

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

Westland District Council

For the year ended 30 June 2020

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Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where Westland District Council and group (the Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued an unmodified audit opinion dated 2 November 2020.

Without modifying our opinion, the audit report also includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the Covid-19 pandemic. This approach was adopted for all public entities.

Matters identified during the audit

Property plant and equipment (PPE)

The Council's infrastructure assets were last revalued as at 30 June 2019 and its land and buildings at 30 June 2018. Council carried out assessments to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2020. The assessments indicated no material movement since the valuations were last undertaken. Our audit work concluded that the overall difference from fair value, for both land and buildings and infrastructure assets, was not material.

Rates

We identified minor rating matters, including rounding differences between the FIS and rates resolution and some trivial differences between the rates resolution and the rates actually charged to ratepayers. Our findings from the audit are detailed within section 3 of this report.

Other matters

We set out the areas of focus, for the 2020 audit, in the Audit Plan. The outcome of this work, as well as other findings from the audit, are summarised in sections 2 to 5 of this report. In Appendix 1, we summarise the progress made in addressing prior recommendations. Of those recommendations, there are two in particular that we consider should be focussed on in the short term – improving the NZTA grants claims process and enforcing on-up approvals for sensitive expenditure.

Thank you

We would like to thank the Council, management and staff for the assistance provided throughout the audit. The Council's preparation to support the audit continues to improve and is appreciated.

A handwritten signature in black ink, appearing to read "S. Tobin". The signature is fluid and cursive, with a long horizontal stroke at the top.

Scott Tobin
Appointed Auditor
11 December 2020

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.

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Note that these are recommendations that were identified after the interim audit and the final audit phase.

Recommendation	Reference	Priority
<p>Reporting all DIA mandatory performance measures</p> <p>Council measure and report performance on all aspects of the DIA mandatory performance measures.</p>	3	Necessary
<p>Councillor remuneration overpayment</p> <p>Discuss the matter with the Remuneration Authority to confirm whether there is an overpayment and consider the implications for amounts paid and for the 2020/21 financial year.</p>	4.1	Necessary

Recommendation	Reference	Priority
Westroads profit margin elimination Ensure that internal profits, from assets constructed by Westroads for the Council, are being eliminated in the group financial statements.	4.2	Necessary
Afterhours service requests Improve processes to ensure all afterhours calls for service requests are recorded and captured into MagiQ.	4.3	Necessary
Publication of CCO information Ensure the publication of CCO information is completed in accordance with the LGA.	4.4	Beneficial
Declaration of interests Ensure all interests held by members of Key Management Personnel are disclosed in the interests register.	4.5	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	14	2	16
Implemented or closed	0	4	1	5
Total	0	18	3	21

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 2 November 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

Without modifying our opinion, the audit report also includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the Covid-19 pandemic.

In forming our audit opinion, we considered the matters below in section 2.2 and in sections 3 and 4.

2.2 Uncorrected misstatements

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

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Property plant and equipment	1	168,480			
Expenditure					(168,480)
Total parent		168,480			(168,480)
Creditors & other payables	2		192,000		
Provision for disputed costs				(192,000)	
Total group			0		

Explanation of uncorrected misstatements

- 1 To correctly classify the expenditure for repairs and maintenance for rockworks for Milltown Road as capital expenditure.
- 2 To correctly classify the Churchill Street Dispute as a provision rather than a contract liability. This is a balance sheet misclassification only.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The significant corrected misstatements related to the landfill provision, consolidating figures relating to for-profit accounting standards into the group, and various performance reporting disclosures. There were also minor edits of a presentation and disclosure nature, which were corrected by management. Overall the Council has continued to improve the quality of the preparation of its annual report. These efforts should be continued.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 7 September 2020. This included the dates we required the information to be provided to us. We received a draft annual report on 21 September 2020, with our on-site visit commencing on 29 September 2020. Council was well prepared for the audit.

