



**SOUTH WAIRARAPA  
DISTRICT COUNCIL**  
*Kia Reretahi Tātau*

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

### **Agenda**

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#### **NOTICE OF MEETING**

Under the COVID-19 RED traffic light setting, this meeting will be held via video conference on the 30 March 2022 and will commence at 12.30pm. All members participating via video conference will count for the purpose of the meeting quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002. This meeting will be live-streamed and will be available to view on our [YouTube channel](#).

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, Colin Olds, Brenda West, and Mayor Alex Beijen. Independent member: Kit Nixon

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#### **Open Section**

##### **Health and Safety Procedures**

**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 Confirmation:

Pages 1-5

***Proposed Resolution:*** That the minutes of the Finance, Audit and Risk Committee meeting held on 16 February 2022 are confirmed as a true and correct record.

***Proposed Resolution:*** That the public excluded minutes of the Finance, Audit and Risk Committee meeting held on 16 February 2022 are confirmed as a true and correct record.

Pages 6-7

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

- |            |  |             |
|------------|--|-------------|
| <b>B1.</b> | Policy and Governance Report   | Pages 8-10  |
|            | <i>Amanda Bradley, General Manager Policy &amp; Governance will be speaking to this report</i> |             |
| <b>B2.</b> | Finance Report   | Pages 11-48 |
|            | <i>Katrina Neems, General Manager Finance will be speaking to this report</i>                  |             |
| <b>B3.</b> | Action Items Reports   | Pages 49-53 |



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

### **Minutes from 16 February 2022**

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<b>Present:</b>	Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Colin Olds, Brenda West, Mayor Alex Beijen and independent member Kit Nixon.
<b>In Attendance:</b>	Harry Wilson (Chief Executive), Russell O’Leary (Group Manager Planning and Environment), Katrina Neems (General Manager Finance), Amanda Bradley (General Manager Policy and Governance), Paul Gardner (General Manager HR and Corporate Services), Charly Clarke (Finance Manager) and Steph Frischknecht (Policy and Governance Advisor).
<b>Conduct of Business:</b>	<p>Under the Red traffic light setting of the Covid-19 Protection Framework this meeting was held via video conference and live streamed to Council’s YouTube channel. All members participating via video conference count for the purpose of the meeting quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002.</p> <p>The meeting was held in public under the above provisions from 10:02am to 12.08 pm except where expressly noted.</p>

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#### **Open Section**

- A1. Apologies**  
*FINANCE, AUDIT AND RISK RESOLVED (FAR2022/01) to accept apologies from Cr Jephson.*  
*(Moved Cr West/Seconded Cr Colenso)* Carried
- A2. Conflicts of Interest**  
There were no conflicts of interest declared.
- A3. Public Participation**  
There was no public participation.
- A4. Actions from Public Participation**  
There were no actions from public participation.

#### **DISCLAIMER**

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**A5. Extraordinary Business**

There was no extraordinary business.

**A6. Minutes for Confirmation**

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/02):*

1. That the minutes of the Finance, Audit and Risk Committee meeting held on 6 October 2021 are a true and correct record.
2. That the minutes of the Finance, Audit and Risk Committee meeting held on 1 December 2021 are a true and correct record.

*(Moved Mayor Beijen/Seconded Cr Colenso)*

Carried

**B Information and Verbal Reports from Chief Executive and Staff**

**B1. Policy and Governance Report**

Ms Bradley, with support from Mr Wilson, updated members on work to date overhauling the strategic risk register. Members queried timeframes and wanted clarity of rankings moving up and down.

Mr Wilson update members on actions taken to address governance failure and undertook to share workshop material provided to the Community Boards.

Officers responded to questions on the methodology, budget, and progress to date on the residents' perception survey. It was requested elected members be removed from the sample before the survey goes into the field.

Councillors queried the ability to have a combined District Licencing Committee and for South Wairarapa to be included in the proposed amendment relating to the prohibition of scleral tattooing.

Members discussed communications with the community as a strategic risk and its relationship to reputation. Councillors could be utilised to get messages out to the community.

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/03):*

1. To receive the Policy and Governance Report.  
*(Moved Cr Colenso/Seconded Cr West)* Carried
2. Action 50: Provide members a timeline for completion of the overhaul of the strategic risk register, A Bradley.
3. Action 51: Make a copy of the 2021 Residents' Perception Survey report available on members electronic document system and share new questions for 2022 with councillors, A Bradley.
4. Action 52: Advise members whether there could be one combined District Licencing Committee across the Wairarapa, A Bradley.

**B2. Finance Report**

Ms Neems provided a summary of the six month financial results as outlined in the report. Ms Neems, with support from Mr Wilson, answered members' questions on the timing and impact of the NZTA reduction, libraries funding, overspend of professional services, contribution and ability to fund consent applications under increasing standards, unfavourable three waters result, ability to rate for

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unforeseen events, the review of financial and developer contributions, overspend of the IT budget, and use of the depreciation reserves.

Members discussed the ability to influence Wellington Water Ltd as a shareholder.

The meeting adjourned at 11.30am.

The meeting reconvened at 11.35am.

Members wanted assurance that the committee would be kept informed when unbudgeted expenditure exceeds delegation. Delegations being set at the right level and an electronic purchase order system would assist. Ms Neems and Ms Clarke responded to questions on the introduction of an electronic purchase ordering system.

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/04):*

1. To receive the Finance Report.  
*(Moved Cr Olds/Seconded Cr Colenso)* Carried
2. Action 53: Investigate the ability to strip out one-off unbudgeted income such as stimulus funding from business as usual activity and to include unbudgeted expenditure in the financial reporting, K Neems.
3. Action 54: Provide assurances the rebrand rollover project will be completed this financial year, S Priest.
4. Action 55: Investigate whether a plan change related to developer contributions for South Wairarapa could be brought forward ahead of the District Plan review, R O'Leary.

**B3. COVID Protection Framework Mitigations Report**

Mr Gardner spoke to matters as outlined in the report and responded to members' questions regarding staff wellbeing. Members requested councillors be notified should any significant changes be made.

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/05) to receive the COVID Protection Framework Mitigations Report.*

*(Moved Cr Colenso/Seconded Mayor Beijen)* Carried

**B4. Action Items Report**

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2021/06) to receive the Action Items Report.*

*(Moved Cr Colenso/Seconded Cr West)* Carried

**B5. Official Information Request Topic Trends 1 July 2021 – 31 December 2021 Report**

Mr Wilson spoke to matters as outlined in the report and responded to member questions about the proactive release of communications.

*FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/07) to:*

1. Receive the Official Information Request Topic Trends 1 July 2021 – 31 December 2021 Report.

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*(Moved Cr West/Seconded Cr Olds)*

Carried

2. Note that official Information Request Topic Trends reports are to be produced quarterly.

*(Moved Cr West/Seconded Cr Emms)*

Carried

#### **D. Public Excluded Business**

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>
Confirmation of Public Excluded Minutes from 1 December 2021	Good reason to withhold exists under section 7(2)(a)(c)(f)	Section 48(1)(a)

This resolution (FAR2022/08) 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:

<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>
The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons.	Section 7(2)(a)
The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied.	Section 7(2)(c)(i)
The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest.	Section 7(2)(c)(ii)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any person to whom section 2(5) applies, in the course of their duty.	Section 7(2)(f)(i)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment.	Section 7(2)(f)(ii)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or	Section 7(2)(f)(i)

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employees of any local authority, or any person to whom section 2(5) applies, in the course of their duty.	
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*(Moved Cr Colenso/Seconded Mayor Beijen)*

Carried

The meeting closed at 12.08pm.

**Confirmed as a true and correct record**

.....(Chair)

.....(Date)

**DISCLAIMER**

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**SOUTH WAIRARAPA  
DISTRICT COUNCIL**  
*Kia Reretahi Tātau*

**FINANCE, AUDIT AND RISK COMMITTEE**  
**Public Excluded**  
**Minutes from 16 February 2022**

---

<b>Present:</b>	Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Colin Olds, Brenda West, Mayor Alex Beijen and independent member Kit Nixon.
<b>In Attendance:</b>	Harry Wilson (Chief Executive), Russell O’Leary (Group Manager Planning and Environment), Katrina Neems (General Manager Finance), Amanda Bradley (General Manager Policy and Governance), Paul Gardner (General Manager HR and Corporate Services) and Steph Frischknecht (Policy and Governance Advisor).
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**Open Section**

**C. Public Excluded Business**

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:

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This resolution (FAR2022/08) 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

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The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest.	Section 7(2)(c)(ii)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any person to whom section 2(5) applies, in the course of their duty.	Section 7(2)(f)(i)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment.	Section 7(2)(f)(ii)
The withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any person to whom section 2(5) applies, in the course of their duty	Section 7(2)(f)(i)

*(Moved Cr Colenso/Seconded Mayor Beijen)*

Carried

**C1. Public Excluded Minutes for Confirmation from 1 December 2021**

Mr Wilson clarified that the office rebuild was no longer being undertaken in the short term but that it would remain as an option over the longer term.

Mr Gardner undertook to redistribute a copy of the detailed survey commentary from staff at the request of the committee.

*FINANCE, AUDIT AND RISK RESOLVED (FAR2022/01PE)* that the Finance, Audit and Risk Committee public excluded minutes from the meeting held on 1 December 2021 are a true and a correct record.

*(Moved Cr Emms/Seconded Mayor Beijen)*

Carried

The meeting closed at 12.13pm.

