



## **Audit and Risk Committee**

### **Notice of Meeting**

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 15 February 2022** commencing at **2.00pm**.

Bryan Nicholson  
Chief Executive

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### **Agenda**

- 1. Present**
- 2. Apologies**
- 3. Confirmation of Minutes** **2**  
*Recommendation*  
*That the minutes of the Audit and Risk Committee meeting held on 19 October 2021 (as circulated) be confirmed as a true and accurate record of the meeting.*
- 4. Matters Arising from the Minutes not otherwise dealt with in the Agenda**
- 5. Reports**
- 5.1 Adoption of the 2020/2021 Annual Report and Annual Report Summary** **5**
- 6. Closure**

## Audit and Risk Committee

Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 19 October 2021 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 (from item 6.2), P A Johns, K A Sutherland, R A Treder and S M Wards.

### In Attendance

Mr B Nicholson	- Chief Executive
Mr R Taylor	- Manager - Democracy Services
Mr R Suppiah	- Group Manager - Corporate
Ms S Lowe	- Group Manager - People and Capability
Mr C Chapman	- Group Manager - Infrastructure
Mr P Wimsett	- Manager Strategy and Climate Change
Ms S Smith	- Health and Safety Coordinator
Mrs S Walshe	- Senior Financial Accountant

### 2. Apologies

2.1 *That an apology is received from Cr Carole Isaacson for lateness to the meeting.*

*Franklin/Hull*

*Carried*

### 3. Notification of Items Not on the Agenda

3.1 Updates are requested on the following matters:

- Dannevirke impounded water supply repairs
- Earthquake-prone buildings notification letters to property owners

### 4. Confirmation of Minutes

4.1 *That the minutes of the Audit and Risk Committee meeting held on 17 August 2021 (as circulated) be confirmed as a true and accurate record of the meeting.*

*Ross/Wards*

*Carried*

### 5. Any Matters Arising from the Minutes not otherwise dealt with in the Agenda

5.1 Nil

## **6. Reports**

### **6.1 Health and Safety**

**6.1.1** *That the report from the Health and Safety Coordinator dated 12 October 2021 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:*

- *Council's health and safety representatives will be attending the regional health and safety representatives forum 2021 in Palmerston North held on 17 November 2021.*
- *Safe365 health, safety and wellbeing software is being rolled out to all Council staff by the end of November 2021.*
- *New health and safety representatives have been assigned to the membership of the health and safety committee.*
- *Council's health and safety response plans continue to be reviewed and updated regarding Covid-19 to reflect the changing requirements of Government's direction in respect of the pandemic.*
- *The SiteWise contractor management system is being implemented for use by contractors engaged by Council.*
- *A wellness programme for Council staff is under way, with initiatives for 2022 to be invited for the next staff wellness calendar.*
- *Details from the incident register are provided for this reporting period.*

*Ross/Johns*

*Carried*

**6.1.2** Cr Carole Isaacson entered the meeting at 2.50pm.

### **6.2 Risk Management**

**6.2.1** *That the report from the Group Manager - People and Capability dated 12 October 2021 concerning risk management (as circulated) be received, and*

*That the Audit and Risk Committee note the following update on the management of strategic risks at Council:*

- *Options for risk management software are being investigated.*
- *A recruitment process is under way to appoint a Risk and Assurance Advisor.*
- *The review and update of the risk management framework has been delayed pending the appointment of a staff member to undertake the above position.*
- *The risk regarding Government's future of local government review and three waters reform have been reviewed and signed off.*
- *The emergency management team is prepared to respond in the event of a Covid-19 localised outbreak and the potential for a drought this summer.*

*Ross/Isaacson*

*Carried*

- 6.2.2 *That the Mayor and Chief Executive be requested to develop a process for Council to consider the Government's future of local government review interim report regarding that matter.*

