Total Non-Current Liabilities</b>	<b>15,324,358</b>	<b>15,324,358</b>	<b>0</b>
<b><u>EQUITY</u></b>			
Public Equity	151,536,883	151,443,213	93,670
Special Separate & Trust Funds	25,517,397	25,517,397	-
Asset Revaluation Reserve	273,109,155	273,109,155	-
Other Reserves	245	245	-
<b>Total Equity</b>	<b>450,163,681</b>	<b>450,070,011</b>	<b>93,671</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 473,696,564</b>	<b>\$ 473,709,907</b>	<b>\$ (13,342 )</b>

# SOUTH WAIRARAPA DISTRICT COUNCIL

## STATEMENT OF CASHFLOWS AS AT 30 SEPTEMBER 2019

	30 SEPTEMBER 2019	30 SEPTEMBER 2018	30 JUNE 2019
<b><u>OPERATING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Rates	4,100,214	4,044,377	14,570,014
Grants & Subsidies	515,071	1,435,784	3,711,861
Petrol Tax	-	-	99,934
Other Income	1,914,700	903,811	3,143,992
Interest on Investments	46,587	70,671	419,625
<b>Total Operating Cash Inflow</b>	<b>6,576,573</b>	<b>6,454,643</b>	<b>21,945,426</b>
<b><u>Cash was applied to:</u></b>			
Payments to Suppliers & Employees	4,729,801	5,479,639	15,925,247
Interest Paid	47,763	108,563	615,420
<b>Total Operating Cash Outflow</b>	<b>4,777,563</b>	<b>5,588,202</b>	<b>16,540,666</b>
<b>Net Cashflow from Operating Activities</b>	<b>1,799,010</b>	<b>866,441</b>	<b>5,404,759</b>
<b><u>INVESTING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Sale of Property, Plant & Equipment	-	-	-
Term Investments, Shares & Advances	-	4,294,646	16,643,406
<b>Total Investing Cash Inflow</b>	<b>-</b>	<b>4,294,646</b>	<b>16,643,406</b>
<b><u>Cash was applied to:</u></b>			
Purchase of Property, Plant & Equipment	1,726,836	1,556,637	9,555,789
Term Investments, Shares & Advances	75,601	-	14,638,000
Investments in Loan Redemption & Sinking Funds	3,670,000	-	-
<b>Total Investing Cash Outflow</b>	<b>5,472,437</b>	<b>1,556,637</b>	<b>24,193,789</b>
<b>Net Cashflow from Investing Activities</b>	<b>(5,472,435)</b>	<b>2,738,011</b>	<b>(7,550,383)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Public Debt	-	-	6,400,000
<b>Total Financing Cash Inflow</b>	<b>-</b>	<b>-</b>	<b>6,400,000</b>
<b><u>Cash was applied to:</u></b>			
Repayment of Public Debt	-	-	4,000,000
<b>Total Financing Cash Outflow</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>
<b>Net Cash Flow from Financing Activities</b>	<b>-</b>	<b>-</b>	<b>2,400,000</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(3,673,426)</b>	<b>3,604,453</b>	<b>254,377</b>
<b>OPENING CASH BALANCE</b>	<b>1 JULY 2019</b>	<b>4,465,554</b>	<b>4,211,621</b>
<b>CLOSING CASH BALANCE</b>	<b>30 SEPTEMBER 2019</b>	<b>\$ 792,129</b>	<b>\$ 4,465,554</b>
<b><u>REPRESENTED BY:</u></b>			
Cash and Cash equivalents	792,129	7,816,074	4,465,554
	<b>\$ 792,129</b>	<b>\$ 7,816,074</b>	<b>\$ 4,465,554</b>

# SOUTH WAIRARAPA DISTRICT COUNCIL

## SCHEDULE OF CAPITAL EXPENDITURE FOR THE PERIOD ENDED 30 SEPTEMBER 2019

<u>DESCRIPTION</u>	Year to Date		Annual	Budget	Total	Percentage spent
	Actual	Budget	Budget	Brought Forward from Prev Years	Budget Available	Year to date
<b>Baseline CAPEX:</b>						
Amenities	189,375	312,097	1,248,386	1,119,102	2,367,488	8%
Water Supply	130,238	605,494	2,547,854	716,290	3,264,144	4%
Solid Waste Management	236,407	31,230	124,920	331,355	456,275	52%
Stormwater Reticulation	-	14,057	56,226	108,379	164,605	0%
Wastewater	739,588	278,305	1,113,220	1,931,507	3,044,727	24%
Land Transport	250,100	595,072	2,380,289	-	2,380,289	11%
Information Technology	17,948	19,779	79,116	53,753	132,869	14%
Council Property	6,120	22,797	91,189	636,433	727,622	1%
	<u>\$ 1,569,776</u>	<u>\$ 1,878,830</u>	<u>\$ 7,641,200</u>	<u>\$ 4,896,818</u>	<u>\$ 12,538,018</u>	<u>13%</u>

## SUMMARY OF INVESTMENTS

Sep-19

ORGANISATION	INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED	INVESTED FUNDS %	AUTHORISED FUNDS %
<b>SHORT TERM FUNDS</b>							
<b>Registered Banks</b>							
ASB Call account	1.25%	20-Jun-17	On Call	On Call	\$150,864.65		
ASB Term Deposit - Loan redemption	3.76%	27-Apr-18	17-Oct-19	538 days	\$226,000.00		
ASB Term Deposit - Loan redemption	2.97%	26-Jul-19	22-Jan-20	180 days	\$300,000.00		
ASB Term Deposit - Loan redemption	2.97%	26-Jul-19	22-Jan-19	180 days	\$500,000.00		
ASB Term Deposit - Loan redemption	3.24%	29-Apr-19	28-Apr-20	365 days	\$1,000,000.00		
					<b>\$2,176,864.65</b>	<b>16%</b>	<b>30%</b>
ANZ CALL ACCOUNT	0.70%	0-Jan-00	On Call	On Call	\$51.53		
ANZ Term Deposit - Loan redemption	3.25%	24-May-19	20-Nov-19	180 days	\$1,000,000.00		
ANZ Term Deposit - Loan redemption	3.45%	4-Jan-19	3-Jan-20	365 days	\$150,000.00		
ANZ Term Deposit	3.45%	4-Apr-19	6-Apr-20	367 days	\$225,000.00		
ANZ Term Deposit	3.00%	21-Aug-19	17-Apr-20	240 days	\$1,000,000.00		
ANZ Term Deposit	2.85%	22-Aug-19	21-Aug-20	365 days	\$1,000,000.00		
					<b>\$3,375,051.53</b>	<b>25%</b>	<b>30%</b>
BNZ AUTOCALL (-025)	0.10%	0-Jan-00	On Call	On Call	\$541,624.82		
BNZ Loan Redemption	3.61%	12-Nov-18	12-Nov-19	365 days	\$375,000.00		
BNZ Loan Redemption	3.17%	28-May-19	27-May-20	365 days	\$1,000,000.00		
					<b>\$1,916,624.82</b>	<b>14%</b>	<b>30%</b>
KIWIBANK Term Deposit	1.75%	0-Jan-00	On call	On call	\$0.00		
KIWIBANK Loan Redemption	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00		
KIWIBANK Loan Redemption	3.60%	13-Nov-18	13-Nov-19	365 days	\$225,000.00		
					<b>\$725,000.00</b>	<b>5%</b>	<b>30%</b>
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WBS Reserve fund	3.60%	22-Nov-18	22-Nov-19	365 days	\$190,705.06		
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					<b>\$525,505.92</b>	<b>4%</b>	<b>10%</b>
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WESTPAC Term Deposit - Loan redem	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00		
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WESTPAC Term Deposit	2.75%	21-Aug-19	20-Aug-20	365 days	\$1,000,000.00		
					<b>\$4,514,435.63</b>	<b>33%</b>	<b>30%</b>
<b>TOTAL TERM DEPOSITS</b>					<b>\$13,233,482.55</b>	<b>97%</b>	<b>100%</b>
<b>INVESTMENTS</b>							
<b>LGFA Borrower Bonds</b>							
LGFA Borrower Bonds	3.01%	20-Jun-16	15-Apr-23		\$28,800.00		
LGFA Borrower Bonds	2.81%	20-Jun-16	15-May-21		\$91,200.00		
LGFA Borrower Bonds	2.98%	20-Feb-17	15-Apr-20		\$32,000.00		
LGFA Borrower Bonds	1.95%	15-Mar-19	15-Apr-20		\$48,000.00		
LGFA Borrower Bonds	2.03%	15-Mar-19	15-Apr-20		\$22,400.00		
LGFA Borrower Bonds	2.47%	15-Mar-19	15-Apr-20		\$32,000.00		
LGFA Borrower Bonds	2.98%	21-Aug-17	15-May-22		\$40,000.00		
LGFA Borrower Bonds	3.08%	19-Feb-18	15-Apr-23		\$24,000.00		
					<b>\$318,400.00</b>		
<b>Forestry</b>							
Plantation - Hurupi Stock					\$9,305.00		
					<b>\$9,305.00</b>		
<b>Shares</b>							
FARMLANDS					\$1,159.00		
NZ LOC GOVT INS CO					\$81,434.30		
Wellington Water					\$50,000.00		
					<b>\$132,593.30</b>		
<b>TOTAL INVESTMENTS</b>					<b>\$460,298.30</b>		





**SOUTH WAIRARAPA  
DISTRICT COUNCIL**

*Kia Reretahi Tātau*

**MONTHLY FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**31 OCTOBER 2019**

Statement of Financial Performance

Statement of Financial Position

Statement of Cashflows

Schedule of Capital Expenditure

Schedule of Investments

## Financial Report

### 1. SUMMARY & HIGHLIGHTS

#### **Purpose**

The purpose of this report is to provide Council with a commentary on:  
Year to date budget vs actual financial results.  
Commentary on material variances.  
Full year risks (if any) for each significant activity.