**Confirmed as a true and correct record**

.....(Chair)

.....(Date)

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# FINANCE, AUDIT AND RISK COMMITTEE

30 MARCH 2022

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## AGENDA ITEM B1

### POLICY AND GOVERNANCE REPORT

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#### **Purpose of Report**

To present the Policy and Governance Report for March 2022.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Policy and Governance Report.*

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

Officers present the following updates for consideration by the Finance, Audit and Risk Committee:

- Strategic Risk Register
- Policy Review
- Residents' Perception Survey
- Governance

#### **2. Strategic Risk Register**

The Strategic Risk Register is currently under review. In October 2021, the Auditor General published a report titled "Our observations on local government risk management practices" and made four recommendations, the first of which was to prioritise putting in place a formal risk management framework if there wasn't one in place.

An initial assessment of our current risk management framework is that it is dated. The next step in this work will be to assess our risks against the recommended All of Government (AoG) Risk Maturity Assessment Framework which will enable a thorough analysis of the quality of our risks and any gaps that require addressing. This will be completed over the coming weeks and progress will be noted in the next report.

### **3. Policy Review**

#### **3.1 Wairarapa Local Alcohol Policy**

The review of the Wairarapa Local Alcohol Policy (LAP) is underway with a project team from Masterton and Carterton District Councils. An update on progress and next steps was reported to the Council meeting on 23 February. A copy of the report is available [here](#).

Council agreed to delegate responsibility to the Wairarapa Policy Working Group to support the review and make recommendations back to the three Wairarapa District Councils. Work is progressing in accordance with the timeline set out in the above report to Council.

#### **3.2 Smokefree Environments Policy**

Work is currently underway through the Wairarapa Policy Working Group to develop a joint smokefree environments policy that would apply across the Wairarapa to enable a consistent approach to be taken.

The Wairarapa Policy Working Group met on 26 January to consider a draft policy and a proposed engagement approach. A survey is currently being drafted to understand community attitudes towards smoking and vaping in the Wairarapa to inform the policy development.

#### **3.3 Policy Review**

An initial policy assessment has been completed. This assessment noted several policies are no longer fit for purpose. The next stage of the work will include a policy framework that will outline the purpose of policy documents and a policy structure that will clarify the difference between governance and operational policies and the process for policy review and sign off.

The first two policies prioritised for review are the fraud and procurement policies which are required through our last audit to be approved before July 2022.

Other policies will be reviewed by applying the following prioritisation framework:

- Legislative requirement
- Supports governance best practice
- Low hanging fruit (simple updates or replacements)
- More complex reviews i.e., future proofing, (re)alignment to new/updated strategies, wholistic views of policy direction, etc.

### **4. Residents' Perception Survey**

Key Research are currently undertaking the 2022 Residents' Perception Survey on our behalf. The results of the survey will be used to measure performance against the key

performance indicators (KPI's) reported in the Annual Report for the year ended June 2022 and to identify and prioritise opportunities for improvement.

As with the 2021 survey, a mixed method approach to data collection is being used, consisting of a postal invitation to an online survey, with a hard copy survey option as back up. The postal invite has been sent to a random selection of residents aged 18 years or older across the South Wairarapa District. Those who are 65 years and older have also been provided with a paper survey questionnaire.

Sample selection was based on a random selection from the Electoral Roll provided on 9 March 2022. Elected members and staff were removed from the list prior to the sample being drawn.

The survey is currently in the field and closes on 25 April 2022. A draft report of results is expected on 20 May 2022 and a final report in June 2022.

## **5. Governance**

Improvements to governance processes and officer support to committees and community boards will be implemented over the coming months including:

- Dedicated Executive Leadership Team member for each committee and community board to provide continuity and a key relationship management approach to support a trusted working environment
- Improvements to agendas and support for meeting preparation for Chairs
- Closer monitoring and rationalisation of open actions

Contact Officers: Steph Frischknecht, Policy and Governance Advisor  
Reviewed by: Amanda Bradley, Policy and Governance Advisor

# FINANCE, AUDIT AND RISK COMMITTEE

30 MARCH 2022

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## AGENDA ITEM B2

### FINANCE REPORT

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#### **Purpose of Report**

To present the Finance Report for February 2022.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Finance Report*
2. *Note an exceedance in January 2022 to the 50% investment rule*

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

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

- Financial Report for the seven months from 1<sup>st</sup> July 2021 to 31 January 2022
- Treasury Report
- Audit Management Report
- Rates arrears report to 31 January 2022

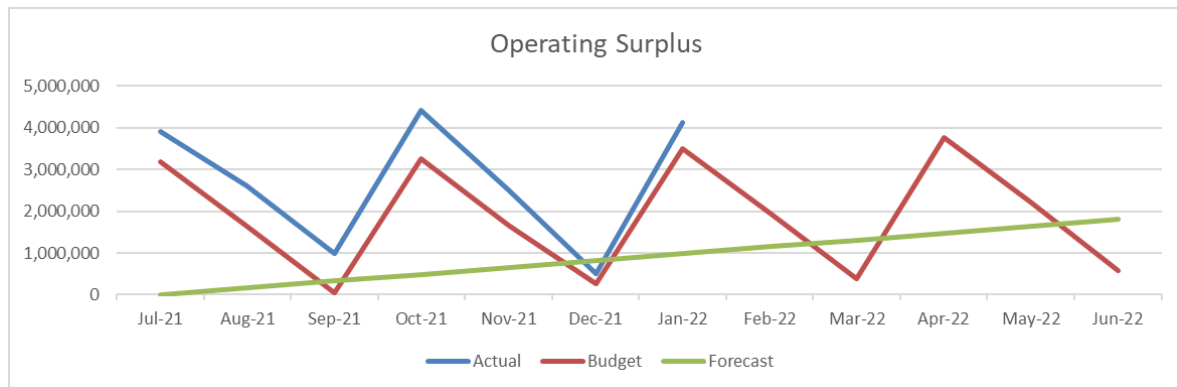
#### **2. Financial Report**

##### **2.1 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.

### 2.1.1. Overall Performance



Operating Surplus		
Actual	Budget	Variance
4,130,008	3,547,373	582,635
116%		

Operating Income		
Actual	Budget	Variance
19,562,252	17,876,930	1,685,322
109%		

Operating Expenditure		
Actual	Budget	Variance
15,432,244	14,329,557	(1,102,687)
108%		

Operating surplus for the seven months to 31<sup>st</sup> January 2022 is \$4,130K against a forecast surplus of \$3,547K.

### 2.1.2. Operating Income

Operating income is favourable by \$1.6M.

This includes one-off unbudgeted income from stimulus funding for the Three Water Reform programme as well as Mayor's Taskforce for Jobs, Provincial Growth Fund, and NZLPP (Libraries). Removing these items adjusts the operating income to \$455K favourable.

Increased income is largely due to building consenting fee income being higher than forecast. Rental income is \$59k favourable due to renegotiation of leases, and partly phasing of invoicing.

NZTA operating subsidies are unfavourable by \$98K however this is due to phasing of the budget and is expected to be on budget by the end of the year.

### 2.1.3. Operating Expenditure

Operating expenditure is unfavourable by \$1,100K.

This includes one-off unbudgeted income from stimulus funding for the Three Water Reform programme as well as Mayor's Taskforce for Jobs, Provincial Growth Fund, and NZLPP (Libraries). Removing these items adjusts the operating expenditure to \$197K unfavourable.

*Corporate Services* – \$132k unfavourable. This is largely due to increasing costs to upgrade IT systems to support business continuity. End of year forecast is estimated \$150k unfavourable.

*Professional Services* - Unfavourable by \$34k. This is due to increased Consultants costs.

*Governance, Leadership & Advocacy* - Favourable \$123k largely due to a delay in recruiting for the Iwi representative.

*Public Protection* – Favourable \$36k. We are seeing increased building consenting costs as a result of higher-than-expected building consenting numbers. This is offset by increased consenting income. All other areas tracking well to budget.

*Resource Management* – Favourable to budget by \$96K. Forecast to be on budget by end of financial year.

*Economic, Cultural and Community Development* – Unfavourable by \$257k, however this is due to Provincial Growth funding of \$253k for Tauherenikau Bridge and \$78k for Marae development, which is offset with the Provincial Growth payment of \$300k in July.

*Amenities (including Libraries)* - Overall, Amenities is unfavourable by \$101k.

- Libraries are unfavourable by \$179k. However this is due to \$220k personnel costs offset by the NZLPP Grant income.
- Other variances due to timing of budget phasing and contractor availability.

*Solid Waste* – on budget

*Land Transport* - Favourable by \$224k. This is due to phasing of the work programme.

*Water Supply* – Unfavourable by \$402K. This is partly offset by the \$353k of stimulus funding income however unforeseen breakages in the network is putting pressure on budgets. Wellington Water are forecasting a 29% overspend for the full year but this may be impacted by further extreme weather events.

*Wastewater* - Unfavourable by \$409K. This is partly offset by the \$104k of stimulus funding income. however unforeseen breakages in the network is putting pressure on budgets. Wellington Water are forecasting a 69% overspend for the full year.

*Stormwater* - Unfavourable by \$194K. This is offset by \$62k of stimulus funding income. Stormwater depreciation has been affected by the inclusion of water race

channel assets at the end of 2020-21 financial year, which had not been fully anticipated in the budget.

#### **2.1.4. Other Non-Operating Income**

Non-operating income includes the Waka Kotahi capex subsidy, financial contributions received from developers, assets vested in council, and other capex related grants and subsidies received.

Income to date is favourable by \$1,870k. This is due to higher than anticipated developers contributions (\$918k favourable) and the water stimulus funding received. Waka Kotahi capex subsidies are \$718k unfavourable to budget due to a delayed work programme however are expected to be on track by end of year.

Note: Budgets have been phased based on last year's actual spend. Some variances are due to actual spending patterns being different between years.



