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Dear Tanya

Report on the audit of Westland District Council for the year ended 30 June 2013

We have finalised the management report arising from the recently completed audit. The report is enclosed.

We wish to thank you and your staff for the assistance and cooperation extended during the course of the audit. If you have any questions please contact me directly on 021 222 6186.

Yours sincerely



John Mackey
Director

Report to the Council on the audit of
Westland District Council
for the year ended 30 June 2013

Management report

Report to the Council

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Key messages

We have completed the audit for the year ended 30 June 2013. This report sets out our findings from the audit and draws attention to areas where Westland District Council (the Council) is doing well or where we have made recommendations for improvements.

The financial performance is poor, as compared to budget. Poor financial management practices have been significantly improved since December 2012. This led to improved financial performance compared with 2011/12.

The lack of understanding of the issues is in part due to mistakes made in previous years but the lack of regular financial reporting, the limited functionality of NCS, and gaps in the competence and capacity within the Council, have also contributed to the Council missing the statutory deadline for the adoption of the annual report for the second successive year.

This report highlights significant areas where improvements in the Council's processes and controls are required, along with recommendations made in previous years which are yet to be addressed. We urge the Council to adopt and implement responses to these recommendations as soon as possible.

This year's annual report met the minimum requirements to receive an unqualified audit opinion. However, there were areas where it only met the requirements by the barest minimum. Most notable was the Statement of Service Performance which had high number of measures where actual performance was not reported. The Council had to provide additional information in order to provide users with suitable information to assess the performance of the Council.

Other issues identified during the audit

We identified a number of issues during the audit. We have summarised the key areas that the issues relate to:

- Prior period error – we identified a prior period error as part of the consolidation process. Recommendations have been noted to assist the Council in completing its year end consolidation.
- Statement of service performance – overall the Council was able to meet the minimum disclosure requirements but we identified several areas of improvement for the Council to consider for the 2013/14 financial year.
- Financial capability – the finance team has been stretched in the last two years and as a result there were delays in the annual reporting process and the quality of the drafts we have received during the audit were not up to the expected standard. As a result the Council did not meet its statutory reporting deadline.
- Management control environment – we were unable to place reliance on the overall control environment given the capability constraints identified above and issues identified with the budget setting and monitoring process.
- Rates and rating – additional focus was placed on rates and the rates setting process during the 2012/13 audit. As a result a number of recommendations to improve the

rates setting and monitoring processes have been identified and reported in section three of this report.

- Funding impact statements – ensuring that amounts in the FIS reconcile to the notes and financial statements in the annual report.
- Impairment assessments – the Council needs to undertake an impairment assessment in each non-revaluation year.
- Fixed assets – areas for improvement were identified in regards to the additions and disposals of fixed assets and the reconciliation process between the GL and FAR.
- Further issues and recommendations identified during the audit have been documented in section five of this report.
- The status of prior year recommendations has been recorded in Appendix two of this report.

Thank you

We would like to thank the Council and management for their help and cooperation in what was a challenging audit.



John Mackey
Audit Director
18 December 2013

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 28 November 2013. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

1.2 Prior period adjustment

The Council identified what it believed was a prior period adjustment relating to 2010/11 or earlier. This issue was reviewed by the audit team and Audit New Zealand's Technical Team, who assessed that it was not a material error so no retrospective restatement of the financial statements was required. This means that the error was recognised in the Council's operating result for the year ended 30 June 2013 and had the effect of reducing the surplus by \$300,000.

We identified that the error occurred when "consolidating" the Westland Business Unit (WBU) back into the Council's financial statements. WBU's Property, Plant and Equipment, was never taken out of the Council's fixed assets register and was accounted for twice.

While investigating the error, we identified other possible causes for a prior period adjustment. These include problems with the year-end appropriation accounting routine in the NCS system. In addition, the control processes over journals have not met good practice so the errors could have arisen from journals being incorrectly posted to earlier periods.

Recommendations

- implement formal procedures for running the appropriation routine to ensure that it is run annually after the financial statements have been finalised;
- ensure that journal and other entries cannot be posted to earlier periods by "closing" those periods once the result for the month has been finalised; and
- ensure that monthly financial results are balanced to the trial balance.

Management comment

As financial management processes are being improved, new systemic problems are being uncovered. Investigations into the appropriation account continue as the ledger continues to get out of balance.

At present, the NCS system does close off prior years, but does not have the facility to close off prior periods in the current year. We will need to further develop controls to prevent this.

The new reporting system, purchased in late 2013 and being implemented in early 2014, will draw its information directly from the ledger (i.e. not via spreadsheets) which will improve the identification of potentially erroneous transactions.

1.3 Statement of performance

Due to the financial constraints faced by the Council, it decided that some performance measures would not be reported against for the 2012/13 year. This limited the amount of information within the Annual Report from which the users could use to assess how the Council had performed during the year.

The Council did not undertake its residents' satisfaction survey or the BERL impact report in relation to the Wildfoods Festival as it was felt these were too costly to undertake on an annual basis. The Council instead reported the statistics from the surveys undertaken in the 2012 Annual Report.

This affected the following performance measure which we had deemed to be significant:

- Leisure and cultural assets – Events - Grow the economic impact to the District of major events.
- Water Supply - % satisfied water supply and quality.

The annual report is an accountability document in which the Council reports back to its community as to what it has achieved against what it planned to achieve. Due to the failure to measure a significant number of performance measures, it would have been difficult for users to assess how the Council had performed.

To address this, the Council included additional information to provide context as to its performance in year. For example, in relation to Water Supply, the results of the water quality testing were disclosed. This met the minimum requirement for the Council to provide suitable information about its performance for the year.

It should be noted that the Council just met the minimum requirements as there were minimal or no explanations for significant variances to target and/or prior year comparatives. For example, in the Statement of Service Performance, there was the performance target that two training sessions for fire-fighters should be held in Kaniere. No explanation was provided as to why no training sessions had been undertaken in Kaniere in year.

It is a concern that the Council was unable to provide a reason for no training being provided in the course of 2012/13 and is indicative that its performance framework is not being used to regularly monitor performance to ensure agreed service levels are being met. This is an area which requires attention in 2013/14.