#### **Highlights**

- Year to date operating surplus is \$1,908K vs. budget surplus of \$2,366K the result is unfavourable to budget by \$458K.
- Total surplus YTD is \$2,763K vs. budget surplus of \$3,067K, unfavourable by \$304K.
- Overall Operating income is unfavourable by \$114K.
- Operating Expenditure is unfavourable by \$345K.
- Working Capital which expresses the ability of council to meet its short term obligations is strong with a ratio in excess of 2 times, and a total value of \$10,745K.
- Interest cost 2.70% of rates revenue, SWDC maximum 12%.
- Current Net debt \$19,900K, at 3.15% average borrowing rate.
- Budgets have been phased based on last years actual spend. Some variances are due to actual spending patterns being different between years.

### 2. STATEMENT OF FINANCIAL PERFORMANCE

#### **OPERATING INCOME**

##### **Rates**

Favourable to budget \$38K.

##### **Rates Penalty**

Revenue from rates penalties is unfavourable to budget by \$28K.

##### **Interest Revenue**

Interest received on term deposits has a \$64K unfavourable variance YTD. This is a reflection of lower short term deposit rates, and timings of investments.

##### **User Levies**

Favourable by \$15K, mainly Martinborough transfer station revenue.

##### **Fees & Licences**

Unfavourable by \$30K. Dog Licences unfavourable by \$18K due to a prior year adjustment.

##### **NZTA Subsidy**

Operating Income underbudget by \$105k, Capital Income \$17K unfavourable.

### **Rental / Hire**

On budget.

### **Miscellaneous Income**

\$23K Favourable to budget due to unbudgeted dividend from Civic Assurance.

## **OPERATING EXPENDITURE**

### **Corporate Services**

Unfavourable by \$168K.

- \$105K overbudget in salaries. This is due to a combination of phasing of the budget and two additional staff.
- \$24K overbudget for legal expenses which is a combination of employment advice, and a late invoice for the LGFA Guarantor accession work.
- \$11K for software licences (due to phasing).
- \$15K over budget for Valuation expenses.

### **In-house Professional Services**

Unfavourable \$130K. Salaries & wages over budget by \$78K and legal expenses by \$24K.

### **Governance**

Favourable \$24K . Expect to be on budget by year end.

### **Public Protection**

Overall Public Protection is favourable by \$13K there are some minor variances in the outputs below that offset each other.

### **Resource Management**

Unfavourable \$54K, Recruitment \$17K unfavourable due to recruitment agency fees not budgeted. Consultants \$52K unfavourable due to cover while recruiting planning manager. Legal expenses favourable \$16K. Combined District Planning favourable by \$10K.

### **Economic Cultural & Community Development**

#### **Economic Development and Community Wellbeing**

Favourable \$85K. Not all community grants have been claimed but have been budgeted year to date.

### **Amenities**

Overall Amenities are Unfavourable by \$27K.

#### **Swimming Pools**

Unfavourable \$21K. Essential maintenance work for the new season has been completed earlier than budgeted.

#### **Community Buildings - includes Waihinga Centre, and Greytown Town Hall**

On budget.

#### **Cemeteries**

Favourable by \$25K. Routine Maintenance is underbudget YTD.

#### **Rental Properties**

Unfavourable \$17K. Unbudgeted costs for repairs and maintenance on FTN Golf Club buildings and soil testing.

### ***Parks, Reserves, and Campgrounds***

On budget.

### ***Libraries***

Unfavourable by \$35k mainly due to salaries.

### ***Toilets***

Favourable by \$32K. Routine Maintenance is underbudget due to phasing.

### **Land Transport**

Favourable \$168K, Mainly due to budget phasing.

Actual Expenditure YTD \$1,397K, made up of:

- Subsidised \$1,320K
- Non Subsidised \$77K

### **Water Supply**

Unfavourable by \$119K. Works costs unfavourable \$80k due to an extra claim from City Care for unbilled work in progress. \$17K unfavourable for underground infrastructure insurance, and \$28K depreciation over budget due to infrastructure revaluations being higher than anticipated. This has been partially offset by Interest being \$11k underbudget.

### **Solid Waste Management**

Unfavourable \$24K mainly due to budget phasing for works costs.

### **Wastewater**

Unfavourable \$101K. Works costs unfavourable due to an extra claim from City Care for unbilled work in progress

### **Stormwater Drainage**

Unfavourable \$19K. Works costs unfavourable due to an extra claim from City Care for unbilled work in progress

## **CAPITAL EXPENDITURE INCOME**

### **NZ Transport Agency**

\$17K Unfavourable to budget YTD. Expected to be on track for year end.

### **Grants**

Total grants \$67K to date which is \$93K unfavourable to budget. This is due to the delay in completion of the Waihinga Centre Playground.

### **Contributions**

Favourable \$265K. 38% of full year budgeted revenue earned.

## **3. STATEMENT OF FINANCIAL POSITION**

### **Working Capital**

Working capital (current assets less current liabilities) stands at \$10,745K. (30 June 2019 \$8,804K).

### **Prepayments and Receivables**

Prepayments and receivables total \$5,793K. Key components are General Debtors \$426K, Water debtors \$129K, NZTA subsidies and petrol tax receivable of \$534K, Rates Receivable \$3,919K.

**Investments**

Term deposits in Westpac exceeded the maximum amount to be invested any one institution. Maximum allowed 30%: Westpac 31%

This is a short-term event to take advantage of favourable interest rate deals.

**Payables and Accruals**

Payables and accruals total \$4,145K. Key items are General Creditors \$899K, Rates in advance \$335K, Rates owing to GWRC \$1,106K, Contract retentions \$265K.

**Gross Public Debt**

Total public debt stands at \$19,900K which is unchanged from 30 June 2019.

**SOUTH WAIRARAPA DISTRICT COUNCIL**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE PERIOD ENDED 31 OCTOBER 2019**

2018 LY Actual	Current Year			2019	
	Actual	Budget	Variance	Budget	% Budget
<b><u>OPERATING INCOME</u></b>					
7,014,425	7,417,777	7,380,020	37,757	14,760,039	50%
60,080	40,509	68,468	(27,959)	128,000	32%
156,112	132,077	196,318	(64,241)	613,601	22%
7,036	7,036	7,042	(6)	20,885	34%
594,518	534,914	564,514	(29,600)	1,275,531	42%
161,738	202,587	187,887	14,700	733,308	28%
25,064	25,176	25,288	(112)	75,350	33%
308,657	330,543	435,432	(104,889)	1,306,292	25%
31,373	57,691	26,302	31,389	84,729	68%
4,612	4,368	7,971	(3,603)	15,198	29%
186,273	218,486	208,660	9,826	612,924	36%
-	-	-	-	-	0%
(13,966)	42,909	20,086	22,823	87,478	49%
<b>8,535,923</b>	<b>9,014,074</b>	<b>9,127,988</b>	<b>(113,914)</b>	<b>19,713,335</b>	
<b><u>OPERATING EXPENDITURE</u></b>					
627,402	864,280	696,564	(167,716)	2,282,418	38%
362,432	528,186	398,410	(129,776)	1,163,872	45%
170,843	172,871	197,006	24,135	565,933	31%
438,467	484,801	498,181	13,380	1,539,098	31%
132,517	240,308	186,683	(53,625)	611,287	39%
276,541	215,332	300,747	85,415	493,481	44%
991,516	1,086,448	1,059,824	(26,624)	2,875,083	38%
1,371,406	1,397,852	1,566,094	168,242	4,728,962	30%
868,516	910,967	791,755	(119,212)	2,332,828	39%
447,103	458,367	434,579	(23,788)	1,497,400	31%
548,318	647,769	547,013	(100,756)	1,806,971	36%
67,061	88,914	70,049	(18,865)	173,927	51%
9,421	10,422	15,000	4,578	30,000	35%
<b>6,311,327</b>	<b>7,106,517</b>	<b>6,761,905</b>	<b>(344,612)</b>	<b>20,101,261</b>	
<b>2,224,596</b>	<b>1,907,557</b>	<b>2,366,083</b>	<b>(458,526)</b>	<b>(387,926)</b>	
<b><u>OTHER INCOME AND EXPENDITURE</u></b>					
<b><u>Other Income</u></b>					
53,975	351,941	369,013	(17,072)	1,106,148	32%
234,592	436,867	171,773	265,094	1,135,828	38%
25,000	66,619	160,000	(93,381)	200,000	33%
<b>313,567</b>	<b>855,427</b>	<b>700,786</b>	<b>154,641</b>	<b>2,441,976</b>	
<b><u>Other Expenditure</u></b>					
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>\$ 2,538,163</b>	<b>\$ 2,762,984</b>	<b>\$ 3,066,869</b>	<b>\$ (303,885)</b>	<b>\$ 2,054,050</b>	
Included in the operating expenditure is:					
1,481,067	1,577,427	1,520,514	56,913	4,892,393	32%
197,864	200,280	229,497	(29,217)	740,220	27%