## 2.2 Operating Surplus (excluding one-off items)

Adjusted Operating Surplus (showing effect of unbudgeted grant-funded projects)				
	Year-To-Date (January) Actuals			Year-To-Date
	Total	One-Off Amounts	Adjusted Total	(January) Budget
<b>Operating Income</b>				
Rates	14,817,203		14,817,203	14,940,579
Rates Penalty	70,885		70,885	80,000
Interest	189,485		189,485	63,448
Internal Interest Loans	12,299		12,299	-
Fees & Licences	1,206,690		1,206,690	954,808
User Levies	436,217		436,217	444,437
Commissions	48,471		48,471	45,318
Waka Kotahi Operating Subsidy	945,556		945,556	847,630
Petrol Tax	49,239		49,239	49,385
Grants, Donations & Subsidies	1,279,775	1,230,537	49,238	2,324
<i>Mayor's Taskforce</i>	250,000	250,000	-	-
<i>NZ Library Partnership</i>	162,333	162,333	-	-
<i>Provincial Growth</i>	300,000	300,000	-	-
<i>Three Water Stimulus</i>	518,204	518,204	-	-
<i>Other Grants, Donations &amp; Subsidies</i>	49,238		49,238	2,324
Rental / Hire	455,076		455,076	396,536
Miscellaneous Income	51,355		51,355	52,465
<b>Total</b>	<b>19,562,252</b>	<b>1,230,537</b>	<b>18,331,715</b>	<b>17,876,930</b>
	Year-To-Date Actuals			Year-To-Date
	Total	One-Off Amounts	Adjusted Total	Budget
<b>Operating Expenditure</b>				
Corporate Services	1,787,318		1,787,318	1,707,507
Professional Services	120,252		120,252	86,742
Governance, Leadership & Advocacy	649,466		649,466	772,204
Public Protection	1,121,408		1,121,408	1,085,151
Resource Management	429,638		429,638	525,510
Economic, Cultural & Community Development	651,425	446,798	204,626	394,542
<i>Mayor's Taskforce</i>	86,810	86,810	-	-
<i>Provincial Growth</i>	359,989	359,989	-	-
<i>Other Expense</i>	204,626		204,626	394,542
Amenities	2,366,674	189,204	2,177,470	1,963,140
<i>NZ Library Partnership</i>	189,204	189,204	-	-
<i>Other Expense</i>	2,177,470		2,177,470	1,963,140
Land Transport	3,025,816		3,025,816	3,250,307
Water Supply	2,291,231	352,211	1,939,020	1,889,156
<i>Three Water Stimulus</i>	352,211	352,211	-	-
<i>Other Expense</i>	1,939,020		1,939,020	1,889,156
Solid Waste Management	977,471		977,471	1,001,411
Sewerage	1,588,216	104,149	1,484,067	1,179,135
<i>Three Water Stimulus</i>	104,149	104,149	-	-
<i>Other Expense</i>	1,484,067		1,484,067	1,179,135
Stormwater Drainage	404,517	61,844	342,673	210,994
<i>Three Water Stimulus</i>	61,844	61,844	-	-
<i>Other Expense</i>	342,673		342,673	210,994
Rate Debtors Written Off	17,225		17,225	15,000
Bad Debts	-		-	-
Loss on Sale of Assets	1,588		1,588	-
<b>Total</b>	<b>15,432,244</b>	<b>1,154,207</b>	<b>14,278,037</b>	<b>14,080,799</b>
<b>Operating Surplus/(Deficit)</b>	<b>4,130,008</b>		<b>4,053,678</b>	<b>3,796,131</b>

## 2.3 Capital Expenditure

A summary of major project and infrastructure capital expenditure shows most activities are tracking below target. There are increasing delays due to supply chain constraints and contractor availability.

Key CAPEX Projects Jan 2022

Mapping	Project	Carried forward	2021/22 Budget	Total Available Budget	21/22 YTD Actuals January	Remaining	Full Year Forecast	Variance to Forecast
IT software	Information management system	-	60,000	60,000	-	60,000	-	60,000
Motor vehicles	Motor vehicles	-	140,000	140,000	-	140,000	140,000	-
Intangible	Rebrand rollout	-	20,000	20,000	-	20,000	-	20,000
Spatial Plan	Spatial Plan	-	265,000	265,000	-	265,000	150,000	115,000
Combined District Plan	Combined District Plan	-	200,000	200,000	-	200,000	200,000	-
Liquifaction modelling	Provide for liquefaction in planning/building rules	100,000	140,000	240,000	4,935	235,065	70,000	170,000
Dog pound	Dog pound decision/initiate	240,000	100,000	340,000	-	340,000	100,000	240,000
Cemeteries	FTN Cemetery - build natural burial site	-	75,000	75,000	8,802	66,198	75,000	-
	GTN Cemetery Additions	10,000	200,000	210,000	99,170	110,830	210,000	-
Community buildings	Carkeek Observatory implementation of conservation plan	-	100,000	100,000	6,800	93,200	50,000	50,000
	Greytown sports facility upgrade / extension	-	1,000,000	1,000,000	10,755	989,245	500,000	500,000
	Greytown New Open space Development	-	330,000	330,000	-	330,000	165,000	165,000
Land Transport	Land Transport	447,000	3,405,585	3,852,585	725,164	3,127,421	3,852,585	-
	New footpath kerb & channel	-	400,000	400,000	-	400,000	400,000	-
	Otauirā reserve reseal carpark	-	60,000	60,000	-	60,000	60,000	-
		<b>447,000</b>	<b>3,865,585</b>	<b>4,312,585</b>	<b>725,164</b>	<b>3,587,421</b>	<b>4,312,585</b>	-
Water Supply	Water Supply	100,000	2,516,239	2,616,239	1,571,723	1,044,516	2,689,268	-
Waste Water	Waste Water	729,717	589,600	1,319,317	466,965	852,352	626,690	692,627
	FSTN WWTP Upgrades and Consent	-	480,000	480,000	212,515	267,485	645,628	-
	MTB Pinot Grove WW Upgrade	-	-	-	71,783	71,783	117,300	-
	GTN Papawai Rd WW Upgrade	180,000	2,148,235	2,328,235	1,876,168	452,067	1,879,793	448,442
Stormwater	Stormwater	-	77,170	77,170	74,230	2,940	41,321	35,849
		<b>1,009,717</b>	<b>5,811,244</b>	<b>6,820,961</b>	<b>4,273,384</b>	<b>2,547,577</b>	<b>6,000,000</b>	<b>820,961</b>

## 3. Treasury

### 3.1 Working Capital

Working Capital, which expresses the ability of council to meet its short-term obligations, is strong with a ratio of 4.0 times (June 2021 2.7 times), and a total value of \$15,432 (30 June 2021 \$9,144k).

### 3.2 Investments

SWDC's investment policy provides that financial investments should be spread around a number of financial institutions to reduce the risk of loss to Council.

Clause 2 of the Investment policy covers the 50% rule:

- *The maximum amount to be invested with any one approved institution is 50% of Council's total investments.*
- *Occasional and short-term exceedances of the 50% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party [Finance, Audit and Risk Committee].*

Date	Exceedances	Percent if exceeded
January 2022	BNZ	52%

### 3.3 Public Debt

Current debt \$24,400k, at 2.63% average borrowing rate.

No changes to debt have occurred between 1 July 2021 and 31 January 2022.

### 3.4 Reserves

PROSPECTIVE STATEMENT OF SPECIAL AND SEPARATE FUNDS FOR THE YEARS ENDING 30 JUNE 2021-2031							
	1 JULY 2021 OPENING BALANCE \$,'000	Additional Contributions to budget	Additional Expenditure to budget	Forecast balance 30/06/2022	10 YEAR TRANSFERS IN \$,'000	10 YEAR TRANSFERS OUT \$,'000	30 JUNE 2031 CLOSING BALANCE \$,'000
<b>Discretionary Reserves</b>	183				10,500	8,337	2,346
To be used for town centre development, road protection schemes & seal extensions, and capital gains from the sale of Council assets that have been realised over time							
Disaster Recovery	-				100	-	100
<b>Community Board Reserves</b>							
Community Board funds carried over:	96				-	-	96
<b>Restricted Reserves</b>	1,253	184		836	6,465	1,150	6,568
To provide for the acquisition and development of reserves and open spaces in response to the needs arising from subdivision and development, to protect conservation values, To provide opportunities for public access to and along water bodies, to provide recreational opportunities near water bodies							
<b>Water Race Reserves</b>							
Longwood	(59)				996	996	(59)
Moroa	214				1,075	1,075	214
<b>Trusts</b>							
Campground Memorial	7				-	-	7
Pain Farm - maintaining and improving the Borough's parks, sports grounds, camping ground, swimming baths, providing, equipping and maintaining sports facilities and a children's playground.	162				316	-	479
<b>Infrastructure Contributions</b>	2,674	929	226	3,643	9,732	11,290	1,116
To provide a potable water supply, to safeguard the health of inhabitants and protect the natural environment for inappropriate disposal of sewage, to prevent damage to property or amenity from the indiscriminate and uncontrolled runoff of Stormwater, to ensure sufficient water is available for fire fighting purposes. To provide for the safe and convenient movement on roads of motor vehicles, bicycles and pedestrians within and through the Wairarapa.							
<b>Combined District Plan and Spatial Plan Reserve</b>							
To spread the costs of the District Plan over the life of the plan.	26				1,265	1,296	(6)
<b>Maintenance Reserve</b>							
To spread the costs of building maintenance.	(10)				820	1,412	(602)
<b>Rural Roding Reserve</b>							
To fund shortfall in Special Purpose Road NZTA funding.	1,190				3,000	-	4,190
<b>Housing for Seniors Reserve</b>							
To fund shortfall in capital works on Council Housing for Seniors	(121)				605	391	94
<b>Wastewater</b>							
To spread the cost of wastewater to land projects	67				-	-	67
<b>Loan Redemption Reserves</b>							
Internal loans	290				-	290	-
External loans	6,200				17,703	6,147	17,757
<b>Depreciation Reserves</b>							
To fund new capital projects	15,192				57,463	32,873	39,783
<b>TOTAL SPECIAL AND SEPARATE FUNDS</b>	<b>27,365</b>				<b>110,041</b>	<b>65,256</b>	<b>72,150</b>

- Infrastructure Reserve - Unbudgeted additional expenditure of \$226,000 relates has been approved for a new footpath to connect 5 Rivers Medical Centre in Greytown to the town network. The balance in the reserve, once additional financial contributions are included is forecast to be \$3.5M at 30 June 2022

## **4. Audit**

### **4.1 Report for year ended 31<sup>st</sup> June 2021**

Audit New Zealand formally provides a detailed report of their audit of Council's 2020/21 Annual Report and the financial statements after conclusion of the audit and release of an audit report.