3 Matters raised in the Audit Plan



In our Audit Plan of 30 July 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Fair value and impairment assessments	
<p>The Council periodically revalues specific classes of its property, plant and equipment. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amounts do not materially differ from fair value.</p> <p>Land and buildings were last valued at 30 June 2018 and infrastructure assets in the 2019 financial year. Fair value assessments will be required by the Council to determine whether the carrying value as at 30 June 2020 continues to represent the fair value for assets held at fair value.</p> <p>PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash Generating Assets require assets held at cost to be assessed for indicators of impairment on an annual basis. We expect the District Council to have completed an impairment assessment to determine whether any assets will need to be impaired.</p>	<p>The Council carried out assessments to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2020. The assessments involved applying an applicable index (CGPI or property price movements from Quotable Value) to the carrying values of the Council's assets at 30 June 2020 and determining whether any movement in the value of the assets would lead to a material difference in the financial statements. The assessment indicated no material difference arising due to changes in construction costs.</p> <p>We verified Council's assessment and agreed that the overall difference from fair value, for both land and buildings and infrastructure assets, was not material for the financial statements.</p>
Statement of Service Performance	
<p>Council's statement of service performance is the primary means of reporting to ratepayers its performance for the year. Council is continuing to improve its systems for capturing the underlying data for this reporting.</p> <p>During our review in 2019 we noted a number of DIA's mandatory performance measures could not be reported on. This included measures relating to footpaths, maintenance of the reticulation network (water supply), demand management</p>	<p>We reviewed the Council's reported performance measures and results against its annual plan, the 2018-28 LTP and relevant supporting documentation.</p> <p>Although we found that some of the reported results were not captured and reported correctly to begin with, we confirmed that the performance information is now fairly stated in the annual report. All performance measures from the LTP were reported against in the annual report and the level of detail provided</p>

Audit risk/issue	Outcome
<p>(water supply), water supply response times (attendance times), dry weather overflows (Council reports all overflows), and response times relating to storm water and wastewater.</p>	<p>to the reader of the annual report was appropriate.</p> <p>We identified that the Council was still unable to report on the following DIA mandatory measures:</p> <ul style="list-style-type: none"> • Percentage of real water loss. • Attendance times for urgent and non-urgent call-outs to water supply faults. • Average consumption of drinking water per day per resident. • Attendance times for sewerage faults. • Percentage of footpaths that fall within the level of service or service standard for the condition of footpaths. <p>In addition, surveys relevant to the following measures were not completed, and therefore unable to be reported against:</p> <ul style="list-style-type: none"> • Tenant satisfaction with elderly housing. • Resident satisfaction with Hokitika Wildfoods Festival. • Resident satisfaction with Hokitika Pool. <p>We note that overall the level of reporting is an improvement on the prior year. This is largely attributable due to the two yearly resident satisfaction survey, which is relevant to a large number of measures, being successfully carried out in 2020.</p> <p>Management comment</p> <p><i>Percentage water loss and average consumption requires a costly equipment and modelling not affordable and not a major concern for Council.</i></p> <p><i>Attendance time logging for call-outs/faults are recorded in MagiQ since quarter 4, but not enough data was available yet to report on during this period.</i></p>
Rates	
<p>Rates are the Council's primary funding source.</p>	<p>We identified a variety of minor rating matters, including:</p>

Audit risk/issue	Outcome
<p>Compliance with the Local Government (Rating) Act 2002 (LGRA) with rates setting and collection requirements is critical to ensure that rates are validly set. At an extreme, errors in rates setting processes can mean rates cannot be legally collected. The Council has the ultimate responsibility to ensure that it complies with applicable laws and regulations.</p> <p>During the 2019 financial year, we observed that the ratepayers were invoiced at per factor rates different to those in the approved rates resolution and in the Funding Impact Statement (FIS).</p>	<ul style="list-style-type: none"> • Rounding differences between the Funding Impact Statement (FIS) and rates resolution. For example, general rates are rounded to five decimal places in the FIS, whereas the rates resolution rounds to seven decimal places. For other rates, the FIS rounds to zero decimal places, whereas the rates resolution rounds to two decimal places. • Minor discrepancies were noted for the Hokitika Community Rate: <ul style="list-style-type: none"> ○ The rural residential rate is \$411 per the FIS, compared to \$412.02 per the rates resolution. ○ The commercial rate is \$1,103 per the FIS compared to \$1,104.36 per the rates resolution. ○ The rural rate is \$413 per the FIS compared to \$413.53 per the rates resolution. <p>The total expected revenue for all the rates is the same in both the FIS and rates resolution.</p> • The unconnected sewerage rate is \$186 per the FIS compared to \$187.95 per the rates resolution. Total expected revenue is the same in both the FIS and rates resolution. • Rates for which the total required revenue is \$nil are included in the rates resolution but not the FIS. • Total expected revenue from the UAGC is \$4,227,719 per the rates resolution vs \$4,261,835 per the FIS. <p>We also assessed that the FIS correctly identifies the amount each funding source is expected to generate and noted the following areas for improvement:</p> <ul style="list-style-type: none"> • Total expected revenue is disclosed in total for targeted water rates, but not for individual categories (i.e. treated compared to untreated and commercial compared to non-commercial).

