



Assurance and Risk Committee Meeting Agenda – 3 May 2023

NOTICE OF MEETING

This meeting will be held in the Pūtahi Room, 19 Kitchener Street, Martinborough and via audio-visual conference, commencing at 12.30pm. The meeting will be held in the SWDC Office and will be live-streamed and will be available to view on our [YouTube channel](#).

All meeting agendas and minutes can be found on the SWDC website: <https://swdc.govt.nz/meetings/>

A. Open Section

A1. Mihi / Karakia Timatanga - Opening

A2. Apologies

A3. Conflicts of interest

A4. 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.

A5. Actions from public participation

A6. Extraordinary business

A7. Matters arising from previous minutes

B Decision Reports from Chief Executive and Staff

B1. Draft Annual Report 2021-2022

Pages 1-12
(Appendices 2 & 3 to be
tabled)

C Information Reports from Chief Executive and Staff

C1. Policy and Governance Report

Pages 13-20

C2. Waka Kotahi Investment Audit Report

Pages 21-35

D Public Excluded

D1. IT Systems and Architecture – Risk Management

(distributed separately)

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:

Report/General Subject Matter	Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
IT Systems and Architecture – Risk Management	Good reason to withhold exists under section 7(2)(j)	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) 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:

Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	Section 7(2)(j)

E Karakia Whakamutunga - Closing

Draft Annual Report 2021/22

1. Purpose

To present the draft Annual Report 2021/22 and the Summary Annual Report 2021/22 to the Risk and Assurance Committee to seek recommendations for adoption by Council on 7 June 2023.

2. Recommendations

Officers recommend that the Risk and Assurance Committee:

1. Receive *Draft Annual Report 2021/22* Report.
2. Recommend to Council to:
 - i. Adopt the 2021/22 Annual Report.
 - ii. Adopt the 2021/22 Summary Annual Report.
 - iii. Delegate to the Mayor and Chief Executive to correct minor grammatical and other errors.
 - iv. Delegate to the Mayor and Chief Executive authority to sign these reports.

3. Executive Summary

The draft annual report has been previously circulated and discussed at a Council workshop on 23 November 2022.

4. Background

Audit New Zealand has completed their review of the Annual Report and the underlying information on the 26 April 2023.

It is important to note the Annual Report, and the correctness of the disclosures, internal controls and the detection of fraud are the SWDC's responsibility.

The audit process is at a high level and provides an opinion on whether the financial statements show a true and fair view of the operations for the year ended 30 June and as at that date. The audit is not designed to specially look for fraud or irregularity.

5. Discussion

The Annual Report has been delayed this year due to significant resource difficulties withing Audit New Zealand. The Audit Opinion will be received for adoption of the Annual Report.

A “representative copy” of the Annual Report and the Summary Annual Report will be tabled at the Assurance and Risk Committee meeting 3 May 2023.

The Assurance and Risk Committee is asked to recommend to Council the adoption of the Annual Report at the next scheduled Council meeting on 7 June 2023.

Once the Annual Reports 2021/22 is adopted a final copy of the full and summary annual reports will be published on an Internet site maintained by SWDC within one month of receiving it.

6. Appendices

Appendix 1 – Representation letter for the year ended 30 June 2022

Appendix 2 – Annual Report 2021/22- (to be tabled)

Appendix 3 – Summary Annual Report 2021/22 (to be tabled)

Contact Officer: Karon Ashforth, General Manager Finance

Reviewed By: Harry Wilson, Chief Executive Officer

Appendix 1 – Representation letter for the year ended 30 June 2022

26 April 2022

Jacques Du Toit
Appointed Auditor
Audit New Zealand
PO Box 99
Wellington 6140

Dear Jacques

Representation letter for the year ended 30 June 2022

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of service performance of South Wairarapa District Council for the year ended 30 June 2022 for the purpose of expressing an independent opinion about whether:

- the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2022; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime;
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council annual plan.
- the statement of service performance:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.
- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council annual plan; and
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

We understand that, because you will be issuing a non-standard audit report, the Auditor-General has the responsibility to refer to that audit report in a report to Parliament in accordance with section 20 of the Public Audit Act 2001.

General responsibilities

To the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations, and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the District Council) to prevent and detect fraud or error, and which enables the preparation of the financial statements and the statement of service performance that are free from material misstatement whether due to fraud or error.

Representations on the financial statements and the statement of service performance

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of service performance, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of service performance as required by the Local Government Act 2002 and, in particular, that:
 - the financial statements:
 - present fairly, in all material respects:
 - the financial position of the District Council as at 30 June 2022; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.
 - the statement of service performance:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand.
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council annual plan;

- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council annual plan;
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- we have complied with the requirements of Schedule 10 of the Act that apply to the annual report;
- we have made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014;
- we believe the methods, significant assumptions, and data used in making and supporting accounting estimates and the related disclosures in the financial statements and performance information are appropriate to achieve recognition, measurement, or disclosure that is in accordance with Public Benefit Entity Standards Reduced Disclosure Regime;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to 30 June 2022 that require adjustment or disclosure;
- we believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and groups of activities as a whole (a list of the uncorrected misstatements is attached as Appendix 1 to this representation letter);
- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the financial statements as a whole;
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with Public Benefit Entity Reporting Standards; and
- we consider the disclosure in the annual report about the Government's three water reform programme announcement is appropriate.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of service performance; and
 - unrestricted access to persons within the District Council from whom you determined it necessary to obtain audit evidence.
- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of service performance may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the District Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and statement of service performance.
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the District Council's financial statements and statement of service performance communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of service performance, including possible non-compliance with laws for setting rates;
- we have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Publication of the financial statements and statement of service performance and related audit report on a website

The Council accepts that it is responsible for the electronic presentation of the audited financial statements and statement of service performance.

