



Audit and Risk Committee

Notice of Meeting

An Audit and Risk Committee meeting will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 16 June 2020** commencing following the conclusion of the workshop briefing session.

Blair King
Chief Executive

Agenda

1. Present
2. Apologies
3. Notification of Items Not on the Agenda
4. Confirmation of Minutes 3
Recommendation
That the minutes of the Audit and Risk Committee meeting held on 17 March 2020 (as circulated) be confirmed as a true and accurate record of the meeting.
5. Matters Arising From the Minutes not otherwise dealt with in the Agenda
6. Reports
 - 6.1 Health and Safety 11
 - 6.2 Project Risk Management 17
 - 6.3 Draft Audit New Zealand Interim Management Report 2019/2020 23
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6.5	Audit New Zealand Letters for Audit Engagement, Audit Plan and Audit Fee Proposal	53
6.6	Adoption of Council's 2020/2021 Annual Plan and Schedule of Fees and Charges	97
7.	Contract Approval Under Local Authorities (Members Interests) Act 1968	111

Attached for the Audit and Risk Committee's information is a copy of correspondence to the Office of the Auditor-General and their approval of an application for payments to Cr S M Wards to exceed the \$25,000 limit in the 2019/2020 financial year.

Recommendation

That the Audit and Risk Committee note the Office of the Auditor-General has granted approval under Section 3 (3) (a) of the Local Authorities (Members Interests) Act 1968 for Cr S M Wards to be concerned or interested in a contract with Council for services to the Emergency Operations Centre and the "Caring for Communities Programme", and

That this approval provides additional payments can be made to Cr Wards up to the value of \$30,000 (plus any GST payable) for the 2019/2020 financial year.

8.	Notified Items Not on the Agenda
9.	Closure



Audit and Risk Committee

Minutes of an Audit and Risk Committee meeting held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 17 March 2020 commencing at 1.00pm.

1. Present

Mr K Ross (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), A K Franklin, S A Hull, C J Isaacson, P A Johns, R A Treder and S M Wards.

In Attendance

Mr B King	- Chief Executive
Mr R Taylor	- Governance Manager
Mr R Suppiah	- Chief Financial Officer
Mr C McKay	- Finance Manager
Mrs S Walshe	- Senior Financial Accountant
Ms S Lowe	- Risk Manager
Mr H Featonby	- Alliance Planning Manager
Mr P Wimsett	- Manager Strategy and District Development
Mr D Le Mar	- Financial Accountant
Ms B Fowler	- Financial Accountant
Ms J McKenzie	- Projects Coordinator
Ms T Love	- Programmes and Projects Support
Ms G Tracy	- Financial Accountant
Mr B Rush	- Health and Safety Coordinator
Mrs A Howell	- Risk Administrator

2. Apologies

- 2.1 *That an apology be sustained from Cr K A Sutherland for non-attendance at the meeting.*

Ross/Collis

Carried

3. Notification of Items Not on the Agenda

- 3.1 Nil

4. Reports

4.1 Health and Safety

4.1.1 *That the report from the Risk Manager dated 10 March 2020 concerning health and safety (as circulated) be received, and*

That the Audit and Risk Committee note the following with regard to the focus on health and safety matters and this update:

- Emphasis is being placed on contractor management.***
- The Health and Safety Committee is reviewing the current systems and processes for staff working alone.***
- An annual review is being undertaken of the health and safety registers.***
- All Council sites holding and using hazardous substances are compliant with the Hazardous Substances Regulations (2017).***
- Council sites have been surveyed for asbestos containing materials, and an asbestos management plan is in place to manage any disturbance of these materials for regular maintenance, demolition, disturbance, intentional damage and fire/natural disaster.***
- A SharePoint software system has been created to house everything relating to Council's management of health and safety.***
- The Health and Safety Coordinator role will be undertaken by Brook Rush of Manawatu District Council while the Risk Manager takes a one year leave of absence from this position.***
- There has been a reduction in the number of accidents and near miss events noted with regard to Council activities in the last year.***

Ross/Johns

Carried

4.2 Risk Management

4.2.1 *That the report from the Risk Manager dated 10 March 2020 concerning risk management (as circulated) be received, and*

That the Audit and Risk Committee note the risks arising from the spread of coronavirus causing a human disease pandemic, and the actions taken by Council through its continuity planning to respond to such an event impacting on the district's communities, and

That Council through its Long Term Plan continue to place emphasis on building resilience into the provision of the district's water supplies to manage demand and the risks arising from climate change and population growth, noting the impact of the current drought and the critical water shortage crisis being experienced.

Hull/Treder

Carried

4.3 Project Risk Management

4.3.1 *That the report from the Project Manager dated 10 March 2020 concerning project risk management (as circulated) be received, and*

That the Audit and Risk Committee note the organisational approach and framework developed and implemented as part of strengthening the way Council projects are managed with regard to risk, and

That the application of this approach to assess planning for risks relating to projects and capital works proposed in the 2020/21 Annual Plan is acknowledged.

Johns/Wards

Carried

4.4 Draft Audit New Zealand Management Report

4.4.1 *That the report from the Senior Financial Accountant dated 10 March 2020 concerning the Draft Audit New Zealand management report (as circulated) be received, and*

That the Audit and Risk Committee acknowledge an unmodified audit opinion was issued by Audit New Zealand in respect of the 2018/19 Annual Report, and note the following matters arising from the audit:

- The need to ensure the quality and timeliness of information completed by Council is as per the agreed audit plan.*
- The reporting issue of non-consolidation of Tararua Aquatic Community Trust's financials is still outstanding.*
- The Principals Group for the IT Alliance operational agreement is working towards implementing more formal monitoring of the project schedule.*

Hull/Franklin

Carried

4.5 Progress with Audit New Zealand Findings and Recommendations

4.5.1 *That the report from the Finance Manager dated 10 March 2020 concerning progress with Audit New Zealand findings and recommendations (as circulated) be received, and*

That progress by management in implementing the Audit New Zealand recommendations is noted and acknowledged, with six issues being closed in the Draft Audit Management Report, and

That the Audit and Risk Committee acknowledge management is taking action to address the four outstanding Audit New Zealand recommendations, and it shall continue to provide updates on this matter as progress is made, and

That the Audit and Risk Committee note the new Audit New Zealand recommendation regarding the IT Alliance operational agreement, and the intention that the Principals Group shall work towards implementing more formal monitoring of the project schedule.

Hull/Ross

Carried

4.5.2 The meeting adjourned at 1.55pm, and resumed at 2.15pm.

4.6 Adoption of Council's Draft Annual Plan 2020/21

4.6.1 *That the report from the Finance Manager dated 10 March 2020 concerning adoption of Council's Draft Annual Plan 2020/21 (as circulated) be received, and*

That the recommendation regarding this matter is recognised as being significant in terms of Council's Significance and Engagement Policy, and

That the Audit and Risk Committee recommend to Council in accordance with Section 100 of the Local Government Act 2002, the Draft Annual Plan 2020/21 budgets have been prepared based on reasonable judgement and assumptions, and it considers the projected financial results, including the projected operating deficit (section 8.1.6) to be financially prudent given its financial position, and

That the Audit and Risk Committee recommend to Council the Consultation Document and Draft Annual Plan and the Fees and Charges Schedule for the 2020/21 financial year be adopted for consultation (subject to the correction of any typographical errors or changes which may be required), and with the addition of reference to the developments regarding coronavirus in the Mayor's message, and

That the Audit and Risk Committee recommend to Council the activities of solid waste management, animal control, footpaths, parks and reserves and cemeteries fall outside the funding limits of its Revenue and Financing Policy.

Johns/Hull

Carried

4.7 New Zealand Transport Agency Technical Audit

4.7.1 *That the report from the Alliance Planning Manager dated 10 March 2020 concerning the New Zealand Transport Agency technical audit (as circulated) be received, and*

That the Audit and Risk Committee note the overall assessment from this audit is a positive outcome, with no major improvements required or any compliance breaches identified in respect of giving New Zealand Transport Agency assurance it is receiving value for money and risks are being appropriately managed, and

That the Audit and Risk Committee acknowledge the intention of the Alliance leadership team to implement plans to address the New Zealand Transport Agency recommendations for making improvements regarding activity management planning and data quality recording and reporting processes.

Collis/Hull

Carried

4.8 Process to Seek Expressions of Interest for the Audit and Risk Committee Chairperson Appointment

4.8.1 The Chairperson declared a conflict of interest regarding this item of business, and withdrew from the Council Chamber while that matter was considered.

4.8.2 The Mayor chaired the discussion and voting on the motion during this part of the meeting.

4.8.3 ***That the report from the Chief Financial Officer dated 10 March 2020 concerning the process to seek expressions of interest for the Audit and Risk Committee Chairperson appointment (as circulated) be received, and***

That the proposed roles and responsibilities along with the draft advertisement to seek expressions of interest for consideration to the appointment to this position be agreed subject to including the following amendments:

- ***Add financial acumen to the attributes required of an ideal Chairperson.***
- ***Change the wording in the third bullet point of attributes required of an ideal Chairperson to read “able to work constructively with management and Council members”.***
- ***Specify the appointment to this position shall extend to the period until year one of the new Council following the 2022 election.***

And that the interview panel for this purpose comprise Her Worship the Mayor - Mrs T H Collis, Cr S M Wards (Strategy and Policy Committee Chairperson), Cr S A Hull (Economic Development and Marketing Committee Chairperson), Cr K A Sutherland (Works Liaison Committee Chairperson), Mr B King (Chief Executive) and Mr R Suppiah (Chief Financial Officer).

Wards/Treder

Carried

4.8.4 The Chairperson returned to the Council Chamber following the completion of determining this item of business, and assumed the chair for the remainder of the meeting’s proceedings.

4.8.5 The meeting adjourned at 3.25pm, and resumed at 3.38pm.

5. Notified Items Not on the Agenda

5.1 Nil

6. Public Excluded Items of Business

6.1 *That the public be excluded from the following parts of the proceedings of this meeting, namely:*

Alliance performance framework audit

Alliance financial audit

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

<i>General subject matter to be considered</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under Section 48(1) for the passing of this resolution</i>
<i>Alliance performance framework audit</i>	<i>To protect the commercial position of a third party</i>	<i>Section (1)(a)(i)</i>
<i>Alliance financial audit</i>	<i>To protect commercial activities</i>	<i>Section (1)(a)(i)</i>

This resolution is made in reliance on Section 48 (1) (a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

s7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

s7(2)(h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

Wards/Johns

Carried

6.2 Alliance Performance Framework Audit

6.2.1 *That the report from the Chief Financial Officer dated 10 March 2020 concerning the Alliance performance framework audit (as circulated) be received, and*

That progress and achievements made by the Alliance management team as commended by the auditing team be noted along with their recommendations for the 2018/19 financial year to keep the performance framework relevant and aligned to the strategic intent and detailed requirements of the Council.

Ross/Collis

Carried

6.3 Alliance Financial Audit

6.3.1 *That the report from the Chief Financial Officer dated 10 March 2020 concerning the Alliance financial audit (as circulated) be received, and*

That the efforts of the Alliance management team and the Principals Group to ensure that the pain/gain pool calculated fairly reflects the financial performance for the 2018/19 financial year is noted and acknowledged.

Johns/Hull

Carried

6.4 *That open meeting be resumed.*

Ross/Collis

Carried

6.5 *That the decisions taken with the public excluded be confirmed in open meeting.*

Ross/Collis

Carried

7. Health and Safety and Risk Management

7.1 Presentations were made in a workshop briefing session for the purpose of discussion and information on the following matters:

- Risk Manager - Health and safety induction
- Risk Manager - Overview of Council's risk management framework

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 4.05pm and the workshop briefing session at 4.55pm.

Chairperson

Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Sandy Lowe
Risk Manager

Subject : **Health and Safety**

Item No : **6.1**

1. Reason for the Report

- 1.1 To provide an update to the Audit and Risk Committee on health and safety matters.

2. Health and Safety Coordinator Role

- 2.1 Due to travel disruptions, Sandy Lowe is no longer embarking on a one-year career break from Council and will be continuing in her role as Risk Manager.
- 2.2 Due to resourcing shortages at Manawatu District Council, Brook Rush has been delayed in beginning his secondment to Tararua District Council as the Health and Safety Coordinator. Sandy Lowe will continue management of this area until commencement of Brook's secondment, which is expected mid-July 2020.

3. Health and Safety Regional Group

- 3.1 No update – investigation into a joint contractor management system is on hold due to pandemic response and has not progressed since previously reported in March.

4. Continual Improvement

- 4.1 Work will begin to organise the SafePlus assessment likely to be conducted at Tararua District Council in December 2020.
- 4.2 Review of the improvements since the December 2018 Audit are outlined below;
- We have developed a formal staff reward and recognition programme for health and safety – the health and safety star award

- We have revamped the health and safety risk register to display the effectiveness of controls in the risk assessment process
- Creation of Health and Safety system through LOKI to ensure all Health and Safety information is centralised
- All of our Health and Safety Representatives completed training to increase their risk management knowledge
- SHE contractor management module is being implemented to ensure efficiency through the contractor management process
- Risk Register deep dives with each team, exploring their top risks – in progress
- Creation of the Health and Safety Critical Risks video

4.3 Review of outstanding items still to be addressed;

- Develop an overarching strategic plan with measurable goals
- Implement a Council Officers' Due Diligence plan to ensure governance requirements for Health and Safety are in place
- Further development of the health and safety expectations for hiring Council facilities

5. Health and Safety Committee

- 5.1 After missing committee meetings in both April and May, the committee has resumed meetings as normal from 3 June 2020. These meetings are now available to be attended remotely.
- 5.2 All representatives have been asked to compile a report on current situations in which staff work alone and what controls are currently in place. This will inform a whole of Council review of the controls in place for this risk.
- 5.3 The quarterly wellbeing activities, to support our wellness wheel, are on hold until Brook Rush begins in the role of Health and Safety Coordinator in July 2020.
- 5.4 Anna Sinclair and Brook Rush will be attending the Investigation Techniques Training course through IMPAC to further their skills in managing incidents.

6. Risk Management

- 6.1 Departmental risk register reviews and deep dives into 'top' risks have been rescheduled to resume from July when Brook Rush commences the Health and Safety Coordinator role.

- 6.2 At the beginning of Alert Level 3 Tararua District Council implemented a COVID-19 health and safety plan to provide guidance to staff of the expectations of Tararua District Council in reducing transmission of the disease. This has been reissued at Alert Level 2 and will be reissued again with the changes that Alert Level 1 brings.
- 6.3 The Government will be reducing the contact tracing requirements from Alert Level 1 and putting the onus back onto the customer, quick response (QR) codes for the contact tracing app are being encouraged and we are investigating these for all Council sites accessible to the public.