This report is attached in Appendix 2 (including management comments)

Management can incorporate comment on the findings of Audit New Zealand, regarding processes and control systems operated by Council. In this year's report, there is two new areas where comment was sought. Comment has been provided back to Audit New Zealand on these matters. One of the new recommendations has already been addressed through new processes in the Corporate Services Team.

We are pleased to note that Audit New Zealand have classified five of our previous recommendations as cleared and have commented on our progress against several other recommendations which they will review as part of the 2022 audit.

### **4.2 Timelines for audit of 2021/22 Annual Report**

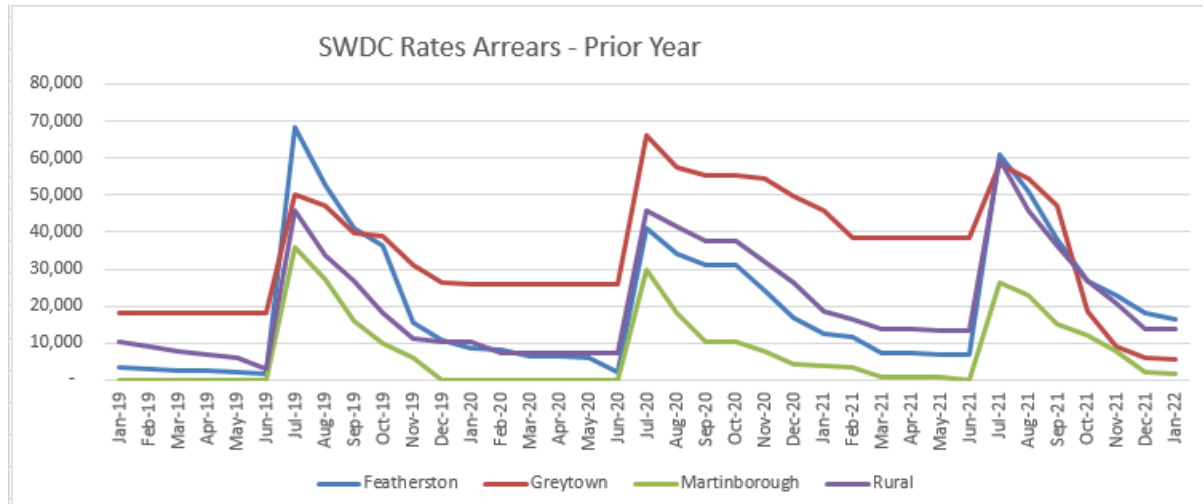
Audit New Zealand has indicated an interim audit date of 4 July 2022 with the final audit work to be completed in the two weeks from 24 October 2022 to 4 November 2022.

These timelines indicate adoption of the Annual Report for 2021/22 will likely be late December 2022.

## 5. Rates Report

### 5.1 Rates Arrears

The rates arrears graphs below shows an increase in amount of unpaid rates carried forward from the previous year (2020/21).

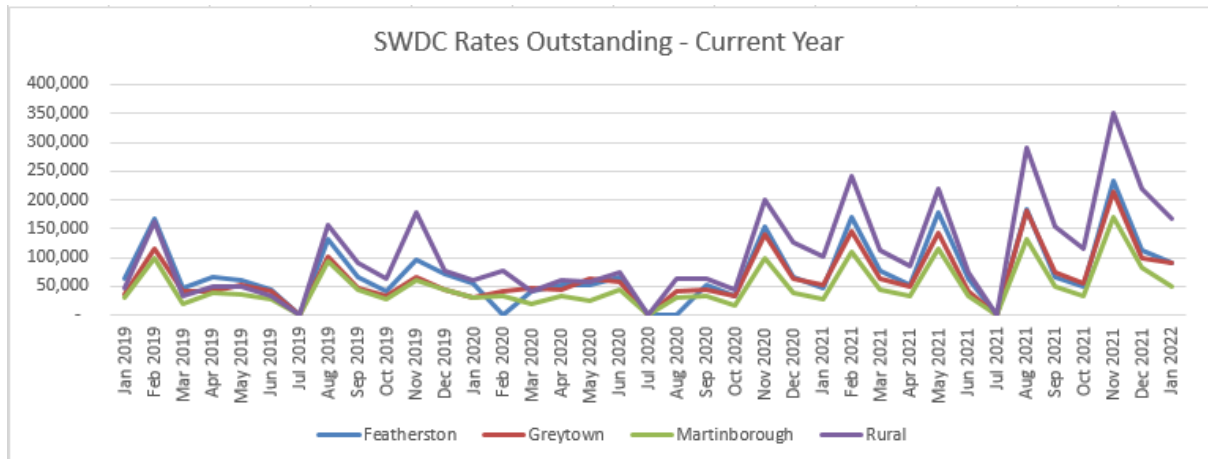


Prior year's arrears have decreased \$43 K (53%) from the same time last year. For January 2022 there was a total of \$38K arrears over 30 properties. This is made up as follows:

Row Labels	Sum of Arrears Total	Count of Key
FSTN COMM	\$ 2,659.73	1
FSTN URBAN	\$ 13,715.50	10
GTWN URBAN	\$ 5,517.63	3
MTNB URBAN	\$ 1,672.66	1
RURAL	\$ 13,992.14	15
<b>Grand Total</b>	<b>\$ 37,557.66</b>	<b>30</b>

Row Labels	Sum of Arrears Total	Count of Key
Legal	\$ 19,563.73	9
Mortgagee	\$ 8,431.08	4
Possible Maoriland	\$ 3,301.27	1
Repayment Plan	\$ 5,851.01	8
Under \$150.00	\$ 410.57	8
<b>Grand Total</b>	<b>\$ 37,557.66</b>	<b>30</b>

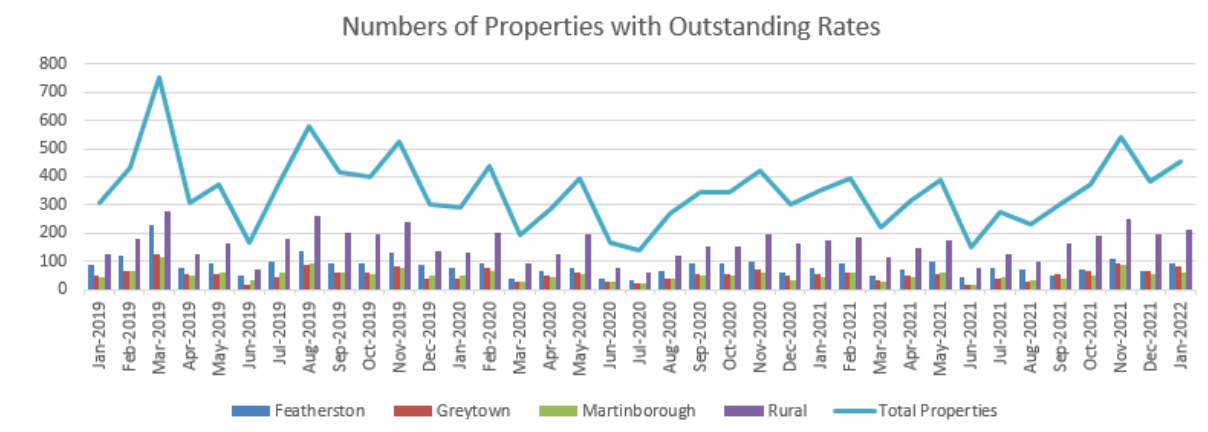
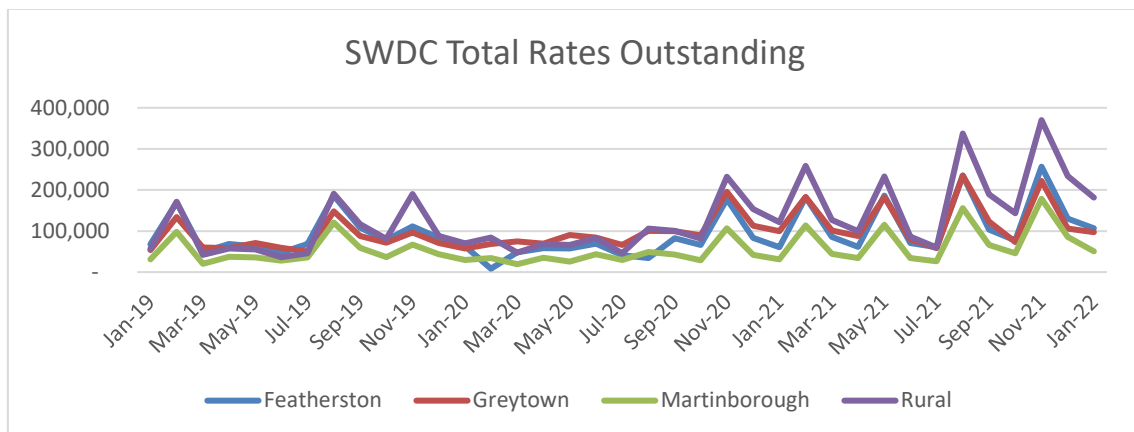
There were still 4 properties awaiting for payment from the Mortgagee totalling \$8.4K. Payments were due in January. There were also 8 properties that had repayment plans set up which includes arrears for \$5.8K, of which 5 (for \$3K) are set up for direct debit payments. This leaves 22 properties (for \$31.7K) that are unpaid and action being taken of which 8 properties have arrears debt of under \$150.00.