The electronic version of the audited financial statements and statement of service performance and the related audit report presented on the website are the same as the final signed version of the audited financial statements and statement of service performance and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over audited financial and statement of service performance and the related audit report and are satisfied those procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and statement of service performance is provided on a website, the financial statements and statement of service performance are also provided in full.

Going concern

We confirm that, to the best of our knowledge and belief, the District Council has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Council continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of service performance for the year ended 30 June 2022. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the District Council during the period of one year from 21 December 2022, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and the statement of service performance adequately disclose the circumstances, and any uncertainties, that we can reasonably be expected to be aware of concerning the adoption of the going concern basis of accounting by the District Council.

Sign-off on these representations

These representations are made at your request, and to supplement information obtained by you from the records of the District Council and to confirm information given to you orally.

Yours sincerely

Martin Connelly
Mayor

Harry Wilson
Chief Executive

Appendix 1: Uncorrected misstatements

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1			43	(43)

Explanation for uncorrected differences

- 1) The financial statements include Hall Board bank account balances of \$43k for which the movements have historically been recognised through expenditure (no movements recognised for 2021/22). Council has resolved to remove these from the financial statements from 2022/23 on the basis that the District Council does not control these accounts, nor do they have the rights to the funds held within these accounts. These balances however remain in the financial statements for 2021/22 and based on the immaterial nature will not be adjusted.

Appendix 2 – Annual Report 2021/22 (to be tabled)

Appendix 3 – Summary Annual Report 2021/22 (to be tabled)

Policy and Governance Update

1. Purpose

To present the Policy and Governance Report for May 2023.

2. Recommendations

Officers recommend that the Risk and Assurance Committee:

1. Receive the *Policy and Governance Update Report*.

3. Executive Summary

Officers present the following updates for consideration by the Assurance and Risk Committee:

- Significant Risk Register Review
- Governance
- Policy Review Programme

4. Significant Risk Register Review

The risk register will be reviewed quarterly as follows:

- May (Jan-April)
- August (May-July)
- Oct (Aug-Sept)

The Executive Leadership Team continue to have weekly risk meetings and fortnightly risk assessment discussions. Risks identified at these meetings are recorded in minutes and added to the appropriate risk register.

5. Governance

The priorities for the governance team over the past few weeks has included:

- Annual Plan Consultation/Engagement document
- Adoption of the Smoke and Vape Free Policy
- Review of joint policies with Carterton and Masterton District Councils
- Review of a number of SWDC regulatory policies (refer to Appendix 2)

- Governance support to Council, committees and community boards

The other major piece of work over coming months includes the Representation Review:

May 2023:	Engage LGNZ support
June 2023:	Electoral system adoption by Council
July 2023:	Consultation with iwi, hapu and Māori Standing Committee on Māori Wards
November 2023:	Council resolution on Māori Wards
December 2023:	Draft representation options to Māori Standing Committee
February 2023:	Draft representation options to Council.

Early in June 2023 , the full timetable for the representation review will be presented to Council for consideration.

It is noted the Policy and Governance team are currently carrying a vacancy of 1FTE.

6. Policy Review Programme 2022/23

Appendix 2 provides an overview of the indicative policy review programme for 2022/23, based on the framework. The programme has been prioritised based on audit and legislative requirements, supporting governance best practice, low hanging fruit (simple replacements, and impact).