7. Contractor Management

- 7.1 Implementation of the new contractor management software has been delayed due to disruption from the drought and COVID-19 response and recovery. Implementation likely delayed until July 2020.
- 7.2 Throughout Alert Level 3 and 2 COVID specific health and safety plans have been requested from all contractors. This was to ensure the hygiene, contact tracing and physical distancing elements were implemented into their day-to-day activities.

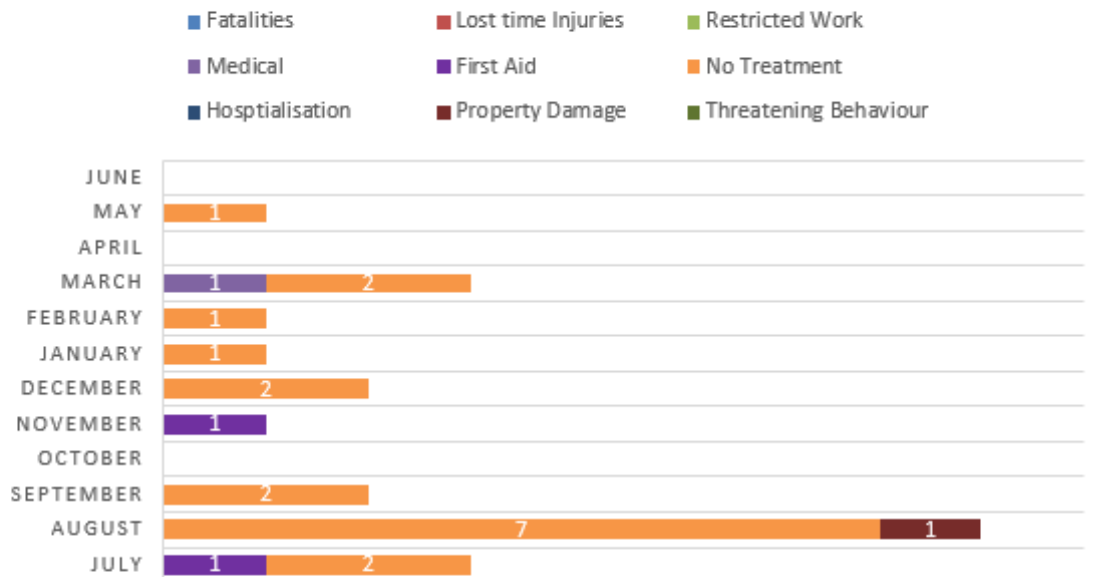
8. Hazardous Substances Regulations (2017)

- 8.1 Peter O'Donnell, an Environmental Engineer and Compliance Certifier from Environmental Services has advised that a location compliance certificate is not required for the Woodville Wastewater Treatment Plant.
- 8.2 A peer review of our hazardous substances compliance is likely to be added as an item to the internal audit calendar.

9. Accident Investigation

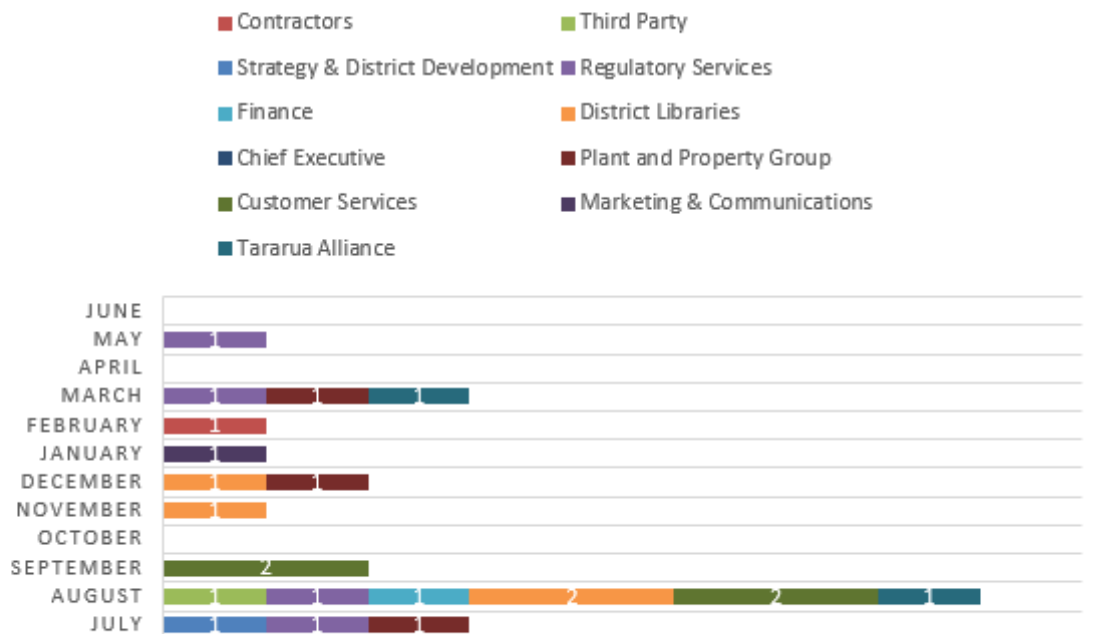
- 9.1 Throughout the lockdown period there have been minimal incidents which is reflective of the change in the way we were working during this time.

2019/20 INJURIES/ILLNESSES

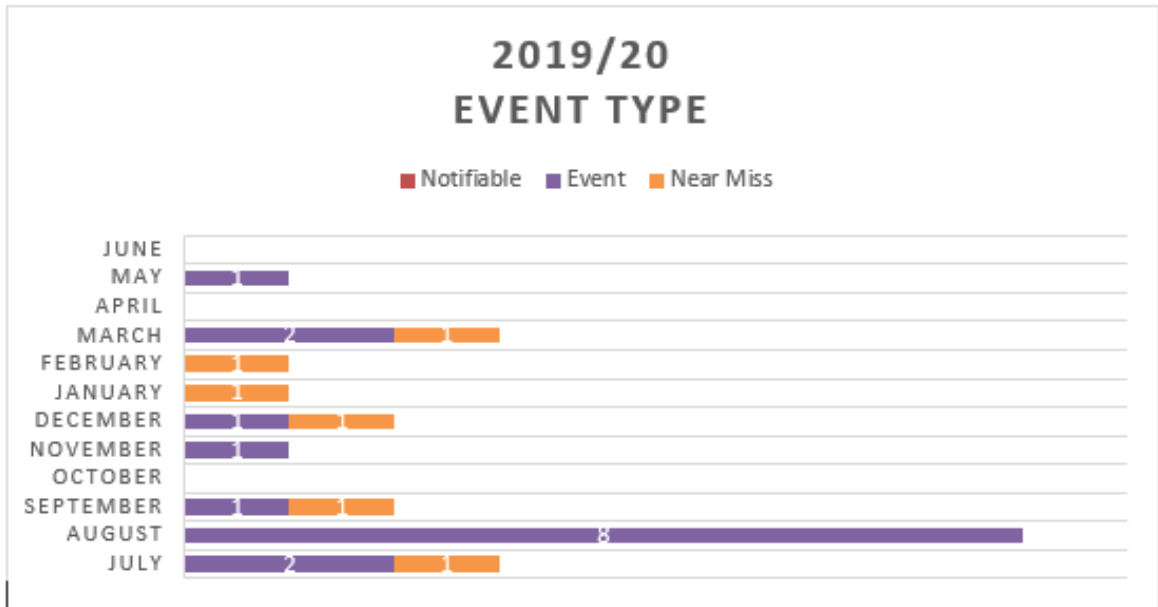


9.2

2019/20 DEPARTMENT



9.3



10. Recommendation

- 10.1** *That the report from the Risk Manager dated 9 June 2020 concerning Health and Safety (as circulated) be received, and*
- 10.2** *That the Audit and Risk Committee note the following with regard to the focus on health and safety matters and this update:*
- *The Health and Safety Coordinator secondment has been delayed until mid-July 2020.*
 - *Preparations are being made for the SafePlus audit towards the end of the calendar year.*
 - *Health and safety plans were implemented as guidance to staff and contractors in managing the risks of Covid-19 and its transmission.*
 - *A peer review of hazardous substances compliance is likely to be added as an item for internal audit.*
 - *Throughout Covid-19 lockdown there were only minimal health and safety incidents reflecting the changed work environment during that period.*

Attachments

Nil.

Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Tina Love
Project Manager

Subject : **Project Risk Management**

Item No : **6.2**

1. Reason for the Report

- 1.1 To provide an update to the Audit and Risk Committee regarding the management of project risk and the expectation for risk management in the 2020/2021 Annual Plan and the 2021/2031 Long Term Plan.

2. Project Risk Management

- 2.1 The Programmes and Projects Office is reassessing the project risk process as part of a Projects Management Office (PMO) framework improvement project and will report on measures and/or solutions as these are developed. This will include ways to improve the organisational project risk culture, provide leadership and guidance for managing project risks, overseeing identified project risk for all projects, and set the overall framework for project risk management by working with project managers in identifying the most appropriate manner to implement change.
- 2.2 The PMO framework project will focus on 4 key project phases: Initiation, Design and Planning, Execution and Closure. There is currently no consolidated view of project risks across projects, but research and analysis on potential solutions is underway as part of the PMO framework project. A nice to have requirement of this solution is to include the ability to apply existing controls to project risks, creating a 3-phase risk assessment and risk reduction plan; Inherent Risk, Residual Risk, and Final Risk.
- 2.3 New ideas are being developed within the project initiation phase to include Project Concept, and Project Feasibility. The concept stage will ensure that there is opportunity for a wider audience to input into ideas and identify potential risks

early. The project concept stage be trialled/tested against a variety of project types, sizes, and risk profiles. An example of the concept document is attached.

- 2.4 Introducing project feasibility will ensure enough information is gathered to make informed decisions on whether projects are viable. This stage is still being fine-tuned as part of the PMO framework project.
- 2.5 Two types of risk assessment are proposed for the feasibility stage. The first is an assessment against “doing the project” versus “not doing the project”, measured against risk domains such as operational risk, legal & regulatory risk, IT security & resilience, financial risk, health and safety risk, and reputational risk. An example is shown below:

Type of Risk	If we don't do the Project			If we do the Project		
	Likelihood Select Likelihood	Severity Select Severity	Outcome Automatically calculated	Likelihood2 Select Likelihood	Severity Select Severity	Outcome Automatically calculated
Operational Risk	Likely	Major	16	Quite Possible	Insignificant	3
Legal & Regulatory	Highly Likely	Minor	10	Quite Possible	Catastrophic	15
IT Security & Resilience	Likely	Catastrophic	20	Unlikely	Catastrophic	10
Financial Risk	Likely	Moderate	12	Likely	Moderate	12
Health & Safety	Quite Possible	Insignificant	3	Highly Unlikely	Major	4
Reputational Risk	Highly Unlikely	Minor	2	Highly Likely	Minor	10

Description of risk domains
Operational Risk - direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events. Including losses from failed process management, from relations with customer, counterparties and suppliers.
Legal & Regulatory - losses due to non-compliance, a change in laws or regulations made by the government or a regulatory body which can increase the costs of operating.
IT Security & Resilience - losses arising from disruption of business or system failures.
Financial Risk - risk of financial loss where we fail to meet obligations
Health & Safety - risk of workplace / worksite non-compliance in meeting the NZ Health & Safety Standards
Reputational Risk - risk to reputation arising from public interest, lack of consultation and communication

- 2.6 The second is a project complexity risk assessment (PCAT) which has been used for a few projects that are currently in progress, however applying this assessment during the feasibility stage ensures that the assessment is done earlier than the project planning stage. As the PCAT template originates from Auckland City Council, work needs to be completed to apply Tararua District Council specific weightings to each of the assessment criteria, and a review of the criteria descriptions to ensure they are fit for purpose.

3. Project Planning for 2020/21 Projects

- 3.1 Planning for projects and capital works for the 2020/21 Annual Plan is in progress. As part of this work staff will be assessing the potential risks of each project and documenting these in individual project risk registers. Future state will have these risks documented in a consolidated register that can be reported on in a variety of ways, however this will require a proper change management process to successfully implement.

4. Managing Project Risk for Current Projects

- 4.1 Project risk for key projects is monitored on an ongoing basis through monthly project status reports. This reporting is the responsibility of the project manager

with guidance from the Programmes and Projects Office and is presented to the Works Liaison Committee.

- 4.2 Further work is required for the Programmes and Projects Office to gain oversight of risks across all projects to ensure these are regularly reviewed and updated. This will be done in collaboration with the Council's Risk Manager.

5. Recommendation

- 5.1 ***That the report from the Project Manager dated 9 June 2020 concerning Project Risk Management (as circulated) be received, and***
- 5.2 ***That the Audit and Risk Committee note the organisational approach and framework developed and implemented as part of strengthening the way Council projects are managed with regard to risk, and***
- 5.3 ***That the application of this approach to assess planning for risks relating to projects and capital works proposed in the 2020/21 Annual Plan and 2021/2031 Long Term Plan is acknowledged.***

Attachments

- 1 [!\[\]\(e662c6fdc679f154c0e75d901761d894_img.jpg\)](#). Project concept on a page

Project Concept on a Page – <Idea Name>

Submitted By		Date Created	
Project Type	Development/Growth/Renewal	Included in Plan	None/AP/LTP/AMP

Concept Background

Describe the background for this concept. How was the idea formed. (delete this guidance after completion)

Key Risks (list top 5)

Risk	Treatment	Likelihood	Severity	Owner
Describe the risk (delete this row after completion)	What will be done so it doesn't occur	What is the likelihood of this risk occurring	What is the severity if it does occur	Who owns and is responsible for this risk

Project Drivers - Problem/Opportunity Statements

Driver	Problem or Opportunity?
Describe the driver behind this concept	What is the problem or opportunity

Concept Benefits

Identify what benefits will be achieved by completing this project...(delete this guidance after completion)

1.

Concept Estimates (highlight relevant options)

Impact Change across business units	Within one business unit	Across multiple business units	Includes external
Resource Staff resource for project	Within the one internal business unit	From multiple internal business units	Includes external contractors
Cost Level of estimated costs for whole of project	\$10,000 or less \$100,00 - \$250,00	\$10,000 > \$50,000 \$250,000 - \$500,000	\$50,000 > \$100,000 More than \$500,000
Feasibility Stage Is funding required for the feasibility stage?	n/a \$50,000 > \$100,000	\$10,000 or less More than \$100,000	\$10,000 > \$50,000
Time Estimated length of project	Less than 2 months 12 > 18 months	2 > 6 months More than 18 months	6 > 12 months
Risk Level of risk of doing the project	None to Very Low risk	Low to Medium risk	Medium to High risk

Received by PMO and completeness checked

On behalf of PMO				
	Name	Signature		Date

Approved to feasibility stage and development of the Project Brief

On behalf of SLT				
	Name	Signature		Date

Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Sarah Walshe
Senior Financial Accountant

Subject : **Draft Audit New Zealand Interim Management Report
2019/2020**

Item No : **6.3**

1. Reason for the Report

- 1.1 To review and comment on the Audit New Zealand Interim Management Report for the 2019/20 Annual Report.