*Ross/Hull*

*Carried*

- 6.2.3 *That an approach be made to Local Government New Zealand requesting them to provide a simplified two to three pages summary of the key points from the Government's future of local government review interim report to provide guidance to councils in considering that matter.*

*Hull/Johns*

*Carried*

### 6.3 **2020/2021 Annual Report Audit Timeline**

- 6.3.1 *That the report from the Senior Financial Accountant dated 12 October 2021 concerning the 2020/2021 Annual Report audit timeline (as circulated) be received, and*

*That the Audit and Risk Committee note the timeline for completing the audit places challenges in completing this process prior to the end of the year when Council closes, and given these circumstances supports management's recommendation to adopt the 2020/2021 Annual Report at the first Council meeting in January 2022 to enable the necessary work to be undertaken and accepts this intention falls outside the statutory timeframe.*

*Ross/Sutherland*

*Carried*

- 6.3.2 An Audit and Risk Committee meeting will be held on 18 January 2022 at 1.00pm to receive the 2020/2021 Annual Report prior to it being adopted.

## **7. Notified Items Not on the Agenda**

### 7.1 **Dannevirke Impounded Water Supply Repairs**

- 7.1.1 Group Manager - Infrastructure Chris Chapman will present an update on progress with undertaking Dannevirke impounded water supply repairs at tomorrow's Works Liaison Committee workshop briefing session.

### 7.2 **Earthquake-prone Buildings Notification Letters to Property Owners**

- 7.2.1 Chief Executive Bryan Nicholson will follow up and provide a timeline for progressing sending the earthquake-prone buildings notification letters to property owners regarding actions Council require them to take in respect of that matter.

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 4.10pm.

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Chairperson

## Report

Date : 8 February 2022

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Sarah Walshe  
Team Leader Financial Services

Subject : **Adoption of the 2020/2021 Annual Report and Annual Report Summary**

Item No : **5.1**

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### 1. Recommendation

- 1.1 *That the report from the Team Leader Financial Services dated 8 February 2022 concerning the adoption of the 2020/2021 Annual Report and Annual Report Summary (as circulated) be received, and*
- 1.2 *That the Audit and Risk Committee recommend to the Council that the 2020/2021 Annual Report is adopted in accordance with Section 98 of the Local Government Act 2002 subject to the correction of any typographical errors or changes which may be required.*