7. Appendices

Appendix 1 – Significant Risk Register as of May 2023

Appendix 2 – Policy Review Programme 2022/23

Contact Officer: Amanda Bradley, General Manager Policy and Governance

Reviewed By: Harry Wilson, Chief Executive Officer

Appendix 1 – Significant Risk Register as of May 2023

Risk Theme	Risk and Impact Description	Risk Drivers (Existing and Potential Causes)	Accountable	Inherent Likelihood	Inherent Consequence	Inherent Risk	Existing Mitigations	Mitigations in Development	Responsible	Residual Likelihood	Residual Consequence	Residual Risk	Monitoring and review
Council decisions and processes do not fulfil our obligations under Te Tiriti o Waitangi, The Treaty of Waitangi, respectful of tikanga and iwi, hapū, te ao Māori, Māori world view	External or internal events may have a material impact on the quality of the relationship the SWDC has with iwi, hapū, Māori. The understanding of the SWDC role under Te Tiriti o Waitangi, The Treaty of Waitangi is developing and requires resourcing. If the SWDC does not respond adequately, it could result in decreasing trust, a claim under the Waitangi Tribunal, financial loss, and reputational damage.	Lack of or inadequate: <ul style="list-style-type: none"> •Partnership Policy and outdated Māori Policy/Significance and Engagement Policy •Staff and elected official cultural competence •Sharing of relationship insights across council •Sufficient resources •Lack of a full and appropriate process of engagement or consulting with Mana whenua in identifying areas of significance to Māori/Mana Whenua 	CE	Almost Certain (5)	Moderate (3)	Extreme (5)	<ul style="list-style-type: none"> •Appointment to role of Pou Māori (Principal Advisor Māori) •Maintenance and support of the Māori Standing Committee this includes ensuring and maintaining full mana whenua representation •Relationships held between marae committees, iwi entities, the CE, the and the Mayor •Collaborations with other councils to align engagement with iwi on some projects (e.g. climate change) •Cultural competence training for all staff and elected officials (in progress) 	<ul style="list-style-type: none"> •Te Ao Māori and Te Reo training for staff and elected officials •Developing the role of Pou Māori to engage broadly internally and externally to better advise on the Councils obligations under Te Tiriti o Waitanga with iwi, hapū •Coordinated collaboration with other councils to align engagement with iwi •Comprehensive induction for elected officials •Representation review includes iwi, hapū, and marae from the outset towards a partnership approach •Partnership and Māori Policies developed, Significance and Engagement Policy reviewed 	GM P&G and Pou Māori	Possible (3)	Minor (3)	Moderate (3)	Quarterly at Assurance and Risk Committee meetings
Climate Change	Failing to adapt to the impacts of climate change on our environment and failing to mitigate council's contributions to greenhouse gas emissions may result from the complexity of processes and dependencies that may not adequately consider climate impacts. There may be impacts on the environment, health and safety or wellbeing of staff and the community, reputation, operations and finance and strategic goals may not be delivered.	Lack of or inadequate: <ul style="list-style-type: none"> •Preparedness •Coordination across services (planning, roading, finance, etc) •Connection to emergency management •Investment •Training of staff (understanding of issues, roles, and responsibilities) •Leadership •Communication internally, with key stakeholders, or the public 	CE	Almost Certain (5)	Extreme (5)	Extreme (5)	<ul style="list-style-type: none"> •Appointment to role of Climate Change Advisor to lead this work •Climate Change Carbon Reduction Strategy and Action Plan •Wellington Regional common climate change assumptions used to carry out a risk assessment •Contingency built into LTP budgets •Energy audits •Community self-assessment kits •Climate Change Resilience and Risk Strategy (further detailed mitigations) •Council's updated procurement policy supports sustainability •Establishment of Climate Change and Environment Committee. 	<ul style="list-style-type: none"> •Advancing planning measures including coastal retreat into our District Plan •Involvement in Regional Climate Change Impacts Assessment, Emissions Reduction Strategy, and Food Systems Strategy projects under the Wellington Regional Leadership Committee which will provide regional- and district-specific actionable documents •Community planting initiatives around forests and wetlands to increase carbon reservoirs and stormwater attenuation. 	ELT, Climate Change Advisor	Almost Certain (5)	Major (4)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Crisis Management and Response	Risk relates to a natural or human-induced disaster event impacting the health and safety or wellbeing of staff and the community and service delivery and resulting in financial loss.	Lack of or inadequate: <ul style="list-style-type: none"> •Preparedness •Investment •Training of staff (understanding of issues, roles, and responsibilities) •Leadership •Communication internally, with key stakeholders, or the public 	CE	Almost Certain (5)	Major (4)	Extreme (5)	<ul style="list-style-type: none"> •Participation in Wellington Region Civil Defence Emergency Management Group •Participation in the Wellington Regional Leaders Committee and developing the Regional Economic Response Plan •Participation in the Wairarapa Emergency Operation Centre (EOC) •Some degree of response built into the 2021-31 LTP •Business Continuity Plan developed and CIMS framework adopted for management of emergency situations 	<ul style="list-style-type: none"> •Engage the community to participate in the Community Emergency Hubs. •Inhouse crisis response teams to respond to local events. •Working with WREMO to strengthen the community's knowledge and response capacity •Working with WREMO on coastal community tsunami response awareness. •Further develop CDEM related business continuity •Improve reporting 	GM HR&CS and H&S Officer	Almost Certain (5)	Moderate (3)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
IT System Failure	Previous levels of investment in our IT architecture have not kept pace with the evolving needs of our organisation. Historically, there hasn't been the appetite for increasing our spend on our IT architecture and systems, instead adopting a patchwork approach. This has meant that our IT architecture is now not fit for purpose and presents an unnecessary risk to Council operations. Traditionally IT has been funded as capital expenditure but has moved to software as a service which means it should be funded as operational expenditure.	Lack of or inadequate: <ul style="list-style-type: none"> •Protection against external cyber-attack e.g. ransomware •Leadership •Planning •Understanding of the key issues •Policies and processes to support good practice •Training of staff (understanding of issues, roles, and responsibilities) •System architecture and software •Disaster recovery, business continuity and backups •IT transition (migration) •System resilience testing 	CE	Almost Certain (5)	Extreme (5)	Extreme (5)	<ul style="list-style-type: none"> •Ongoing training for staff and regular updates on how to identify and respond to threats. •Annual testing of system resilience •Audit conducted of security measures and disaster recovery needs. •Appointment of Lead Advisor Information Management •Review and update of IT service contracts •Development of ICT and Information rolling 3 year Strategic Plan 	<ul style="list-style-type: none"> •Needs assessment of future data storage requirements 	GM HR&CS and GM P&G	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Fraud and Corruption	Risk of over-committing Council to work programmes, excess unbudgeted expenditure, fraud, inaccurate modelling, or financial shock. This may impact Council reputation, financial stability and sustainability, legal compliance, and ability to deliver strategic goals or meet service levels.	Lack of or inadequate: <ul style="list-style-type: none"> •Financial policies and procedures •Leadership •Training of staff (understanding of issues, roles, and responsibilities) •Code(s) of Conduct 	CE and GMF	Possible (3)	Major (4)	High	<ul style="list-style-type: none"> •Financial policies and financial delegations •Reporting to FAR •Code(s) of Conduct reviewed and updated •Staff training and elected member induction 	<ul style="list-style-type: none"> •Further work being developed 	ELT	Possible (3)	Major (4)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.