Audit risk/issue	Outcome
	<ul style="list-style-type: none"> <li data-bbox="842 262 1390 398">• Metered water rates are listed in the FIS, but the rate of \$1.80/m³ is not specified and only total expected revenue is shown. <p data-bbox="842 427 1334 488"><i>Invoicing amounts different from the rates resolution</i></p> <p data-bbox="842 517 1382 763">In prior years, we found that ratepayers have been invoiced at per factor rates different to those in the approved rates resolution and FIS. Where there were differences, in nearly every instance they were invoiced a very small amount less than the amount per the resolution. This remained an issue for 2020.</p> <p data-bbox="842 792 1050 822"><i>Rates for 2020/21</i></p> <p data-bbox="842 851 1390 1765">As per the 2020/21 Annual Plan consultation process, the Council committed to not increase rates in 2020/21. Therefore, the expectation was that ratepayers would be charged the same rate per factor as 2019/20, with any changes to the invoiced amount being due to changes in the factors (i.e. increases in capital value, a new water connection etc.). On this basis, the 2020/21 rates resolution adopted by Council should have contained the rates that were actually charged in 2019/20 (e.g. \$548.91 for the Community Rate Hokitika Residential). Instead it contained the same rates as the 2019/20 rates resolution, some of which were higher than the amounts actually charged (e.g. \$549.79 for the Community Rate Hokitika Residential). Therefore, the 2020/21 rates resolution inadvertently provides for an increase to certain rates (e.g. \$0.88 for the Community Rate Hokitika Residential). To rectify this issue and ensure that inadvertent increases were not passed on to ratepayers, the rates assessment notices include a "remission" amount - i.e. \$0.88 shown above to ensure ratepayers paid the lower amount.</p> <p data-bbox="842 1794 1390 2031">Based on the above, the Council is likely under-collecting on several rates as it has ultimately charged less than in the rates resolution. The only rate charged which exceeds the rates resolution is the Kokatahi Community Rate, and the difference is trivial. However, Council has also adhered to the promise of a rates freeze</p>

Audit risk/issue	Outcome
	<p>per the Annual Plan. We note that Council has tried to address the issues noted in prior years regarding discrepancies between the rates resolution vs rates charged by ensuring that rates in the assessment notice agree to the rates resolution and then applying a remission to cover the difference.</p>
<p>Impact of COVID-19</p>	
<p>The COVID-19 pandemic has had a significant impact on the majority of organisations and their people across the globe. We expect management and the Councillors to formally assess whether the pandemic has had any impacts on the operations and finances of the Council.</p>	<p>Overall, there appears to be limited impact on the Council to date. The operating characteristics of the Council have remained the same and the Council believes this is likely to be the case going forward.</p> <p>The wage subsidy was able to be utilised at a group level during the stricter alert levels and this was audited as part of the subsidiary audits.</p> <p>The Council has appropriately described the possible effects that it has identified, as a result of the Covid-19 pandemic, in the notes to the financial statements. We agree, given the uncertainties that still exist, that this is a reasonable assessment of the probable impacts.</p>
<p>The risk of management override of internal controls</p>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. <p>Our audit work completed did not find any indication of management override that would result in a material misstatement to the financial statements.</p>

4 Other matters arising from the audit



During our final audit, we identified the following matters:

4.1 Councillor remuneration overpayment

Findings

The regime for Councillor remuneration involves the Remuneration Authority setting remuneration for Mayors and Council Chairs. A pool is then allocated among the other Councillors, with the amounts payable depending on the position held and a minimum entitlement for Councillors with no additional responsibilities. This is done in consultation with each council and the whole pool must be allocated.