# SOUTH WAIRARAPA DISTRICT COUNCIL

## STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019

	31 OCTOBER 2019	30 JUNE 2019	MOVEMENT
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash equivalents	1,238,350	4,465,554	(3,227,204)
Term Deposits	11,539,926	8,870,926	2,669,000
Prepayments & Receivables	5,793,372	2,271,130	3,522,241
Inventories	41,963	11,809	30,155
Properties Intended For Sale	1,670,000	1,500,000	170,000
<b>Total Current Assets</b>	<b>20,283,611</b>	<b>17,119,420</b>	<b>3,164,192</b>
<b><u>Non-Current Assets</u></b>			
Investments	460,298	330,298	130,000
Investment Properties	9,106,239	9,100,000	6,239
Intangible Assets	75,659	87,061	(11,402)
Property, Plant & Equipment	447,770,598	447,073,128	697,471
<b>Total Non-Current Assets</b>	<b>457,412,794</b>	<b>456,590,487</b>	<b>822,308</b>
<b>TOTAL ASSETS</b>	<b>\$ 477,696,405</b>	<b>\$ 473,709,907</b>	<b>\$ 3,986,500</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Payables and Accruals	4,144,960	2,856,298	1,288,662
Employee Entitlements	360,050	425,197	(65,147)
Public Debt - Current Portion	5,000,000	5,000,000	-
Provisions - Current Portion	34,043	34,043	-
<b>Total Current Liabilities</b>	<b>9,539,053</b>	<b>8,315,538</b>	<b>1,223,515</b>
<b><u>Non-Current Liabilities</u></b>			
Public Debt - Non-Current Portion	14,900,000	14,900,000	-
Provisions - Non-Current Portion	424,358	424,358	-
<b>Total Non-Current Liabilities</b>	<b>15,324,358</b>	<b>15,324,358</b>	<b>-</b>
<b><u>EQUITY</u></b>			
Public Equity	154,206,197	151,443,213	2,762,986
Special Separate & Trust Funds	25,517,397	25,517,397	-
Asset Revaluation Reserve	273,109,155	273,109,155	-
Other Reserves	245	245	-
<b>Total Equity</b>	<b>452,832,994</b>	<b>450,070,011</b>	<b>2,762,986</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 477,696,405</b>	<b>\$ 473,709,907</b>	<b>\$ 3,986,500</b>

# SOUTH WAIRARAPA DISTRICT COUNCIL

## STATEMENT OF CASHFLOWS

AS AT 31 OCTOBER 2019

	31 OCTOBER 2019	31 OCTOBER 2018	30 JUNE 2019
<b><u>OPERATING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Rates	4,785,782	4,623,425	14,570,014
Grants & Subsidies	601,792	1,565,656	3,711,861
Petrol Tax	23,860	23,582	99,934
Other Income	2,153,414	1,234,082	3,143,992
Interest on Investments	95,732	109,700	419,625
<b>Total Operating Cash Inflow</b>	<b>7,660,580</b>	<b>7,556,445</b>	<b>21,945,426</b>
<b><u>Cash was applied to:</u></b>			
Payments to Suppliers & Employees	5,448,784	6,608,059	15,925,247
Interest Paid	200,267	201,117	615,420
<b>Total Operating Cash Outflow</b>	<b>5,649,051</b>	<b>6,809,176</b>	<b>16,540,666</b>
<b>Net Cashflow from Operating Activities</b>	<b><u>2,011,529</u></b>	<b><u>747,268</u></b>	<b><u>5,404,759</u></b>
<b><u>INVESTING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Sale of Property, Plant & Equipment	-	-	-
Term Investments, Shares & Advances	-	4,294,646	16,643,406
<b>Total Investing Cash Inflow</b>	<b>-</b>	<b>4,294,646</b>	<b>16,643,406</b>
<b><u>Cash was applied to:</u></b>			
Purchase of Property, Plant & Equipment	2,569,735	2,377,326	9,555,789
Term Investments, Shares & Advances	2,669,000	-	14,638,000
<b>Total Investing Cash Outflow</b>	<b>5,238,735</b>	<b>2,377,326</b>	<b>24,193,789</b>
<b>Net Cashflow from Investing Activities</b>	<b><u>(5,238,733)</u></b>	<b><u>1,917,322</u></b>	<b><u>(7,550,383)</u></b>
<b><u>FINANCING ACTIVITIES</u></b>			
<b><u>Cash was provided from:</u></b>			
Public Debt	-	-	6,400,000
<b>Total Financing Cash Inflow</b>	<b>-</b>	<b>-</b>	<b>6,400,000</b>
<b><u>Cash was applied to:</u></b>			
Repayment of Public Debt	-	-	4,000,000
<b>Total Financing Cash Outflow</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>
<b>Net Cash Flow from Financing Activities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,400,000</u></b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(3,227,204)</b>	<b>2,664,592</b>	<b>254,377</b>
<b>OPENING CASH BALANCE</b>	<b>1 JULY 2019</b>	<b>4,211,621</b>	<b>4,211,179</b>
<b>CLOSING CASH BALANCE</b>	<b>31 OCTOBER 2019</b>	<b><u>\$ 1,238,351</u></b>	<b><u>\$ 4,465,554</u></b>
<b><u>REPRESENTED BY:</u></b>			
Cash and Cash equivalents	1,238,351	6,876,213	4,465,554
	<b><u>\$ 1,238,351</u></b>	<b><u>\$ 6,876,213</u></b>	<b><u>\$ 4,465,554</u></b>



# SOUTH WAIRARAPA DISTRICT COUNCIL

## SCHEDULE OF CAPITAL EXPENDITURE

FOR THE PERIOD ENDED 31 OCTOBER 2019

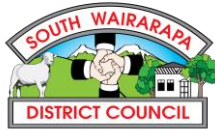
<u>DESCRIPTION</u>	Year to Date		Annual Budget	Budget Brought Forward from Prev Years	Total Budget Available	Percentage spent Year to date
	Actual	Budget				
<b>Baseline CAPEX:</b>						
Amenities	416,334	312,097	1,248,386	1,119,102	2,367,488	18%
Water Supply	413,939	605,494	2,547,854	716,290	3,264,144	13%
Solid Waste Management	236,407	31,230	124,920	331,355	456,275	52%
Stormwater Reticulation	-	14,057	56,226	108,379	164,605	0%
Wastewater	778,950	278,305	1,113,220	1,931,507	3,044,727	26%
Land Transport	334,395	595,072	2,380,289	-	2,380,289	14%
Information Technology	22,228	19,779	79,116	53,753	132,869	17%
Council Property	6,120	22,797	91,189	636,433	727,622	1%
	<u>\$ 2,208,374</u>	<u>\$ 1,878,830</u>	<u>\$ 7,641,200</u>	<u>\$ 4,896,818</u>	<u>\$ 12,538,018</u>	<u>18%</u>