Legislative and Regulatory Reforms	There are number of significant government reforms including changes to climate change, resource management, three waters reform and the future of local government review. These changes may impact council's strategic direction and community confidence and may raise challenges in terms of change preparedness. There may be misalignment between government and Council's strategic goals and failure to adapt to changes may affect community wellbeing.	Lack of or inadequate: <ul style="list-style-type: none">•Preparedness•Investment•Leadership•Communication internally, with key stakeholders, or the public	CE	Almost Certain (5)	Major (4)	Extreme	<ul style="list-style-type: none"> •Principal Advisor Water Transition role established •Participation in external forums on multiple levels •WWLASC coordinated strategic approach for transition management planning and delivery •Monthly updates and forward planning reports provided •Appointment to Pou Māori role •Participation by CE in external forums •Agenda item on Executive Leadership fortnightly meetings •Membership of LGNZ and Taituarā 	<ul style="list-style-type: none"> •Organisational change management plan •Regional change management plan for delivery of water services with or without refrom •Built into AP and LTP 	GM P&O, GM P&E, GM P&G, Principal Advisor Water Transition	Almost Certain (5)	Moderate (3)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Social Licence to Operate and Reputation	This risk involves ongoing failure to effectively communicate or engage with the community on strategic, governance or operational matters, and includes risks associated with an ineffective media relationship. This may impact the ability to meet community outcomes and strategic goals, loss of trust and confidence, council reputation and operational delivery. Significant and ongoing failure may undermine Council's purpose and impact participation in, or effective conduct of, local democracy. This risk involves a failure to implement council's strategic direction; to monitor Council's performance against community outcomes; and to work effectively and cohesively at a governance level resulting in poor decision-making and failure to meet strategic goals. It also includes working effectively with Community Boards. This may impact Council reputation, trust and confidence and the ability to deliver strategic goals or meet service levels.	Lack of or inadequate: <ul style="list-style-type: none">•Preparedness•Investment•Leadership•Communication internally, with key stakeholders, or the public•Communications & Engagement Strategy	CE	Likely (4)	Moderate (3)	High	<ul style="list-style-type: none"> •Timely, fact-based responses to media enquiries •Proactive information sharing and media releases via website, social media, and print media •Regular general communications on relevant topics using multiple channels •Improved connection between service delivery teams and comms team •Improved website content •Elected member e.g. drop in sessions, community forums etc. 	<ul style="list-style-type: none"> •Development of Communications and Engagement Strategy •Improvements to LGOIMA, e.g. Response times, public access on SWDC website •Improvements to engagement practices and processes e.g. Internal capability 	GM C&E and GM P&G	Likely (4)	Minor (2)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Critical Asset Failure	There is a risk of operational failure that has a material impact on service delivery, including failure of critical assets and Council's ability to operate. This may impact health and safety or wellbeing of staff and the community, council reputation, loss of trust and confidence, not meeting service levels, strategic goals, regulatory or legal requirements and increased costs long term.	Lack of or inadequate: <ul style="list-style-type: none">•Investment•Asset management programme•Leadership	CE	Almost Certain (5)	Major (4)	Extreme (5)	<ul style="list-style-type: none"> •Revised Infrastructure Strategy for LTP •Budget for asset planning, condition assessments and maintenance •Wellington Water Delivery Manager •Improved monitoring and control systems for early warning •Improved supply contingency capabilities for water •Improved communications with stakeholders 	<ul style="list-style-type: none"> •Increase resourcing •Develop business continuity plan and improve reporting 	GM P&O	Likely (4)	Major (4)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Economic Shock	New Zealand is likely to experience a recession in the coming months. Inflation is at it's highest rate since the 1980s. There is a shortage of resources including human and materials in the country and this impacts on potential development and infrastructure, particularly water and roading. We propose an ambitious capital works programme in the LTP and Audit NZ has identified the risk of non-delivery. The impacts would be on council reputation, loss of trust and confidence, not meeting service levels, strategic goals or regulatory requirements and increased costs long term.	Lack of or inadequate: <ul style="list-style-type: none">•Preparedness and understanding of economic climate•Leadership and decision-making•Policies and procedures	CE	Likely (4)	Moderate (3)	High (4)	<ul style="list-style-type: none"> •Planning – annual plan, long-term plan, project planning •Audit •Membership of LGNZ and Taituara •Quarterly review of financial position to Finance Committee 	<ul style="list-style-type: none"> •Develop contingency plans for constrained resources •Prioritisation framework 	GMF	Likely (4)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Regulatory Failure and Liability from Consenting and Compliance Activities	Risk relates to the failure to identify and address deficiencies in consents or the consenting process or ineffective compliance monitoring activities which may expose Council to liability claims. Risk may result from complexity of processes, lack of processes, training, and supervision. Impact may be on Council reputation and result in financial loss.	Lack of or inadequate: <ul style="list-style-type: none">•Monitoring and auditing processes and reporting•Employment of suitably qualified staff•Training•Increasing compliance requirements	CE	Likely (4)	Major (4)	Extreme	<ul style="list-style-type: none"> •Recruitment processes •Peer review •Training •Use of legal advice, opinions •Maintenance of quality consent decision-making 	<ul style="list-style-type: none"> •Process improvements 	GM P&O and GM P&E	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Single point of failure, staff resourcing	Several roles within Council are reliant on expertise, institutional knowledge and skills of a single staff member.	Lack of or inadequate: <ul style="list-style-type: none">•Contingent resource in teams•Longer than ideal periods to appoint into roles	CE	Likely (4)	Major (4)	High (4)	<ul style="list-style-type: none"> •Recruitment processes •Strategic workforce planning 	<ul style="list-style-type: none"> •Recruitment processes •Strategic workforce planning •Annual planning – recruitment planning •Rewards and benefits framework 	GM HR&CS	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.