In Westland District Council's case, the Determination for 2019/20 (and continued in 2020/21) provides for the Deputy Mayor to receive less remuneration than the named Committee Chairs. The Remuneration Authority presumably set these amounts on the understanding that different people would occupy the roles. However, after the 2019 elections the Deputy Mayor also holds the role of Chair of the Capital Projects and Tenders Committee.

We identified that the Deputy Mayor has been paid 100% of his Deputy Mayor's entitlement plus 50% of the entitlement for his role as Chair of the Capital Projects and Tenders Committee. The Determination does not support this approach and in our view this does result in an overpayment. The approach also raises the question of whether the Council is allocating the whole governance pool, unless the other Councillors received a top up because of the Deputy Mayor holding two roles.

Recommendation

Discuss the matter with the Remuneration Authority to confirm whether there is an overpayment and consider the implications for amounts paid and for the 2020/21 financial year.

Management comment

The payments are correct based on the Councillors decision and resolution. The determination does not state that there can be only a Deputy Mayor fee or a Chair, therefore it is allowable for both to be paid.

The whole of the governance pool has been used.

Staff will discuss with remuneration committee.

4.2 Westroads profit margin elimination

Findings

In consolidated financial statements transactions within the group need to be eliminated. Where an asset is constructed by Westroads for the Council, the revenue earned and costs incurred by Westroads are eliminated. The profit element capitalised into the assets also needs to be eliminated, but has not been. This leaves profits from the group trading with itself included in group surplus before tax – overstating that figure.

This has been an issue for a number of years, but has become more significant as Westroads increasingly completes more capital work for the Council.

Recommendation

Ensure that internal profits, from assets constructed by Westroads for the Council, are identified and eliminated in the consolidation.

Management comment

If this had been an issue for a number of years, staff should have been informed and could have ensured it was dealt with. It has never been an item on the audit management report. This was however, only mentioned towards the end of the audit when staff consolidated the group.

4.3 Afterhours service requests captured in MagiQ

Findings

Our review of the reported performance information identified a risk that not all service requests are recorded in MagiQ. The Council places reliance on the on-call staff and Westroads staff to record all service requests that don't come in directly to the Council during business hours. However, improvements are required to ensure that all afterhour's calls are recorded in MagiQ. This process should include the Council receiving the manual forms completed by Westroads to do a cross check against what has been input into MagiQ, and comparing service request information to the amounts invoiced by Westroads.

Recommendation

Improve processes to ensure all afterhours calls for service requests are recorded and captured into MagiQ.

Management comments

Afterhours service calls recording has been improved, is mandatory and logged since quarter 4 captured into MagiQ system. There was not enough data recorded to report during this reporting period but will be reported in future.

4.4 Publication of CCO information

Findings

Our legislative compliance review identified two matters relating to CCOs. The Council needs to ensure its website is kept up to date with the following:

- Section 64(9) of the Local Government Act 2002 (LGA) states that each shareholding local authority must publish the CCO's adopted statement of intent on an internet site maintained by or on behalf of the local authority within one month of adopting it, and must maintain the statement on that site for a period of no less than seven years.
- Section 67(1)(b) of the LGA requires the board of a CCO to deliver the annual report to its shareholders and, in the case of an organisation that is indirectly controlled by one or more local authorities (for example, a subsidiary of a holding company owned by a local authority), to each local authority that indirectly controls the organisation. Section 67(4) requires the local authority to publish it on its website within one month of receiving it and maintain the report on the site for no less than seven years.

Recommendation

Ensure the publication of CCO information is completed in accordance with the LGA.

Management comments

Westland Holdings Ltd is the subsidiary of Council, the latest Statement of Intent and Annual Reports for this company are always on the Council website.

DWL and Westroads current SOI's are also on the website.

However, it is acknowledged that previous reports have been removed.

Staff will address this.

4.5 Declaration of interests

Findings

Our review of the Companies Office Register identified a number of interests held by members of Key Management Personnel that were missing from the Council's interest register. Although no transactions existed between the outside entities and the Council, this exposes the Council to potential risk if left undisclosed. In our experience, full disclosure of all interests is the first step in managing conflicts of interest.