## SUMMARY OF INVESTMENTS

Oct-19

ORGANISATION	INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED	INVESTED FUNDS %	AUTHORISED FUNDS %
<b>SHORT TERM FUNDS</b>							
<b>Registered Banks</b>							
ASB Call account	1.25%	20-Jun-17	On Call	On Call	\$936.93		
ASB Term Deposit - Loan redemption	2.97%	26-Jul-19	22-Jan-20	180 days	\$300,000.00		
ASB Term Deposit - Loan redemption	2.97%	26-Jul-19	22-Jan-19	180 days	\$500,000.00		
ASB Term Deposit - Loan redemption	3.24%	29-Apr-19	28-Apr-20	365 days	\$1,000,000.00		
ASB Term Deposit - Loan redemption	2.63%	31-Oct-19	19-Oct-20	354 days	\$225,000.00		
					<b>\$2,025,936.93</b>	<b>16%</b>	<b>30%</b>
ANZ CALL ACCOUNT	0.70%	0-Jan-00	On Call	On Call	\$51.55		
ANZ Term Deposit - Loan redemption	3.25%	24-May-19	20-Nov-19	180 days	\$1,000,000.00		
ANZ Term Deposit - Loan redemption	3.45%	4-Jan-19	3-Jan-20	365 days	\$150,000.00		
ANZ Term Deposit	3.45%	4-Apr-19	6-Apr-20	367 days	\$225,000.00		
ANZ Term Deposit	3.00%	21-Aug-19	17-Apr-20	240 days	\$1,000,000.00		
ANZ Term Deposit	2.85%	22-Aug-19	21-Aug-20	365 days	\$1,000,000.00		
					<b>\$3,375,051.55</b>	<b>26%</b>	<b>30%</b>
BNZ AUTOCALL (-025)	0.10%	0-Jan-00	On Call	On Call	\$536,013.57		
BNZ Loan Redemption	3.61%	12-Nov-18	12-Nov-19	365 days	\$375,000.00		
BNZ Term Deposit	1.05%	31-Oct-19	20-Nov-19	20 days	\$500,000.00		
BNZ Term Deposit	3.17%	28-May-19	27-May-20	365 days	\$1,000,000.00		
					<b>\$2,411,013.57</b>	<b>18%</b>	<b>30%</b>
KIWIBANK Term Deposit	1.75%	0-Jan-00	On call	On call	\$0.00		
KIWIBANK Loan Redemption	3.60%	13-Nov-18	13-Nov-19	365 days	\$225,000.00		
					<b>\$225,000.00</b>	<b>2%</b>	<b>30%</b>
WBS Call account	0.50%	0-Jan-00	On Call	On Call	\$1.32		
WBS Reserve fund	3.60%	22-Nov-18	22-Nov-19	365 days	\$190,705.06		
WBS Reserve fund	3.60%	25-Nov-18	25-Nov-19	365 days	\$184,799.54		
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Wesptac Term Deposit	2.75%	21-Aug-19	20-Aug-20	365 days	\$1,000,000.00		
					<b>\$4,014,435.63</b>	<b>31%</b>	<b>30%</b>
<b>TOTAL SHORT TERM DEPOSITS</b>					<b>\$12,576,943.60</b>	<b>96%</b>	<b>100%</b>
<b>INVESTMENTS</b>							
<b>LGFA Borrower Bonds</b>							
LGFA Borrower Bonds	3.01%	20-Jun-16	15-Apr-23		\$28,800.00		
LGFA Borrower Bonds	2.81%	20-Jun-16	15-May-21		\$91,200.00		
LGFA Borrower Bonds	2.98%	20-Feb-17	15-Apr-20		\$32,000.00		
LGFA Borrower Bonds	1.95%	15-Mar-19	15-Apr-20		\$48,000.00		
LGFA Borrower Bonds	2.03%	15-Mar-19	15-Apr-20		\$22,400.00		
LGFA Borrower Bonds	2.47%	15-Mar-19	15-Apr-20		\$32,000.00		
LGFA Borrower Bonds	2.98%	21-Aug-17	15-May-22		\$40,000.00		
LGFA Borrower Bonds	3.08%	19-Feb-18	15-Apr-23		\$24,000.00		
					<b>\$318,400.00</b>		
<b>Forestry</b>							
Plantation - Hurupi Stock					\$9,305.00		
					<b>\$9,305.00</b>		
<b>Shares</b>							
Farmlands					\$1,159.00		
NZ Local Governmetn Insurance Co.					\$81,434.30		
Wellington Water					\$50,000.00		
					<b>\$132,593.30</b>		
<b>TOTAL INVESTMENTS</b>					<b>\$460,298.30</b>		
<b>TOTAL INVESTMENTS AND SHORT TERM DEPOSITS</b>					<b>\$13,037,241.90</b>		

# **Appendix 2– Investment Policy**



# INVESTMENT POLICY

## 1. General Policy

The investment policy will be consistent with Council's overall objectives and plans. Council acknowledges that there are financial risks associated with its investment activities but is risk averse. The treasury function is based on managing risk and protecting investments. There is no involvement in speculative transactions.

The management of trusts, special funds and reserves will be reviewed on a regular basis. This will ensure that their holding complies with any statutory or other special requirements and that their use is consistent with these requirements and with Council policy at the time.

Investments generally will be made having regard to the following objectives:

- To manage short term cash flows in an efficient and prudent manner providing cash for approved expenditure needs and in the event of urgent requirements.
- To provide cash for the future retirement of debt on maturity.
- To maximise interest income and minimise risk to the capital invested.

## 2. Treasury Investments

Council's treasury investments comprise sums reserved for special purposes and funds held for working capital requirements. These funds are managed using the following guidelines:

- Funds are invested only with institutions which offer an excellent degree of security. These include the New Zealand Government, State Owned Enterprises, Local Authorities (including itself) and New Zealand registered banks.
- The maximum amount to be invested with any one approved institution is 30% of Council's total investments except for the Wairarapa Building Society which shall be 10%.
- Occasional and short term exceedances of the 30% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party.

### **3. Equity Investments**

Council has small shareholdings in the following organisations:

- Civic Financial Services Limited
- AIRTEL Limited
- Farmlands Trading Society Limited

A Council resolution is required to dispose of these shares.

Council is risk averse and does not wish to expose itself to the risks associated with equity investments. It will not as a general rule seek to acquire further equity investments.

### **4. Emissions trading scheme**

Council has a number of "New Zealand Emissions Units" that were issued as a result of the introduction of the emissions trading scheme.

A Council resolution is required to transact these units.

### **5. Local Government Funding Agency**

Council may borrow funds from the Local Government Funding Agency (LGFA).

Council holds Borrower Notes with the LGFA. Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority.

Under certain very limited circumstances, the borrower notes can convert to shares.

If this were to occur, a Council resolution will be required to manage these shares.

### **6. Property**

Council holds a limited amount of real property for investment purposes. It may and does purchase property from time to time to assist in the provision of its core services to the community. Surplus properties will be disposed of wherever possible. Council will review its property holdings on a regular basis.

#### **6.1 Mix of Investments**

The mix of investments will be determined having regard to the overall funding needs of Council. Investment mix is also influenced by risk management considerations. Council will maintain sufficient general funds for day to day operational needs.

Council may establish, alter or dissolve a fund for a particular purpose by ordinary resolution.

## **6.2 Acquisition of New Investments**

Treasury investments are acquired under delegated authority to the Chief Executive.<sup>1</sup>

It is unlikely that Council will invest in shares in the foreseeable future. Any such acquisitions would require a resolution by Council.

When acquiring treasury investments Council seeks to:

- Optimise return on investments.
- Ensure investments are secure.
- Manage potential interest rate movement losses.

## **6.3 Disposition of Revenue from Investments**

All dividends, interest and other income from investments will be available for Council's general use except where Council has resolved that interest earned on funds invested in an account shall be reinvested in that account. These accounts shall be subject to review each year.

## **6.4 Disposition of Proceeds of Sale of Investments**

Equity and property investments may be disposed of by resolution of Council. In general terms, these proceeds will not be available for operational purposes unless Council resolves otherwise. These proceeds will normally be used for capital investments or the retirement of debt.

On maturity, treasury investments may be realised for Council's general use or reinvested under delegated authority by the Chief Executive.

## **6.5 Procedures**

Equity and property investments will be reviewed by Council each year.

Treasury investments will be managed under delegated authority by the Chief Executive. All realisations, transfers and reinvestments will comply with this policy. The Audit and Risk working party will receive a schedule of all treasury investments for each month. A schedule of investments will be provided to Council on a regular basis as part of the financial statements included in the Chief Executive Officer's report.

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<sup>1</sup> The Chief Executive and/or other officers to whom the Chief Executive may delegate from time to time.

## **6.6 Investment Risk Assessment and Management**

Council has no investment properties and only one equity investment.<sup>2</sup> [Council does hold shares in Airtel Ltd and Farmlands Trading Society Limited, however these are not held for investment purposes]. The exposure to risk in these areas is minimal.

Council's primary objective in respect of treasury investments is the protection of those investments. Only credit worthy counter parties are acceptable. Council will manage its exposure to credit risk by maintaining a diverse investment portfolio with prescribed limits for each counter party. The exposure to interest rate risk will be managed by a mix of terms and staggered maturity dates to mitigate the effect of market fluctuations.

## **6.7 Objectives for holding and managing financial investments and equity securities**

The objectives of holding financial investments are:

- To maintain sufficient cashflow to meet current and future needs.
- To ensure sufficient funding is available to meet future loan repayments as they fall due.

The objectives of holding equity investments are:

- Equity investments are held solely for strategic purposes and are not held for financial return.
- Equity investments will only be made to support companies that provide a service that may not otherwise be provided, for the benefit of either the three Wairarapa local authorities, or a wider base of local authorities.

## **6.8 Targets for returns on financial investments and equity investments**

The targets for returns on financial investments are:

- The key rationale of the holdings of financial investments is risk minimisation. Due to the levels of cash holdings these are managed solely for cashflow purposes. Council policy limits investment to very low risk investment, which by its nature provides modest returns.

The objectives of holding equity investments are:

- Equity investments are held solely for strategic purposes and are not held for financial return.
- There is no quantified target for equity investments for the reasons outlined above.

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<sup>2</sup> Civic Financial Services Ltd 53,390 shares.