2. Background

- 2.1 Audit New Zealand has completed the interim audit of the Tararua District Council 2019/20 Annual Report. The attached report sets out their findings from the audit and where appropriate makes recommendations for improvement.

3. Summary of Findings

- 3.1 Audit New Zealand concluded the following:

- **Assessment of the control environment** - Overall, the auditors concluded that the District Council has appropriate and operationally effective systems of internal control, which is consistent with previous years.
- **Internal controls** – Controls over key financial and non-financial information were reviewed and 2 recommendations were made.

3.2 Matters Noted during the interim audit;

- 3.2.1 There were 3 new recommendations made to the District Council as a result of the interim audit, 2 of these were related to internal controls.
- 3.2.2 Impact of COVID-19 pandemic on the financial statements – Council has been asked to prepare an assessment of the impact of COVID-19 on its financial

statements taking into account any drop-in revenue, increase in expenditure, borrowings and compliance with its policies and relevant legislation.

Management have noted that to date the impact of COVID-19 on Council has not been significant. Revenue from Fees & Charges and other revenue (excluding rates) has been minimal. Council has seen its NZTA subsidy revenue being affected due to the carry forward to the capital programme into the next financial year. Debt levels were higher but that was as a result of the cost variances for the capital projects, namely Pahiatua Water Treatment Plant and Pahiatua Main Street upgrade. Additional costs incurred were minimal. In fact, cost incurred by Council for the water crisis was more significant than that of COVID-19. Council has considered the affordability and prudent aspects from its financial strategies in the 2020/21 Annual Plan and will look to discuss these comments and address any audit concerns with the audit team.

- 3.2.3 Bank Reconciliations – ensure that reconciliations are signed and dated by the preparer and the reviewer within a month of being prepared.

Management has noted this and will ensure that bank reconciliations reviewed, signed and dated in a timely manner. During COVID-19 and staff working remotely management implemented a process of having these sent and approved via email weekly and is continuing this process moving forward.

- 3.2.4 Sensitive expenditure policy – recommendation that the sensitive expenditure policy be updated to reflect best practice and the Office of the Auditor General (OAG) guidance.

Management noted this and advise that the policy is being updated and will ensure it is consistent with OAG guidance.

4. Status of Previous Recommendations

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	4	0	4
Implemented or closed	0	0	0	0
Matters that will be followed up during our final audit visit	0	2	2	4
Total	0	6	2	8

- 4.1 Status of previous recommendations is set out in appendix 1 of the attached draft report to the Council on the interim audit of Tararua District Council for year

ending 30 June 2020 and discussed further in Raj Suppiah's Progress with Audit New Zealand Findings and Recommendations Report.

5. Adoption of New Accounting Standards

- 5.1 Audit New Zealand have raised the adoption of new accounting standards with the Council with regards to public benefit entities needing to comply with the new "group" accounting standards PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management have noted this and advised that they have sought advice from PWC with regards to the consolidation of the Tararua Aquatic Community Trust in light of these new standards and will develop a transition plan if required and continue to work with the auditors on this matter.

6. Conclusion

- 6.1 The attached report concerning Draft Audit New Zealand Interim Management Report 2019/2020 is received and the recommendations noted.

7. Recommendation

- 7.1 ***That the report from the Senior Financial Accountant dated 9 June 2020 concerning the Draft Audit New Zealand Interim Management Report 2019/2020 (as circulated) be received, and***
- 7.2 ***That the Audit and Risk Committee note the assessment of the control environment has concluded Council has established appropriate and operationally effective systems for internal controls, with two recommendations made in respect of key financial and non-financial information, and***
- 7.3 ***That the draft management comments on the impact of the Covid-19 pandemic for reference in the financial statements, and actions to review bank reconciliations and update the sensitive expenditure policy be noted with management to finalise these comments.***

Attachments

1. [!\[\]\(e548a391c65118ac2476924cdb5db38c_img.jpg\) Draft Audit New Zealand Interim Management Report](#)

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Report to the Council on the interim audit of

Tararua District Council

For the year ending 30 June 2020

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Key messages

- We have completed our interim audit for the year ending 30 June 2020. This report sets out our findings from the interim audit.

Summary

- We performed an assessment of the District Council's control environment. In performing this assessment, we considered both the design effectiveness and operational effectiveness of internal control.
- Overall we have assessed the control environment as "effective" based on work done to date. This means, based on the work we performed, the District Council has adequate internal controls in place that will either prevent or detect material misstatements in its financial statements and statement of service performance. We have however identified where improvements can be made. Our recommendations are set out in section 1, 3 and Appendix 1 of this report.
- **COVID-19**
 - On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country was in lockdown. As a result of the lockdown, economic uncertainties have arisen which are likely to negatively affect the operations and services of the District Council. The full impact is not yet known. For more details, refer to section 3.1.
- **New group accounting standards**
 - Public benefit entities must apply the new "group" accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.
 - Management is responsible for performing the necessary transition work to successfully implement these new standards. We encourage the District Council to share its transition plan and transition work with us early in the audit process so we can agree issues and adjustments in a timely manner.
 - In particular we have identified that the consolidation of the Tararua Aquatic Community Trust needs to be considered in light of these new standards. We are currently working with the District Council to assess this impact.

Thank you

- We would like to thank management and staff for their assistance during the interim audit, particularly as the audit commenced at the same time as the country as going into lockdown and Council staff were organising themselves to work from home. We would like to acknowledge the District Council staff for the way that they worked with us in these difficult circumstances.

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- Debbie Perera
- Appointed Auditor
- DRAFT – 8 June 2020

1

Recommendations



1 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 recommendations.

Priority	Explanation
<ul style="list-style-type: none"> Urgent 	<ul style="list-style-type: none"> Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
<ul style="list-style-type: none"> Necessary 	<ul style="list-style-type: none"> Address at the earliest reasonable opportunity, <i>generally within six months</i> 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.
<ul style="list-style-type: none"> Beneficial 	<ul style="list-style-type: none"> Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

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1.1 New recommendations

2 The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<ul style="list-style-type: none"> Impact of the Covid-19 pandemic on the financial statements Prepare an assessment of the impact of COVID-19 on the District Council's financial statements. 	<ul style="list-style-type: none"> 3.1 	<ul style="list-style-type: none"> Necessary
<ul style="list-style-type: none"> Bank reconciliations Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared. 	<ul style="list-style-type: none"> 3.2 	<ul style="list-style-type: none"> Necessary
<ul style="list-style-type: none"> Sensitive expenditure policy Update the sensitive expenditure policy to reflect best practice and the OAG guidance. 	<ul style="list-style-type: none"> 3.3 	<ul style="list-style-type: none"> Necessary

•

1.2 Status of previous recommendations

3 Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
• Open	• 0	• 4	• 0	• 4
• Implemented or closed	• 0	• 0	• 0	• 0
• Matters that will be followed up during our final audit visit	• 0	• 2	• 2	• 4
• Total	• 0	• 6	• 2	• 8

•

2

Assessment of internal control



4 The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information.

We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

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

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

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

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

8 We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. During the interim audit, we considered the following systems:

- Revenue and accounts receivable.
- Expenditure and accounts payable.

- Payroll.
- Cash and cash equivalents and investments.
- Property, Plant and Equipment and intangible assets.
- General ledger reconciliations and journals.
- Performance Reporting Systems and Controls

9 We have identified some improvements which are detailed in section 3 and in Appendix 1.

3 Matters noted during the interim audit

3.1 Impact of the COVID-19 pandemic on the financial statements

10 Recommendation

11 Prepare an assessment of the impact of COVID-19 on the District Council's financial statements.

Background

12 On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country went into Alert Level 4, and lockdown. As a result, economic uncertainties have arisen which are likely to negatively affect the operations and services of the District Council.

13 While it is not yet possible to determine the full impact of the COVID-19 pandemic on the District Council, it may impact on:

- Council revenues and spending, borrowings and cash flow;
- Value of investments and other assets measured at fair value;
- Fair value assessments of infrastructure assets and other property, plant and equipment measured at fair value across the group and valuation triggers.
- Impairment indicators of non-financial assets
- The 2020-21 rates setting and the annual plan process;
- Wider economic forecasts;
- Achieving service performance targets and levels of service; and
- The Governance/Regulation work streams, including the LTP process.

14 The Local Government Act 2002 (the Act) puts an ongoing obligation on Councils to manage their finances prudently as they make decisions over time. This is a long-term obligation rather than something linked to a particular action, document, or event.

15 The onus is on Councils to ensure that they have considered whether they are being financially prudent and to be transparent about this with their communities.

16 Not all Councils will be affected in the same way by COVID-19. However, many Councils are expecting a drop in revenue.

17 Councils will need to consider all available tools to address a drop in revenue and the possibility of additional costs. This may include, for example, reviewing their current

expenditure (what should or shouldn't be incurred). The District Council's Audit and Risk committee could provide helpful advice and support in this regard.

18 The District Council will also need to consider their policies, borrowing terms and conditions, and legislative requirements.

19 We will review the District Council's assessment the impact of COVID-19 on the operations and services of the District Council and will confirm whether any disclosures required in the financial statements are made appropriately relating to the effect and the uncertainties caused by it.

20 We will also assess whether the District Council has complied with its policies and the relevant legislation.

Management comment

21 *The impact of Covid-19 on Council has not been significant. Revenue from Fees & Charges and other revenue (excluding rates) has been minimal. NZTA subsidy revenue has been affected due to the carry forward to capital programme into the next financial year.*

22 *Debt levels were higher but that was a result of the cost variances for the capital projects namely Pahiatua Water Treatment and Pahiatua Mainstreet projects.*

23 *Additional cost incurred were minimal. In fact cost incurred for the water crisis were more significant than Covi-19.*

24 *The 2020/21 Annual Plan has considered the affordability and prudent aspects in our Financial strategies.*

25 *We will discuss the above and the audit concerns further with the audit team*

3.2 Bank reconciliations

26 Recommendation

27 Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared.

28 Background

29 During the bank reconciliation testing it was noted that the following bank reconciliations were not reviewed on time:

- September was reviewed on 20 December 2019
- December was reviewed on 10 February 2020

30 This may result to errors not being picked up on time by the reviewer.

31 We further noted that both of these reconciliations did not have signature or date of the preparer meaning that the timeliness of preparation could not be established.

32 Management comment

33 *Noted. We will ensure bank reconciliations are reviewed in a timely manner and are signed and dated by the preparer and authoriser. During COVID-19 we implemented having these be sent and approved via email weekly and will look to continue this process moving forward.*

34

3.3 Sensitive expenditure policy

35 Recommendation

36 Update the sensitive expenditure policy to reflect best practice and the OAG guidance.

37 Background

38 Our review of the sensitive expenditure policy identified areas that did not meet OAG guidance. The policies in place should meet OAG guidance to ensure that they provide sufficient detail, cover all relevant areas of sensitive expenditure and are reflecting best practice.

39 The sensitive expenditure policy should be updated to meet OAG guidance and this should include:

- Credit cards
- Rental cars
- Expenditure claims
- Approval of sensitive expenditure
- Koha
- Gift giving

40 Management comment

41 *Noted. Policy is being updated and we will ensure it is consistent with OAG guidance.*

4 Adoption of new accounting standards



Public benefit entities must apply the new “group” accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management is responsible for performing the necessary transition work to successfully implement these new standards. Areas of focus with the transition include:

- Assessing whether the revised control definition and guidance result in an entity being assessed as controlled under PBE IPSAS 35 for those entities previously assessed as not controlled under prior standards. For example, trusts established by Tararua District Council that support Tararua District Council in achieving its objectives.
- Determining whether a joint arrangement is categorised as a joint venture or joint operation. Joint ventures must be accounted for using the equity method.
- Updating the “group” accounting policies and “group” related disclosures in the financial statements. PBE IPSAS 38 generally requires more disclosure about interests in other entities than the previous standards.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Keeping relevant parties informed, such as your auditor and audit committee.

The transition to these new standards may require significant judgement for some arrangements and maybe particularly time consuming for those entities with a large number of potentially controlled entities. It is important that management substantially completes its transition work on these new standards well in advance of 30 June 2020. We recommend that as part of this, management prepare pro-forma financial statements so that revised group-related disclosures can be agreed.

We encourage Tararua District Council to share its transition plan and transition work with us early in the audit process so we can agree issues and adjustments in a timely manner. In particular we have identified that the consolidation of the Tararua Aquatic Community Trust needs to be considered in light of these new standards. We are currently working with the District Council to assess this impact.

42 Management comment

43 *Noted. We have sought advice from PWC regards the consolidation of the Tararua Aquatic Community Trust in light of these new standards.*

5

Useful publications



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

45

Description	Where to find it
Model financial statements	
<ul style="list-style-type: none"> Our model financial statements reflect best practice we have seen to improve financial reporting. This includes: <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. 	<ul style="list-style-type: none"> On our website under publications and resources. Link: Model Financial Statements
Tax matters	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> On our website under publications and resources. Link: Tax Matters
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>	<ul style="list-style-type: none"> On the OAG's website under publications and resources. Link: Client Substantiation File

Description	Where to find it
Good practice	
<ul style="list-style-type: none"> The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on: <ul style="list-style-type: none"> audit committees; conflicts of interest; discouraging fraud; good governance; service performance reporting; procurement; sensitive expenditure; and severance payments. 	<ul style="list-style-type: none"> On the OAG's website under good practice. Link: Good practice
Earthquake accounting matters	
<p>The purpose of this document is to provide a summary of Audit New Zealand's views reached on earthquake accounting issues and provides the following guidance:</p> <ul style="list-style-type: none"> Accounting for insurance claims and receivables; Accounting for earthquake damage to PPE; Accounting for Government grants received that relate to the earthquake; Investment property, lease, and other issues; Disclosures 	<ul style="list-style-type: none"> On our website under publications and resources. Link: Earthquake accounting

Description	Where to find it
Reporting fraud	
<ul style="list-style-type: none">The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.	<ul style="list-style-type: none">On the OAG's website under data.Link: Reporting Fraud

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Age of rates debtors		
<ul style="list-style-type: none"> Review outstanding rates debtors on a regular basis and that outstanding rates are reviewed for recovery or write off. 	<ul style="list-style-type: none"> June 2017 	<ul style="list-style-type: none"> In progress: Management continues the focus on reducing the amount of outstanding rates debtors
Removal of users access		
<ul style="list-style-type: none"> Ensure council managers and HR are providing information to IT promptly about additions, changes and terminations of staff and contractors. 	<ul style="list-style-type: none"> June 2018 	<ul style="list-style-type: none"> In progress: The following actions have been undertaken: <ul style="list-style-type: none"> IT procedures reviewed and updated-User accounts will be disabled in systems as soon as the IT alliance is notified of the staff member leaving the organisation- Accounts are permanently removed upon receipt of formal notice from HR. We understand that Council is working on a series of checks that will tighten control in this area, this will include regular checking of contractor and temporary/casual staff accounts.
Sensitive expenditure		
<ul style="list-style-type: none"> Finalise the staff handbook (sensitive expenditure) as soon as possible, reviewing it against best practice, such as those set out in the OAG's Guidelines as applicable. Ensure that sensitive expenditure is approved as required by the policy to provide enhanced control and judgements for sensitive expenditure that can withstand public scrutiny. 	<ul style="list-style-type: none"> April 2017 	<ul style="list-style-type: none"> In progress: The staff handbook is currently being finalised.