Recommendation

Ensure all interests held by members of Key Management Personnel are disclosed in the interests register.

Management comments

Council has a conflict of interest policy which is part of the induction process, staff have also been required to read this policy and acknowledge reading the policy.

The interest register for staff is sent out every six months, and staff are required to complete this even if the response is nil. These forms are then received by the Executive team for review.

Councillors have all been through an induction process which included conflict of interests, the interest register is circulated at each and every Council and Committee meeting.

The onus is on Councillors and staff to complete these forms fully.

The Mayor is to discuss with the Councillors individually to remind them of their duties to inform of conflicts of interest, the CE is to discuss with the noted staff.

5 Public sector audit



The 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 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 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 carrying out its activities effectively and efficiently;
- the 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 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.

From our review we found no issues that the Council needs to consider.

6 Group audit



The group comprises:

- Westland District Council; and
- Westland Holdings Limited, including its two subsidiaries Westroads Limited and Destination Westland Limited.

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

6.1 Westland Holdings Limited (WHL)

Similar to the prior year, the component auditor issued a modified audit report for WHL due to the scope of the audit being limited in respect of the carrying value of the WHL group's airport assets. The basis for this qualification is as follows:

- Given the "for-profit" status of the WHL group, it needed to consider impairment for the cash generating airport assets when there are impairment indicators. There were impairment indicators this year in light of the continued poor financial performance of the airport.
- Despite the evidence that the airport related assets included in property, plant and equipment may be impaired, WHL did not determine the recoverable amount of the relevant assets in accordance with the relevant accounting standards. The component auditor was unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. An "except for", limitation of scope opinion was issued on WHL's financial statements regarding the uncertainty over the appropriate carrying value of the airport assets.

At the group level, the impairment issue is not applicable for the Council as the assets are not held as cash generating and do not have to be assessed for impairment based on the associated future cash flows. Instead the airport assets are held for strategic purposes by

the Council to allow for better access to the district, not to make a profit. Therefore the carrying value of the assets in WHL's financial statements, which is cost, is appropriate for inclusion in the Council's group financial statements.

6.2 Destination Westland Limited (DWL)

The company's status as a going concern was only accepted based on WHL's letter to the DWL directors committing to provide ongoing financial support if required.

The financial viability of DWL continues to be a matter of significant audit focus for the audit of the group.

7 Useful publications



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

Description	Where to find it
Client updates	
<p>As part of our response to the COVID-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to COVID-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>

Description	Where to find it
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice. Link: Tax Matters</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice. Link: Client Substantiation File</p>
Long-term plans and consultation documents	
<p>Having audited long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP.</p> <p>We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to:</p> <ul style="list-style-type: none"> • understand our responsibilities and our main focus areas in the audit; • prepare better documents for their communities; and • develop project plans that make their LTP process go smoothly. 	<p>On our website under good practice. Link: Long-term plans and consultation documents</p>

Description	Where to find it
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: Severance payments</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>

Description	Where to find it
<ul style="list-style-type: none"> • sensitive expenditure; and • severance payments. 	
Procurement	
<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>Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Asset information and valuations		
Valuation process and underlying assets information improve in the following areas: <ul style="list-style-type: none"> • Internal review processes. • The retention/creation of supporting information for unit rates, asset lives and changes to other assumptions. • Continued improvement of asset data, including inclusion and capture of all asset additions into Assetfinda and RAMM. • Updating replacement cost unit rates in future valuations subject to indexing in 2019. • Reviewing road surfacing base lifecycles based on condition-based renewals. • Reviewing the engineering margin at 5-8% which is generally at the low end of ranges we have seen elsewhere. 	2019	In progress. Recommendations were noted by management during the 2019 audit and these will be followed up the next time infrastructure assets are revalued.
Statement of Service Performance		
<ul style="list-style-type: none"> • Ensure systems are implemented to enable Council to report on measures set within the long-term and annual plans. • Complete the residents' survey in 2020 as planned. 	2019	In progress. The status of this recommendation is documented in detail in Section 3 of the report.
Rates		
<ul style="list-style-type: none"> • Ensure rates and per factor amounts are consistent. 	2019	In progress.