## **Appendix 3 – Health and Safety Report**



## South Wairarapa District Council Health and Safety Report 21 August 2019 – 30 November 2019

### HEALTH AND SAFETY STRATEGY

Continued progress on implementing our health and safety strategy and work plan.

### RESOURCING

New Health and Safety Advisor, Nigel Carter, started on 7 October. Julie Wallace moved on to focus on her work with Carterton District Council and Masterton District Council.

### HEALTH AND SAFETY – DRIVING CONTINUOUS IMPROVEMENT (lead indicators)

#### Training

Staff interacting with members of the public attended as appropriate:  
Personal safety risk, Conflict de-escalation, & Cash handling & robbery

#### Engaging with our people

Health and Safety at Work Team have recently:

- Reviewed incident reporting processes and modified the process to make it simpler.
- Implemented an interaction register to track abusive interactions.
- Reviewed how staff access H&S information & forms, including library staff.
- Promoted incident reporting, providing education on the types of incidents that need to be reported and why.

#### Near Miss reports

3 near miss reports for the period 21 August 2019 to 11 December 2019.

#### Wellness

Organisations that prioritize wellbeing have better engagement, reduced absenteeism and higher productivity, while people have improved wellbeing, greater morale and higher job satisfaction.

- Continued promotion of our EAP service.
- All staff offered annual wellness payment of \$200.

#### Working with our Contractors

11	0	4	7
Contractor audits and safety interactions undertaken with council engaged contractors and contractors working within SWDC Roading corridor	Contractor met expectations	Did not meet expectations and remedial actions taken	Minor remedial actions taken

Council continue to implement the contractor management system.

- Council staff continue to evaluate contractor's health and safety systems.
- Council staff who engage contractors continue to engage with contractors through pre-start meetings, inductions and safety audits, promoting Councils health and safety expectations.
- Work being done to review our contractor management system to ensure all staff who are engaging with contractors undertake the appropriate actions on health and safety.
- Key staff interacting with contractors attending a contractor management course in early December.

#### Working with our Volunteers

Working with Volunteer policy and tools rolled out for use by staff and Community Boards

### HEALTH AND SAFETY ACCIDENT & INCIDENT REPORTING (Lag indicators)

3 personal injury incidents and 1 property damage reports received during the period 21 August 2019 and 11 December 2019. All incident, accident and near miss reports, including contractor incidents, are referred to the Health and Safety at Work Team and Management, who review and satisfy themselves appropriate actions have been taken and where necessary, appropriate additional controls are put in place

## RISK MANAGEMENT

Work on hazard registers is ongoing, controls are currently being reviewed by the H&S at Work Team, and staff are encouraged to report new hazards through the Health and Safety at Work Team communications and staff meetings.

We will be providing updates on how we are managing our biggest risks. To give you the assurance that we understand our biggest risks, what controls and reduction measures are required, and actions we are taking.

Here is an update on two key risks we are currently focussing on:

Risk	Description of risk	Controls and reduction measures	Actions
<b>Cash Handling &amp; Robbery</b>	The SWDC main office and 3 libraries take in money for council & library fees. Staff can be vulnerable to the threat of physical and emotional harm should an offender commit a finance related crime.	Consistent cash handling processes are being used, although these need formal documentation. Risk assessment of the process has shown us some minor areas to improve. All staff interacting with the public have attended training on Cash handling & Robbery, with a small number to complete this in Feb 2020.	Cash handling & robbery response procedures in the process of being formalised. Practice emergency drills for robbery added to the regular emergency drill cycle.
<b>Public interactions</b>	Council staff who interact with the public while providing services are at times vulnerable to physical and emotional harm.	All staff interacting with the public have attended training on Personal safety risk and Conflict de-escalation, with a small number to complete this in Feb 2020.	Risk assessments being prepared around these interactions with the initial focus around the service centres.  Duress alarm installed.  Unsafe interaction drill to be added to the regular emergency drill cycle.  Architect engaged to propose changes to the SWDC office layout to improve the safety of the reception area.

# FINANCE, AUDIT AND RISK COMMITTEE

11 DECEMBER 2019

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## AGENDA ITEM C2

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### REVIEW OF RISK REGISTER REPORT

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#### **Purpose of Report**

To present the review of risk register report.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Risk Register Report.*
2. *Agree updates to the Operational and Strategic risks for South Wairarapa District Council.*
3. *Agree to review the risk register again in six month's time.*

#### **1. Background**

Prior to the Finance Audit and Risk committee (FA&R) being established, its predecessor the Audit and Risk working party was responsible for reviewing the SWDC Operational and Strategic risk registers on a regular basis.

The current risk registers are presented for review and updating by members of the FA&R.

#### **2. Discussion**

One item has been added since the last review of the Risk Registers. This came from a request from the Planning & Regulatory meeting 4 September 2019, during the Public Excluded section of the meeting:

**Trade Waste compliance with companies discharging to the Greytown wastewater system**

This has been added to the operational risk register.

### **3. Appendices**

Appendix 1 – Operational Risk Register

Appendix 2 – Strategic Risk Register

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed by: Harry Wilson, Chief Executive Officer

**Appendix 1 –**

**Operational Risk Register**

**OPERATIONAL RISK MANAGEMENT** as at March 2019

Risk Identification			Risk Assessment		Risk Management				
Risk Category		Risks	Likelihood H/M/L	Impact H/M/L	What are we already doing about it? (mitigating factors)	What more can we do about it?	Timescale	Person Responsible	Reviewed Level of Risk
Operations	Customer Service	Dissatisfied customers, increased staff turnover, difficulty recruiting staff	M	M	Standard Operating Procedures (SOPs) completed for all roles, Assertiveness training for all staff	Training, SOP's, Reiterate expectations, improve internal comms	On-going	Group Managers	
	Insurance	Fails to meet issue	L	H	Annual review, Group insurance with MDC and CDC	Risk assessment, review what else could be covered, stay abreast of 60/40 LAPP review	Annually	CEO & GMCS	
	Document Management System	Loss of information, difficulty in answering OIA, failure to meet legislative requirements	M	H	K drive reorganised to reflect paper filing system - partially rolled out. Scanning building files to electronic	Continue to roll this out, Continue with scanning of other files	On-going	CEO, GMCS	
	Legislative Change/Compliance	Cost and complexity	M	H	Keeping abreast changes, Attending training, Incorporating in plans and policies as soon as known	Complete legislative compliance review Increase awareness of obligations Communicate policy change	On-going	CEO, Group Managers	
General	Transitioning change	Dissatisfied customers, Cost, Increased staff turnover	M	H	Communication	Engage with staff Implement Change plans as required	On-going	CEO, Group Managers	
	Poor culture, morale, customer perception	Dissatisfied customers, reputation	M	H	Need to ensure we continue to improve as a business and make gains for the community, Code of conduct	Best Council, Internal comms	On-going	CEO, Group Managers	
	Bribery	Organisational reputation	L	M	Code of Conduct	Reiterate expectations		CEO, GMCS	
Finance	Cost Management	Loans, missed opportunities	H	M	There are a lot of cost pressures around rates and this will remain for many years. Reduced depreciation funding via rate. Lowered interest via LGFA. Follow policies esp delegations	Work on more shared services and synergies with other Tas, Regular financial reporting	On-going	CEO, Group Managers	
	Debt Management/Interest	Loans, unnecessary cost, cash flow, bad debt write offs	M	H/M/L	Finance Strategy & Policies. Interest rates low at the moment, LGFA fixed interest rates reduce risk. Some risk whereby if the LGFA defaults, the borrower Councils will/may have some liability. The risk of default is low in our view. Systems in place for debt management reduces risk of bad debts.		On-going	CEO & GMCS	
	Efficient v Effective v Cost	Perception/reputation	M	H	Statutory Obligation	Continue to ensure all know the cost drivers and ensure we look at the best way to do things	On-going	CEO/Council	
	Water leaks - waivers if leak is fixed but water still lost	Water loss/bad debts	M	M	Follow up with overdue accounts/spinning meters	Look into smart meters		GM Infrastructure	
	Balancing rates affordability with requirements and expectations	Perception/reputation	H	M	Publicised policies and covenants	Comms manager - tell the stories	On-going	CEO/Council	
	Fraud	Payroll Fraud, False Invoicing, Intercepting revenue, removing books without issuing, false expense claims	L	H	Complete fraud review Review cash management procedures Separation of duties Mail cleared in open space Financial delegations policy	Implement findings from fraud review	On-going	CEO/Audit & R WP/GMCS	
	Health & Safety Incident	Death, Serious Injury, Reputation, Legal Costs	M	H	Training Staff Carrying out site inspections Providing protective equipment required Inducting Staff	Training in new Legislation when adopted to fully understand responsibilities	On-going	GM P & E	
Managing Staff Turnover/Staff Cover	Reputation, Knowledge base, continuity, customer service, Wellbeing	H	M	Turnover offers opportunities - need to assess reasons for turnover	Procedures Succession Planning	On-going	CEO		
		M	M	Police checks Reference checks Performance management system Clear job descriptions for every position Ensure all council property returned Provide exit interview Track all leave and lieu	Ensure at least two members of staff can carry out all functions Have standing operating procedures for all roles	On-going	All Managers		