## Executive Summary

### 2. Reason for the Report

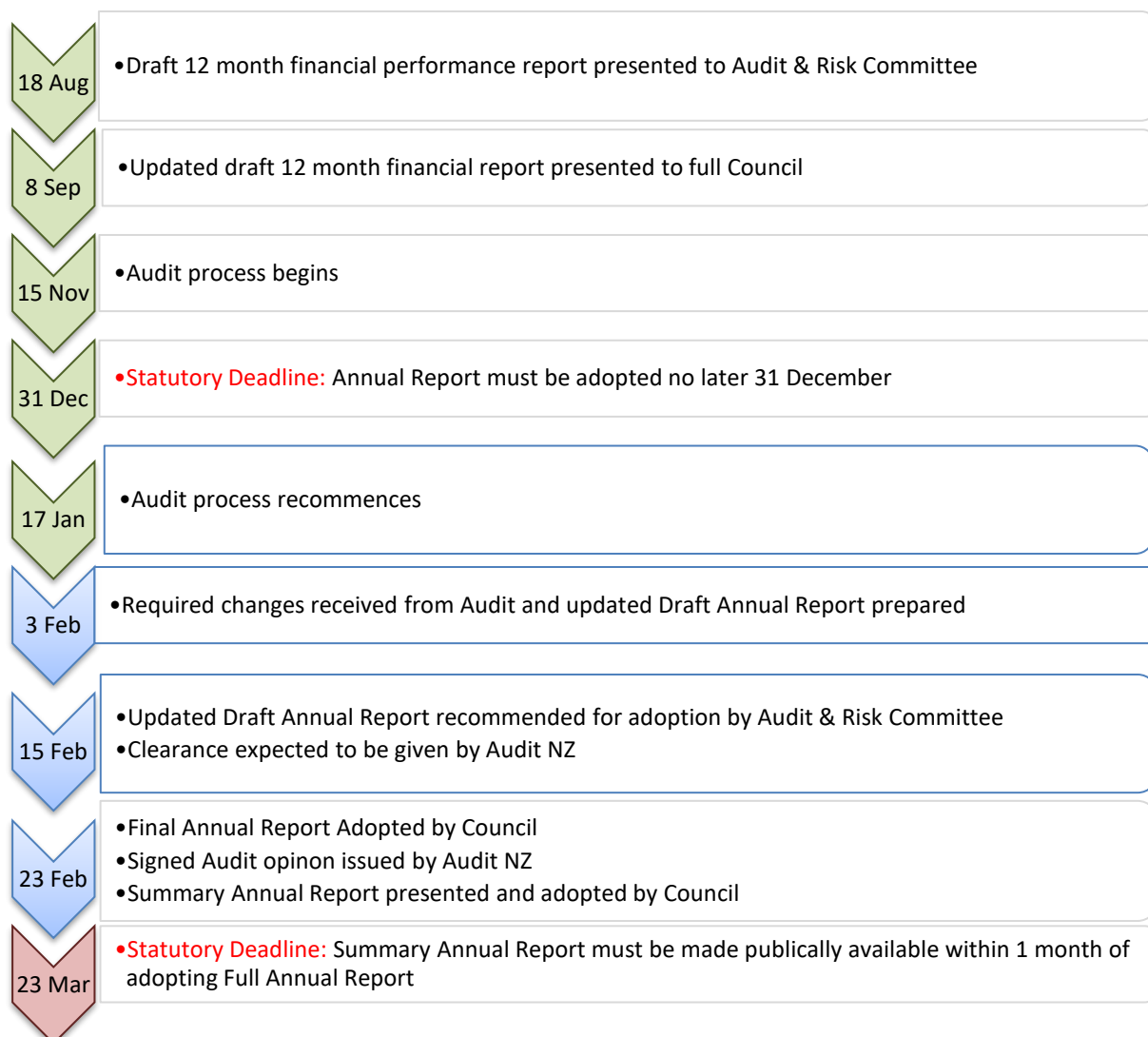
- 2.1 The reason for this report is for Council to receive and adopt the audited 2020/2021 Annual Report in accordance with Section 98 of the Local Government Act 2002. The 12-month financial report was presented to Audit & Risk Committee on 18<sup>th</sup> August, and an updated copy of this report was presented to Council on 8<sup>th</sup> September. This report highlights any subsequent changes that have been made to the 12-month financial report presented to Council on 8<sup>th</sup> September. The attached Annual Report is the final version recommended for adoption subject to the correction of any typographical errors or changes which may be required.

### **3. Background**

3.1 The Annual Report aims to achieve the following:

- To compare the actual performance of the Council in the year against the service levels as set out in the long term plan and the annual plan; and
- To promote the local authority's accountability to the community for the decisions made throughout the year by Council.

The preparation and auditing of the Annual Report is an intensive process involving significant effort of Council staff, Audit New Zealand, and concludes with Council adopting the report by resolution usually within four months after the end of the financial year. However, this year recognising the challenges faced by local authorities the statutory deadline was extended to 31 December 2021. This year there was also the added challenges for our auditors with an auditor shortage and consequential effects of Covid-19 including lockdowns which consequently meant that Council was not able to meet this timeframe and is in breach for the 2020/2021 annual report adoption. The diagram below shows the key steps in producing the Annual Report:



3.2 As can be seen in the diagram above, Council have reached the step of awaiting audit clearance and the adoption of the Annual Report, with the final steps remaining being the publication of the Summary Annual Report which also needs to go through an audit process.