At the end of January 2022, the current years amount was \$399K (87%) higher than the same time last year. Of this, \$35K (9%) was due to timing of direct debits, so the true current year outstanding rates were \$364K.

Total rates outstanding have increased by \$119K (39%) from the same month last year.

Outstanding rates were \$436K in January 2022 to \$312K January 2021.



The total number of properties with outstanding rates has increased by 103 in January (350).

Total number of Repayment plans at 31 January 2022 were 20 compared to 22 as at 30 June 2021 and 14 as at 31 January 2022. The repayment plans tend to be because of COVID rather than the 2021/22 rates increase.

As at 31 January 2022 39.09% of rating units were paid by direct debit. There were 10 Rates Rebates processed in January 2022 bringing the total for 2021/22 to 341 for \$220K. The total for 2020/21 was 338 for \$204K

Total number of Repayment plans at 31 December 2021 were 18 compared to 22 as at 30 June 2021 and 8 as at 31 December 2020. The repayment plans tend to be because of COVID rather than the 2021/22 rates increase.

## **6. Appendices**

Appendix 1 – Financial Statements for the seven months from 1<sup>st</sup> July 2021 to 31<sup>st</sup> January 2022

Appendix 2 – Audit Report for the year ended 30 June 2021

Contact Officers: Katrina Neems, General Manager Finance

Reviewed by: Harry Wilson, Chief Executive Officer

## **Appendix 1 – Financial Statements for the period ended 31<sup>st</sup> January 2022**



# South Wairarapa District Council

## Statement of Financial Performance

FOR THE PERIOD ENDED 31 JANUARY 2022

Last Year Actual		Current Year			Full Year	
		Actual	Budget	Variance	Budget	%
<b>Operating Income</b>						
11,625,027	Rates	14,817,203	14,940,579	(123,376)	19,920,770	74.4%
56,087	Rates Penalty	70,885	80,000	(9,115)	120,000	59.1%
141,406	Interest	189,485	63,448	126,037	109,205	173.5%
12,299	Internal Interest Loans	12,299	-	12,299	-	0.0%
1,042,929	Fees & Licences	1,206,690	954,808	251,882	1,528,000	79.0%
318,066	User Levies	436,217	444,437	(8,220)	764,950	57.0%
45,976	Commissions	48,471	45,318	3,153	78,000	62.1%
1,076,837	NZ Transport Agency Subsidy	945,556	847,630	97,926	1,458,921	64.8%
58,915	Petrol Tax	49,239	49,385	(146)	85,000	57.9%
248,130	Grants, Donations & Subsidies	1,117,402	2,324	1,115,078	4,000	71860.6%
387,592	Rental / Hire	455,076	396,536	58,540	682,500	66.7%
1,689,253	Miscellaneous Income	213,729	52,465	161,264	90,300	236.7%
16,702,517		19,562,252	17,876,930	1,685,322	24,841,646	78.7%
<b>Operating Expenditure</b>						
1,648,351	Corporate Services	1,787,318	1,653,270	(134,048)	2,802,878	63.7%
309,865	Professional Services	120,252	86,742	(33,510)	147,835	81.3%
402,122	Governance, Leadership & Advocacy	649,466	772,204	122,738	1,316,348	49.3%
1,024,131	Public Protection	1,121,408	1,085,151	(36,257)	1,854,863	60.5%
468,114	Resource Management	429,638	525,510	95,872	903,725	47.5%
309,630	Economic, Cultural & Community Development	651,425	394,542	(256,883)	678,288	96.0%
1,924,503	Amenities	2,366,674	2,266,135	(100,539)	3,671,754	64.5%
3,279,653	Land Transport	3,025,816	3,250,307	224,491	5,593,152	54.1%
2,552,987	Water Supply	2,291,231	1,889,156	(402,075)	3,201,721	57.5%
926,703	Solid Waste Management	977,471	1,001,411	23,940	1,723,125	56.7%
1,830,598	Sewerage	1,588,216	1,179,135	(409,081)	1,998,480	66.2%
424,658	Stormwater Drainage	404,517	210,994	(193,523)	358,114	102.3%
16,032	Rate Debtors Written Off	17,225	15,000	(2,225)	20,000	86.1%
2,087	Bad Debts	-	-	-	-	0.0%
-	Loss on Sale of Assets	1,588	-	(1,588)	-	0.0%
15,119,434		15,432,244	14,329,557	(1,102,687)	24,270,283	63.6%
1,583,083	Operating Surplus/(Deficit)	4,130,008	3,547,373	582,635	571,363	722.8%
<b>Other Income</b>						
649,173	NZTA CAPEX Subsidy	601,020	1,316,840	(715,820)	2,266,500	26.5%
140,000	Grants, Donations & Subsidies	938,620	-	938,620	-	0.0%
1,857,636	Contributions	2,397,263	753,557	1,643,706	1,297,000	184.8%
1,739	Assets Vesting in Council	3,870	-	3,870	-	0.0%
-	Gain on Asset Revaluations	-	-	-	417,327	0.0%
2,648,548		3,940,773	2,070,397	1,870,376	3,980,827	99.0%
<b>Other Expenditure</b>						
-		-	-	-	-	0.0%
4,231,631	Total Surplus/(Deficit)	8,070,781	5,617,770	2,453,011	4,552,190	177.3%
Included in the operating expenditure is:						
3,054,321	Depreciation	2,783,795	2,664,830	(118,965)	4,586,603	73.7%
334,854	Interest Expense	372,822	356,657	(16,165)	613,870	60.7%

# South Wairarapa District Council

## Statement of Financial Position

FOR THE PERIOD ENDED 31 JANUARY 2022

	Jan-22	June 2021	Movement
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank	4,495,294	3,451,682	1,043,612
Short Term Deposits	7,504,492	7,611,563	(107,071)
Prepayments and Receivables	8,278,301	3,331,788	4,946,513
Inventories	49,623	46,284	3,339
Properties Intended for Sale		-	0
	20,327,710	14,441,316	5,886,394
<b>Non-Current Assets</b>			
Intangible Assets	74,032	193,479	(119,447)
Investment Properties	14,322,000	14,322,000	0
Investments	760,168	582,539	177,629
Property Plant and Equipment	511,113,037	507,812,469	3,300,568
	526,269,237	522,910,487	3,358,750
<b>Total Assets</b>	<b>546,596,947</b>	<b>537,351,803</b>	<b>9,245,144</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables and Accruals	4,307,590	4,795,242	487,653
Employee Entitlements	556,171	467,661	- 88,510
Provisions - Current Portion	34,220	34,220	-
	4,897,981	5,297,123	399,143
<b>Non-Current Liabilities</b>			
Public Debt - Non Current Portion	24,400,000	24,400,000	0
Provisions - Non Current Portion	381,267	381,267	0
	24,781,267	24,781,267	0
<b>Equity</b>			
Public Equity	168,070,240	158,715,954	- 9,354,287
Special Separate and Trust Funds	28,057,825	27,767,825	- 290,000
Asset Revaluation Reserve	320,789,389	320,789,389	-
Other Reserves	245	245	-
	516,917,699	507,273,413	(9,644,287)
<b>Total Liabilities &amp; Equity</b>	<b>546,596,947</b>	<b>537,351,803</b>	<b>(9,245,144)</b>

**SOUTH WAIRARAPA DISTRICT COUNCIL**  
**Statement of cashflows**  
**AS AT 31 JANUARY 2022**

	31 January 2022	31-Jan-2021	30-Jun-2021
<b>OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Rates	11,732,869	9,253,233	19,966,552
Grants & Subsidies	4,692,197	2,199,866	5,906,751
Petrol Tax	44,418	54,581	66,451
Other Income	4,257,692	5,329,624	5,310,440
Interest on Investments	96,866	180,701	304,346
<b>Total Operating Cash Inflow</b>	<b>20,824,042</b>	<b>17,018,005</b>	<b>31,554,540</b>
<b>Cash was applied to:</b>			
Payments to Suppliers & Employees	12,828,725	11,529,115	25,344,398
Interest Paid	316,702	351,598	465,971
<b>Total Operating Cash Outflow</b>	<b>13,145,427</b>	<b>11,880,713</b>	<b>25,810,369</b>
<b>Net Cashflow from Operating Activities</b>	<b>7,678,615</b>	<b>5,137,292</b>	<b>5,744,171</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of Property, Plant & Equipment	-	-	250
Term Investments, Shares & Advances	2,669,000	2,669,000	18,580,015
<b>Total Investing Cash Inflow</b>	<b>2,669,000</b>	<b>2,669,000</b>	<b>18,580,265</b>
<b>Cash was applied to:</b>			
Purchase of Property, Plant & Equipment	6,742,074	5,794,055	10,901,361
Term Investments, Shares & Advances	2,669,000	2,669,000	14,674,709
<b>Total Investing Cash Outflow</b>	<b>9,411,074</b>	<b>8,463,055</b>	<b>25,576,069</b>
<b>Net Cashflow from Investing Activities</b>	<b>(6,742,072)</b>	<b>(5,794,053)</b>	<b>(6,995,803)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Public Debt	-	-	8,200,000
<b>Total Financing Cash Inflow</b>	<b>-</b>	<b>-</b>	<b>8,200,000</b>
<b>Cash was applied to:</b>			
Repayment of Public Debt	-	-	5,700,000
<b>Total Financing Cash Outflow</b>	<b>-</b>	<b>-</b>	<b>5,700,000</b>
<b>Net Cash Flow from Financing Activities</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>936,543</b>	<b>(656,761)</b>	<b>1,248,369</b>
<b>31 January 2021</b>	<b>11,063,245</b>	<b>13,812,085</b>	<b>2,203,316</b>
<b>31 January 2022</b>	<b>\$ 11,999,788</b>	<b>\$ 13,155,324</b>	<b>\$ 3,451,683</b>
<b>REPRESENTED BY:</b>			
Cash and Cash equivalents	11,999,788	13,155,324	3,451,682
	-	-	-
	<b>\$ 11,999,788</b>	<b>\$ 13,155,324</b>	<b>\$ 3,451,682</b>
Variance	\$ -1	\$ -1	\$ 1