Whilst the financial constraints faced by the Council have made cost cutting understandable, the statement of service performance within the Annual Report should not be undervalued. The Annual Report provides the community with the "performance story" of what has occurred at the Council in year. This representation of what rates have funded in year provides a key accountability document for the community.

Recommendations

- review how the Council reports its non-financial performance;
- ensure its performance reporting is aligned with the information needed to effectively govern and manage its operations;
- provide any additional information needed to assist the community to understand what has been achieved in the year in its key activities including explanations of significant variations from forecasts or agreed levels of service;
- implement regular and robust reporting and monitoring of non-financial performance.

Management comment

We agree that the Statement of Service Performance is an important part of our contract with the community for service provision.

However, we are of the view that the 2012/22 LTP does not have the important service measures that adequately describe our actual performance and has poor alignment with the budgets. Limited by the LTP, and with our need to focus on financial performance, we acknowledge that we have only met a minimum standard. We have, in doing this, endeavoured to fairly describe our achievements and shortcomings, albeit in a subjective way. We have done this, in the example you have given of the training of the Kaniere Rural Fire Party. It is quite clear that the performance measure was not met. There is no reason why; it simply was not done and the statements clearly reflect that.

We will be working in 2014 on developing more useful significant performance measures for our groups of activities, for introduction in the 2015/25 LTP, so that a moderately informed reader, of our Annual Report, is able to assess whether Council delivered the services it contracted to deliver, at the price it said it would deliver the services. Unfortunately this means the 2013/14 Annual Report will have similar issues. While undesirable, we accept this as Council's priority is to correct Council's financial performance issues.

1.4 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. However, in the course of the audit, we have found:

- certain misstatements that are individually and collectively not material to the financial statements and the statement of service performance; and
- certain immaterial disclosures, required by generally accepted accounting practice, that have been omitted from the financial statements.

We have discussed the misstatements that we found with management. The significant misstatements, that have not been corrected, are listed in Appendix 1 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively not material.

2 Business risks/issues

Based on our planning work and discussions we had at the beginning of the audit process, we identified some key business risks that Council faces. These were outlined in our audit arrangements letter. Our findings on these issues are contained in this section of the report.

During the course of the audit, we also encountered other issues that we considered in reaching our audit opinion. These issues are also discussed in section 5 of the report.

2.1 Financial capability

The Council's former Finance Manager resigned shortly after the 2012-22 LTP Statement of Proposal was adopted in April 2012. Two Council employees were promoted internally to take on the responsibilities of the Finance Manager's role as well as their existing responsibilities. In 2012, the Council failed to adopt its annual report by the statutory deadline due to delays in producing an annual report which was of a suitable for us to complete our audit work. The responsibility and vast majority of the work fell upon the Chief Financial Officer, who was supported by a smaller finance team than in prior years. The Council was the only local authority to miss the statutory deadline in 2012 and this was referred to within the Auditor-General's report to Parliament.

The Council engaged a consultant who investigated the financial management practices operating at Council. He was then, in late January 2013, engaged to assist with preparation of the Annual Plan and undertake some Group Manager functions.

Errors within the LTP projections were identified and have rendered aspects of the forecasts as being unreliable, thus reducing the assurance which we could place on the budgets for 2012/13. The problems relating to the 2012/13 budget in the LTP, such as the exclusion of overheads, led to a revised Annual Plan being developed for 2013/14. Part of the intended strategy, for improving the Council's financial situation, is an austerity depreciation programme which means that funding of depreciation, for some groups of activities, is reduced over the next four years. However, this is a short term solution that does not address the underlying issue that income needs to be set to viably sustain the service levels.

Council's position is that, having been through service level reduction options in preparing the Getting Real Annual Plan; it has concluded that the rate funded service levels are largely delivering core services at service levels which communities of this size expect in New Zealand. While there may be further service level reductions, Council's assessment is that they will be of low significance.

The capacity and capability of the finance team has again been stretched in the course of 2012/13. This has seen an absence of regular financial reporting and monitoring to Council. Additionally, an Accountant was employed for an eight week period during which he prepared the balance sheet and related disclosures. He has since left the Council. The continued absence of stability in this position has led to the workload and pressure placed on the Finance Manager (formerly CFO) remaining unsustainable.

The reporting deadline for 2012/13 has been missed for the second consecutive year, largely due to issues relating to the equity imbalance and prior period matters detailed in section 1.2 of this report.

The most notable areas of concern are the absence of regular financial reporting to the Council and the absence of an Accountant. With the Council undertaking to reduce the size of its deficit in 2013/14, regular financial reporting will be essential in order to monitor progress. The Accountant prepared a majority of the balance sheet in the Annual Report. However, even with this assistance, the Annual Report was not fully prepared when we arrived on site. With the position once again vacant, this would indicate major concerns regarding the Council having the capacity to meet its reporting obligations for 2013/14.

The Council has undertaken a restructure in year, yet is still to permanently recruit a General Manager Corporate Services, or Accountant, and only recently appointed the new General Manager Planning & Regulatory.

Recommendations

- continue to review levels of service and revenue levels based on achieving a viable long term sustainable funding policy; and
- continue to review the capacity and resources of its finance team to ensure that the team is able to meet the Council's accountability obligations and to facilitate prudent financial decision-making by the Council.

Management comment

The investigation undertaken by the consultant, in December 2012, uncovered many systemic problems contributing to the poor financial performance. This was reported to Council in December 2012. New financial management principles were adopted by Council and much more stringent controls on spending were put in place. As you have stated, the poor budgets in the 2012/22 LTP have further aggravated our financial management challenges.

This resulted in a significant change to our budgets in preparing the 2013/14 Annual Plan. Council reviewed service levels but found limited opportunity to reduce service levels while still providing core services. Early drafts of the Plan identified an overall potential rate increase of close to 30%. Council concluded that this was imprudent and therefore introduced the austerity depreciation funding policy to assist in spreading the rate increase over 5 years. While Council recognises there are risks to long term sustainability of these assets, massive rates increases in 2013/14 were also unsustainable.

The challenges of righting the budgets lead to the "Getting Real" Annual Plan being adopted over a month late in August 2013.