#### 4. **Changes to the 12-month Financial Performance Report Submitted to Audit & Risk Committee in August 2021**

4.1 Minor changes have since been made to the Annual Report following Audit New Zealand's review. These are as stated below:

4.2 Page 99, Public Conveniences Performance Measure "Percentage of customer requests responded to within 48 hours" narration was updated to correctly reflect the number of complaints being 64, not the 69 previously mentioned. This correction has not resulted in any changes to the achievement of this measure.

- 4.3 Page 131, Roding Performance Measure “The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network expressed as a number” explanation was updated to provide more information for the end user of the annual report. This correction has not resulted in any changes to the achievement of this measure.
- 4.4 Page 131, Roding Performance Measure “The 85<sup>th</sup> percentile roughness on sealed roads” explanation was updated to provide more information for the end user of the annual report. This correction has not resulted in any changes to the achievement of this measure.
- 4.5 Page 131, Roding Performance Measure “The 95<sup>th</sup> percentile roughness on sealed roads” explanation was updated to provide more information for the end user of the annual report. This correction has not resulted in any changes to the achievement of this measure.
- 4.6 Page 140, Solid Waste Performance Measure “Tonnage of recycled materials processed by Council” explanation was updated to provide more information for the end user of the annual report. This correction has not resulted in any changes to the achievement of this measure.
- 4.7 Page 151, Wastewater Performance Measure “total number of recorded complaints” actual result was updated to 11.4 from 10.4 as well as explanation updated to reflect the correct results. This correction has not resulted in any changes to the achievement of this measure.
- 4.8 Page 157, Water Supplies Performance Measure “The percentage of real water loss from the Council’s networked reticulation schemes based on the minimum night flow (MNF) analysis” result was calculated and reported on which was previously awaiting calculation. This correction has resulted in the measure not being met.

#### 4.9 Comprehensive Revenue and Expense Variances

	2020/21 Draft 000's	2020/21 Actual Audited 000's	Variance 000's	Note
<b>Total Operating Revenue</b>	<b>53,554</b>	<b>53,839</b>	<b>285</b>	
Rates	24,019	23,838	(181)	4.9.1
Grants and Subsidies	24,788	24,790	2	
Fees & Charges	3,547	3,460	(87)	4.9.2
Other Revenue	760	861	101	4.9.3



<b>Total Operating Expenditure</b>	<b>41,982</b>	<b>43,201</b>	<b>1,219</b>	
Other Operating Expenses	21,178	21,449	271	4.9.1 4.9.4
Depreciation & Amortisation	14,743	15,182	439	4.9.5
Personnel Costs	6,346	6,867	521	4.9.6
<b>Operating Surplus/(Deficit)</b>	<b>11,572</b>	<b>10,188</b>	<b>(1,384)</b>	
Other Asset Gain/(Losses)	(9)	360	369	4.9.7
<b>Surplus/(Deficit) for the period</b>	<b>11,572</b>	<b>10,547</b>	<b>(1,025)</b>	

**Table 1: Comprehensive Revenue and Expense Statement**

- 4.9.1 Reclass rates transactions to rates revenue. These include internal rates charged to Tararua District Council, remissions, and discounts provided.
- 4.9.2 Rates penalties were incorrectly recognised in both rates revenue and fees and charges. It was eliminated from the fees and charges line.
- 4.9.3 Domain board reconciliation completed, and revenue recognised.
- 4.9.4 Domain board reconciliation completed, and expenditure recognised and a correction made to inventory consumption.
- 4.9.5 Depreciation on completion of the assets capitalised process.
- 4.9.6 Correctly classifying Tararua Alliance personnel costs to employee costs. Council records these staff costs as either a capital or an operational expense during the financial year. However, under the financial standards Council is required to have the operational component transferred from operations to personnel costs.
- 4.9.7 Gain on investment property recognised when revaluation was completed.