## SUMMARY OF INVESTMENTS AS AT 31 JANUARY 2022

ORGANISATION	INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED	INVESTED FUNDS %	AUTHORISED FUNDS %
<b>SHORT TERM FUNDS</b>							
<b>ASB Bank</b>							
Term Deposit	0.60%	0-Jan-00	0-Jan-00	0 days	\$0.00		
					<b>\$0.00</b>	<b>0%</b>	<b>50%</b>
<b>ANZ Bank</b>							
Term Deposit	1.45%	9-Sep-21	9-Sep-22	365 days	\$3,000,000.00		
Term Deposit	0.75%	9-Sep-21	6-Feb-22	150 days	\$1,000,000.00		
Term Deposit	0.00%	0-Jan-00	0-Jan-00	0 days	\$0.00		
					<b>\$4,000,000.00</b>	<b>52%</b>	<b>50%</b>
<b>BNZ Bank</b>							
Term Deposit	2.00%	25-Nov-21	27-Nov-22	367 days	\$1,037,042.02		
Term Deposit	1.30%	8-Sep-21	5-Jun-22	270 days	\$1,000,000.00		
Term Deposit	0.10%	24-Dec-21	22-Feb-22	31 days	\$500,000.00		
					<b>\$2,537,042.02</b>	<b>33%</b>	<b>50%</b>
<b>Wairarapa Building Society</b>							
Term Deposit	1.85%	21-Nov-21	21-Nov-22	365 days	\$206,312.64		
Term Deposit	1.99%	24-Nov-21	24-Nov-22	365 days	\$199,749.30		
Term Deposit	1.10%	21-Dec-20	21-Dec-21	365 days	\$160,049.82		
					<b>\$566,111.76</b>	<b>7%</b>	<b>10%</b>
<b>TOTAL</b>					<b>\$7,103,153.78</b>		
<b>INVESTMENTS</b>							
LGFA Borrower Bonds	3.01%	20-Jun-16	15-Apr-23		\$28,800.00		
LGFA Borrower Bonds	1.29%	15-Apr-20	15-Apr-25		\$80,000.00		
LGFA Borrower Bonds	2.03%	15-Mar-19	15-Nov-21		\$22,400.00		
LGFA Borrower Bonds	2.07%	15-Mar-19	14-Apr-22		\$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		
LGFA Borrower Bonds	1.09%	15-Apr-20	15-Apr-24		\$32,000.00		
LGFA Borrower Bonds	1.38%	17-May-21	15-Apr-26		\$37,500.00		
LGFA Borrower Bonds	2.32%	17-May-21	15-May-31		\$167,500.00		
LGFA Borrower Bonds	2.40%	15-Nov-21	15-Nov-31		\$35,000.00		
					<b>\$499,200.00</b>	<b>6%</b>	<b>0.5</b>
<b>FORESTRY</b>							
Plantation - Hurupi Stock					\$9,305.00		
					<b>\$9,305.00</b>	<b>0%</b>	<b>0.5</b>
<b>SHARES</b>							
Farmlands					\$1,159.00		
NZ Local Government Insurance Company					\$81,434.30		
Wellington Water Limited					\$50,000.00		
					<b>\$132,593.30</b>	<b>2%</b>	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>					<b>\$7,744,252.08</b>	<b>100%</b>	

## **Appendix 2 – Audit Report for the year ended 30 June 2021**

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

**South Wairarapa District  
Council**

For the year ended 30 June 2021

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## Key messages

We have completed the audit for the year ended 30 June 2021. 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 a non-standard audit report.

We issued an unmodified opinion on the audited information, excluding the statements of service performance.

We issued a qualified opinion on the statements of service performance. The basis for our opinion is our work was limited in the prior year with respect to the verification of attendance and resolution times for some services and the number of dry weather sewerage overflows.

Without further modifying our audit opinion, we included an emphasis of matter paragraph to draw the users' attention to the relevant note in the financial statements which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

### Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

### Matters identified during the audit

We have raised 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 2020/21 audit. We conclude on these areas in section 3 of this report and as follows:

#### ***Service performance – Fault response times for water supply, wastewater and stormwater, and the number of dry weather sewerage overflows for wastewater***

For the year ended 30 June 2020 we were unable to determine whether the Council's reported results for these measures were materially correct, as a result we issued a qualified opinion on the statement of service performance for incomplete information.

The qualification for the year ended 30 June 2020 carries forward to the comparative statement of service performance information for the year ended 30 June 2021. The issue was resolved for the current year's information.



### ***Asset revaluations***

The District Council revalued its land and infrastructure assets for the 2020/21 financial statements. It used an independent external valuer to perform this work in accordance with the District Council's internal policies and the financial reporting framework. We reviewed the valuation methodology used by the independent external valuer and assessed the methodology and underlying assumptions as reasonable. We have no issues with the process followed in terms of the requirements of PBE IPSAS 17, Property, Plant and Equipment.

### **Thank you**

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

John Whittal  
Appointed Auditor

[Date]

# 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	<b>Needs to be addressed <i>urgently</i></b> 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.
Necessary	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> 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.
Beneficial	<b>Address, <i>generally within six to 12 months</i></b> 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.

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Revaluation of Property, Plant and Equipment</b> The independent valuer has raised recommendations for the District Council to work through for future valuations. These recommendations should be implemented and monitored to ensure the valuations remain appropriate.		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				
Implemented or closed				
<b>Total</b>				

## 2 Our audit report

### 2.1 We issued a qualified audit report



We issued a qualified opinion on the statements of service performance. The basis for our opinion is our work was limited in the prior year with respect to the verification of attendance and resolution times for some services and the number of dry weather sewerage overflows. We note that this issue was resolved for the year ended 30 June 2021.

We issued an unmodified opinion over the financial statements. This means we are satisfied that the financial statements present fairly the District Council's activity for the year and its financial position at the end of the year and that the financial statement comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Without further modifying our audit opinion we included an emphasis of matter paragraph to draw the readers' attention to the relevant note in the in the financial statements which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

### 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, which were not 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. At the start of the audit we were provided with a draft annual report, and supporting working papers.

We found there were some of issues with the quality of the first draft annual report, particularly around some balances not agreeing to the trial balance, and amounts in notes not agreeing to the face of the financial statements. These issues were subsequently corrected.

We understand there were challenges and additional pressure this the year from the impacts of Covid-19 and the LTP. The finance team worked well to rectify these issues, and communicated well with us throughout the process.

## 3 Assessment of internal control



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

### 3.1 Control environment

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

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

The elements of the control environment provide an appropriate foundation for other components of internal control.

### 3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included obtaining an understanding of the controls in place for your key financial and service performance information systems.

Our findings and recommendations relating to these internal controls are outlined below. New recommendations are outlined in section 5 and recommendations outstanding from previous years are included in Appendix 1.

## 4 Matters raised in the Audit Plan



In our Audit Plan of 20 July 2021, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Wellington Water service provider</b>	
<p>On 1 October 2019, the District Council became a joint owner of Wellington Water Limited. The District Council is the sixth council to join, along with five other councils in the Wellington Region.</p> <p>The District Council has retained ownership of all its infrastructure assets and contracts Wellington Water to provide infrastructure management services, relating to the assets and services of the water networks.</p> <p>As part of this arrangement, Wellington Water is providing the District Council with information required for reporting against performance measures in the 2020/21 annual report, including DIA compulsory measures.</p>	<p>In the previous year we identified some significant issues with the performance measures as described below.</p> <p><b>Fault response times – Water supply, Wastewater and Stormwater</b></p> <p>Wellington Water was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because attendance and resolution times for service requests were not always recorded at the point in time they occurred.</p> <p><b>Number of dry weather sewerage overflows – Wastewater</b></p> <p>Wellington Water was unable to accurately report the number of dry weather sewerage overflows, as the system used for recording events included blockages in the wastewater network that did not necessarily result in an overflow.</p> <p>The above issues have been resolved for the 30 June 2021 year. As the limitation on our work cannot be resolved for the 30 June 2020 year, the District Council's performance information reported for these performance measures for the 30 June 2021 year may not be directly comparable to the 30 June 2020 performance information.</p> <p>We therefore issued a qualified opinion on the statements of service performance.</p>
<b>Asset revaluations</b>	
<p>PBE IPSAS 17, Property, Plant and Equipment, requires that valuations be conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The District Council has adopted a policy to revalue its infrastructure, and land and building assets on a cyclical basis. The</p>	<p>The District Council revalued its infrastructure assets and land assets for the 2020/21 financial statements. It used independent external valuers to perform this work in accordance with the District Council's internal policies and the financial reporting framework.</p> <p>We have reviewed the methodology used by the valuers (including assumptions applied and</p>