HR	Staff working long hours and/or not taking holidays	Morale, accuracy, health, safety and wellbeing of staff	H	M	Policy for Managing Time in lieu & Annual leave Use of the sign out board		On-going	All Managers/HR Manager	
	Time bandits - personal and business discussions in shared office space	Productivity, customer service	H	M	Monitor productivity		On-going	All Managers	
	Taking unnecessary leave or leave at inappropriate times	Customer service, culture	H	M	Managers to manage leave approvals appropriately		On-going	All Managers/HR Manager	
	Keys - being used by unauthorised people.	Reputation, fraud	L	M			On-going	All Managers	
	Cars being used for personal errands	Reputation, cost	L	L	Policy	Reiterate to staff	On-going	All Managers	
Personal Grievance - bullying, abuse, discrimination	Culture, Stress, productivity, legal costs	M	M		Review HR Policy, Staff member with HR portfolio, Manager Training	On-going	CEO/HR Manager		
Infrastructure	Change in funding of Cape Palliser Road	Cost, resource	H	M	Reducing by 8% pa from 2018/19 until reaches 52%. Rural roading reserve in place to partially cover this.		2019 to 2024	GMPO/Roading Manager	
	Earthquake buildings	Derelict buildings	H	M	New Regulations set late 2015 Investigate relief policies	Look at rates remission policy in line with other councils. Implement Plan for buildings not compliant in time frame	TBC	GM P & E	
	Martinborough Town Hall (Waihinga Centre)	Earthquake, Cost over run, timeline over run	M	M	Critical funding points. Monitor project costs and forecast monthly		2017/18 to 2018/19	CEO	
	Maintenance /Failure to future proof assets and amenities to cater for growth	Failure to manage assets , drop in customer service, dissatisfaction of ratepayers, reputation	L	H	Complete scheduled cyclical maintenance as planned Update and implement Asset management plans. External reviews e.g. Wellington water, ID growth forecasts	Consider Amenities asset management plan, Spatial plan	On-going	GMPO/ Amenities manager	
	Bonny Glen Resource Consent	Consent not reissued	H	M	Alternate sites	Monitor situation	2019	GMPO/ Amenities manager	
	Waste Water (FTN High priority)	Failure to meet consent obligations, legal costs, timing and budget not met	H	M	Understanding the impact of consent conditions - mainly about the term, the shorter the term the higher the initial rates impact. Monitoring actual spend vs budget monthly. Pursuing cost savings from suppliers	Continue to work through consent application process	FTN Consent in progress	CEO/GMPO	
	Flooding incidents/Claims from ratepayers	Incorrect LIMs issued, incorrect information provided to developers	M	M	Improving recording systems and looking at possible disclaimers on LIMs, identify appropriate building platforms for new sections and follow through at Building consent stage.	Continue to ensure record keeping is up to date and comprehensive and flood risk is a key party of subdivision review and sign off	On-going	GM P&E	
	Trade Waste compliance with companies discharging to the Greytown wastewater system				Monitor discharges and communicate with relevant companies		On-going	GMPO	NEW
	Water Availability/Use/Conservation/Drinking water standards	Health	L	H	On-going management and education Continue discussion with Regional Council /Minimise infrastructure leaks	More education/promotion of water conservation - Comms manager. Use website, facebook etc	On-going	GMPO/WWL	Await govt recommendations on 3 waters
	Information Technology	Magiq Access (User control)	Loss of data	L	H	Limited access to user control		On-going	System Administrator
Personal Internet Usage		Time, cost	H	L			On-going	All Managers	
Technology Changes (IT/Broadband/Cell Phone)		Loss of data/reputation/security	H	L	Managed by system administrator with back up from Technology Solutions	New disaster recovery regime	On-going	CEO	
Cyber Bullying		Staff wellbeing	L	H	Firewalls in place		On-going	All Managers/Tech Solutions/Syst Administrator	
People gaining entry - Visitors not signing in		Theft, reputation	M	M	Sign in book and entrance control updated with key pad		On-going	Receptionists	
Confidential/Sensitive Information not passworded or encrypted		Reputation	M	H	Password or encrypt all mobile storage devices	Updated IT policy to reflect this	On-going	All Staff & Elected members	
Confidential/Personal Information left in public areas		Reputation	M	H	Keep conversations quiet. Go to meeting room if necessary		On-going	All Staff & Elected members	
Database Information theft/Cyber bug corrupting system		Loss of data & Reputation	M	H	Managed by contractor, firewalls in place	Disaster recovery upgrade	On-going	Tech Solutions/Syst Administrator	



# **Appendix 2– Strategic Risk Register**



**STRATEGIC RISK MANAGEMENT** as at August 2018

Risk Identification		Risk		Risk Management					
Risk Category	Risk	Likelihood H/M/L	Impact H/M/L	What are we already doing about it? (mitigating factors)	What more can we do about it?	Timescale	Person Responsible	Reviewed Level of Risk	
General	Communication	Failure to gain stakeholder engagement, lack of transparency, statutory consultation not met	M	H	Regular Staff meetings, Rates newsletter, engagement through Facebook & website, professional/proactive approach, customer follow up, Comms Manager	Regular Team Meetings Regular leadership meetings Website & Facebook current	On-going	CEO/Comms Manager/HR Manager	
	Leadership	Mayor or CEO transition, High turnover of Councillors or Senior Managers	L	L	Lead by example, honesty, positive delegation. Good induction processes, pre-election briefings for potential candidates	Training, organised approach, induction, excellent communication	On-going	CEO & Group Managers	
Demographics	Aging Community	Rates arrears, infrastructure failure	L	L	Monitor demographics and facilities	Appointed Positive Aging Coordinator	On-going	Council	
	Schools not performing	Decreasing house sales, failure to attract families resulting in aged community	L	L	No ability to manage	Monitor	On-going	N/A	
Economy	Economic Downturn/recession	Increase in rates arrears	M	M	Increased rates debtors but we have the power to sell so ultimately this won't impact SWDC		On-going	GMCS	
	Low employment/Lack of employees	Increase in rates arrears, businesses including Council can't find staff	M	M	Wairarapa Economic development strategy		On-going	CEO	
	Lack of availability of affordable residential property		M	M	Researching new development options, Spatial plan	Not our job, we can only create the environment	On-going	GM P & E	
	Commercial Buildings not available to drive growth		L	L	Combined district plan review, Spatial plan	Not our job, we can only create the environment	On-going	CEO	
Environmental	Coastal Erosion	Decreased rating base	H	H	Work with NZTA on mitigation Work with land owners		On-going	GMPO/Roading Manager	
	Weather event	Infrastructure, business continuity	H	H	Have CDEM plan through WREMO Civil defence Centres Community Train staff and community to be prepared		On-going	GMPO	
	Pests/bugs/disease	Agriculture and horticulture down turn	H	H	Biosecurity Act		On-going	GM P & E	
	Climate Change	Erosion of rateable land	H	H	Assess potential impact	Appointed Climate Change Advisor	On-going	Council	
Governance	Treaty Settlement		H	M	Treaty settlement in progress, keep communications open with treaty settlement parties	Liaising with recipients Understanding our obligations	Next 10 years	Council	
Transport	Remutaka Hill Road	Cut off major city	M	M	Lobby to ensure good as can be and contribute to the regional land transport plan		On-going	Council	
	Public Transport	Reduce accessibility and ease of movement in region	M	M	Advocating for Public transport to meet the communities needs, Govt funding approval for rail improvements 31 Aug-18 - will take several years to implement		On-going	Council	



# FINANCE, AUDIT AND RISK COMMITTEE

11 DECEMBER 2019

## AGENDA ITEM C3

### AUDIT NEW ZEALAND ANNUAL AUDIT REPORT

#### **Purpose of Report**

To present the Audit New Zealand annual audit report.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Audit NZ annual audit report.*
2. *To note the recommendations and management responses contained within the report.*

#### **1. Background**

Audit New Zealand have been appointed as SWDC's external auditors. They recently completed the annual audit of the SWDC Annual Report for the year ended 30 June 2019. The final audit report is being presented to FA&R members for their review.

#### **2. Discussion**

Audit New Zealand are appointed as SWDC's external auditors. They recently completed the annual audit of the SWDC Annual Report for the year ended 30 June 2019. The final audit report is being presented to FA&R members for their review (Appendix 3).

The content of the Audit report is fairly self-explanatory and officers will be available to answer queries from FA&R members at the meeting.

Audit NZ have requested management responses to a small number of recommendations and these have been provided within the report.

The following recommendations were made by Audit NZ:

- **A recommendation** that the District Council fully complies with PBE IPSAS 17 when performing a revaluation and that when a revaluation of an asset class is performed, all assets within that class shall be revalued.

*This referred to an asset of low value included in our Heritage assets. Officers believe the impact of not revaluing this asset would be minimal.*

- **A recommendation that** the District Council explores whether the current resource consent system has the functionality to record pauses of processing of resource consents where statutory criteria is met, and if so to ensure this functionality is utilised.