Recommendation	First raised	Status
Necessary		
Alliance agreement		
<ul style="list-style-type: none"> Update the performance framework for the Alliance be updated to include specific measures across roading, water and asset management to enable the District Council to assess performance of the Alliance across the different services delivered. 	<ul style="list-style-type: none"> June 2017 	<ul style="list-style-type: none"> In progress: We understand that the Council has agreed to the extension of the Alliance agreement. We will complete our review when this has been signed.
Update and test organisational business continuity and IT disaster recovery plans		
<ul style="list-style-type: none"> Update and test IT Disaster recovery plans and organisational business continuity plans. 	<ul style="list-style-type: none"> June 2017 	<ul style="list-style-type: none"> We will follow this up during the final audit.
Formal monitoring of alliance agreements for IT Services		
<ul style="list-style-type: none"> We recommend that the Principals Group meet as per the IT Alliance agreement, to monitor the performance of the IT support provider. The Principals Group also need to finalise and monitor the project schedule. 	<ul style="list-style-type: none"> June 2019 	<ul style="list-style-type: none"> We will follow this up during the final audit.
Beneficial		
Carry-over of capital projects		
<ul style="list-style-type: none"> Continue to monitor the level of carry forwards of capital expenditure and reduce these were possible. 	<ul style="list-style-type: none"> June 2014 	<ul style="list-style-type: none"> We will follow this up during the final audit.
Expenditure approval		
<ul style="list-style-type: none"> Implement one up approval for purchases. 	<ul style="list-style-type: none"> June 2017 	<ul style="list-style-type: none"> We will follow this up during the final audit.

Appendix 2: Disclosures

Area	Key messages
<ul style="list-style-type: none"> Our responsibilities in conducting the audit 	<ul style="list-style-type: none"> We carry 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. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Council of their responsibilities. Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
<ul style="list-style-type: none"> Auditing standards 	<ul style="list-style-type: none"> We carry out our audit in accordance with the Auditor-General's Auditing 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 systems of controls for detecting these matters.
<ul style="list-style-type: none"> Auditor independence 	<ul style="list-style-type: none"> We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board. To date, in addition to the audit we have carried out engagements in the areas of the Debenture Trust Deed, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the District Council.
<ul style="list-style-type: none"> Fees 	<ul style="list-style-type: none"> The audit fee for the year is currently being negotiated through our Audit Proposal Letter. To date, no other fees have been charged in this period.
<ul style="list-style-type: none"> Other relationships 	<ul style="list-style-type: none"> To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit. We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.

AUDIT NEW ZEALAND

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Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Raj Suppiah
Chief Financial Officer

Subject : **Progress with Audit New Zealand Findings and Recommendations**

Item No : **6.4**

1. Reason for the Report

- 1.1 To update the Audit and Risk Committee on progress with Audit New Zealand's audit findings and recommendations. A summary of the findings and management progress are detailed in the attachment - Audit New Zealand Recommendations/ Action Register.

2. Progress Update on Existing Recommendations

- 2.1 The 2020 Draft Audit NZ Management Report has 3 new recommendation and 8 previous recommendations still open. The status of the 8 previous recommendations are: 1 is on-going, 1 is completed by management and the remaining 6 are in progress.
- 2.2 The oldest of the recommendations is the carry-over of capital projects. This year Covid-19 had a significant impact on project completion. In the 2020/21 Annual Plan Council have planned to carry forward \$4.62 million of the current year budgets.
- 2.3 One recommendation has been changed from complete to In-Progress. This is the age of rates debtors. Covid-19 had impacted on the original for plan for the abandoned land process. Staff had to revisit the plans and communicated the revised plan in the 3rd Quarter Performance Report to Council.

3. Outstanding Recommendations

- 3.1 The attached report details the 11 recommendations, their status and management's comments. Changes to management comments from the update in March 2020 are in red.

4. New Recommendations

- 4.1 During the interim, the auditors raised 3 new recommendations. They are:

- Sensitive expenditure - Update the sensitive expenditure policy to reflect best practice and the OAG guidance
- Impact of the COVID-19 pandemic on the financial statements - Prepare an assessment of the impact of COVID-19 on the District Council's financial statements.
- Bank reconciliations - Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared.

Management will look to resolve/address these issues by November this year.

5. Conclusion

- 5.1 Management continues to address the audit recommendations.
- 5.2 Three new recommendation were raised by Audit NZ.
- 5.3 Management will provide an update on the progress at each Audit and Risk Committee meeting.

6. Recommendation

- 6.1 ***That the report from the Chief Financial Officer dated 9 June 2020 concerning Progress with Audit New Zealand Findings and Recommendations (as circulated) be received, and***
- 6.2 ***That the Audit and Risk Committee note management's progress in addressing the eight outstanding Audit New Zealand recommendations, and it shall continue to provide updates on this matter as progress is made, and***
- 6.3 ***That the three new Audit New Zealand recommendations made in their Interim Audit with regard to the impact of the Covid-19 pandemic for reference in the financial statements, review of bank reconciliations and updating of the sensitive expenditure policy be noted.***

Attachments

1 [↓](#). Audit Recommendations Action and progress updates register 8 June 20

Audit New Zealand Recommendations / Action Register											
Count of entries 11						Last entry: 8/06/2020					
No.	Financial Year identified	Action point	Description	Owner / responsibility	Status	Priority	Has Recommendation been implemented	Due date	Date closed by Audit	Auditors' Comments on current status	Management comments
1	Jun 2014	Carry-over of capital projects	We recommend that the District Council continue to monitor the level of carry forwards and reduce these where possible.	Tina	Ongoing	Beneficial	Yes	30/06/2020		We will follow this up during the final audit.	<p>We have improved our process around project management namely:</p> <ol style="list-style-type: none"> 1. Developed a project management methodology to ensure a consistent and disciplined approach to managing projects. Some adjustments are currently being made to the framework and are being tested with current projects. 2. Establishing a programme and project team to assist Council in delivering projects and project outcomes, managing project risk and developing project management capabilities in Council. The PMO team is expanding as needed to manage required workload. Manager Programmes and Projects has left the organisation, and at this stage there is no intent to fill this position as the current team has sufficient skill and experience to cover her responsibilities. 3. Introduced a process for variation to budgets. This process will be updated as part of the end to end process review. 4. Created management accountant roles in finance. <p>To better manage performance, projects are placed into 3 categories:</p> <ol style="list-style-type: none"> 1. Planned and business as usual 2. Reactive projects 3. Projects with dependencies <p>Due to COVID-19 lockdown some planned works had to be delayed. This has affected our potential carry overs for 20/21 year. However, there is effort being made to complete some of these projects before year end.</p> <p>PMO with the help of the IT Business Analyst are currently documenting end to end processes, including finance components to identify areas for improvement. Enhancements to this process is expected to be applied during the 20/21 financial year.</p> <p>Further work is being done on building a coordinated view and understanding of projects across Council.</p>
2	Jun 2018	Removal of users access	We recommend that management reinforce the requirement for user access to be removed promptly once the person has ceased employment with the District Council. We continue to recommend that HR and managers advise IS prior to, or as soon as a staff member or contractor is leaving so that access can be removed promptly.	Chris W	Complete	Necessary	Yes	30/12/2018		<p>In progress: The following actions have been undertaken:</p> <ul style="list-style-type: none"> •IT procedures reviewed and updated-User accounts will be disabled in systems as soon as the IT alliance is notified of the staff member leaving the organisation- •Accounts are permanently removed upon receipt of formal notice from HR. <p>We understand that Council is working on a series of checks that will tighten control in this area, this will include regular checking of contractor and temporary/casual staff accounts.</p>	<p>Completed Dec 2018:</p> <p>The following actions have been undertaken:</p> <ul style="list-style-type: none"> - IT procedures reviewed and updated -User accounts will be disabled in systems as soon as the IT alliance is notified of the staff member leaving the organisation - Accounts are permanently removed upon receipt of formal notice from HR <p>Council is working on a series of checks that will tighten control in this area, this will include regular checking of contractor and temporary/casual staff accounts.</p>
3	Jun 2017	Age of rates debtors	We recommend that outstanding rates debtors are reviewed on a regular basis and that outstanding rates are reviewed for recovery or write off.	Eleanor	In Progress	Necessary	Yes	30/08/2018		<p>In progress: Management continues the focus on reducing the amount of outstanding rates debtors</p>	<p>Changed to In Progress</p> <p>Covid had impacted the original for plan for the abandoned land process. We had to revisit the plans and communicated the revised plan in our 3rd Quarter Performance Report to Council.</p> <p>Council has a dedicated resource for managing debtors and works actively with the MZLASS Debt Management Central (debt collection agency).</p> <p>Management continues the focus on reducing the amount of outstanding rates debtors</p> <p>It is a work in progress, however we have ensured outstanding debtors are reviewed regularly and have noted a decrease in outstanding debtors driven from active management.</p>
4	Jun 2017	Alliance agreement	We recommend that the performance framework for the Alliance be updated to include specific measures across roading, water and asset management to enable the District Council to assess performance of the Alliance across the different services delivered.	Raj	In Progress	Necessary	No	30/08/2020		<p>In progress: We understand that the Council has agreed to the extension of the Alliance agreement. We will complete our review when this has been signed.</p>	<p>Workshops with the Alliance Management team completed. Draft framework is being developed and expected to be presented to the Principal Group thereafter to the Work Liaison Committee in August.</p>
5	Jun 2017	Expenditure approval	One up approval for purchase orders is not in place. Current mitigations include review of invoice when input and review during expenditure payment by an accountant and CFO. When the District Council moves to electronic PO they will look to include further data analysis.	Cameron	In Progress	Beneficial	No	30/06/2020		We will follow this up during the final audit.	<p>The project was put on-hold due to the software solution not meeting our business requirements. With staff changes and resourcing, project scheduled to start in FY 2019/20. In the meantime process and controls improvements are being undertaken. We are starting the FIMS replacement project in the next year where we explore automating the accounts payable process including the electronic PO system.</p>
6	Jun 2017	Update and test organisational business continuity and IT disaster recovery plans	We recommend that the council finalise and test its IT Disaster Recovery (DR) Plan. We continue to recommend that IT Disaster recovery plans and organisational business continuity plans be updated and tested.	Peter W	In Progress	Necessary	No	31/07/2019		We will follow this up during the final audit.	<p>A review of the IT Disaster Recovery plan is currently underway with system infrastructure recovery tests planned for later in the year</p>
7	Jun 2018	Sensitive expenditure	We are starting the FIMS replacement project in the next year where we explore automating the accounts payable process including the electronic PO system.	Jackie	In Progress	Necessary	No	30/11/2020		<p>In progress: The staff handbook is currently being finalised.</p>	<p>The Staff Handbook (that includes the sensitive expenditure policy) not yet been completed and requires further input from managers.</p>
8	Apr 2020	Sensitive expenditure	Update the sensitive expenditure policy to reflect best practice and the OAG guidance	Jackie	In Progress	Necessary	No	30/11/2020		New recommendation	<p>Policy is being updated and we will ensure it is consistent with OAG guidance.</p>
9	Jun 2019	Formal monitoring of alliance agreement for IT Services	We recommend that the Principals Group finalise and monitor the project schedule	Peter W	In Progress	Necessary	No	30/06/2020		We will follow this up during the final audit.	<p>Council is working towards more formal monitoring of the IT Alliance operation. This will be split between reporting back to the Principals Group governance role and to Council's Senior Leadership Team.</p>
10	Apr 2020	Impact of the COVID-19 pandemic on the financial statements	Prepare an assessment of the impact of COVID-19 on the District Council's financial statements.	Raj	In Progress	Necessary	No	30/09/2020		New recommendation	<p>As part of the year end report we will include an assessment of the impact of COVID 19 on Council's financial statements.</p>
11	Apr 2020	Bank reconciliations	Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared.	Cameron	In Progress	Necessary	No	30/09/2020		New recommendation	<p>We will ensure bank reconciliation are reviewed in a timely manner and are dated</p>

Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Raj Suppiah
Chief Financial Officer

Subject : **Audit New Zealand Letters for Audit Engagement, Audit Plan and Audit Fee Proposal**

Item No : **6.5**

1. Reason for the Report

- 1.1 To review and recommend the Audit New Zealand's Audit Engagement, Audit Arrangement and Audit Fee Proposal letters for approval by Council.

2. Background

- 2.1 The Auditor-General is the auditor of all "public entities" under section 14 of the Public Audit Act 2001 (the Act).
- 2.2 The Auditor-General has appointed Audit New Zealand under sections 32 and 33 of the Act, to carry out the annual audits of the District Council's financial statements and performance information.
- 2.3 Debbie Perera is the Appointed Audit Director.
- 2.4 The letters attached to this report are:

2.5 Audit Engagement Letter

- 2.5.1 This letter outlines the terms of the audit engagement, the nature and limitations of the annual audit, and the responsibilities for both Council and the Appointed Auditor for the audits ending 30 June 2020 to 30 June 2022 financial years.
- 2.5.2 Management has reviewed this letter and is agreeable with the content.

2.6 Audit Plan – Audit for the Year Ended 30 June 2020

- 2.6.1 This letter outlines the audit plan for the audit of Tararua District Council Annual Report for the year ending 30 June 2020.
- 2.6.2 The areas of focus are detailed in pages 2 to 5. These areas differ from year-to-year and are determined based on what the Audit Director has assessed as the key business risk and issues facing Council.
- 2.6.3 The areas of additional focus for this year are the Impact of Covid-19 and Adoption of IPSAS (International Public Sector Accounting Standards) based group accounting standards.
- 2.6.4 The other areas of focus are consistent with prior years. The additional emphasis this year will be the focus on the Tararua Alliance, particularly – the Saddle Road improvements completed by New Zealand Transport Agency.
- 2.6.5 Management will discuss with the Audit Director as to what work this review entails and work with the Audit Director and the audit team, so staff can be better prepared for the audit.

2.7 Fee Proposal Letter – Proposal to conduct the audit of Tararua District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years

- 2.7.1 This letter outlines the hours and the audit fees for the financial years ending 30 June 2020, 2021 and 2020 and reasons for any change.
- 2.7.2 Fees for audits of public entities are set by the Auditor-General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited.
- 2.7.3 The fees proposed for the 2020 audit is \$2,870 (inclusive of disbursement) higher than the 2019 audit.
- 2.7.4 However as indicated in paragraph 2, the Auditor-General has indicated that the Audit fees will, in the future, need to be increased to reflect the real costs and that the increases will vary depending on the reasonableness of the current fee.
- 2.7.5 Management is aware of this and will have ongoing discussions and work with the Audit Director to agree on reasonable fees for the 2021 and 2022 years.