In 2013, a team approach to preparing the Annual Plan and Annual Report was introduced. This worked very well in spreading the workload and relieving stress and the pressure points. As you have stated you were unable to rely of the management control environment due to the poor quality of the LTP. The finance team likewise could not rely on the LTP work and had to rebuild all its models from scratch for the Annual Plan and Annual Report. In the end, with the impact of the late Annual Plan, LTP related issues and

challenges filling vacancies we were pleased to achieve what we did. As you have stated we missed the deadline largely due to the investigations into the equity imbalance.

Budget cuts aside, Council was able to fund an appropriately sized finance team going forward. This combined with a new General Manager Corporate Services and new strategic planning position, Council has provided the necessary funding to undertake proper planning, financial management and performance reporting processes going forward. Unfortunately despite actively marketing to fill these positions the market has struggled to supply appropriately skilled people to fill the vacancies. As of 15 January 2014, all Group Manager positions are now filled. However, finding an Accountant has proved very difficult and more aggressive marketing will be undertaken.

We have also invested in new financial reporting systems, being implemented in January/February 2014, that will significantly improve the efficiency and timeliness of preparing reports and budgets.

2.2 Control environment

The financial result for 2011/12 highlighted that the Council's control environment was not effective as the actual deficit incurred was not anticipated and the Council is still in the process of understanding why it occurred. This unexpected financial result has had an impact on the current financial year, with debt limits being exceeded before the period that was forecast as likely to occur. This required Council to look at its current year budget in depth during which it identified that the 2012/13 budget contained errors.

Other matters identified above, such as capacity and limited budget and monitoring practices have meant the management control environment is not effective.

We have identified significant areas for improvement which were included in our interim management report and additional comments are included below:

2.2.1 Budget variance explanations

During our audit we noted that the Council could not provide explanations for variances between actual and budgeted figures. This was due to inaccurate budgeting in the LTP based on poor financial modelling, Council included a section in its annual report detailing the unreliability of the budget information. Accordingly, we were unable to determine the reasons for variances in the following balances in particular:

- Note 2 - Cost of Service Statements;
- Note 23 – Equity; and
- Note 21 - Employee Benefit Liabilities.

This led to poor/insufficient disclosure in the annual report, this also impacted on our planned audit approach as we had to do more substantive testing than planned.

Management comment

We agree.

With the introduction of the new financial management principles and the team approach to the preparation of the 2013/14 Annual Plan, budget variances should be able to be explained in the 2013/14 Annual Report. Any variances to the LTP will remain unexplainable as detailed in the 2012/13 Annual Report.

2.3 Funding arrangements and financial sustainability

The Council's financial situation has been an area of audit concern for several years as we have previously discussed with you. The Council has a small rating base and this will increase the challenge of improving its financial situation.

The Council incurred a loss of \$1,640k in 2012/13, following on from the loss of \$2,457k. The Council also had a negative working capital position of \$12.8m at 30 June 2013.

The working capital position has been addressed by the extension of the existing loan facility and the entering into of an additional facility with Westpac, which now provides a total facility of \$19.5m.

The poor financial performance is intended to be addressed on a more long term basis by the intentions set out in the 2013/14 Annual Plan, which was issued in year. This includes the Depreciation Austerity Programme and the removal of certain levels of service to assist the Council's financial situation.

We identify the Council as a going concern, although this will be an area which we will continue to monitor with close scrutiny going forwards.

Recommendation

The Council should monitor its financial position on a monthly basis, based on up to date financial information. Areas of particular focus to be formally brought to Council's attention should include:

- The projected year end position based on performance to date.
- The current borrowing position and whether the Council can meet its projected cash flow needs in the forthcoming three months.

Management comment

The 2013/14 Annual Plan has been prepared by managers and set by Council using appropriate business practices that has led to proper accountability of financial performance.

Cashflows are now being monitored weekly and a rolling 12 month forecast is prepared. Cashflow is also assisted by Council renegotiating its funding arrangements for the next few years. Council does need to continue to develop more suitable external funding arrangements, to both reduce costs and better service Council's needs.

While financial reporting needs improvement and as stated above new systems are being implemented. The Executive Team is receiving a monthly financial overview and Council is receiving a very comprehensive quarterly report addressing:

- Overall Financial Performance.
- Activity Financial Performance.
- Activity Performance Reporting.
- Treasury Management Report.
- External Debt.
- External Interest rate risk management.
- Internal Debt.
- Receivables.
- Reserves Reports.

Indications are that in most areas Council is on-track to meet the Annual Plan budget in 2013/14 and Council has been informed of any areas that are likely to not be the case.

2.4 Governance over Council Controlled Organisations

The Council is in the process of addressing the concerns raised in our prior year management report. These included recommendations regarding simplifying the group structure, strengthening their approach to setting expectations for its CCOs, establishing a group audit committee, and establishing processes to monitor CCOs compliance with statutory deadlines.

Council has resolved and budgeted to undertake a review of the CCO structure. This will entail a review of its structure and consider the suitability of the governance in relation to its CCOs. In the reorganisation, the job description for the Group Manager Corporate Services includes CCO monitoring.

We will retain a watching brief in this area.

3 Sector-wide areas of audit focus

Every year, we identify common sector matters that are considered as part of the audits of all Local Government.

Our comments on the issues not already addressed elsewhere in the report are as follows:

3.1 Rates review

3.1.1 Rates setting process

Our audit focus was primarily on material risks to the financial statements. The work we performed on Rates was not a comprehensive check of all aspect of legality. It focussed on key aspects of the Council's processes and documentation. In the local authority context, failure to comply with rating law and the associated consultation requirements can create risks for the revenue coming from rates. Therefore we needed to obtain reasonable assurance that the Council complied with legal requirements that could put significant rates revenue at risk.

We completed a rates questionnaire that covered the general rates and uniform annual general charges (UAGCs) as a matter of course and adopted a risk-based approach for targeted rates. It also covered other aspects of documentation and process that can be important in practice, or create some legal risk, although these matters are less likely to create risks that are material to the financial statements as a whole.