*This recommendation is being worked on and staff are implementing a number of changes to ensure the number of days to process an application is accurately measured in future.*

- **A recommendation that** the District Council investigates any significant underperformance against targets set for performance measures involving surveys, and where appropriate reports the reasons for underperformance in the Annual Report and actions intended to address any deficiencies.

*There are 19 of these measures in total of which 3 were below the target by more than 10% and another 4 were below the target by 9% or 10%. This represents just over a third of the measures that could be considered well below the target. In addition, a further 6 (just under a third) either met or exceeded the targets set. For the majority of the 7 measures 9% or more below the targets, officers provided some commentary in the annual report on what has been done to improve results in future. Council will focus on those results in an effort to ensure the outcomes improve in future.*

### **3. Appendices**

Appendix 1 – Audit New Zealand annual audit report for the year ended 30 June 2019.

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed by: Harry Wilson, Chief Executive Officer

## **Appendix 1 –**

# **Audit New Zealand annual audit report for the year ended 30 June 2019**

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

South Wairarapa District  
Council

For the year ended 30 June 2019

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## Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where the South Wairarapa District Council (the District Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion on the District Council's financial statements dated 30 October 2019. This means that we are satisfied that the financial statements and statement of performance fairly reflect, in all material respects, the District Council's activity for the year and its financial position at the end of the year.

### Matters identified during the audit

We have no significant new audit identified issues to bring to your attention. We have raised three new recommendations which are summarised in section 1.1 of this report.

### Business risks and areas of focus

In our Audit Plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2018/19 audit. They are as follows:

#### Revaluation of assets

The District Council revalued its land and building assets during the year. The District Council used external service providers to perform the revaluation in accordance with its internal policies and the financial reporting framework.

We reviewed the valuation methodology used and assessed the methodology as reasonable. We have assessed that the process followed in terms of the requirements of Accounting Standard *PBE IPSAS 17, Property, Plant and Equipment* have been met.

The District Council's policy is to revalue its infrastructure assets on a cyclical basis, unless there are indications of a material difference between carrying and fair value of these assets. Our review of the fair value assessments for those asset classes not revalued this year concluded that the carrying value of the assets was not materially different than the fair value of the assets.

#### Capital projects

We reviewed the capitalisation of costs related to the Waihinga Centre and the Greytown wastewater plant project, including the useful life and application of depreciation. No issues were identified.

### Thank you

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

John Whittal  
Appointed Auditor

**DRAFT** – 19 November 2019

# 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
<p><b>Statement of service performance – Resource consent processing</b></p> <p>We recommend that the District Council explores whether the current resource consent system has the functionality to record pauses of processing of resource consents where statutory criteria is met, and if so to ensure this functionality is utilised.</p>	4.1	Necessary
<p><b>Statement of service performance - Survey results</b></p> <p>We recommend that the District Council investigates any significant underperformance against targets set for performance measures involving surveys, and where appropriate reports the reasons for underperformance in the Annual Report and actions intended to address any deficiencies.</p>	4.2	Beneficial



Recommendation	Reference	Priority
<p><b>Revaluation of Property, Plant and Equipment – Compliance with accounting standards</b></p> <p>We recommend that the District Council fully complies with PBE IPSAS 17 when performing a revaluation and that when a revaluation of an asset class is performed, all assets within that class shall be revalued.</p>	3	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	-	8	-	8
Implemented or closed	-	5	-	5
<b>Total</b>	-	<b>13</b>	-	<b>13</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit opinion on 30 October 2019. This means that we are satisfied that the financial statements and statement of performance fairly reflect, in all material respects, the District Council's activity for the year and its financial position at the end of the year.

### 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 have not been corrected.

### 2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the Annual Report of the District Council. This includes the draft Annual Report with supporting working papers. We provided a listing of information we required to management including the dates we required the information to be provided to us.

We were provided with an almost complete draft Annual Report of a good quality, and a number of supporting working papers at the start of the audit.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 17 April 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Capital projects</b>	
<p>The District Council is either in the process of completing, or has completed, the following major capital projects.</p> <p><b>Wastewater treatment upgrade</b></p> <p>The District Council is upgrading the wastewater treatment systems for Greytown and Featherston to stop pollutants entering waterways.</p> <p>These projects are at differing stages:</p> <ul style="list-style-type: none"> <li>The Greytown construction is expected to be completed in the 2018/19 financial year.</li> <li>The District Council continues to work with the regional council to obtain the resource consent for the Featherston project.</li> </ul> <p><b>Waihinga Centre</b></p> <p>The Waihinga Centre project was completed and became operational in December 2018. This was a significant project for the council, costing over \$5 million and providing a multi-purpose community hub.</p>	<p><b>Wastewater treatment upgrade</b></p> <p>Significant progress was made against the Greytown Waste Water Treatment Plant upgrade and this was completed in June 2019. We considered the capitalisation of works to date to be appropriate and in accordance with accounting standards.</p> <p>The Featherstone Resource Management Consent process is still being worked through and a hearing is expected in May 2020.</p> <p>We will continue to monitor the projects, and during the 2019/20 audit, we will review expenditure incurred on the project and, where capital expenditure has been incurred, whether the expenditure meets capitalisation criteria as set out in the accounting standards.</p> <p><b>Waihinga Centre</b></p> <p>We reviewed the capitalisation of costs related to this project including the useful life and impact of depreciation. No issues were identified.</p> <p>We note that the council completed a full revaluation of land and buildings, including the Waihinga centre as at 30 June 2019.</p>
<b>Revaluation of PPE</b>	
<p>The District Council’s policy is to revalue its infrastructure assets on a cyclical basis. The District Council last revalued its infrastructure assets as at 30 June 2018.</p> <p>We note that it is a requirement of <i>PBE IPSAS 17 Property, Plant and Equipment</i> that the District Council performs an assessment of the fair value movement in non-revaluation years to confirm that there has been no material movement. Where evidence of material movement exists, a full revaluation</p>	<p>A revaluation of land and building assets was completed as at 30 June 2019.</p> <p>We performed audit procedures over the valuation including:</p> <ul style="list-style-type: none"> <li>obtaining confirmation directly from the valuer to ensure that they complied with the relevant standards and that the appropriate amounts were included in the financial statements;</li> </ul>

Audit risk/issue	Outcome
<p>is required to comply with the accounting standards.</p> <p>Due to the subjectivity involved in making this fair value assessment, there is an inherent risk that the carrying value of these assets is materially misstated in years between valuations.</p>	<ul style="list-style-type: none"> <li>• testing the assumptions used by the Council in valuing the assets to ensure they were reasonable; and</li> <li>• reviewing the Council’s financial statements to ensure that the revaluations were appropriately accounted for and disclosed.</li> </ul> <p>We identified that there is an asset in the Heritage assets class which was not included in the revaluation exercise. Even though the asset is immaterial, all asset categories should be valued together to comply with the requirements of the standard.</p> <p><b>We recommend</b> that the District Council fully complies with PBE IPSAS 17 when performing a revaluation and that when a revaluation of an asset class is performed, all assets within that class shall be revalued.</p> <p><b>Management comment</b></p> <p><u>This refers to the Fell Locomotive which is classified as a Heritage Asset which has a book value of \$10,000. Quotable Value carried out the revaluation of our buildings and they do not do valuations for this type of asset. As the book value is minimal and there would be minimal market for this type of asset, it was not considered material. From a review of past records, this asset has not been revalued in prior revaluations.</u></p> <p><del>[...]</del></p> <p><b>Non revaluation year</b></p> <p>The District Council’s policy is to revalue its infrastructure assets on a cyclical basis.</p> <p>The District Council provided information relating to the fair value of infrastructure assets to allow an assessment against carrying value to be completed.</p> <p>We performed our own fair value assessment based on relevant information to determine whether evidence of material fair value movements since 30 June 2018 existed. From</p>

Audit risk/issue	Outcome
	the work we performed we concurred with management that the carrying value of infrastructure assets was not materially different to the fair value as at 30 June 2019.
<b>Management override</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We updated our understanding of systems and controls over key financial systems within the Council and related controls.</p> <p>During the final audit visit we focused our substantive audit testing on inherently high risk areas, including journal entries and accounting estimates. We did not identify any unusual or one-off transactions, including those with related parties for further evaluation.</p> <p>We also introduced an element of unpredictability in our testing, including the use of random sampling to identify transactions for testing.</p> <p>In completing our procedures, we did not identify any evidence of management override within the District Council.</p>

## 4 Matters arising from the audit



We identified the following matters during the completion of our final audit:

### 4.1 Statement of Service Performance – Resource Consent Processing

We selected the performance measure “*Consent applications completed within statutory timeframes*” as a significant measure for the purposes of our audit. The District Council use MagiQ to record resource consents processed. We selected a sample of resource consents to confirm processing times to supporting documentation.

Our testing identified that a number of consents were put on hold during the processing process, but that this was not recorded in the system. We understand that functionality exists in the MagiQ system to allow the clock to be paused when appropriate to do so. However, this is not currently being utilised by the District Council.