3. Recommendation

- 3.1** *That the report from the Chief Financial Officer dated 9 June 2020 concerning Audit New Zealand Letters for Audit Engagement, Audit Plan and Audit Fee Proposal (as circulated) be received, and*
- 3.2** *That the Audit and Risk Committee recommend to the Mayor the approval and signing of these letters on behalf of the Council.*

Attachments

- 1 [!\[\]\(0551a83d441798e532995956b603f604_img.jpg\)](#). Audit Engagement Letter
- 2 [!\[\]\(54ee180c0037b66a36ce2219a481afde_img.jpg\)](#). Audit Proposal Letter
- 3 [!\[\]\(73ae654e8897db9b21f1bf9d9efc07ef_img.jpg\)](#). Audit Plan for the 2020 Audit



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

8 June 2020

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

Tracey Collis
Mayor
Taranua District Council
P O Box 115
Dannevirke 4942

Dear Tracey

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Taranua District Council (the District Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2020 to 30 June 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the District Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the District Council’s financial statements and performance information are free from material misstatement.

The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the District Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;

- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the District Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of District Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with forecasts included in the Long term Plan/Annual Plan for the financial year; and

- its actual revenue and expenses as compared with the forecasts included in the Long Term Plan/Annual Plan for the financial year. and
- complies with generally accepted accounting practice in New Zealand (currently Public Benefit Entity Standards).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of The District Council; including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be

regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the Council from time to time. We will inform the District Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully



Debbie Perera
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:

Name:

Title: Date:

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the Long Term Plan/Annual Plan for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the Long Term Plan/Annual Plan for the financial year. • complies with generally accepted accounting practice in New Zealand (currently Public Benefit Entity Standards). <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of the District Council; enable you to monitor the resources, activities, and entities under your control; enable the District Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation and that allow the financial statements and performance information to be readily and properly audited; and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of The District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

8 June 2020

Tracey Collis
Mayor
Taranua District Council
PO Box 115
Dannevirke 4942

Ref: EN/LCA/3-0039 P154
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 60140

Dear Tracey

Proposal to conduct the audit of Taranua District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and

- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that "the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are "reasonable" for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

3 Entities covered by this proposal

This proposal covers the audits of Tararua District Council.

4 Key members of the audit team

Appointed Auditor	Debbie Perera
Audit Manager	Freddie Quilongquilong

5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual*	2020
Appointed Auditor	55	41	55
EQR Director	8	3	0
Audit Manager	84	87	84
Other CA qualified staff	253	494	160
Non CA qualified staff	187	326	360
Other specialists	29	27	29
Total audit hours	616	978	688

***Note** – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for changes in audit hours compared to estimated audit hours set out in previous APL:	2020
<p>Changes within the entity, or in its environment – such as changes in the entity's activity, systems, risk profile, or complexity, which have resulted in a change to the size or complexity of the audit.</p> <ul style="list-style-type: none"> Alliance contract – to address the impact of the new Alliance contract on the audit work required to be done. Asset valuations – funding challenges, combined with greater community awareness and expectations over the resilience and performance of core assets, have increased the importance of, and risks associated with, council's asset related practices such as continually improving its asset condition information and developing more advanced management practices. These in turn increase the complexity of council's asset revaluations and fair value assessments. <p>We have increased the time required for this work because the District Council revalues its infrastructural assets each year.</p> <p>Our hours and fees are based on each class of asset being revalued each year.</p> <p>Any additional revaluations we are required to audit will be charged separately.</p> Rates – Recent court cases have highlighted the risks council faces in relation to its rating processes. Seemingly minor procedural or documentation errors have the potential to undermine council's major revenue stream. Council's increased risks have impacted on our approach to auditing Rates, and we now perform more testing on both individual rates and the information held in the RID. Non-financial reporting – in the light of recent events, including natural disasters, the results of the Havelock North water enquiry, and the impacts of climate change, ratepayers and other stakeholders focus on local authorities' core services has increased. This has increased our assessment of risk in these areas which in turn has increased both the number of measures we identify as material and the amount of testing we do on these. <p>In addition, the mandatory performance measures present a heightened risk to council's reporting due to the range of interpretation and non-compliance issues that have been identified across the sector in recent years. We have increased the time required for this work.</p> 	<p>10</p> <p>20</p> <p>5</p> <p>5</p>
Other changes in audit hours due to a change in the mix of staff to be used on the audit. This has no financial impact.	32
Total change in audit hours	72

6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2019 budget fees	2019 actual fees charged (*)	2020
	\$	\$	\$
Net audit fee	108,517	108,517	110,145
OAG Audit Standards and Quality Support fee	9,475	9,475	9,617
Total audit fee (excluding disbursements)	117,992	117,992	119,762
Estimated disbursements	9,900	11,180	11,000
Total billable audit fees and charges	127,892	129,172	130,762
GST	19,183	19,376	19,614
Total (including GST)	147,075	148,548	150,376

*** Note** – 2019 actual audit fees charged were \$117,992, compared to our 2019 audit costs of \$155,373. These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies.

The estimated cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$119,000 - \$124,000, and your audit fees are already in that range. Other than a small adjustment over the next 1 - 2 years for that, we expect that fee increases, other than for cost inflation, will only be necessary for changes or growth in your Council, or in audit requirements.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees are have been held at a 1.5% increase over the agreed audit fee for 2019.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure "no surprises" to either party.

7.1 Exclusions

The proposed hours set out in section 5.1, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
 - PBE IPSAs 34 to 38;
 - *IFRS 9* – should the Council early adopt; and
 - PBE FRS 48.

- Changes to auditing standards including; NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government's three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council's reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission's review of local government funding and financing.
- The impacts of future growth within the Council's area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and

- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Debbie Perera
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the financial year as stated above.

Full name:	_____	Position:	_____
Authorised signature:	_____	Date:	_____
Entity name:	_____		

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Debbie Perera
PO Box 149
Palmerston North

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Tararua District Council

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of Tararua District Council for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	7
Our audit process	8
Reporting protocols	12
Audit logistics	13
Expectations	15

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Debbie Perera
Appointed Auditor
8 June 2020

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Revaluations and Fair value movements	
<p>The District Council revalues its land and buildings on a triennial basis and infrastructure assets on an annual basis.</p> <p>Revaluation of land, buildings and infrastructure assets.</p> <p>A revaluation of the District Council's infrastructure assets will be conducted as at 1 July 2019. Management will be using this information to update its fixed assets register and underlying assets records. These revaluations have a significant impact on the overall carrying value of the District Council's infrastructural, land and building assets, future depreciation charges and rates set and need to be carefully considered by the District Council before acceptance.</p> <p>Fair value assessment</p> <p>The last land and building revaluation was completed as at 1 July 2017. Land valuation date PBE IPAS 17 Property, Plant and Equipment, requires that valuations are carried out with enough regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The Saddle Road improvements</p> <p>The Saddle Road improvements completed by NZTA will need to be considered as part of the valuation process, the accounting for these is based on the contract indicating transfer will occur completion, however this is a complex issue and the District Council should ensure that the accounting rationale is documented with reference to the applicable accounting standards.</p>	<p>We will review the revaluations to:</p> <ul style="list-style-type: none"> • assess the valuation process, including the competence and experience of the person completing the valuation; • review the valuation report to assess whether the requirements of PBE IPSAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met; • ensure changes to values and depreciation charges have been appropriately accounted for; and • assess the presentation and disclosure of information related to the valuation in the financial statements. <p>As part of the process, we:</p> <ul style="list-style-type: none"> • enquire into the processes employed by the District Council to ensure that the items revalued are complete, and any items excluded from the revaluation are identified and the reason for their exclusion is documented; • review the District Council's process to satisfy itself that overall the revaluation results are appropriate; and • obtain an assurance letter from the valuers. <p>For those assets that are not revalued, we review the robustness of management's assessments as to whether or not there is a material difference between the fair value and the carrying value of those assets.</p>

Audit risk/issue	Our audit response
<p>Impairment</p> <p>At the end of each reporting period, the District Council is expected to have completed an impairment assessment in accordance with PBE IPSAS 21, Impairment of Non Cash Generating Assets, and PBE IPSAS 26 Impairment of Cash Generating Assets. This impairment assessment is on both tangible and intangible assets. If any such indication exists, the entity shall estimate the recoverable amount of the asset.</p>	<p>We will determine whether:</p> <ul style="list-style-type: none"> assets have been appropriately assessed by management for impairment; and any impairment charges have been accounted for in accordance with the relevant accounting standards.
Infrastructure projects	
<p>The District Council achieved a 95% capital expenditure budget spend in the prior year. The % spend was influenced by unbudgeted emergency works, but showed a significant improvement on prior years.</p> <p>Achieving the capital expenditure budget remains a focus area for the District Council as the current annual plan includes significant projects related to its Water Management Strategy and Road Network. The level of carry forwards can impact on the District Council's ability to deliver the levels of service it has committed to in the Long Term Plan. They can also cause cost escalation issues for the District Council if projects are not completed in a timely manner.</p> <p>Wastewater resource consents for Eketahuna and Pahiatua are still in the renewal process, this process until complete creates risk for the District Council around final operating requirements and the extent of any additional investment needed to comply.</p>	<p>We will gain an understanding of:</p> <ul style="list-style-type: none"> the District Council's processes for monitoring of programmes and budgets; and exception reporting. <p>For any significant cost increases, delays or changes to planned delivery:</p> <ul style="list-style-type: none"> the reasons for this; and processes for carrying forward expenditure to future periods. <p>We will continue to discuss the progress of resource consent renewals and proposed drinking water reforms with management and the implications the District Council</p>

Audit risk/issue	Our audit response
Accounting matters: Adoption of IPSAS based group accounting standards	
<p>Public benefit entities are required to adopt a new suite of IPSAS based group accounting standards for periods beginning on or after 1 January 2019. Of note are:</p> <ul style="list-style-type: none"> • PBE IPSAS 35 – Consolidated Financial Statements; • PBE IPSAS 36 – Investments in Associates and Joint Ventures; • PBE IPSAS 37 – Joint Arrangements; and • PBE IPSAS 38 – Disclosure of interests in other entities. <p>The key changes arising from these new standards are:</p> <ul style="list-style-type: none"> • Varied the definition of control that may result in additional entities which were previously accepted as not controlled now being assessed as controlled; • Introduced the concept of an investment entity; • The Joint Arrangement standard has changed the classifications and subsequent treatment of joint arrangements; and • A new standard which is specific to disclosures on an entity's interest in other entities. This has increased the amount of disclosures required in an entity's financial statements. <p>Management should prepare an impact assessment which considers whether these new standards change how the District Council currently accounts for and discloses controlled entities, associates, joint ventures and joint arrangements. This includes the Tararua Aquatic Community Centre (TACT).</p>	<p>We are responsible for reviewing management's work, and ensuring the adjustments are reasonable and complete. We encourage the District Council to share its impact assessment with us early in the audit process so we can agree the accounting treatment and adjustments in a timely manner.</p> <p>We will:</p> <ul style="list-style-type: none"> • discuss these changes with management; • review management's impact assessment and conclude on whether its conclusions comply with the new standards; • review accounting entries posted to recognise changes arising from the adoption of the new standards; and • review group disclosures in the financial statements to ensure they comply with the new standards. <p>The District Council has not consolidated TACT into their accounts since 30 June 2015 based on the fact that they believe they do not have control. We consider TACT to be a public entity under the "auto-pilot" considerations of PBE IPSAS 35 Consolidated Financial Statements, therefore it will need to be consolidated with Council accounts this year.</p> <p>We are currently working with the District Council over this issue.</p>

Audit risk/issue	Our audit response
Management override of internal controls	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p> <p>It is a requirement of NZ ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements that we consider the risk of fraud due to management override and complete audit procedures to address this risk.</p>	<p>We reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, we did not identify any that represent a risk of material misstatement due to fraud.</p> <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. No concerns noted.</p> <p>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p>
Impact of COVID-19	
<p>On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country is at Alert Level 4, and in lockdown. As a result, economic uncertainties have arisen which are likely to negatively effect on the operations and services of the District Council.</p>	<p>We will assess the impact of COVID-19 on the operations and services of the District Council and will confirm whether appropriate disclosures were made relating to the effect and the uncertainties caused by it.</p> <p>We will also assess whether the District Council has complied with its policies and the relevant legislation.</p>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Group audit



The group comprises :

- Tararua District Council (parent); and
- Tararua Aquatic Community Trust (TACT).

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we have considered the structure of the group and identified that none of the business activities/entities are considered to be a significant component.

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the District Council and management of the group. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at each component.

We will also communicate any fraud that we identify.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Tararua District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on completing the review of the revaluation of infrastructural assets. Completion of this work earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the pre-final audit. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Tararua District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Tararua District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Tararua District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Tararua District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to Council



We will provide a draft of all reports to management and Council for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise

Our senior audit team members are:

Debbie Perera	Appointed Auditor
Freddie Quilongquilong	Audit Manager
Nosiviwe Tsotso	Audit Supervisor
Robyn Dearlove	Manager, Information Systems Audit and Assurance

Timetable



Our current proposed timetable is:

Interim audit begun (2 weeks)	23 March 2020
Issue of interim report	8 June 2020
Audit of infrastructure revaluation (1 week)	22 June 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	11 September 2020
Final audit begins (2 weeks)	7 September 2020
Final financial statements available, incorporating all the amendments agreed to between us	30 September 2020
Annual report available, including any Chair and Chief Executive's overview or reports	5 October 2020
Verbal audit clearance	9 October 2020
Final report to Council issued in draft to management for comment	16 October 2020
Audit opinion issued	23 October 2020
Final report to Council issued	23 October 2020

There is the possibility that due to COVID-19 there may be disruptions that will require changes to the timetable proposed above. Where this arises we will discuss a revised timetable with you.