We identified the following areas where the Council can make improvements:

- The Council has recognised that there were deficiencies in the 2012/13 rating process. The Council has used terms that are not in the Local Government Rating Act 2002 (LGRA). This could cause confusion in respect of the Tourism rate (which is actually intended to be a targeted rate and was collected on this basis, not a general rate as disclosed), and confusion in respect of the refuse rate (which is set and charged on a differential basis, not a uniform basis as disclosed).
- In the Long Term Plan 2012-22, the Funding Impact Statement (for rating purposes) is a one page document on page 265, and the rating information, that should be included in the FIS, is in the introduction of the document entitled "How We Raise Our Rates". The Council rectified this when it prepared its 2013/14 Annual Plan.
- The Council has used the terms "Commercial Uniform Charge" and "Uniform General Charge", which are not statutory terms under the LGRA and can be confused with the statutory term "Uniform Annual General Charge". This means a ratepayer could incorrectly assume its Tourism Promotions rate is a general rate rather than a targeted rate.
- The Council has incorrectly defined "Separately Used or Inhabited Part of a rating unit" (SUIP) in the "How We Raise Our Rates" document and used that incorrect definition throughout the Long Term Plan 2012-22 and the rates resolution for 2012/13. The SUIP definition should have been included in the FIS and is a statutory term, whereas the Council seems provided their own version of a definition in "How We Raise Our Rates".
- Council identified, during 2012/13, that 37 properties had been incorrectly assessed for the general rate (rural township differential) and the Ross swimming pool rate. The properties were assessed based on the rural townships differential for the general rate when they should have been assessed based on the rural general differential. The rate factor the rural

townships is three times that for the rural general differential. Additionally, they were outside the area assessed for the Ross pool rate and had been incorrectly assessed for this rate. This meant that the 37 properties were being charged more than they should have been. The issue was identified after the rates for the 2013/14 financial year had been assessed. The error had been occurring since 2002/03. The overestimation for 2013/14 is approximately \$4,400 (total) for the general rate and \$4,160 (total) for the Ross pool rate. An amended assessment for the last five years, as required by Section 41 of the Rating Act, was issued. This has resulted in a provision for refunds of \$27,535 being made by the Council, which relates to 2008/09 to 2012/13. While the error stems back to 2002/03, the Council is only liable for up to five years. Of the total \$39,929.29 identified, \$8,263 relates to 2013/14.

- In our comparison of the rates per the rates resolution to the Rate Type File, which is generated by the rates system, we noted that the rates system rounds all charges to one decimal point. For example, the UAGC is to be struck at \$382.43 in the rates resolution while the rates system will only charge the ratepayer \$382.40.

Management comment

A rating review was funded in the 2013/14 Annual Plan and is being undertaken in 2014. The review will address matters from the Revenue and Financing Policy through to the Rating Information Database. This review will lead into the 2015/25 LTP.

The terminology used is the same as that from previous years, which it is likely that the community understands. The rates have been assessed on the basis intended and understood by the community.

Notwithstanding, your recommendations regarding the use of potentially confusing terminology in the FIS, it will be implemented in the Annual Plan 2014/15.

While Council has not used the correct statutory term (SUIP of a rating unit) in the FIS (instead using separately occupied portion of a rateable property), the Council has defined that term within the pages of what is the information required to be included in a funding impact statement.

The Council has obtained legal advice on the areas raised. While the Council does not waive privilege over the whole of the advice, the Council was advised that the matters identified do not invalidate any of the rates set and assessed by the Council.

3.1.2 No independent review of information relating to rates

As noted in prior year, the Assistant Accountant has sole responsibility for rates, which includes inputting the rates at the beginning of the year, reconciling the information on the rates information database (RID) to the QV information and identification of rateable properties.

No independent review is undertaken of these processes.

It was also noted that the reconciliation of QV information to the RID had not been undertaken for 2013/14.

Recommendations

- The reconciliation of the QV information to RID data be undertaken as a matter of urgency with any changes in valuations, which impact on the rates to be levied, to be addressed immediately.
- Independent review be undertaken of the following key controls for rates:
 - The reconciliation of the QV data to the data within the RID.
 - The input of rates into the factor tables within NCS at the beginning of the year.
 - The properties identified as non-rateable and 50% rateable properties during the year.

Management comment

We agree that the reconciliation of the QV information to the RID is a basic element in the preparation of the Annual Rates strike and the Executive Team are disappointed this has had to be raised again. Subsequent investigations identified that this reconciliation was done, but not prior to the first instalment rates strike, as it should have been. This omission was affected by the late adoption of the Annual Plan and the decision to still collect the first instalment based on that plan and only slightly late.

As part of a new staff performance management system, implemented in 2013, procedures are now in place to more closely monitor performance so that an omission of this nature is less likely to occur.

The other matters raised will also be addressed.

3.1.3 Rates assessments and invoices

During our review of the rates system we noted that there is no formal annual check to ensure that the information, included within the rates assessments and invoices, is correct.

We would expect that the rates assessments and invoices would be checked against the criteria within the Local Government Rating Act 2002 to ensure all required information is disclosed.

We would also expect that Council would perform a review of the information for a sample of ratepayers against what is included within the RID. These reviews should be documented and reviewed on a one-up basis by an employee who was not involved in generating the notices.

Recommendation

Perform an annual review of the rates assessments and invoices to ensure that they are compliant with relevant legislation and include the correct ratepayer details.

Management comment

It is pleasing to note that you have identified no concerns that our rates assessments or invoices are non-compliant.

Our finance team monitors the rating legislation continually. The rates assessment and invoice are checked when the forms are changed, the rates change or the legislation changes. We do review the assessments and invoices annually, to ensure that the data is correctly placed on the form. We note that the invoices and assessments are generated by Datamail and that these are independently checked by the Assistant Accountant. We will have these independently checked by a peer, who is not part of the rates setting process, and have this better evidenced for audit.

3.1.4 Rates remissions process and approval

During our review of the rates remissions process, we noted the following:

- Rates remissions for entities, such as sporting organisations are rolled over each year on the basis that their initial assessment warranted a remission and there has been no change in the charitable nature of the organisation. However, the Council's Remissions Policy, in the LTP, requires supporting documentation to be submitted.
- The Remissions Policy requires remissions to be approved in accordance with the Delegations Manual. However, we could not identify, from the manual, who was responsible for approving remissions.
- Per the Remissions Policy, remissions granted must be confirmed by the Audit Committee. However, our review of the minutes did not identify any approvals being granted. We could not find any other documentation to confirm that approval had been granted.