Recommendation	First raised	Status
<ul style="list-style-type: none"> Council collect the per factor amounts included in the resolution. Address the other issues noted in the 2021 rates setting and invoicing processes. 		The status of this recommendation is documented in detail in Section 3 of the report.
NZTA revenue systems and claims process		
<ul style="list-style-type: none"> Improve the NZTA revenue system and implement controls. Improve the process for compiling NZTA subsidy claims to ensure they align to the GL. Introduce an independent, evidenced review of the claim before it is submitted. 	2019	<p>In progress.</p> <p>No reconciliation between expenditure per the June 2020 NZTA claim and expenditure per the GL was prepared. We noted a large number of variances which, in aggregate, were larger than in prior year. However, our analysis suggested that overall the Council is under-claiming rather than over-claiming. We continue to recommend that systems and controls over the NZTA claim process are improved and formalised.</p>
Monitoring asset revaluation reserves		
Determine the asset revaluation reserve attributable to each revalued class of assets.	2019	<p>In progress.</p> <p>Recommendation was noted by management during the 2019 audit and this will be followed up the next time infrastructure assets are revalued.</p>
Sensitive expenditure approval		
<ul style="list-style-type: none"> Ensure expenditure incurred by the Chief Executive is reviewed by the Mayor or Chair of the Finance, Audit and Risk Committee. Ensure expenditure incurred by the Mayor is approved by the Deputy Mayor or Chair of the Finance, Audit and Risk Committee. 	2019	<p>In progress.</p> <p>Our work performed over sensitive expenditure in 2020 noted similar issues to what has been raised previously with CEO expenditure being self-approved or approved by less senior staff, and mayoral expenses approved by the CEO or other management. This is not appropriate.</p>
Service request system		
<ul style="list-style-type: none"> Implement systems and controls to ensure the information recorded in 	2018	In progress.

Recommendation	First raised	Status
<p>the service request system is complete and accurate.</p> <ul style="list-style-type: none"> Implement clear guidance outlining what constitutes a customer complaint in line with DIA requirements. 		<p>We understand the IT department is looking to see if there is an option to make enable fields like, “attendance time” and “resolution time” in the service request system compulsory before signing off on the request.</p> <p>The Council has updated its internal reporting guidance document to align with DIA guidelines.</p>
Traffic counts		
<p>As part of the new arrangements with Beca, the Council put in place an appropriate, formal traffic count programme for calculating smooth travel exposure reporting.</p>	2018	<p>In progress.</p> <p>We obtained confirmation from Beca that 15 traffic counts were performed by Westroads and uploaded into RAMM between 1 July 2019 and 30 June 2020. We recommend that the Council continues to work on implementing the traffic count strategy and programme prepared by Beca to ensure that there is regular and more extensive coverage of the roading network.</p>
Asset and Asset revaluation		
<p>Management carry out regular reviews of the fixed assets register (FAR) to confirm the existence and ownership of assets.</p>	2018	<p>In progress.</p> <p>Finance staff regularly review the FAR, however until a revaluation takes place, Finance is unlikely to be able to determine whether an asset still exists as a physical stock take is not undertaken. Smaller value non-infrastructure assets are easier to track and are regularly disposed of.</p>
Information systems		
<p>Increase the maturity of the information systems management framework and supporting processes by:</p> <ul style="list-style-type: none"> Developing an information systems strategic plan. Developing an information security policy. 	2018	<p>In progress.</p> <ul style="list-style-type: none"> The Strategic Plan draft document is completed and awaiting final checks. The plan was put on hold in order to align with WC4 strategic plan, however the WC4 plan is on hold so the Council is