Appendix 2 – Policy Review Programme 2022/23

Policy Type	Policy Name	Prioritisation	Review Due	Key Milestones (Indicative)				Status	Comments
				Q3: Jan - Mar	Q4: Apr - Jun	Q1: Jul - Sept	Q2: Oct - Dec		
SWDC Stand-alone Regulatory Policies	Local Easter Sunday Shop Trading Policy	Review prioritised based on legislative review requirements. Policies are to be progressed on the same timeline as all require use of the Special Consultative Procedure (SCP)	Jun-18 Legislative Review due: Mar-22	Background Research and Pre-engagement	Council adopts SoPs (7 Jun 22 meeting)	Public Consultation (SCP)		On Track	High level information report to P&R Committee, Community Boards and Māori Standing Committee in 2022. Background research and pre-engagement started in 2022.
	Apr-19		Public Hearings						
	Dangerous & Insanitary Buildings Policy		Aug-22	Prepare Statement of Proposals (SoPs)	Council Adopts new regulatory policies				
	Dog Control Policy and Bylaw	Sep-18 Legislative Review due: Sep-23		Background Research and Pre-engagement	Public Consultation (SCP)	On Track	High level information report to P&R Committee, Community Boards and Māori Standing Committee in 2022. To link timeline with Freedom Camping Bylaw. If not reviewed by Sept-23 will automatically revoke after 2 years (Sep 2025).		
	Freedom Camping Bylaw	New	Procurement process started	Prepare Statement of Proposals (SoPs)	Council Adopts new regulatory policies		Must be completed by 31-Dec-23		
SWDC Community Policies	Grants Policy	While the next review is not due until June 2024, improvement opportunities have been identified through the application of the new policy. This includes an opportunity for better alignment between the different grant funds (including Pain Farm income distribution) and greater clarity of the process for funding applications.	Jun-24	Internal workshop with officers and SPWG	Engagement sessions with public and Community Boards			On Track	Elected member lead: Cr Colin Olds
	Pain Farm Income Distribution Policy		Apr-18	Background research and pre-engagement	Updated Policy drafted and adopted by Council prior to 30 Jun 22				
	Māori Policy	Review of Māori Policy, including consultation and a consideration of a broader partnerships policy	Jun-18		Background Research Engagement with Māori Standing Committee and identified stakeholders	Council Adopts New Policies		On Track	
	Partnership Policy		New						
	Naming Rights and Sponsorship of Council Facilities and Events Policy	Requested to prioritize due to upcoming community projects	New		Background Research and stakeholder engagement	Council Adopts New Policies		On Track	
SWDC Governance Policies	Code of Conduct	To align with the most recent LGNZ update and provide an opportunity for it to be considered and adopted by the new Council.	Nov-22	Review against new LGNZ template Elected member engagement	Code of Conduct adopted by Council and Community Boards			On Track	Elected member lead: Cr Aidan Ellims
	Risk Policy	Overdue for review and requires updating in conjunction with the strategic risk register.	Aug-21		Background Research and stakeholder engagement	Research and drafting	Council Adopts New Policy	On Track	Amy to take lead on this