Expectations



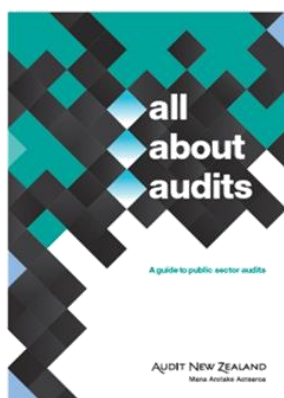
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



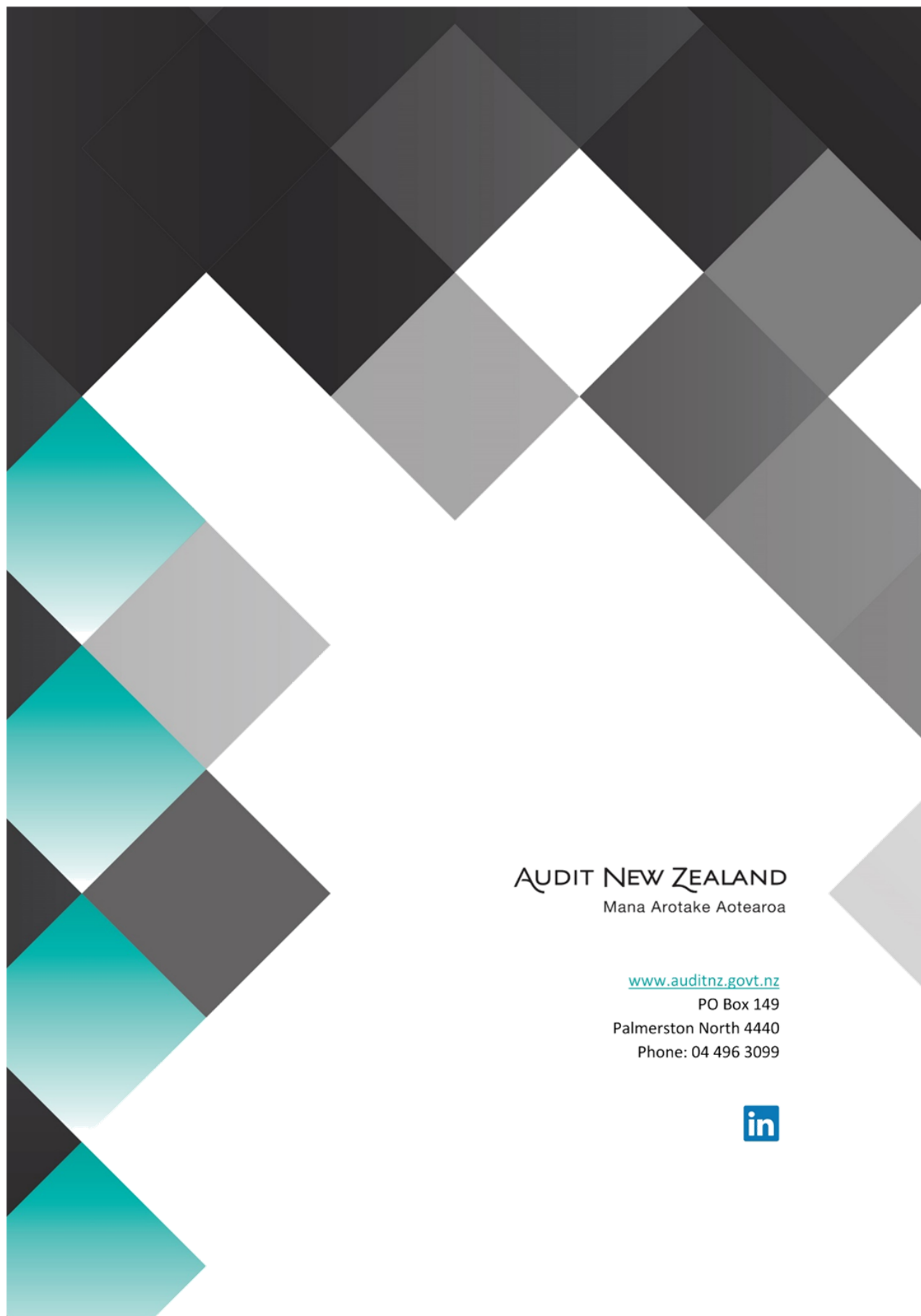
Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



Report

Date : 9 June 2020

To : Chairperson and Committee Members
Audit and Risk Committee

From : Cameron McKay
Finance Manager

Subject : **Adoption of Council's 2020/2021 Annual Plan and Schedule of Fees and Charges**

Item No : **6.6**

1. Reason for the Report

- 1.1 To review the report and recommend to Council the adoption of the 2020/21 Annual Plan and the Schedule of Fees and Charges. The adoption of the Annual Plan is a specific requirement of Section 95 of the Local Government Act 2002 (LGA).

2. Background

- 2.1 Council must prepare an Annual Plan for each financial year as required by Section 95 of the Local Government Act 2002.
- 2.2 The Annual Plan, is defined by Sections 95(5) and (6) of the Local Government Act and requires that Council present an account of significant changes from the Long Term Plan for the year in which the Annual Plan is being developed and include all relevant financial and funding impact statements for the year in which the Annual Plan is being prepared. The Act also states that clear reference needs to be made to the relevant parts of the Long Term Plan.
- 2.3 Council initially held a series of workshops in November 2019, January and February 2020 to determine the service levels, capital programme, fees and charges, activity expenditure and rates requirement for the Draft 2020/21 Annual Plan. The result of this was the Audit and Risk Committee recommending to Council in March to adopt a draft plan requiring a rate increase of 5.97%.

- 2.4 Council decided to revisit the Draft 2020/21 Annual Plan previously recommended by the Audit and Risk Committee due to Covid-19 and the drought affecting ratepayers in the district.
- 2.5 This was done through weekly discussions, finding a balance between providing relief to all ratepayers, recognising the priorities of the original Draft Annual Plan remained post Covid-19, and the need to respond and recover from Covid-19 and the drought being added to the work programme.

3. Key Messages

3.1 Original Draft Annual Plan Priorities Remain Post Covid-19:

- 3.2 Prior to Covid-19, Council planned for district wide growth and increasing government compliance requirements through a relatively high 5.97% rates increase. These requirements were consistent with Council's vision and strategic objectives in the Long Term Plan. The legislative and growth pressures still exist post Covid-19, but what has changed markedly is ratepayers ability to meet these costs at this point in time.

- 3.3 The cost drivers of the original Draft Annual Plan that still remain are outlined below:

Business as Usual

- 3.3.1 Council is often a 'price taker' for many costs, with little to no ability to negotiate prices. An example of this is insurance, where Council has faced large premium increases. This is as a result of the increased frequency of severe natural disasters within New Zealand impacting on the risk premium that insurance companies charge.
- 3.3.2 The security contracts that include animal control and noise control afterhours operations are currently being revisited. The cost to deliver on the agreed level of service has increased significantly.

Growth, Demand for Services, Levels of Service:

- 3.3.3 The district is experiencing growth in population significantly beyond the high growth assumption in the Long Term Plan. To ensure Council continues to meet its current levels of service and to enable growth, resourcing, both internally and with the use of technical experts have been budgeted for the district plan review. Resourcing has also been included in the building team by way of two cadetships due to an increasing trend in consents for building activity and a national shortage of building officers. Building fees have been increased to reflect the actual inputs required in the consenting process.

- 3.3.4 Council plans to invest in extending its pensioner housing portfolio beyond what has been budgeted, by building 6 new units in Dannevirke. Pensioner housing is a self-funding activity for Council and surpluses built up over time form a reserve that can be applied to maintenance or new builds. When not being used this reserve is applied to reducing Council debt.

Risk and Resilience

- 3.3.5 A significant cost driver is to meet Council's outcome of mitigating risk and improving resilience in the infrastructure across the district.
- 3.3.6 As Council builds new infrastructure the overall operating costs increase. Not only does it need to fund direct operating costs like electricity and chemical treatment, but also needs to cover costs like interest and repayments on debt to build the plant and fund depreciation. Council plans to commission the Pahiatua Water Treatment Plant this calendar year. This new plant addresses the drinking water standards, and the complexities of sourcing water from two different sources, the bore and the river.
- 3.3.7 Increased compliance following the Havelock North Inquiry adds an additional layer of cost compared to what was planned in the 2018/28 Long Term Plan when it comes to providing water services. The costs of operating treatment plants and treating water to meet new drinking water standards have already increased significantly.
- 3.3.8 To utilise the remaining New Zealand Transport Agency (NZTA) funding in the 3-year funding block, management have proposed increasing sealed pavement maintenance, improving the longevity of the road pavement by 10 years on average. This has added \$450,000 to the budget of which \$295,000 is funded by NZTA.

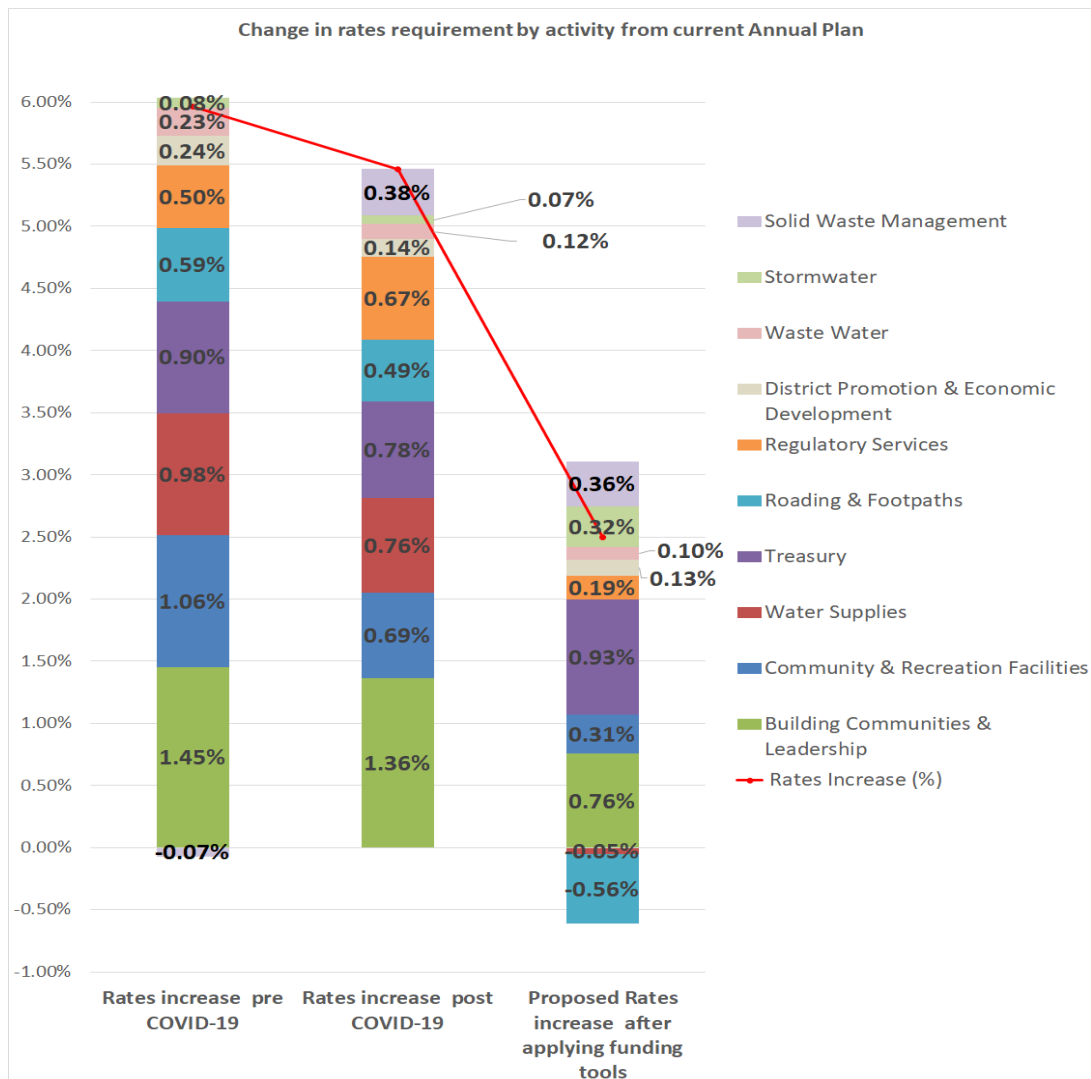
External Debt

- 3.3.9 Council's external debt has increased to \$43 million versus \$30 million as provided for in the Long Term Plan. This is mainly due to significant projects incurring additional requirements after the detailed design phase, and significant unplanned expenditure from emergency works due to climate events.
- 3.3.10 Council is taking advantage of extremely low interest rates to fund projects and increased costs through borrowing. Despite the debt increase Council maintains a strong balance sheet and is within its self-imposed debt benchmarks, which are significantly lower than many other councils across New Zealand.

3.4 Overview of Strategies to reduce rates increase post Covid-19

- 3.4.1 In this final Annual Plan, Council is proposing a significantly leaner budget that still delivers on the priorities of the original Draft Annual Plan and allows room to provide economic stimulus to the district's economy through the various roading, water and other projects to be undertaken.

- 3.4.2 Staff have reviewed the project pipeline to bring forward those that can help create jobs and provide stimulus to the district's economy needs.
- 3.4.3 By reviewing Council's approach to some capital projects such as extensions to the reticulation network by spending the upcoming year planning and developing a strategic approach before construction, and minimising operational costs where feasible, the rates increase has been reduced to 2.5%.
- 3.4.4 Council will be increasing overall debt to enable the projects to continue within the reduced rates increase, striking what staff believe is a sound balance. Section 4 outlines the funding tools and strategies that have been implemented.
- 3.4.5 While this budget is lean, Council has some options to deal with unforeseen strategies. These include drawing on reserves and rating for them in subsequent years, and the headroom on Council borrowing limits allows for additional debt drawdown if required. Where there is a need to overspend, these will be reported through the quarterly performance report along with strategies to address the overspend.
- 3.5 Key Changes from pre COVID-19 to Post COVID-19**
- 3.5.1 The diagram below shows at a group of activity level what activities were driving the pre Covid-19 5.97% rates increase, and what has changed to achieve a 2.5% increase. Also included, is where the rates would have sat if Council had not introduced the funding tools outlined in section 4 below.
- 3.5.2 Note – some activities require less rates as a result of applying loan funding as per section 4. Therefore, these show in the graph below 0%.



3.5.3 The draft budget set pre COVID-19 that resulted in 5.97% was a lean budget representing the cost pressures facing Council resulting from growth, compliance and to deliver existing levels of service.

3.6 The key changes from the 5.97% rates increase to 2.5% are outlined below:

Footpaths

3.6.1 Reallocating \$200,000 of footpaths maintenance budget (rates impact of \$68,000) from operations to renewals. Renewing footpaths will have a greater impact to the quality of the footpath network than the corresponding value put into maintenance. This is also timely, particularly as the fibre rollout is underway in the district.

Water and Wastewater

3.6.2 The saving in Water and Wastewater from the original budget is the original budget had provision for a compliance role and replacing an engineer in the 3 waters treatment team.

- 3.6.3 Due to Covid-19, a staff member who was relocating overseas is unable to relocate, meaning that with recent recruitment the treatment teams are now resourced. Council will undertake the compliance role within these staff.
- 3.6.4 The trade-off for the above reduction is the introduction of an adult apprentice / cadet scheme for the 3 waters reticulation team. This was indicated in the Recovery Plan “in the pipeline” document. Training cadets provides employment and qualification opportunities and is in an area of growing importance.

Regulatory

- 3.6.5 The increase in the regulatory team is a 0.5 increase (total increase of 1.5 from current year) in planning resources. The heavy (and increasing) demand from the growth pressures currently being experienced has necessitated an increase in 0.5 resource. The remaining 1 FTE increase is to support the district plan urban zoning review as part of Council’s desire to enable growth and with the trade-off being reduced consulting resource that would otherwise be required to perform this work.