Recommendation

Implement procedures to ensure that the provisions of the Rates Remissions Policy are followed.

Management comment

As part of the Rates Review, the Rates Remissions Policy will be reviewed. Matters of transparency and delegation will addressed as part of the review.

3.2 Asset Management Plans

We followed up on issues raised about Council's Asset Management Plans from our audit of the 2012/22 LTP.

The Asset Management Plans are still intended to be aligned with the 2015/25 LTP. It was noted that this process had been occurring for Transport, but was not evidenced as occurring as frequently in relation to the "3 Waters" infrastructure assets. We noted that, as a result of the Council's very challenging financial circumstances, that some "3 Waters" capital projects were cancelled or postponed for the 2012/13

year. Projects that were determined to be essential were resubmitted for approval in the 2013/14 year.

We followed up on the prior year recommendation and the outcome has been documented in Appendix 2.

3.3 Funding Impact Statement (FIS)

This was the first year the Council reported its actual performance in the FIS formats specified in forms 4 and 5 in the Schedule to the Local Government (Financial Reporting) Regulations 2011.

As a result of our review of the FIS we identified the following issues:

- We were unable to reconcile additions and total capital expenditure per the FIS to the information disclosed in the property, plant, and equipment note within the financial statements.
- The increase or decrease in the reserves figure used in the FIS was a balancing item. The figure used was a decrease in reserves of \$323,000. However the actual movement per the equity note and Reserves Summary Report was a decrease of \$387,000.

3.4 Financial exposure due to loss or disaster

The Council has not undertaken structural reviews of its buildings. Given the potential risk of inhabiting earthquake prone buildings, this issue should be addressed as soon as is possible to ensure safety issues are addressed and also allow the Council to identify potential impairment and future strengthening costs.

Recommendation

Undertake structural assessments of all significant Council buildings as soon as possible.

Management comment

Council owns two buildings of significance; the Council Headquarters and Carnegie Building. These buildings have been subsequently assessed and are above the standards currently set by the Building Code.

3.5 Legislative compliance

We recommend the District Council introduces a formal legislative compliance system that identifies legislative risks and responses, as part of a broader risk management framework with the intention to integrate this within the District Council's risk management software system. The benefit of legal compliance systems has been acknowledged by the Chief Executive. However, at present the District Council's resources are focused on other projects.

Management comment

Our comments from the 2011/12 Audit Management Report still stand.

3.6 Sensitive expenditure

We tested sensitive expenditure in 2012/13, including following up our recommendations from the 2011/12 audit.

We found that the Council had addressed prior year recommendations in this area relating to one-up authorisation of the Mayor's expense claims.

3.6.1 Transactions with employees

We noted that sales had been made to employees of Council assets (two iPads, a laptop and a mobile phone). These sales were at a loss and were not at an arm's length. Currently, there is no formal policy in place that governs transactions with employees.

It was noted that the Council did disclose these sales, and the loss which occurred, in its annual report.

Recommendation

- Establish formal processes as to which assets can be sold to employees.
- If it is determined they can be sold the following should be clearly established:
 - whether only assets deemed to be "surplus" can be sold and, if so, how assets would be identified as being "surplus";
 - how the sale price of assets is determined; and
 - who can authorise sales to staff members.

Management comment

Agreed

3.7 Annual Report Adoption and Public Release Dates

The Council did not meet the reporting deadline for Annual Report Adoption and Public Release. This was the second year in succession where the deadline was not met.

The key factor in the failure to adopt by the deadline in 2012/13 was the resolution of issues relating to equity, both relating to the current year and prior years.

4 Other sector matters

From addressing the additional matters outlined in our audit arrangements letter, we noted the following:

- the Council continues to have no obligations under the Emissions Trading Scheme;
- the Council has a suitable fraud policy in place;
- no LTP amendments were required during the year;
- the Council continues to have appropriate insurance cover over its core assets;
- no issues that need to be reported with the management of conflicts of interest;
- the Council has not entered into any (or has any specific plans to enter) Public Private Partnerships to procure public infrastructure;
- the Council has complied with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination;
- the Council has withdrawn from the Riskpool scheme, but still has a provision in place relating to the potential liability from its time as a member. Providing for this potential liability is an acceptable accounting treatment to reflect the potential liability which may be incurred from its membership of Riskpool;
- no review by Council has been completed during the current year over area's assessed as susceptible to fraud;
- there was one severance payment made in 2012/13 to the outgoing CEO. This included a retirement gratuity and a debit card as a gift. Initially the FBT on the debit card was incorrectly accounted for but we confirmed this was subsequently corrected;
- the Council has had reasonable input into the Statement of Intent of its CCOs; and
- the two exempt CCO's; Tourism West Coast and West Coast Rural Fire Authority, had their exemptions reviewed on 27 October 2011 and remain valid throughout the 2012/13 year, they will be due for review on 27 October 2014.

5 Other matters

The following section comments on all other matters identified during the audit.

5.1 Reserves

In line with recommendations made by us in prior years, the Council undertook a detailed review of its reserves. This process identified that there were significant reserves for which the cash was no longer held.

As a result, Council resolved that some Council created reserves would cease, and that the cash for reserves, where the Council had a requirement to maintain them, would be covered by the bonds held by the Council. The amount held in bonds was less than the amount required to cover the potential cash requirement if all reserves were required. The Council took the view that, due to the relative unlikelihood of all reserves being called at short notice, it would accept the funding shortfall and look to reduce it via the allocation of surpluses in the future.

The Council is required, by Schedule 10, Clause 31 of the Local Government Act, to disclose the activity which each reserve relates to. The Council has not complied with this requirement. This is due the Council being unable to fully identify the reserves that have been established in the past and all tie the amounts back to the general ledger balance of the fund.

The Council intends to disclose what activity each of the remaining funds relates to from 2013/14 onwards.