Policy Type	Policy Name	Prioritisation	Review Due	Key Milestones (Indicative)				Status	Comments
				Q3: Jan - Mar	Q4: Apr - Jun	Q1: Jul - Sept	Q2: Oct - Dec		
SWDC Financial Policies	Financial Delegations Policy	Prioritised to complete the update of delegations.	Jun-22			Research and drafting	Council Adopts New Policy	On Track	Linked with Finance
	Revenue and Financing and Remission and Postponement of Rates on Māori Freehold Land Policy	Good practice dictates a first principles review should be completed every 10 years. This was last completed as part of the 2009/19 LTP. Review of remission of rates on Māori Freehold Land to align with GWRC and other TAs.	Jun-24	Step two (s101(3)(b) requirement of the LGA) started	Draft policy and proposal Prepare Statement of Proposals (SoPs) Council adopts SoPs	Consultation Public Hearings	Council adopts new policy	On Track	Council endorsed undertaking a first principles review of the policy on 30-Jun-22. Step one (s101(3)(a) requirements of the LGA) completed Sep-22 Karon, Amanda and Charly to take lead on this.
SWDC Organisational Policies	Privacy Policy		New	Adopted by ELT Published to website/emailed to staff				Complete	To be approved by the Chief Executive/ELT
	Information Management Policy		New		Research and drafting	New policy adopted by ELT		On Track	To be approved by the Chief Executive. Chris to take lead on this.
	Policy Development Framework		New	Framework Drafting Elected member engagement	New framework adopted by ELT			Complete	To be approved by the Chief Executive/ELT
Joint Regulatory Policies (with Masterton and Carterton District Councils)	Wairarapa Local Alcohol Policy	Review of the Wairarapa Local Alcohol Policy 2018 (LAP). The review is to be progressed through the Wairarapa Policy Working Group (WPWG).	Nov-21	Background Research and pre-engagement	Recommendation to Wairarapa Policy Working Group Direction set following feedback			On Track	
	Smoke and Vape Free Environment Policy	Development of a joint policy to enable a consistent approach across the Wairarapa. The review is to be progressed through the Wairarapa Policy Working Group (WPWG).	Jun-19	Draft Policy to Wairarapa Policy Working Group Council to adopt new Policy				Complete	
	Wairarapa Class 4 Gambling and Standalone TAB Venues	Review prioritised based on legislative review requirement.	Jun-22	Stakeholder engagement and data collection	Recommendation to Wairarapa Policy Working Group Direction set following feedback	Draft policy and proposal Prepare Statement of Proposals (SoPs) Council adopts SoPs	Consultation Public Hearings	On Track	

Waka Kotahi Investment Audit Report

1. Purpose

To present the Investment Audit Report, completed by Waka Kotahi on 6 March 2023, to the Risk and Assurance Committee.

2. Recommendations

Officers recommend that the Risk and Assurance Committee:

1. Receive the *Waka Kotahi Investment Audit Report*.

3. Executive Summary

Waka Kotahi funds South Wairarapa District Council's land transport activity through its National Land Transport Programme (NLTP). South Wairarapa District Council is responsible for the management of the land transport activity, excluding the state highways, within the South Wairarapa District.

This procedural investment audit was completed for the period 1st July 2018 to 30th June 2022, carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

4. Appendices

Appendix 1 – Investment Audit Report, Waka Kotahi, 6 March 2023

Contact Officer: Stefan Corbett, Group Manager Partnerships and Operations

Reviewed By: Harry Wilson, Chief Executive Officer

Appendix 1 – Investment Audit Report, Waka Kotahi, 6 March 2023



INVESTMENT AUDIT REPORT

Procedural Audit of South Wairarapa District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Tony Pinn

6 March 2023

Approved Organisation (AO):	South Wairarapa District Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$10,113,239 (Budgeted programme value)
Date of Investment Audit:	16 th January to 19 th January 2023
Auditor(s):	Tony Pinn - Senior Investment Auditor
Report No:	RATPI - 2272

AUTHORITY SIGNATURES

Prepared by:



.....
Tony Pinn, Senior Investment Auditor

Approved by:



.....
Yuliya Gultekin, Practice Manager Audit & Assurance

6/3/2023

.....
Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

Waka Kotahi funds South Wairarapa District Council's land transport activity through its National Land Transport Programme (NLTP). South Wairarapa District Council is responsible for the management of the land transport activity, excluding the state highways, within the South Wairarapa District. This procedural investment audit was completed for the period 1st July 2018 to 30th June 2022.

Funding assistance for the four financial years to 30th June 2022 was successfully reconciled against Council's General Ledger records. Council's Land Transport Disbursement Account is correctly set up in the General Ledger, and there was a clear audit trail to support the final claims. However, we recommend that Council ensures that its General Ledger is reconciled to its final claims each year to accurately capture all eligible expenditure. Also, it was noted that Council is not meeting its reporting requirements for the Low Cost, Low Risk (LC,LR) programme, which will need to be rectified.