Interest and Depreciation

- 3.6.6 Reduction in interest rate assumption from 3% to 2.75%. The new Treasury Policy enables a greater portion on floating interest rates that are a lower cost of debt to Council. Future interest rate fixing is also likely to be significantly lower than what was achieved in the past.
- 3.6.7 Revisited the Capital Expenditure Programme. Significant changes are outlined in section 5 below.
- 3.6.8 The infrastructure valuation has been completed, resulting in an increase in depreciation expense higher than what was already accounted for in the Plan. This would have resulted in a further 0.30% of rates being required – however this has been factored into the depreciation un-funding in section 4 below.

4. Funding Tools Used

- 4.1 Now is an opportune time to be borrowing due to the low cost of debt and the strong position of Council’s balance sheet, but staff are mindful of ensuring borrowing headroom for future generations. The below funding tools increases Council’s debt to \$43 million, 13 million higher than the Long Term Plan year 3 projections.
- 4.2 The funding tools Council has decided to use is the use of debt for identified operational projects, and funding of depreciation.
- 4.3 Council’s Revenue and Financing Policy does not allow for Council to borrow for operations. Where the departure from the Revenue and Financing Policy does not involve changes to the use of rate funding, Council can apply section 80 of the Local Government Act in making a decision not consistent with an adopted policy.

The use of Section 80 to use operating loan funding is supported by guidance provided to the Covid-19 Local Government Response Unit (SOLGM) by legal specialists Simpson and Grierson and has been distributed to the Local Government sector.

4.4 Section 80 – Identification of inconsistent decisions is applied when a decision of Council is significantly inconsistent or is anticipated to have consequences that will be significantly inconsistent with any policy adopted by Council. In these circumstances, the Act requires the following to be clearly identified when making the decision:

- The inconsistency; and
- The reasons for the inconsistency; and
- Any intention of the local authority to amend the policy or plan to accommodate the decision.

4.5 The following outlines the operating loan, and un-funding of depreciation that Council is proposing to reduce the rates increase from 5.46% to 2.5%.

4.6 **Operating Loan**

4.6.1 The operating loan is not significant in terms of Council's total debt, and in terms of Council's operating budget, being \$383,000 or less than 0.1% of both.

4.6.2 Operating projects identified below were chosen for funding from an operating loan as the funding of these is able to be spread of multiple years without causing a spike in rates in the future, with repayments spread over the life span of these projects as shown in the table below. The impact of this is a reduction in rates in 2020/21 of 1.51% and will be funded as per the Operating Loan Framework below:

Operating Loan Framework				
S/N	Operating Project	Amount	Project Life	Yearly loan principal repayments from 2021/22
1	Long Term Plan	140,000.00	3	46666.66667
2	Painting of Buildings	68,000.00	10	6800
3	Water Bylaw	65,000.00	5	13000
4	District Plan	110,000	10	11000
		383,000.00		77,466.67

4.7 **Depreciation Funding**

4.7.1 The balance of the funding to bring the rates increase to 2.5% has been funded from reducing depreciation funding in Roading and Water Supplies.

4.7.2 The rationale behind this is that by receiving Government subsidy for Route 52 and Asbestos Cement Pipe renewals (not guaranteed but promising) they would

have been funded out of the depreciation reserves over a much longer period of time.

4.8 Strategies to mitigate the risk from the above funding decisions

- 4.8.1 If these projects do not materialise, staff will revisit depreciation funding as part of the 2021/31 Long Term Plan and if necessary, accelerate depreciation funding to ensure the depreciation reserves are funded to an appropriate level. In total, \$410,000 has been underfunded from depreciation.
- 4.8.2 Council will need to commit in the upcoming Long Term Plan to accelerating loan repayment. This will feature as a key strategy in the Financial Strategy for the Long Term Plan and will require additional rates throughout the life of the LTP to repay loans. This strategy will ensure that Council has the ability to respond to a crisis in the future.

5. Key Changes between the Draft Annual Plan and the Long Term Plan

5.1 Rates Increase

- 5.1.1 The overall rates increase for 2020/21 Annual Plan is 2.50%. This is lower than the 3.88% increase forecast in the Long Term Plan and lower than the pre-Covid-19 proposed increase of 5.97%. The rates increase complies with the rates limits set in the Financial Strategy.

5.2 Source of Funding Mix

- 5.2.1 During the 2018/28 Long Term Plan Council agreed to a pricing strategy to provide guidance on setting fees and charges.
- 5.2.2 The Financial Strategy showed a shift in the mix of funding from subsidies and other revenue to rates funding. The trend of increasing reliance on rates funding exposes Council to a risk of a concentrated source of funding.
- 5.2.3 In response to this risk, Council reviewed its fees and charges in line with the pricing strategy set during the LTP and continues to actively pursue external subsidies to contribute to the funding of infrastructure.
- 5.2.4 Fee increases were held where possible due to the impact of Covid-19 and the drought. However, some areas have been adjusted to reflect the cost of delivering the service. The key changes to fees and charges in the Annual Plan are:
- General refuse disposal fees to reflect increased dumping costs at the Central Hawke's Bay Landfill.
 - Increased regulatory services fees to reflect the costs of delivering the service.
- 5.2.5 Council has budgeted for significant subsidy revenue for Route 52 and Asbestos Cement pipe replacements that have made it to the next stages of the Crown

Infrastructure Projects and Provincial Growth Fund. Council will not proceed with these projects if it does not receive subsidy funding.

The table below highlights the effect of these changes on the mix of Council's funding sources:

Year	Rates	Subsidies	Fees & Charges	Other Revenue
2009/19 LTP – Yr 1	49%	38%	10%	3%
2012/22 LTP – Yr 1	60%	26%	13%	1%
2015/25 LTP – Yr 1	62%	26%	9%	3%
2018/28 LTP – Yr 1	66%	26%	8%	1%
2019/20 Annual Plan (LTP Yr 2)	61%	30%	8%	1%
2020/21 Annual Plan (LTP Yr 3)	48%	45%	7%	1%

5.3 Distribution of Changes to Rates

5.3.1 A supplementary report will be provided to the Audit and Risk Committee to highlight the distribution of changes to rates across the different rates sectors.

5.4 Capital Programme

5.4.1 The budgeted capital programme for the 2020/21 Annual Plan is \$31.6 million, compared to the Long Term Plan budget of \$20.2 million. Most of the programmes in the Annual Plan 2020/21 are consistent with what was indicated in the 2018/28 Long Term Plan. Changes have been supported through discussion at Council workshops.

5.4.2 The significant changes are:

- Shovel Ready Projects - Council has applied for the 2 projects under the Crown Infrastructure, namely the Route 52 and AC pipes renewals totalling \$9.2 million (these are a 3-year project totalling \$27.6 million).
- Completing the wastewater projects resulting from new consent over 2 years (2020/21 and 2021/22) where planning/scoping/design and where possible procurement occurs in 2020/21 with construction the following year.

- Focus on developing a strategic approach to 3 waters reticulation projects namely Inflow & Infiltration, network extensions, leak detection and stormwater development projects.
- Carry forward \$4.6 million of current year budgets due to Covid-19 impact on project completion.
- Increase in budgets for Woodville water (address the water crisis issue) and earthquake strengthening of Council buildings namely Pahiatua Service Centre and Dannevirke Administration Building.

5.4.3 A key focus for the upcoming year is on planning and scoping a number of major projects, with a construction budget being pushed out to 2021/22. This reflects the improved planning approach, along with utilising the project management capabilities of the Programme and Projects Team to better manage project risks and deliver on the planned capital programme.

6. Communicating with the Community

6.1 Council had planned to formally consult on the Draft Annual Plan in April prior to the Government announcement of a national lockdown. The reason for the planned consultation was due to a proposed rates increase of 5.97% being higher than Council's 4.20% rates limit.

6.2 Due to COVID-19, Council has revisited the Annual Plan, reducing the proposed rates increase to 2.5%, lower than both the rates limit, and the proposed rates increase for year 3 of the Long Term Plan of 3.88%.

6.3 Council does not need to consult with the community on the 2020/2021 Annual Plan as the revised plan does not differ significantly from the Long Term Plan. Instead, Council will be informing the community of Council projects, activities, fees and charges planned for 2020/2021 as it adopts the Annual Plan. Staff will highlight the changes from the original Draft Annual Plan, highlighting the use of debt to achieve a 2.5% rates increase.

7. Revenue and Financing Policy

7.1.1 Council has set funding limits by way of the Revenue and Financing Policy in the 2018/28 Long Term Plan. Where Council does not comply with these limits, it must formally approve those that fall outside the policy limits. Those not complying are highlighted in the table below:

	Rates Policy	Actual percentage	Fees and charges Policy	Actual percentage	Grants and Other revenue Policy	Actual percentage
Cemeteries	70%-80%	65%	20%-30%	34%	0%-5%	2%
Parks and Recreation Grounds	85%-95%	82%	0%-5%	5%	5%-10%	13%

Animal control	10-20%	30%	80-90%	69%	-	0%
Resource Management	80%-90%	72%	10%-20%	27%	-	0%
Footpaths	100%	80%		-		20%
Roading	35-45%	26%	0%-5%	1%	55-65%	73%
Solid waste management	70%-80%	55%	20%-30%	40%	0%-5%	5%

7.1.2 The reasons and required action are noted in the table below. These will need approval as part of adopting the Annual Plan:

Activity	Reason
Solid Waste Management	<p>Council has increased fees and charges for refuse disposal to recover the costs incurred for providing this service.</p> <p>Action Required: Council to revisit the Revenue and Financing Policy in the 2021/31 LTP.</p>
Animal Control	<p>Council has significantly increased the level of service for Animal Control in recent years, whilst only making small incremental fee changes. This year, fee increases are being put on hold to aid in the recovery from Covid-19 and the drought.</p> <p>Action Required: Animal Control fees increased over the coming two years to address this non-compliance.</p>
Footpaths	<p>New Zealand Transport Agency has extended its Funding Assistance Rate for roading to also include footpaths. This was announced after the adoption of the Revenue and Financing Policy and is beneficial to ratepayers.</p> <p>Action Required: Council to revisit the Revenue and Financing Policy in the 2021/31 LTP.</p>
Resource Management	<p>Council is proposing to fund the costs of the District Plan – urban zoning review over 10 years. The result of this is rates are lower than policy limits.</p> <p>No Action Required</p>
Cemeteries	<p>Fees & Charges are slightly higher based on historical trends of cemetery plot sales. If demand for plots were to drop marginally then this activity would comply.</p> <p>No Action Required</p>

Activity	Reason
Roading	The Route 52 upgrade has a higher than standard subsidy applied being 100%. No Action Required
Parks and Recreation Grounds	The reason for non-compliance is due to a capital subsidy for a planned capital upgrade. No Action Required

8. Financial Strategy Limits and Revenue and Financing Compliance

8.1 Financial Prudence Benchmarks

8.1.1 The table below displays Council's planned limit as per the Annual Plan 2020/21 against its Quantified Maximum limits set in the Financial Strategy.

Benchmark	Quantified Maximum Limit	Planned Limit	Met	Headroom
Rates affordability benchmark				
- Income	\$24,257,000	\$ 23,859,000	Yes	\$ 397,718
- Increases	4.20%	2.49%	Yes	
Debt Affordability:				
Net Debt as a percentage of total revenue.	<100%	79%	Yes	\$ 10,733,000
Net interest as a percentage of total revenue.	<7%	2.08%	Yes	\$ 43,422,403
Net interest as a percentage of annual rates income.	<10%	4.25%	Yes	\$ 24,897,852
Liquidity (External, term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	119%	Yes	\$ 1,818,273
Balanced Budget Benchmark	>100%	125%	Yes	
Essential Services Benchmark	>100%	190.50%	Yes	
Debt Servicing Benchmark	<10%	2.13%	Yes	

8.1.2 Council complies with all of the limits set in the Financial Strategy. The proposed rates increase of 2.49% is under the maximum limit of 4.2% and represents the significant investment on improving and maintaining infrastructure and continuing to meet legislative requirements.

8.1.3 The debt limit with the least headroom is liquidity, with \$1.8 million headroom in the 2020/21 Annual Plan. This was expected in the Financial Strategy. If an unplanned event occurred (such as a major earthquake) Council has options to

increase its liquidity either through a larger standby loan facility, or re-prioritizing planned projects if required. Council previously held a stand-by facility of \$3 million, but this was increased to \$5 million. Council has a strong relationship with both Westpac and BNZ banks, allowing Council to negotiate this stand-by facility if required.

8.1.4 Council has also set lower benchmark limits than LGFA (Local Government Funding Agency) covenants. The LGFA limit for net debt as a percentage of total revenue is <170% compared to Council's limit of less than 150% as per the recently adopted Treasure Risk Management Policy. This allows for significant future headroom and also ensures the cost of debt is maintained at an affordable level to ratepayers.

8.1.5 Council's planned external borrowing position of \$43 million is higher than the LTP year 3 forecast of \$30 million.

9. Significance Assessment

9.1 The 2020/21 Annual Plan continues the priorities of efficient local infrastructure, public services and regulatory functions as consulted on through the Long Term Plan (LTP).

9.2 The proposed changes recommended are not considered significant in terms of the Council's Significance and Engagement Policy.

10. Conclusion

10.1 The Annual Plan 2020/21 proposes a low rates increase of 2.5% in response to the financial pressures being incurred by ratepayers from the drought and Covid-19. This has been achieved by developing a lean budget and using the funding tools outlined in section 4 above. The issues and challenges facing Council, being growth and compliance are consistent with the Financial Strategy.

10.2 Taking into account the above, the Audit and Risk Committee recommend to the Council it adopt the 2020/21 Annual Plan and the Fees and Charges Schedule.

11. Recommendation

11.1 *That the report from the Finance Manager dated 9 June 2020 concerning the Adoption of Council's 2020/2021 Annual Plan and Schedule of Fees and Charges (as circulated) be received, and*

11.2 *That the Audit and Risk Committee recommend to Council through Section 80 of the Local Government Act 2002 to deviate from the Revenue and Financing Policy for the use of an operating loan to fund operating projects as outlined in section 4 of this report, and in so doing provide relief to ratepayers through*

aiding the recovery from Covid-19 and the drought impacting on the district, and

- 11.3** *That the Audit and Risk Committee note the risk of the funding options chosen to be addressed by accelerating loan repayments in the Long Term Plan, and*
- 11.4** *That the Audit and Risk Committee recommend to Council the adoption of the 2019/2020 Annual Plan and the Fees and Charges Schedule subject to the correction of any typographical errors or changes which may be required, and*
- 11.5** *That it be noted and recommended for Council's approval the activities of Solid Waste Management, Animal Control, Resource Management, Parks and Recreation Grounds, Roading, Footpaths and Cemeteries fall outside the funding limits of its Revenue and Financing Policy.*

Attachments

Nil.