Recommendations

- continue to monitor Council's obligations in relation to its reserves and develop an action plan to address the shortfall in funding that existed at year end;
- complete the exercise to identify what activity each restricted reserve relates to.

Management comment

In February 2013, Council reviewed all of its Reserve Funds and established new reserve balances that were funded primarily from the bond investments. Since that time, and before balance date, some of the bond investments have matured. It is not intended that reserve funds will be matched by bonds in the medium to long term. At balance date Cash plus Bonds exceed Reserve Funds by \$184,000.

Council is receiving quarterly reports on reserve balances and movements and cash flow forecasts. Council now resolves all decisions to withdraw reserve funds.

Identifying the activity a fund relates to will be undertaken in the preparation of the 2014/15 Annual Plan. This will assist in the accurate reporting of reserve movements in the Activity FIS statements.

5.2 Fixed assets

5.2.1 Revaluations

The Council has not undertaken any revaluation of its assets in 2012/13. This is in line with the Council's revaluation policy, which sets out that revaluations are undertaken on a five-yearly basis, unless there is a significant change in carrying value. Land and Building assets were last revalued as at 30 June 2011 and infrastructural assets were revalued as at 30 June 2012.

The Council has not undertaken a formal review that there has been a significant change in carrying value of their PPE.

We were satisfied that there has been no significant change in the construction unit rates from the prior year compared to the current year. Land and buildings movements in the district over the past two years are minimal and would not result in material difference between the carrying amount and fair value. We are not aware of any significant asset failures that suggest any individual assets need to be impaired. This provides assurance that there are not any indicators of significant impairments in relation to PPE.

It was noted that the suggested improvement, identified from the revaluation process in 2011/12, of reconciling the BizAsset system with the Fixed Asset Register had not been implemented. This is detailed in our prior year recommendations in Appendix 2.

Recommendation

The Council should undertake a formal review in non-revaluation years to confirm that there has been no significant change in the carrying values of its fixed assets and there no indicators of impairment.

Management comment

Agreed. A review of asset revaluation policies will be undertaken as part of the development of Asset Management Plans.

5.2.2 Reconciliation of Fixed Asset Register (FAR) to the General Ledger (GL)

The Assistant Accountant reconciles the FAR to the General Ledger (GL) on a quarterly basis but no records are kept of this reconciliation and it is not subject to review by another member of the Council.

Recommendation

The quarterly FAR to the GL be reviewed by another member of the finance team with evidence of the preparation and review retained.

Management comment

Agreed

5.2.3 Disposal of fixed assets

There is still no formal process to notify the Assistant Accountant of when an item has been disposed of. In addition, no physical stocktake is performed to identify if assets, recorded on the FAR, have been disposed of, and have not been removed from the FAR.

We noted that the property, plant and equipment note does not include any disposals of infrastructure assets during the year, which seems unlikely due to the disclosure of \$3,226,000 in the Funding Impact Statement relating to the replacement of existing assets. This suggests that the cost and accumulated depreciation for 2012/13 are overstated.

From discussions with staff in the operations team, the BizAsset system is updated on a regular basis and may provide a more accurate basis of Infrastructure assets. However, this is not reconciled to the FAR.

For those assets that were recorded as disposals it was noted that where an asset had been revalued the transfer to retained earnings of the revaluation reserve was initially incorrectly accounted for. This illustrates a lack of integration between the FAR and the GL, and communication between the members of the finance team. The transfers to retained earnings were subsequently corrected by the Council.

Recommendations

- identify why, the transfer to retained earnings identified within the FAR module of NCS, was not recorded in the GL;
- perform a physical stocktake on a cyclical basis to confirm existence of significant assets and identify assets which may have been disposed of but are still recorded in the FAR;
- periodically reconcile the FAR to the BizAsset system and make any required corrections;
- implement a process that when a revalued asset is disposed of, the revaluation component in the revaluation reserve is transferred to retained earnings.

Management comment

A Review of Council's Asset Management practices will be undertaken by the GM District Assets for the preparation of the 2015/25 LTP. As part of this review, the core asset management records will be confirmed and where assets are not in the FAR, reconciliation processes will need to be implemented. It is likely that the FAR will only summarise the quarterly transactions for the significant infrastructure assets.

5.2.4 Capital additions made in excess of limit set out in the Delegations Manual

In our testing capital additions, we noted that there were instances of two members of staff authorising payments for capital expenditure in excess of the limit set out in the Council's Delegation Manual.

Recommendation

Ensure that payments are only made on invoices which have been authorised by a member of staff with an appropriate delegation limit.

Management comment

While managers should be operating within delegations as a secondary check, the Accounts Payable Officer has a list of signatures and delegations to confirm payments have been authorised correctly.

5.3 IT Disaster Recovery Plan

The Council's existing Disaster Recovery Plan is out of date in relation to the current IT infrastructure and systems.

We recommend the Council consider revising the Plan to reflect the current situation.

Management comment

We acknowledge that the IT Disaster Recovery Plan is out of date. We are currently in the process of reviewing the resources applied to managing our information systems to ensure we can maintain sustainable operational levels of service on a day to day basis. When we have confidence in these matters, planning for future potential events will increase in priority.

5.4 Receipt of information pertaining to CCOs

There were significant amendments to the draft financial statements shortly before we commenced the final audit visit due to the late receipt of information or changes to the information provided by the Council's CCOs. The early receipt of CCOs' draft information could greatly assist the Council's year end processes.

Specifically, during our review we noted:

Subvention receivable

In looking at the Council's current assets, we noted that \$12,000 had been recognised as a subvention receivable relating to Westland District Property Limited. However, due to the "Deed relating to a tax loss offset" being confirmed on 3 October 2013 this had not been included in Westland District Property Limited's financial statements, although it was included in the financial statements of Westland Holdings Limited.

Performance measures

Council provided Key Performance Measures in its LTP that related directly to CCOs. In its Annual Report for 2012/13, Council reported that two of these performance measures could not be reported on. This was due to the CCOs being unaware of any requirement to measure and report against these measures.

As a result, Council cannot determine whether these measures have been met.

Also, there were two performance measures for CCOs, where they had significantly under achieved the targets, but there was no commentary to explain why the targets were not achieved. Management advised that they had not included the information as they would be speculating reasons as to what the result was and why.