Council has sustained several weather-related events which has led to claims for funding assistance for Emergency Works. There was clear evidence that Council has systems in place to ensure that expenditure relating to this activity is clearly identified and appropriately claimed.

South Wairarapa District Council's Procurement Strategy is currently endorsed, but Council needs to ensure it is published on their website. Council also needs to ensure that all financially assisted contracts are advertised using the Government Electronic Tender Service (GETS).

The previous audit recommended that Council reviews its in-house professional services costs, and we confirmed that this has been addressed. However, we suggest it may be timely to review both the in-house business unit and administration costs. This will ensure all eligible expenditure relating to the transport activity is being captured and appropriate funding assistance is claimed.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Some Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Effective
5	Professional Services	Effective
Overall Rating		Some Improvement Needed

* Please see Introduction for Rating Assessment Classification Definitions

Note: Before being finalised this report was referred to South Wairarapa District Council for comment. Its responses are incorporated throughout the relative sections of this report.

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that South Wairarapa District Council:		Implementation Date
R2.1	Reconciles its final claims to Waka Kotahi each year with its trial balance.	2022/23 end of financial year
R2.2	Meets the condition of funding for the LC,LR Programme by updating actual project expenditure by the 31st of August for the FY recently completed.	31 August 2023 and will retrospectively update 2021/22 by 31/03/2023
R3.1	Ensures that its endorsed Procurement Strategy is published on the Council's website.	Completed
R3.2	Commits to advertising all Waka Kotahi financially assisted and competitively tendered contract proposals on GETS.	Noted and will be implemented going forward
R5.1	Records the costs of its in-house professional services business unit in a separate General Ledger account.	actioned

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that Waka Kotahi investment in Council's land transport programme is being well managed and delivers value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

The previous joint procedural/technical audit was completed in April 2019, there were four recommendations from that audit. One related to the procedural audit component of the audit i.e.

That Council documents its processes for making claims to the Transport Agency for funding assistance including the basis for allocating overhead charges.

This recommendation has been addressed, however suggest that in-house professional services overhead costs and administration are reviewed again to ensure they are still valid (see section 5).

* * *

2. Financial Processes

Some Improvement Needed

Claims for funding assistance for the four financial years from 1st of July 2018 to the 30th of June 2022 were successfully reconciled against Council's General Ledger (GL) records. During the reconciliation process we noted a small number of overclaims particularly in the network and asset management work category, however we were able to offset this with underclaimed expenditure also identified. The final reconciliation produced a balance of \$23,280.98 underclaimed expenditure over the final two years. This is detailed in Appendix D.

These process errors appear to be the result of manual adjustments made to the claims but not recognised in the GL. Council needs to ensure that any manual adjustments outside of the GL are accrued where possible. Closing trial balances should also be reconciled against the final claim each year to ensure all eligible expenditure is captured and claimed in the relevant year.

Emergency Works (EW) and Special Purpose Road claims

Council has sustained several weather-related events which has led to claims for funding assistance for Emergency Works in 2021/22 and remediation works are being added to its programme this current year.

Council also maintains a special purpose road (Cape Palliser Road) which is currently financially assisted at 100% FAR across a range of work categories including emergency works.

Given that these two activities are funded at a higher financial assistance rate (FAR) than Council's base FAR of 52%, the audit sought to confirm that there is a clear separation of these two activities.

There was clear evidence that Council has systems in place to ensure that expenditure relating to both activities was correctly allocated and is claimed under appropriate work categories.

Low Cost, Low Risk (LC,LR)

A condition of funding relating to this activity states that *'by 31 August for each of the second and third years the current NLTP Low cost, Low risk template must be updated to reflect actual project expenditure in the previous year and cash-flows for committed activities and projects planned to commence in the balance of the NLTP period'*. Whilst there are LC,LR spreadsheets attached in TIO they do not reflect the actual TIO claim for any of the FY's audited, even if the actual expenditure equals \$0 the spreadsheets are required to be updated and uploaded.

Conditions of Approval

There is an outstanding condition in TIO for follow-up which was created in 2014.

SWDC agrees that the revised budget is sufficient to complete works on site and close the Preventative Mtce SPR 11/13 project in TIO.

SWDC notes that future works will be applied for as a new resilience improvement project (Work Category 351) and that this approval process requires site inspection by NZTA regional office.

We understand this condition has been satisfied and we will follow-up with the Waka Kotahi Investment Advisor.

Transactions

Transaction testing was also successful across several work categories with all costs being eligible for funding assistance and posted to the correct Waka Kotahi work categories.

Conclusion

Apart from the minor discrepancies noted above, overall, the land transport disbursement account is well structured, very easy to follow and mirrors Waka Kotahi work categories.

Recommendations	<p>That South Wairarapa District Council:</p> <p>R2.1 Reconciles its final claims to Waka Kotahi each year with its trial balance.</p> <p>R2.2 Meets the condition of funding for the LC,LR Programme by updating actual project expenditure by the 31st of August for the FY recently completed.</p>
South Wairarapa District Council's comment	<p>R2.1 Financials</p> <ul style="list-style-type: none"> - Minimise manual adjustments outside of GL, make sure accruals have been entered where necessary. - Check movement each month to ensure everything has been captured. - Recheck closing balances in GL after final claim as part of our year end process. - Continue to use current GL structure and worksheets. <p>.</p> <p>R2.2 Noted and will be actioned going forward</p>

* * *

3. Procurement Procedures

Some Improvement Needed

Council has a current Waka Kotahi endorsed Procurement Strategy which expires in May 2025. We noted the current Strategy is not published on Council's website; this is a funding requirement.