There are legitimate reasons why a consent may be put on hold and following further enquiry the District Council were able to provide appropriate correspondence to support the adjustment made in all but one of the consents selected for testing. We were thus able to perform enough testing to confirm that the measure was fairly stated.

However, we would expect the system to accurately record processing times and this would reduce the risk of error when calculating this performance measure manually.

**We recommend that** the District Council explores whether the current resource consent system has the functionality to record pauses of processing of resource consents where statutory criteria is met, and if so to ensure this functionality is utilised.

#### Management comment

The technical improvements we are working on as a result of the audit include the following:

- Updating the 223 process in the MagiQ system so that we are able to stop the clock
- Creating a naming convention so that documents are easier to find
- In the long run, electronically filing all documents to enhance availability of information at short notice

[...]

### 4.2 Statement of Service Performance – Survey Results

The District Council utilises surveys to report a number of performance measures. Our review of the statement of service performance identified a number of measures where the reported result was significantly lower than the targeted performance.

Whilst the District Council had incorporated some commentary it was not always clear as to why targets were not met. It would be beneficial to investigate and fully explain the reasons for not meeting any performance target and to outline how the District Council plans to address any deficiencies in subsequent periods.

**We recommend** that the District Council investigates any significant underperformance against targets set for performance measures involving surveys, and where appropriate reports the reasons for underperformance in the Annual Report and actions intended to address any deficiencies.

#### **Management comment**

*[...]Management has reviewed the performance measures from the Customer Satisfaction (NRB survey) as reported in the Annual Report. There are 19 of these measures in total of which 3 were below the target by more than 10% and another 4 were below the target by 9% or 10%. This represents just over a third of the measures that could be considered well below the target. In addition, a further 6 (just under a third) either met or exceeded the targets set. For the majority of the 7 measures 9% or more below the targets, officers provided some commentary in the annual report on what has been done to improve results in future. Council will focus on those results in an effort to ensure the outcomes improve in future.*

## 5 Public sector audit



The District Council is accountable to their 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;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- 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 a public entity or by one or more of its members, office holders, or employees.

We have not identified any issues to be brought to your attention.

### 5.1 Areas of interest for local authorities

#### 5.1.1 Mandatory performance measures

The non-financial performance measures rules were signed on 12 November 2013 pursuant to section 261B of the Local Government Act 2002. These rules require the reporting on mandatory measures by all Councils in their Annual Report for the 30 June 2016 year end onwards.

We reviewed the systems the District Council has in place to record results for the mandatory measures. We ensured that the results reported in the Annual Report accurately reflect the District Council's performance against these measures.

#### 5.1.2 Rates

Rates is the District Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The District Council should ensure they



have appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of their rates and rating processes with legislation.

We considered the District Council's compliance with aspects of the Local Government Rating Act (LGRA) that potentially materially impact on the financial statements. This is principally focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).

We reviewed a sample of differentially set and targeted rates to assess whether the matters and factors used are consistent with the LGRA. We also followed up on issues identified from our review of rates in previous years. No other issues were noted from our review.

We note that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council is responsible for ensuring that it complies with applicable laws and regulations.

### **5.1.3 Elected Members – remuneration and allowances**

The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Council also has the role of approving the District Council's policy on allowances and expenses.

The District Council's Annual Report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.

We assessed the District Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the Annual Report against the relevant Local Government Elected Members Determination and any amendment to that Determination.

No issues were noted from our review.

## 6 Useful publications



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

Description	Where to find it
<b>Client updates</b>	
<p>In March 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Tax Matters</a></p>
<b>Client Substantiation File</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>

Description	Where to find it
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG’s website under 2019 publications. Link: <a href="#">Severance payments</a></p>
<b>Matters arising from the 2017/18 audits</b>	
<p>The OAG has published a report on the results of the 2017/18 audits for the sector.</p>	<p>On the OAG’s website under publications. Links: <a href="#">Local Government</a></p>
<b>Good practice</b>	
<p>The OAG’s website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG’s website under good practice. Link: <a href="#">Good practice</a></p>
<b>Reporting fraud</b>	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data. Link: <a href="#">Reporting Fraud</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations – reviewed during final audit

Recommendation	Status
<b>Necessary</b>	
<p><b>Resource Consent Processing Days</b></p> <p>The District Council should undertake a review of all resource consents processed near the statutory deadline (for the type of consent) to ensure the system has counted these correctly.</p>	<p><b>In progress.</b></p> <p>We have made a new recommendation regarding the processing of resource consents. See section 4.1.</p>
<p><b>Conflicts of Interest Register for elected members</b></p> <p>The District Council should ensure declarations by elected members are completed and signed annually.</p>	<p><b>Issue outstanding.</b></p> <p>No updated declaration had been completed at the time of our audit in September 2019. We understand declarations will be updated as part of post-election processes.</p>
<p><b>Excessive annual leave balances</b></p> <p>The District Council should regularly review employee leave balances and ensure employees with excessive balances have leave plans put in place.</p>	<p><b>Issue outstanding.</b></p> <p>Our review identified nine employees with balances in excess of 200 hours.</p>

### Implemented or closed recommendations

Recommendation	Status
<p><b>Customer Complaints</b></p> <p>The District Council should ensure all complaints or faults reported are recorded in the RFS and CEM to ensure service performance reporting is complete and accurate.</p>	<p><b>Issue closed.</b></p> <p>Testing completed at final did not identify any issues regarding incompleteness or incorrect classification of complaints in the RFS or CEM.</p>
<p><b>FAR not updated with potential changes in useful lives from revaluations</b></p> <p>The District Council should compare the useful lives of building assets to ensure accurate useful lives are being used to calculate depreciation.</p>	<p><b>Issue closed.</b></p> <p>We did not identify any inconsistencies between the valuation report and the Fixed Asset Register regarding useful lives as part of our 2019 audit.</p>
<p><b>Lack of formal documentation for transfer of completed work in progress</b></p> <p>The District Council should develop a formal process to certify that assets are completed and ready for use upon completion of capital projects or stages of capital projects.</p>	<p><b>Issue closed.</b></p> <p>We tested a number of WIP transfers into operational assets as part of our final audit. No issues identified in relation to completion of capital projects and subsequent transfer from WIP.</p>

Recommendation	Status
<p><b>Sensitive expenditure approval</b></p> <p>The District council should ensure expenditure of a sensitive nature is approved in line with the District Council's Sensitive Expenditure Policy.</p>	<p><b>Issue closed.</b></p> <p>We did not identify any issues of authorisation outside policy during our 2019 audit.</p>
<p><b>Review of journals and reconciliations not being dated</b></p> <p>The District Council should independently review all journals and balance sheet reconciliations a timely manner. This should be evidenced by signature and date.</p>	<p><b>Issue closed.</b></p> <p>We did not identify any issues regarding the independent review of journals as part of our final audit.</p> <p>Our testing of balance sheet reconciliations in-year did not identify any significant timeliness issues.</p> <p>We thus consider both these issues closed, though the District Council should continue to operate and monitor these key financial controls.</p>

### Interim Audit recommendations not readdressed during the final audit

The recommendations below were raised in our interim management report, either as new issues identified during the 2019 interim audit, or issues previously identified and still outstanding. We have not readdressed these issues during the final audit, but will do so during the 2020 interim audit.

Recommendation	Status
<p><b>Review of Batch Invoices</b></p> <p>All expenditure should be confirmed to appropriate documentation prior to payment, and that this review is evidenced.</p>	<p>We did not identify any further issues with the review of invoices prior to payment during our final audit.</p> <p>We will follow up progress as part of our 2020 interim audit and close this issue if no further instances are identified.</p>
<p><b>Creditors Masterfile</b></p> <p>The District Council should independently review all changes to the Creditors Masterfile, including bank account changes and new creditors.</p> <p>The District Council should ensure that a report including all changes is run when Creditor Masterfile review is going to occur to ensure no changes are missed.</p>	<p>We will follow up on progress against this recommendation as part of our 2020 interim audit.</p>
<p><b>Low delegation levels</b></p> <p>The District Council should review current delegation limits to ensure these are reflective of the expenditure being incurred by Council officers.</p>	<p>Our testing at final did not find any issues with approval of expenditure over delegation.</p> <p>We will follow up progress as part of our 2020 interim audit and close this issue if no further instances are identified.</p>

Recommendation	Status
<p><b>Sensitive Expenditure Policy</b></p> <p>The District Council should update the policy to ensure it covers all best practice guidelines.</p>	<p>We understand the District Council intends to update the Sensitive Expenditure Policy in December 2020.</p>
<p><b>Procurement and Contract Management Policy</b></p> <p>The District Council should update the Procurement Policy to ensure it covers all of its procurement and contract management activities.</p>	<p>We understand the District Council intends to update its Procurement and Contract Management policy in December 2020.</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 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the District Council.</p> <p>In addition to the audit we have carried out engagements in the areas of the audit of the 2018-28 Long-Term Plan, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$92,362, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the 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>

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