18 May 2020

Assistant Auditor-General – Legal
Office of the Auditor-General
Private Box 3928
Wellington 6140

Dear Sir/Madam

Exemption Request for Pecuniary Interests of Member of Local Authority

We would appreciate your urgent processing of an application for an exemption to enable us to continue to utilise the skills of Tararua District Councillor Sharon Wards, in Council's response role to COVID 19.

Background

Following the State of National Emergency declared as part of the All-of-Government response to COVID19, Tararua District Council activated its Emergency Operations Centre (EOC).

The national priority for Council EOC's was provision of community welfare needs that would arise from the Alert Level 4 lockdown, along with coordination of the multiple agencies such as foodbanks and suppliers of essential welfare needs.

This response focus on welfare required additional expertise into our EOC. Sharon Wards, Chair of the Tararua Health and Wellbeing Group, was asked by Blair King, CE, to undertake this role to bring our local social agencies together in a coordinated way.

Management will request from the OAG an exemption from the Local Authorities (Members' Interests) Act 1968 for Sharon Wards.

Local Authorities (Members' Interests) Act 1968

The Local Authorities (Members' Interests) Act 1968 applies to the pecuniary interests of members of local authorities. The Act:

- controls the making of contracts worth more than \$25,000 in a financial year between members and their authority (see Part 2); and
- prohibits members from participating in matters before the authority in which they have a pecuniary interest, other than an interest in common with the public (see Part 3).

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The \$25,000 limit includes GST. The limit relates to the value of all payments made for all contracts in which you are interested during the financial year.

The restriction on contracting applies to the Council member, not to Council. The Act does not affect the Council's power to enter into contracts.

Council must apply for approval to enter the contract and hold the relevant information to determine whether the criteria have been satisfied.

OAG approval and guidance

Management had referred to *The Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968* for OAG's requirements and guidance for seeking exemptions under the Act.

Key considerations

OAG "must be satisfied that there is no risk that the Council member may have received preferential treatment from the authority or that the Council member may have had an undue influence on the decision. We consider whether the process followed by the authority in awarding or agreeing to the contract is fair and transparent, and whether the authority's reasons for selecting you as its preferred contractor are justifiable"

Council's consideration would be that we have complied with our procurement policy.

When should approval be sought?

OAG guidance specific to this situation is:

"In the case of a series of small contracts over a period of time that would not individually require approval but that cumulatively may exceed the \$25,000 limit, we suggest applying for approval:

- at the beginning of the financial year, if it seems certain that the limit will be exceeded; or
- as soon as it becomes clear that this is a distinct possibility.

The second bullet point has triggered this action given we intend to continue to engage the services of Sharon Wards in the recovery phase of our COVID-19 response.

The following is the information requested and management's comments.

Requirement	Management comments
The name of the member;	Sharon Wards
The names of the parties to the contract – if the member is not a party to the contract, their relationship to the person/company who is the party to the contract;	N/A
The payments to be made under the contract for which approval is sought;	Paid as of 30 th April - \$11,559 Estimated to 30 June - \$8,819 Total : \$17,378

Requirement	Management comments
	<p>We believe this role may continue longer than the 6 weeks anticipated, due to the Government requesting Councils continue with the “Caring for Communities” programme throughout the Alert Level 2 status.</p> <p>We also estimate that beyond June, to continue to support the Caring for the Communities, a further cost of \$8,700.</p>
The duration and nature of the contract;	Estimated March to September 2020. However this is dependent on work required in the “Caring for Communities” programme. Hence the request for exemption now.
The reasons the authority wishes to use the proposed contractor for this work (for instance, how the authority justifies its choice on the basis of, for example, cost, performance, quality, expertise, or experience);	<p>Sharon represents the community on the Tararua Health and Wellbeing Group and given her 21 years of experience working across health and social sectors in Tararua it was believed she could readily provide support, oversight, and direction for our local welfare response.</p> <p>Sharon was asked to continue in the capacity of Welfare Manager until the deactivation of the Welfare role as directed by NEMA. Her role in assisting in the development of a recovery plan based on the principles of Caring for Communities – a framework identified by NEMA to ensure ongoing sustainability and recovery - is seen as important.</p> <p>The valuable relationships and communication networks with agencies which developed through Sharon’s input is crucial to the long-term planning processes of the Council who will have as their focus, the ongoing social wellbeing issues of the community.</p>
The process the authority has followed in selecting the proposed contractor (including, for example, whether other potential contractors were considered or had the opportunity to quote or tender, whether the authority followed its standard procedures for contracts of this type or value, how the proposal was evaluated, and who was involved in making the relevant recommendation or decision);	<p>The total value projected was \$27,000 and management used the Direct Engagement approach in our procurement policy.</p> <p><i>Extract from Procurement Policy : Approaching a single supplier without inviting competition from other suppliers to source goods or services needs to be justified and only used in certain circumstances such as where:</i></p> <ul style="list-style-type: none"> ▪ <i>tendering is not practical – e.g. in an emergency</i> <p>We had activated the EOC on 25 March 2020 and we are able to dispense of the need to invite competitive pricing and directly engage with the supplier.</p>

Requirement	Management comments
	<p>However, we also chose to apply the “price is reasonable” and “value has been demonstrated” approach.</p> <p><i>Extract from Procurement Policy : For purchases with expected cost less \$100,000, staff must ensure that:</i></p> <ul style="list-style-type: none"> <i>the price is reasonable and the approving manager is satisfied that value has been demonstrated, and</i> <i>there is recordable evidence demonstrating due diligence has been done, to ensure ‘price is reasonable’</i> <i>approval is sought from the approving manager for the purchasing unit.</i> <p>Price is reasonable – instead of contract rates we agreed to staff rates.</p> <p>Value has been demonstrated – the experience and local knowledge given Sharon’s 21 years of experience working across health and social sectors in Taranaki.</p> <p>The decision was made by the CE and supported by the CFO (procurement policy owner).</p>
Whether this is a subcontracting situation where the Council cannot control who the head contractor chooses to use;	N/A
Whether the member concerned has had any involvement in any authority decisions about the contract	Decision made by Blair King CE.
Whether the member declared an interest and abstained where necessary.	N/A Direct engagement.

Please also find attached a letter from myself to the Chief Financial Officer outlining the purpose and reason of asking Sharon Wards to be our Welfare Manager during COVID 19.

Yours sincerely


 Blair King
 Chief Executive

Encl.



12 May 2020

Raj Suppiah
Chief Financial Officer
Tararua District Council

Dear Raj

Exemption Request – Cr Sharon Wards to enable her to operate as Welfare Manager for Councils response and recovery from COVID19 in line with Government Directions

Following the State of National Emergency declared as part of the All-of-Government response to COVID19, Tararua District Council activated its Emergency Operations Centre.

The national priority for Council EOC's was provision of community welfare needs that would arise from the Alert Level 4 lockdown, along with coordination of the multiple agencies such as foodbanks and suppliers of essential welfare needs.

This response focus on welfare required additional expertise into our EOC. Sharon Wards, Chair of the Tararua Health and Wellbeing Committee, was asked by me to undertake this role to bring our local social agencies together in a coordinated way. Sharon represents the community on the Tararua Health and Wellbeing Group and given her 21 years of experience working across health and social sectors in Tararua it was believed she could provide support, oversight, and direction for our local welfare response.

Sharon was asked to continue in the capacity of Welfare Manager until the deactivation of the Welfare role as directed by NEMA. Her role in assisting in the development of a recovery plan based on the principles of Caring for Communities – a framework identified by NEMA to ensure ongoing sustainability and recovery - is seen as important. The valuable relationships and communication networks with agencies which developed through Sharon's input is crucial to the long-term planning processes of the Council who will have as their focus, the ongoing social wellbeing issues of the community.

I believe this role may continue longer than the 6 weeks anticipated, due to the Government requesting Councils continue with the "Caring for Communities" programme throughout the Alert Level 2 status.

Regards

Blair King
Chief Executive

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28 May 2020

Blair King
Chief Executive
Taranua District Council
By email: Blair.King@Taranuadc.govt.nz

Tēnā koe Blair

**CONTRACT APPROVAL UNDER LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968 –
COUNCILLOR SHARON WARDS**

I refer to your letter dated 18 May 2020 and our subsequent emails.

Taranua District Council has applied for prior approval under the Local Authorities (Members' Interests) Act 1968 (the Act) for Councillor Sharon Wards to be concerned or interested in a contract with the Council, under which payments may exceed \$25,000 in the 2019/2020 financial year. For the reasons explained below, we have decided to grant the approval sought, for the amount of \$30,000.

The contracting rule under the Act

As you are aware, the contracting rule under section 3 of the Act provides that a member of a local authority is disqualified if they are "concerned or interested" in a contract with their local authority and the total payments made, or to be made, by or on behalf of the local authority exceed \$25,000 in any financial year. However, in "any special case", the Auditor-General can give prior approval for contracts that would otherwise breach the contracting rule.

The Council's contract with Councillor Wards

In your letter, you told us that:

- Following the State of National Emergency declared as part of the government's response to Covid-19, the Council activated its Emergency Operations Centre.
- The national priority for council Emergency Operations Centres was provision of community welfare needs that would arise from an Alert Level 4 lockdown, along with co-ordination of the multiple agencies such as foodbanks and suppliers of essential welfare needs.
- Councillor Wards is the Chair of the Taranua Health and Wellbeing Committee. She has 21 years' experience working across health and social sectors in Taranua.
- The Emergency Operations Centre's focus on welfare required additional expertise. You asked Councillor Wards to undertake the role of Welfare Manager, to bring local social agencies together in a co-ordinated way. Given Councillor Wards' experience, you believed she could provide support, oversight and direction for the Emergency Operations Centre's local welfare response.
- Councillor Wards has an important role in assisting the development of a recovery plan based on the "Caring for Communities" principles, a framework identified by the National Emergency Management Agency. The valuable relationships and communication networks with agencies which developed through Councillor Wards' input are crucial to the Council's long-term planning processes, which will focus on the ongoing social wellbeing issues of the community.

- You believe that Councillor Wards' welfare role will continue for longer than the anticipated six weeks because the government has asked councils to continue with the "Caring for Communities" programme throughout Alert Level 2.
- Because the OAG guidance on the Act suggests that local authorities apply for approval as soon as it becomes clear that exceeding the \$25,000 limit is a distinct possibility, you wrote to us for approval under the Act.

The amount the Council seeks approval for

In your letter, you explained:

The payments to be made under the contract for which approval is sought;	Paid as of 30 th April - \$11,559 Estimated to 30 June - \$8,819 Total : \$17,378
	We believe this role may continue longer than the 6 weeks anticipated, due to the Government requesting Councils continue with the "Caring for Communities" programme throughout the Alert Level 2 status. We also estimate that beyond June, to continue to support the Caring for the Communities, a further cost of \$8,700.
The duration and nature of the contract;	Estimated March to September 2020. However this is dependent on work required in the "Caring for Communities" programme. Hence the request for exemption now.

The Council's 2019/2020 financial year will end on 30 June 2020. From the information in your letter, it appeared to us that Councillor Wards was paid \$11,559 as at 30 April 2020, and that you estimated that the Council would pay her a further \$8,819 by the end of the 2019/2020 year. Therefore, according to your estimation, the Council will pay Cr Wards approximately \$20,378 for the 2019/2020 year, which is below the \$25,000 limit for a financial year. The estimated \$8,700 the Council will pay to Councillor Wards for her contract work after 30 June 2020 will count towards her \$25,000 limit for the 2020/2021 year.

On 19 May, I sought clarification from you about the information in your letter, because it appeared to me that Councillor Wards would not exceed her \$25,000 limit for the 2020/2021 year.

In an email dated 22 May 2020, you replied:

Your analysis is correct based on what level we are at now. The challenge remains though if the Government decides Councils should ramp up providing welfare needs through the "Caring for Communities" model, we will need Cr Wards expertise in here again as we did for Level 4.

Hence the proactive request for an exemption so we have that in hand before the end of the financial year, to avoid any risk of breaching and confirm we can use her skills (if needed) as part of our Civil Defence resourcing model.

We agree it is unlikely we will be back at Level 4 with the National Borders closed, however, there is still a high level of planning required by Councils to demonstrate we can operate under Level 4 if required.

In response to my follow-up email that same day, the Council's Chief Financial Officer said:

If we estimate her hours in June to double if we ramp up providing welfare needs through the "Caring for Communities", estimate the total amount for the 2019/20 year would be \$25,800. Could we ask for an exemption for \$30,000. We will reassess this limit in June if needed.

We have therefore considered the application on the basis that the Council is seeking approval for \$30,000 (plus any GST payable) for the 2019/2020 year.

A "special case" for prior approval

The Act requires the existence of a "special case" before prior approval can be granted. This requires a full assessment of the circumstances, to determine whether approval should be given. We must be satisfied that there is no risk that the member may have received preferential treatment from the local authority, or had an undue influence on the decision. We consider whether the process followed by the local authority in awarding or agreeing to the contract is fair and transparent, and whether the local authority's reasons for selecting the member as its preferred contractor are justifiable.

This was a case of direct procurement – the Council did not invite competition from other suppliers before contracting Councillor Wards' services. In your letter, you explained that the process followed complied with the Council's procurement policy because:

- The policy allows for direct procurement where tendering is not practical, for example, in an emergency.
- For purchases with an expected cost of less than \$100,000, staff must ensure that the price is reasonable and the approving manager is satisfied that value has been demonstrated. Here:
 - The expected cost was \$27,000.
 - Instead of "contract rates" the parties agreed to "staff rates".
 - Value was demonstrated by Councillor Wards' experience and local knowledge.
 - The decision was made by you and supported by the Chief Financial Officer, the procurement policy owner.

On 28 May 2020 I emailed the Chief Financial Officer to ask what "staff rates" meant. He explained that the rate agreed with Councillor Wards was the salary rate for Council staff in a similar role, rather than a more expensive external consultant/ contractor rate.

In the circumstances, we consider that there is a "special case" such that we can grant approval. In particular, Councillor Wards was not involved in the decision-making process to procure her services, and the Council followed its procurement policy.

Approval

The approval is as follows:

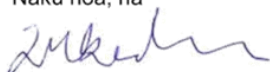
Under section 3(3)(a) of the Local Authorities (Members' Interests) Act 1968, the Auditor-General approves of Councillor Sharon Wards being concerned or interested in a contract with the Tararua District Council for her services to the Emergency Operations Centre and the "Caring for Communities Programme", under which payments will be made to Councillor Wards up to the value of \$30,000 (plus any GST payable) for the 2019/20 financial year.

This approval is in addition to, and not inclusive of, the statutory \$25,000 limit set out in the Act, for the specified year.

This approval does not suspend the normal prohibition on Councillor Wards discussing or voting on matters (including this matter) in which she has a financial interest.

I would be grateful if you could inform Councillor Wards of the contents of this letter. Please contact me if you have any questions.

Nāku noa, nā



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