We reviewed one physical works contract -Tora Farm Settlement Rd Bridge and Mangateretere Valley Rd Bridge. This tender met all Waka Kotahi requirements, but we remind Council that tenders must be published in GETS (not just Tenderlink). There appeared to be conflicting statements between the advertisement (GETS and Tenderlink) and the RFT which specified Tenderlink only as the electronic submission requirements.

Recommendations	<p>That South Wairarapa District Council:</p> <p>R3.1 Ensures that its endorsed Procurement Strategy is published on the Council's website.</p> <p>R3.2 Commits to advertising all Waka Kotahi financially assisted and competitively tendered contract proposals on GETS.</p>
South Wairarapa District Council's comment	<p>R3.1 Added to SWDC web site</p> <p>https://swdc.govt.nz/wp-content/uploads/2022-03-01-Wairarapa-DCs-Road-Procurement-Strategy-2022-Final-003.pdf</p> <p>R3.2 Noted</p>

* * *

4. Contract Management		Effective
<p>Monitoring of the network condition and contractor performance is managed in-house through the business unit. Regular staff contact and meetings with the physical works contractor were evident through the contract files provided.</p> <p>We reviewed the variations applied to the Tora Farm Settlement Rd and Mangateretere Valley Rd Bridge - Major Maintenance bridges contract. The variations were all within reasonable dollar thresholds and were all well documented on contract files.</p>		
South Wairarapa District Council's comment	Agree	

* * *

5. Professional Services		Effective
<p>Council's professional services are provided through an in-house business unit complimented by external consultants for specialised services. A cost recovery multiplier of around 2.4 is at the higher end of accepted tolerances and includes administration costs outside of the roading unit.</p> <p>Council has a separate General Ledger account code to record in-house professional services. However, this account showed a zero balance and there had been no activity in this account during the year. Claims for funding assistance were manually calculated during the budget cycle and claimed proportionately throughout the year. Whilst the methodology (and costs) appeared reasonable, we would expect that these costs would be recognised through the General Ledger account.</p> <p>The previous audit recommended that Council reviews its in-house professional services costs, and this has been subsequently addressed. However, we suggest it may be timely to review both the in-house business unit and administration costs. This will ensure all eligible expenditure relating to the transport activity is being captured.</p>		
Recommendation	R5.1. That South Wairarapa District Council records the costs of its in-house professional services business unit in a separate General Ledger account.	

Suggestion	We suggest that Council considers reviewing its in-house professional services and administration costs charged to financially assisted accounts.
South Wairarapa District Council's comment	<p>R5.1</p> <ul style="list-style-type: none">- We will continue to claim current portion and we will review admin costs for the LTP.- We have set up a monthly journal to recognise admin/internal charges.

Acknowledgement

The co-operation and assistance offered by Council staff were greatly appreciated.

APPENDIX A

Council Feedback

SOUTH WAIRARAPA DISTRICT COUNCIL APPRECIATES TO OPPORTUNITY TO HAVE AN OPEN AND HONEST AUDIT AROUND OUR INTERNAL PROCESS BOTH FINANCIAL AND CONTRACT MANAGEMENT. THE COUNCIL TREATS THE AUDIT AS A LEARNING CURVE AND PART OF CONTINUOUS LERNING AND DEVELOPMENT. THANKYOU

APPENDIX B**Audit Programme**

Previous audit outcomes – from last procedural audit undertaken in April 2019
Land Transport Disbursement Account
Final claims 2018/19, 2019/20, 2020/21 2021/22
Transactions (accounts payable)
Retentions Account
Procurement Procedures
Contract Variations
Contract Management
Road Safety Audits
Professional Services
Transport Investment On-line (TIO) Reporting
Other issues that may be raised during the audit
Close-out meeting

APPENDIX C

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
C1242	3	May 2019	Tora Farm Settlement Rd and Mangateretere Valley Rd Bridge - Major Maintenance.	Riverside Construction	Estimate	\$333,421
					Let Price	\$377,961
					Final Cost	\$387,557

APPENDIX D**Under/Overclaims****Category 151 Network and Asset Management**

Claimed 2020/21	\$83, 520.00	
GL Balance 66066628	\$58,626.98	
Overclaim		\$24, 893.02
Claimed 2020/21	\$141,608.00	
GL Balance 66066632	\$86,356.00	
Plus underclaim 2019/20	\$285.00	
GL (eligible)	\$86,641.00	
Overclaim		\$54,967.00
Total Overclaim		\$79,860.02
Claimed 2021/22	\$5,328.00	
GL Balance 66066632	\$108,469.00	
Underclaim		\$103,141.00
<u>Balance (Underclaim)</u>		<u>\$23,280.98</u>