Audit risk/issue	Outcome
<p>District Council last revalued its infrastructure assets during the 2017/18 financial year.</p> <p>We understand that the District Council will revalue its infrastructure assets as at 30 June 2021. There is increased risk of material misstatement in the financial statements due to the judgemental nature and large value of the assets.</p>	<p>relevant factors considered) and confirmed these are appropriate and reasonable.</p> <p>The valuations were completed in line with the relevant accounting standard, PBE IPSAS 17 Property, Plant and Equipment.</p> <p>We have reviewed how the valuation results have been reflected in the District Councils financial statements and the associated disclosures in the annual report. We are satisfied that these comply with the requirements of PBE IPSAS 17 Property, Plant and Equipment and are fairly stated in the District Council's financial statements.</p> <p>From the work completed infrastructural assets were fairly stated however the independent valuer did raise recommendations for the District Council to work through for future valuations. We recommend that these recommendations should be implemented and monitored to ensure the valuations remain appropriate.</p> <p><b>Management comment</b></p> <p><i>Management are working with our partners to improve the quality of data provided to inform infrastructure valuations. The general cycle for infrastructure valuations is every three years. In-cycle revaluations are due in 2024 to inform the 2024-2034 Long-Term Plan.</i></p> <p>Our review of the fair value assessments for those asset classes not revalued this year, confirmed that the carrying value of the assets was not materially different than the fair value of the assets.</p>
<b>Capital projects</b>	
<p>A number of major projects are either underway or about to commence.</p> <p>The key financial statement risks associated with capital projects include:</p> <ul style="list-style-type: none"> <li>costs not being appropriately accounted for in accordance with accounting standards;</li> <li>balances being included in WIP at balance date when the assets have been completed and should have been capitalised; and</li> </ul>	<p>The District Council are working with Wellington Water to determine a preferred option for the treatment and disposal of Featherston's wastewater. We will continue to monitor the project during the 2021/22 audit.</p> <p>We reviewed the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> <li>as part of our additions testing for Property, Plant and Equipment, we reviewed a sample of costs incurred on the projects and ensured the costs have been classified in accordance with generally accepted accounting practice; and</li> </ul>

Audit risk/issue	Outcome
<ul style="list-style-type: none"> <li>contracts entered into before balance date that are not disclosed as commitments in the notes to the financial statements.</li> </ul> <p>We ask you to keep us informed on progress with significant projects.</p>	<ul style="list-style-type: none"> <li>the disclosures included within the financial statements, including those relating to capital commitments.</li> </ul> <p>We are satisfied that the accounting for capital projects is materially correct.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is 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 have concluded that the overall control environment is effective for the purposes of our audit.</p> <p>We completed audit procedures on journal entries. We utilised computer aided audit-tools for journal testing to focus on journals based on risk factors. We are satisfied that journals were appropriately prepared and there were no issues with the accuracy or level of support for journals.</p> <p>We have also considered accounting estimates, for bias and maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the District Council and its environment, and other information obtained during the audit.</p> <p>We have not identified any new issues to be reported.</p>
<b>Covid-19 pandemic</b>	
<p>The impact of the Covid-19 pandemic on the sector has been wide and varied.</p> <p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, remains unknown. The pandemic is still significantly impacting people and organisations globally. The borders remain closed and it is likely the pandemic will continue to have effects throughout the financial year ended 30 June 2021.</p>	<p>Throughout the audit, we discussed the impact of the pandemic on the District Council's business, particularly its effect on business continuity.</p> <p>The District Council has included disclosure around Covid-19 in its financial statements, and where applicable, included disclosures in its non-financial reporting for results directly affected by Covid-19.</p> <p>We assessed the District Council's disclosure in the financial statements and statement of service performance around these impacts and concluded that it was appropriate.</p>

## 5 Other matters arising during the audit

### 5.1 Impact of the three waters reform

The three waters reform programme is one of the most significant policy programmes affecting local authorities.

During 2020/21, the District Council signed a non-binding Memorandum of Understanding (MoU) with the Crown. By signing this MoU, the District Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.

On signing of the MoU, the District Council subsequently received a share of \$761 million Crown stimulus funding, which was the first tranche of funding that was provided under the reform programme. It is important that the District Council is appropriately accounting for its share of the funding and is meeting the obligations of the funding agreement.

We reviewed the accounting for the grant received against the requirements of generally accepted accounting practice. Management has recognised revenue to the extent of expenditure incurred and deferred the unspent portion of the grant to be recognised as revenue once the expenditure is incurred. We believe that this is supported by GAAP. We are satisfied that the revenue recognition is materially correct.

On 27 October 2021, the Local Government Minister announced that central government will proceed with the three waters service delivery reforms using a legislated “all in” approach. The three waters reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure from local authorities from 1 July 2024.

The District Council has included disclosure around the 27 October 2021 announcement in its financial statements. We assessed the District Council’s disclosure in the financial statements around this subsequent event and concluded that it was appropriate.

### 5.2 Improve network password security settings

The network password security settings for users on the council's network are below generally accepted leading practice, raising the risk to council of unapproved or inappropriate access to the District Council’s systems and data.

We have discussed this risk with IT and we understand that security reviews and improvements are being planned.

**We recommend** that the council improve its network user access password controls.

NZ Information Security Manual (NZISM) password settings are as follows:

- Minimum password length either 10 characters with complexity or 16 characters without complexity;



- Password changes enforced at least every 90 days, with at least 13 passwords that a user cannot reuse; and
- Screensavers should be set to automatically come on after 15 minutes of inactivity.

Information about other security system settings is available by going to [GCSB - NZ Information Security Manual](#).

### **5.3 Prospective Amenities Financial Impact Statement (FIS)**

We have noted a classification difference between the Prospective FIS and the rates resolution for targeted rates in the Amenities group of activities (GOA). The GOA targeted rates are classified in the Prospective FIS as general rates. The GOA revenue for the year ended 30 June 2021 from targeted rates is correctly classified in the annual report GOA FIS.

The District Council has sought legal advice on any actions required by Council to address. The initial draft response did not identify any significant remedial actions required, but the advice does indicate a possible breach of clause 20(2) of Schedule 10 of the LGA.

We will review the final advice as part of the 2021/22 audit.

## 6 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 did not identify issues in any issues to bring to your attention in relation these areas.

The District Council investigated one instance where procurement processes were not followed as required. The District Council's investigation did not identify any loss from the actions, the employee was dismissed for not following process.

## 7 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>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">The problems, progress, and potential of performance reporting</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Setting and administering fees and levies for cost recovery: Good practice guide</a>

Description	Where to find it
<b>Managing conflicts of interest involving Council employees</b>	
This article discusses findings across four councils on how conflicts of interest of Council employees, including the Chief Executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Covid-19 implications for financial reporting and audit in the public sector</b>	
Audit New Zealand Executive Director Steve Walker and Head of Accounting Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.	On our website under good practice. Link: <a href="#">Covid-19 page</a> Link: <a href="#">Webinar</a>
<b>Sensitive expenditure</b>	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: <a href="#">Sensitive expenditure</a>
<b>The Auditor-General's report on the results of recent audits</b>	
The OAG publishes a report on the results of the each cycle of annual audits for the sector.	On the OAG's website under publications. Link: <a href="#">Local government 2019/20 audits</a>
<b>Procurement</b>	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Links: <a href="#">Strategic suppliers: Understanding and managing the risks of service disruption</a>  <a href="#">Getting the best from panels of suppliers</a>  <a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Procurement</b> <p>The District Council maintains appropriate documentation, proportionate to the value and risk of each procurement, to support planning, evaluation and conflict of interest management processes followed.</p>	2019/20	<b>In progress.</b> <p>Refer to part 5.1 for update.</p> <p><b>Management comment</b>  <i>The District Council is busy completing a review of it's procurement practices and policy. Key staff involved in procurement have also been reminded of the need to ensure appropriate documentation is maintained.</i></p>
<b>Building Consent – number of days</b> <p>MagiQ counts the days as 10 days while a manual recalculation by audit and confirmed by the Building Services Team Leader, counted 11 days. It is an issue for those which fall on the 20 days deadline as they may have actually been issued at day 21.</p>	2018/19	<b>In progress.</b> <p>We will review progress against this during our 2022 audit.</p> <p><b>Management comment</b></p>
<b>Bank reconciliations</b> <p>Both the preparer and reviewer sign and date the bank reconciliations to demonstrate independent review was carried out and reconciling items have been checked to supporting documentation.</p>	2018/19	<b>In progress.</b> <p>We will review progress against this during our 2022 audit.</p> <p><b>Management comment</b>  <i>The District Council are implementing improvement in systems and processes, including around the preparation and signoff of reconciliations.</i></p>
<b>Independent review of creditor Masterfile changes</b> <p>Creditor Masterfile change reports should be independently reviewed within a timely manner.</p> <p>Update 2020/21:  The Finance team should ensure that the process for independent review of Masterfile changes and the evidence of this review is adequately documented.</p>	2018/19	<b>Outstanding.</b> <p>We found evidence that the control is operating however there is still no evidence of the review.</p> <p><b>Management comment</b></p>