Recommendations

- Council request draft financial information from its CCOs, at an earlier point, to assist in streamlining its year-end financial reporting processes.
- Subvention agreements be prepared earlier to ensure consistent disclosure in the financial statements of all group entities.
- Council liaise with Westland Holdings Limited so all relevant performance measures are included in the SOI of each CCO so that the companies are aware of these measures and collate the information required for reporting.
- Provide explanations of material variances from planned performance.

Management comment

As you have noted above, Council is reviewing and improving its CCO structure and processes. This will, in time, result in better performance management and communication which should result in better information for the completion of the consolidated financial statements. The matters you raised of an error, in Westland District Property Limited accounts, is contributed to by the complexity of the structure and the minimal resources available to manage this structure. These differences between Westland District Holdings and its subsidiaries contributed to Council's relatively simple consolidation being more complex than necessary.

Council is required to measure the performance of its investment based on Council's reasons for ownership. These performance measures may or may not be reflected as performance measures in subsidiary accounts. In preparing the 2015/25 LTP, Council will seek to be clearer in identifying the performance measures that will accurately measure Council's reasons for ownership.

5.5 Lack of functionality in the NCS system

- The NCS system is unable to produce a breakdown of creditor balances at 30 June 2013.
- The NCS system is unable to produce a report showing annual leave and sick leave at year end (a bespoke report has to be requested at year end).

The inability to run a report of sick leave taken has meant that the Council has been unable to demonstrate that has no probable liability for sick leave over and above an employee's annual entitlement.

Recommendation

Investigate how to produce a historic extract of creditors or, at worst, identify a process to run a report on 30 June, and how to generate annual leave and sick leave reports.

Management comment

We have the ability to produce the annual leave and sick leave reports but were unable to verify the figures due to errors within payroll. These errors have now been rectified and we will be producing regular reports of annual leave and sick leave balances to the Executive Team. We are currently investigating how to produce the creditors balance report.

5.6 Adoption of Annual Plan

The Council did not adopt the 2013/14 Annual Plan before the commencement of the year to which it relates breaching of s 95 of the Local Government Act 2002. We acknowledge that the reasons for the delay in adopting were due to the Council needing to develop a new plan due to the inaccuracies in the 2012/22 LTP and on-going financial difficulties and capabilities.

Management comment

Agreed

5.7 Reconciliation of Westroads invoices to Mastagard reports

Mastagard reports on the amount of waste which crosses the Council's weigh bridges. Westroads, which transports waste to Butler's landfill, invoices the Council on a tonnes basis for the waste it transports. Mastagard provides a monthly report to the Council listing the waste transported over weigh bridges. Butler's landfill is specifically identified on this report and can be compared to the figure invoiced by Westroads. However, due to the departure of the former Planning Engineer during the year, there is no evidence of this reconciliation taking place.

This reconciliation has not been evidenced as occurring since March 2012 when it was last performed by the Development Control Officer before she went on maternity leave.

Recommendations

- regularly reconcile the report from Mastagard to the invoices provided by Westroads and evidence this review;
- follow up and resolve all instances, where Westroads have invoiced more than is shown in the Mastagard report.

Management comment

Agreed. With the recent restructure of the Assets Team a new position has been created whose sole focus will be Solid Waste management and that person will be responsible for this reconciliation.

5.8 Aging of bonds payable

A majority of bond balances were identified as having been issued in prior years, the oldest back in 1998. The Council should consider whether the statutes of limitations apply and write off the balances that have been sitting in the accounts for over seven years.

Management comment

Agreed. When Council has employed an Accountant and improved the financial reporting to Council, the Executive Team and Cost Centre managers will address this.

5.9 Farewell policy

We recommended, last year, that the Council update its policies for farewell gifts; including the amount and form of these gifts, to provide a consistent and transparent basis going forwards.

Council Executive Team adopted a new farewell policy in July 2013 and we reviewed the policy against OAG good practice guidelines. We make the following observations based on this review:

- no clear approval processes;
- no specific monitoring and reporting;
- no clear guidance on alcohol consumption;
- no upper limit specified on the cost of functions held;
- no guidance in the policy covers the pre-approval of the function, with clear and appropriate limits on quantities and use of alcohol, if any, and is substantiated by appropriate documentation that includes receipts, names of parties entertained; and
- the policy does not state whether \$250 limit is GST inclusive or exclusive, and there is no prohibition on cash gifts which would constitute monetary remuneration.

Management comment

While addressing the complexities of Council's financial management issues, and following matters raised by Audit in its previous management report, the Executive Team also addressed the major deficiencies in the Farewell Policy. The policy was consulted on with staff and reflects a policy that sits comfortably with the organisation culture, is a judicious use of ratepayers' funds, and meets obligations of being a good employer. As a very small organisation, the Executive Team has high visibility of events happening in the organisation and is comfortable that the policy and its application meet the probity standards which the Auditor General is seeking in her guidance.

All budgets are GST exclusive. A recent review of the provision of gift cards by our tax advisors has taken an alternative view on your recommendations in the 2011/12 Management Report.

5.10 Income tax calculation

The imputation credits received by the Council were calculated using the 30% rate whilst the amount used in the income tax calculation was based on 28%. Although the difference is not material, the Council needs to apply consistency when calculating imputations credits as there could still be a potential tax penalty if the amount is not calculated correctly.

Management comment

Agreed

Appendix 1: Uncorrected misstatements

Current year misstatements	Assets	Liabilities	Equity	Statement of Financial Performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Westland Holdings Limited revenue	71			71
Westland Holdings Limited expenditure		170	170	
Total group	71	170	170	71

- We combined Westland District Council's and Westland Holdings Limited's revenue and expenditure but could not reconcile the Group revenue and expenditure figures using the related parties' figures in Note 28 as eliminating entries.

Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Explanation of why not corrected
In the group of activity Funding Impact Statements (FISs), neither "Overheads" nor "Dividends and Interest" have 2012/13 budget or 2011/12 budget figures.	<i>The District Council determined it cannot produce them in a useful format due to errors and omissions in the LTP2012/22.</i>
The group of activity FISs do not include "Internal charges and overheads recovered".	<i>The District Council has included "Interest and Dividends from investments" instead as it could not produce this information in a useful format due to errors and omissions in the 2012/22 LTP.</i>
The budget figures for group of activities FISs do not reconcile to the whole of council FIS.	<i>The District Council was unable to reconcile the budget figures for group of activities FISs to the whole of Council FIS due to errors and omissions in the 2012/22 LTP.</i>
The movement in reserves figure in the whole of council FIS is a balancing item which did not have any documentation to support it.	<i>The District Council was not able to produce an accurate figure for the movement in reserves for the whole of Council FIS due to the restructure of the reserve funds during the year.</i>
We have not been able to reconcile the 2011/12 actual figures in the whole of council FIS to the 2011/12 Statement of Comprehensive Income.	<i>The District Council pulled the 2011/12 FIS figures from the Cost of Service Statement, and did not reconcile the FIS figures to the Statement of Comprehensive Income due to errors and omissions in the 2012/22 LTP.</i>
Capital commitments were disclosed as \$1,224k when they should have been disclosed as \$1,101k.	<i>The District Council did not alter this disclosure as it was not material to the annual report.</i>

Detail of disclosure deficiency	Explanation of why not corrected
<p>The discrepancies were noted with the Te Motu model accounts in the following areas:</p> <ul style="list-style-type: none"> • Construction contracts. • Finance leases. • Trade and other receivables. • Inventories. • Employee entitlements. • Budget figures wording which should have stated they were drawn from 2012-22 LTP not the Annual Plan. • Provisions lacking the wording in relation to Weather tightness claims. 	<p><i>The District Council did not alter these disclosures as they were not material to the annual report.</i></p>

Appendix 2: Status of recommendations made last year

Outstanding matters

Recommendation	Current status	Priority	Management's response
Procurement policy Review the procurement policy against OAG's guidelines and make improvements to the District Council's procurement policy where appropriate.	Procurement policy is being updated for changes in the NZTA's requirements and a review against OAG requirements is intended to be completed by July 2013.	Necessary	On 26 September 2013 Council updated the procurement strategy for NZTA requirements and believe it to be in line with OAG recommended best practice. Further work on general procurement policies needs to be undertaken when resourcing permits.
Revaluation of infrastructure assets The District Council implements the improvement actions recommended by MWH in relation to: <ul style="list-style-type: none"> • footpath valuation methodology; • street light valuation methodology; • pavement surfacing valuation assumptions; and • bridges and culvert valuation methodology. The District Council improves the quality of its information held within the BizAsset system for water infrastructure assets by: <ul style="list-style-type: none"> • Including more detailed line and point attribute information, such as surface types, valve and meter sizes, etc., for water supply infrastructure assets. • Including more detailed line and point attribute 	These recommendations have not been implemented by the District Council.	Necessary	The District Asset Group has been restructured and a new asset management position created. Improving the asset processes and information will be advanced when this vacancy is filled.

Recommendation	Current status	Priority	Management's response
<p>information, such as surface types, pipe and manhole depths, etc, for wastewater infrastructure assets.</p> <ul style="list-style-type: none"> • Including more detailed line and point attribute information, such as surface types, service laterals, pipe and manhole depths, etc., for Stormwater infrastructure assets. <p>If the District Council intends to continue to undertake in-house valuations, follow formalised quality assurance processes to ensure that outputs from the systems are reasonable in relation to known factors and retain sufficient audit trails and evidence to confirm the basis upon which unit costs have been calculated.</p>			

Cleared matters

Recommendation	Current status	Priority	Management's proposed action
<p>Independent review of rates</p> <p>The District Council implement an independent review of the annual rates process. The rates system and rates setting process is managed almost in its entirety by the Assistant Accountant, with no independent review of the process. Independent review should be implemented over the following key controls in relation to rates:</p> <ul style="list-style-type: none"> • The reconciliation of the QV data to the data within the District Council's RID. • The input of rates into the factor tables within NCS at the beginning of the year. <p>The properties identified as non-rateable and 50% rateable properties during the year.</p>	<p>These checks had not been undertaken in the 2012/13 year.</p> <p>This led to the updating of this issue in section 4.3 of the report.</p>	Necessary	<p><i>Recommendation superseded (see 3.1.2)</i></p>

Recommendation	Current status	Priority	Management's proposed action
Creditor masterfile We recommend that an independent review of creditor masterfile changes be performed by someone other than those who can enter changes into the creditors system.	Access to the creditor masterfile has been amended.	Necessary	<i>Recommendation implemented</i>
Transport Asset Management Plan The Transport Asset Management Plan (AMP) should be updated to match the 2012-2022 LTP. Capital expenditure monitored, on a monthly basis, against the respective budgets. The District Council prepares Activity MP's for its significant non-infrastructure activities. In line with good practice.	Improvement plans is in place and in line with the 2012-22 LTP.	Necessary	<i>Recommendation implemented</i>
Cost of landfill The District Council include, in the capital cost of the Butler's landfill, the present value of the updated estimated aftercare and restoration costs including monitoring costs required under the consent.	Cost of landfill calculated correctly at year end.	Necessary	<i>Recommendation implemented</i>

Our recommendations for improvement and their priority are based on our assessment of how far short the District Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed rankings for our recommendations:

Urgent

Major improvements required

Needs to be addressed urgently

These recommendations relate to a serious deficiency that exposes the District Council to significant risk. Risks could include a material error in the financial statements [and the non-financial information]; a breach of significant legislation; or the risk of reputational harm.

Necessary

Improvements are necessary

Address at the earliest reasonable opportunity, generally within 6 months

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

Beneficial

Some improvement required

Address, generally within 6 to 12 months

These recommendations relate to deficiencies that result in the District Council falling short of best practice. These include weakness that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 3: Mandatory 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 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 carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance 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 confirm that, for the audit of the Westland District Council's financial statements for the year ended 30 June 2013, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.</p> <p>Other than the audit, we have not provided any engagements for the Westland Council during the year ended 30 June 2013. In addition, we have no relationships with, or interests in, the Westland District Council.</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 Westland District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Westland District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>