Recommendation	First raised	Status
<ul style="list-style-type: none"> • Documenting user account security criteria and improve password strength. • Reviewing vendor support accounts and ensure access is required • Improving change management processes – perhaps through the use of Spiceworks. • Tracking and managing incidents – perhaps through the use of Spiceworks. • Periodically testing back-ups. • Updating the Disaster Recovery and IT Business Continuity Plans. 		<p>continuing with their own plan.</p> <ul style="list-style-type: none"> • The information security policy is not yet started/established. • Management are satisfied that there are no problems with password strength and that the policy needs to be updated. • Vendor support accounts are now monitored to ensure only verified contractors can log on with credentials that allow for limited access. • Change management processes are in progress using a new purpose built helpdesk and knowledge base. • Tracking and management incidents are in progress. • Periodic testing backup has been completed and is an on-going process. • The Disaster Recovery Plan Business Continuity Plan will commence once the strategic plan is completed.
Group accounting policy		
That the Council ensures consistency in group accounting policies going forward.	2018	<p>In progress.</p> <p>WHL recorded land and building assets at cost again in 2018/19.</p>
Renewals under expenditure		
Ensure that planned renewal expenditure is sufficient to avoid significant failure of assets in future years due to delayed maintenance not being carried out.	2018	<p>In progress.</p> <p>Renewals expenditure is an area of ongoing focus for both Council and management.</p> <p>The Council is carrying forward approximately \$6.8 million of capital expenditure to the next financial year. Resource restraints and</p>

Recommendation	First raised	Status
		Covid-19 disruptions contributed negatively to this area.
Timely review of balance sheet reconciliations		
Ensure that balance sheet reconciliations are reviewed on a timely basis.	2018	<p>In progress, to be followed up during our 2021 interim audit.</p> <p><u>Status per our 2020 interim report</u></p> <p>During the interim phase of the audit, we observed that Suspense accounts and Bank reconciliations were prepared. The reconciliations are now prepared in MS-Excel, however we were unable to the date of review and the name of the person performing the review.</p> <p>For Excel based reconciliations, we recommend a cover sheet be included which would allow the preparer and review to document an audit trail of the controls operating.</p>
Legislative compliance		
<p>Council develops and implements a sound legal compliance system for identifying and recording potential risks and assessing the likelihood of those risks across all activities of the organisation.</p> <p>Relying solely on the knowledge of staff exposes the organisation to risk, especially when staff change.</p>	2016	<p>In progress.</p> <p>The Electronic Document Management System is still being considered as an opportunity to assist once implemented.</p>
Beneficial		
Project management		
Introduce, document and apply a formal policy and approach for overseeing project delivery across the Council.	Interim 2020	<p>In progress.</p> <p>Microsoft projects have been rolled out to all staff involved in project management. Process documentation needs to be produced and is a work in progress.</p> <p>Key roles are undertaking project management training and recruitment is underway to appoint</p>

Recommendation	First raised	Status
		a full-time project manager to support projects.
Sensitive expenditure policies		
We recommend that management ensure that their sensitive expenditure policies are aligned with OAG good practice guidelines. (https://oag.parliament.nz/2020/sensitive-exoenditure)	Interim 2020	In progress. Group Manager Corporate Services to carry out a full review of the sensitive expenditure policy and process and incorporate the relevant recommendations.

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Creditor Masterfile review		
Restrict access to the Creditor Masterfile to 'read only' for staff who independently review the Masterfile changes.	Interim 2020	Implemented. Confirmed that the Finance manager now has read only access.
Conflicts of interest		
The interest register should be further enhanced by: <ul style="list-style-type: none"> disclosing the type of interest (pecuniary and non-pecuniary); and disclosing the potential conflict that can arise and how to manage this. 	Interim 2020	Implemented.
Infrastructure Asset Disposals		
<ul style="list-style-type: none"> Ensure that disposals are identified by the District Assets team and the Finance team is notified for removal from the fixed asset register. Ensure the asset revaluation reserve related to disposed assets is identified and transferred to retained earnings. 	2019	Implemented. Disposal forms are being received, with regular reminders also being sent out to staff about completing the forms. We noted no issues from our review of assets disposed of in 2019/20.
Reimbursement of Mayor's expenditure		
Raise the issue of the Mayor's expenditure reimbursement with the Remuneration Authority to determine how it should be resolved.	2019	Implemented. We sighted the calculation behind the overpaid allowance and the subsequent invoice raised to the Mayor to recover.
Preparation for the audit		
<ul style="list-style-type: none"> A complete substantiation file be produced to support the information in the Annual Report. Review year-end adjustments and the completeness and accuracy of accruals and changes to provisions. 	2018	Resolved Substantiation information was available.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in relation to the Council’s Debenture Trust Deed and LTP amendment, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$142,100, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$3,500, for the audit of the Debenture Trust Deed and \$12,729 for the audit of the LTP amendment.</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 Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council or its subsidiaries during or since the end of the financial year.</p>

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