Recommendation	First raised	Status
<p><b>Independent Review of the changes in the Rating Information Database (RID)</b></p> <p>Implement independent review of changes made to the RID to ensure all changes are made correctly.</p>	2018/19	<p><b>In progress.</b></p> <p>The District Council have implemented additional processes since the previous financial year. We will review that these are operating effectively as part of the 2022 audit before removing this issue.</p> <p><b>Management comment</b></p>
<p><b>Controls over journals</b></p> <p>A system generated list of all manual journals for the period is included with the journals for review.</p> <p>The reviewer is someone who is unable to post journals but understands the concept of them.</p>	2018/19	<p><b>Outstanding.</b></p> <p>The District Council have implemented additional processes since the previous financial year. We will review that these are operating effectively as part of the 2022 audit before removing this issue.</p> <p><b>Management comment</b></p>
<p><b>Segregation of duties</b></p> <p>We recommended a review of access to all systems occurs to ensure that access is given only to those who need it and that reviewers have read only access where appropriate.</p> <p>Also where the process currently involves one staff member, another is added to the process to ensure appropriate segregation of duties.</p>	2018/19	<p><b>In progress.</b></p> <p>The District Council have implemented additional processes since the previous financial year. We will review that these are operating effectively as part of the 2022 audit before removing this issue.</p> <p><b>Management comment</b></p> <p><i>The District Council is in the process of reviewing access to systems, with some review having been completed.</i></p> <p><i>We will continue our review and consider where we can better implement improved segregation of duties.</i></p> <p><i>When implementing the new electronic purchase order system, we allocated access to staff with segregation of duties being one of the considerations. For example, the staff member involved in creditors does not have the ability to raise purchase orders.</i></p>
<p><b>Revaluation of Property, Plant and Equipment</b></p> <p>The independent valuer has raised recommendations for the District Council to work through for future valuations. These recommendations should be implemented</p>	2019/20	<p><b>In progress.</b></p> <p>We will review progress against this during our 2022 audit.</p>

Recommendation	First raised	Status
and monitored to ensure the valuations remain appropriate.		
<b>Beneficial</b>		
<b>Annual leave balances</b> Consider putting in place formal leave plans for staff with high annual leave balances.	2017/18	<b>In progress.</b> Management have advised that the HR manager provides leave balances to the relevant managers with a view to encourage people to take leave. We understand some progress is being made, however some annual leave balances remain high.
<b>Contract Management</b> Overall our review found that the majority of expectations of contract management processes were met. We noted however that there was a lack of a District Council specific contract management policy and guidance available to contract managers. When management are next reviewing the suite of policies, if policy or guidance on contract management was considered useful, the MBIE website has resources at <a href="https://www.procurement.govt.nz/procurement/guideto-procurement/manage-the-contract/">https://www.procurement.govt.nz/procurement/guideto-procurement/manage-the-contract/</a> that could be used as a basis.	2019/20	<b>In progress.</b> We will review progress against this during our 2022 audit. <b>Management comment</b>
<b>Review of invoices created</b> Undertake a post-creation review to ensure all invoices issued by the District Council are correct.	2017/18	<b>Outstanding.</b> Processes have not changed since the previous financial year. <b>Management comment</b>

## Implemented or closed recommendations

Recommendation	First raised	Status
<b>Infrastructure contribution fee</b> – The schedule of fees and charges is updated for the infrastructure contribution fee for each type of service.	2019/20	<b>Complete.</b>

Recommendation	First raised	Status
<b>Lack of review of timesheets</b> – Timesheets should be signed by the relevant cost centre manager as evidence of approval for work performed by the employee.	2018/19	<b>Complete.</b>
<b>Expenditure processes</b> – Implement improvements to the expenditure process, including: <ul style="list-style-type: none"> <li>• detailing a dollar amount on purchase orders; and</li> <li>• documenting the receipt of goods or services on invoices approved for payment</li> </ul>	2018/19	<b>Complete.</b>
<b>Sensitive expenditure approval</b> – Consider an alternate approver for the Mayor's expenditure.	2019/20	<b>Complete.</b>
<b>Sensitive expenditure policies</b> – When the District Council next updates the sensitive expenditure policies, the areas we have identified against the OAG good practice guidelines are considered for inclusion.	2019/20	<b>Complete.</b>



## 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 District Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2021-31 long-term plan. Other than this engagement, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$102,472 excluding GST and disbursements, as detailed in our Audit Proposal Letter.</p> <p>To date, other fees charged in the period are \$60,400 excluding GST and disbursements, for the LTP audit (including the CD audit).</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 aware of one instance where a staff member of Audit New Zealand accepted a position of employment with the District Council during or since the end of the financial year.</p>

## AUDIT NEW ZEALAND

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# FINANCE AUDIT AND RISK COMMITTEE

30 MARCH 2022

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## AGENDA ITEM B3

### ACTION ITEMS REPORT

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#### **Purpose of Report**

To present the Committee with updates on actions and resolutions.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the Finance Audit and Risk Action Items Report.*

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

Action items from recent meetings are presented to the Committee for information. The Chair may ask the Chief Financial Officer for comment and all members may ask the Chief Financial Officer for clarification and information through the Chair.

If the action has been completed between meetings it will be shown as 'actioned' for one meeting and then will be remain in a master register but no longer reported on. Procedural resolutions are not reported on.

#### **2. Appendices**

Appendix 1 – Action items to 30 March 2022

Contact Officer: Amy Andersen, Committee Advisor

Reviewed By: Katrina Neems, Finance Manager

# **Appendix 1 – Action Items to 30 March 2022**

Number	Raised Date	Action Type	Responsible Manager	Assigned to	Action or Task details	Open	Notes
248	11-Dec-19	Action	Stefan		<p><del>Find out the background to the Bonnie Glen landfill risk and update FAR Committee members</del></p> <p>Assess the risk to Council of central government mandated increases to solid waste levies and the ability of Council to change processes to manage landfill contracts, expenditure and revenue alongside promotion of waste minimisation</p>	Actioned	<p>14/8/20 Bonnie Glen is owned by Waste Management and Environmental Services and charges are climbing outside of regular pricing for waste disposal due to a monopoly and limited future capacity at the site.</p> <p>We have a contract for service to use Bonnie Glen which ends shortly. Alternative avenues to dispose of refuse will be researched prior to the contract ending.</p> <p>24/2/20: Action updated by FAR</p> <p>01/10/21: We have a 20 year contract for service to use Bonnie Glen landfill. There are no capacity issues.</p>
249	11-Dec-19	Action	Amanda	Steph	Review the Sensitive Expenditure Policy in March 2020 to ensure best practice guidelines are followed	Actioned	<p>16/4/21: Will be considered as part of policy review programme</p> <p>23/11/21: Timeline to be reported to the next FAR meeting once the policy review programme is finalised (part of the Procurement and Contract Management Policy)</p> <p>22/3/22: Sensitive expenditure is a section within the Procuring Goods and Services Policy. This action has been closed as it is captured within Action 250 below.</p>
250	11-Dec-19	Action	Amanda	Steph	<p>Review the Procurement and Contract Management Policy in March 2020 to ensure it covers all procurement and management activities</p> <p>Note this action also encompasses the review of the sensitive expenditure section within this policy to ensure best practice guidance is followed.</p>	Open	<p>16/4/21: Will be considered as part of policy review programme following review of CDC's policy for sustainability matters</p> <p>23/11/21: Timeline to be reported to the next FAR meeting once the policy review programme is finalised</p> <p>22/3/22: Refer to the Policy and Governance Report for an update on the policy review work.</p>

Number	Raised Date	Action Type	Responsible Manager	Assigned to	Action or Task details	Open	Notes
259	16-Jun-21	Action	Amanda	Steph	To review what data, sourced from subscription databases, could be made available to Destination Wairarapa for the purposes of tourism planning	Actioned	6/8/21: To be completed as time allows 22/3/22: Meeting held with Destination Wairarapa and population data for the district provided.
482	6-Oct-21	Action	Sheil		Review the Communications Failure risk with a view to raising the risk level and consider adding reputation risk to the Strategic Risk Register	Open	24/11/21: Will be considered by ELT on 30 Nov 23/03/22: ELT is reviewing Council's operational and strategic risk registers and this will be addressed as part of that review.
483	6-Oct-21	Action	Amanda	Steph	Include a list of all policies, their expiry dates, their proposed review dates and an officer comment column with the Policy and Governance Report	Open	23/11/21: To be reported to the next FAR meeting once the policy review programme is finalised. 22/3/22: Refer to Policy & Governance Report for update.
50	16-Feb-22	Action	Amanda		Provide members a timeline for completion of the overhaul of the strategic risk register.	Open	
51	16-Feb-22	Action	Amanda	Steph	Make a copy of the 2021 Residents' Perception Survey report available on members electronic document system and share new questions for 2022 with councillors.	Actioned	2/3/22: Report available on Stellar and location emailed to members. Also available on SWDC website. 22/3/22: The 2022 questionnaire has been updated to include demographic questions on iwi and hapū to enhance our understanding and reporting of how mana whenua considers Council works in partnership with mana whenua. The questionnaire was also updated to remove a question regarding a change to wheelie bin waste collection due to overwhelming support received in the 2021 survey.
53	16-Feb-22	Action	Katrina		Investigate the ability to strip out one-off unbudgeted income such as stimulus funding from business as usual activity and to include unbudgeted expenditure in the financial reporting.	Open	23/03/2022 - A reporting removing all one-off items for Stimulus, PGF, and NZLPP funding has been included in the finance report for the 30 March 2022 meeting.

Number	Raised Date	Action Type	Responsible Manager	Assigned to	Action or Task details	Open	Notes
54	16-Feb-22	Action	Sheil		Provide assurances the rebrand rollover project will be completed this financial year.	Open	23/03/22: A register of signs is being created and a review being undertaken as to which ones remain to be refreshed. Signs will continue to be refreshed with the current branding.
55	16-Feb-22	Action	Russell		Investigate whether a plan change related to developer contributions for South Wairarapa could be brought forward ahead of the District Plan review.	Open	