### Statement of Financial Position Variances

	2020/21 Draft 000's	2020/21 Actual Audited 000's	Variance 000's	Note
<b>Total Current assets</b>	<b>18,143</b>	<b>18,029</b>	<b>(114)</b>	
Cash & Cash Equivalents	11,430	9,659	(1,771)	4.10.1 4.10.2
Debtors and Other Receivables	5,023	4,522	(501)	4.10.3
Other Financial Assets	1,350	3,126	1,776	4.10.1 4.10.2
<b>Total Non-Current assets</b>	<b>1,007,017</b>	<b>1,006,853</b>	<b>(164)</b>	
Investment Property	1,559	1,525	(34)	4.10.4
Intangible Assets	1,535	1,998	463	4.10.5
PPE - Operational	51,689	49,597	(2,092)	4.10.5
PPE - Infrastructure	943,676	945,092	1,416	4.10.5
<b>Total Current Liabilities</b>	<b>9,121</b>	<b>9,063</b>	<b>(58)</b>	
Payables & Deferred Revenues	5,908	5,643	(265)	4.10.3
Borrowings - current	3,000	2,000	(1,000)	4.10.6
Derivative Financial Instrument	-	408	408	4.10.7
<b>Total Non-Current Liabilities</b>	<b>42,881</b>	<b>43,321</b>	<b>440</b>	
Borrowings – non current	39,696	42,000	2,304	4.10.6
Derivative Financial Instrument	2,274	562	(1,712)	4.10.6 4.10.7
<b>Equity</b>	<b>973,158</b>	<b>972,498</b>	<b>(660)</b>	
Accumulated Funds	357,925	354,629	(3,296)	4.10.8 4.10.9 4.10.10
Asset Revaluation Reserve	581,354	581,639	285	4.10.9
Special Funded Reserves	33,828	36,179	2,351	4.10.10

**Table 2: Statement of Financial Position**

4.9.8 Reclassifying cash from other financial assets to cash and cash equivalent. Other financial assets include cash on deposit due to mature in more than 90 days.

4.9.9 Recognition of Domain Board cash and cash equivalents.

- 4.9.10 Reclassification from accounts payable to accounts receivable, and adjustment made for impairment of accounts receivables as part of the annual report process.
- 4.9.11 Adjustment made to for the fair value gain/(loss) on valuation of investment property.
- 4.9.12 Completion of the asset capitalisation process, inclusive of invoices being correctly classified as operational expenditure where applicable, and reclassification of work in progress between operational assets and infrastructure assets.
- 4.9.13 Correctly recognising the current portion of borrowings as part of the annual report process.
- 4.9.14 Correctly recognising the current portion of derivative financial instruments (Swaps).
- 4.9.15 Recognising the change to the surplus for the period transferred to accumulated funds (for the above changes).
- 4.9.16 Adjustments made for the valuation of investment property and assets held for sale.
- 4.9.17 Adjustments were made to recognise transfers to and applications of funding from the special funded reserves during the year.

## **5. Additional Notes Added to the Annual Report**

- 5.1 An additional note has been added to the Annual Report this year, note 39 Breach of Statutory Deadline. This note provides context to the reasons for Council not meeting the statutory deadline.
- 5.2 Council has also included this information on page 73, under the Statement of compliance and responsibility section

## **6. Audit Opinion**

- 6.1 The Audit Director will present their Draft Audit Opinion at the meeting (copy of proposed opinion will be circulated once available).
- 6.2 The auditors are in the final stages of completing their work currently through undertaking their internal review process. They have indicated they will issue Council a modified audit opinion.
- 6.3 Same as Council received last year this resulted from interpretation of when to record CRM's as a complaint for the water and wastewater measures being the mandatory water measures required by Department of Internal Affairs.

Staff and the after-hours service record the first call to an event only as a complaint, with after-hours only logging an information request for subsequent calls, and Council's internal customer services only recording subsequent notifications if requested by the customer.

The audit team have indicated that every call must be logged as a complaint (e.g., if ten people call to notify Council of one leaking pipe, then staff should record ten complaints against drinking water pressure or flow). In addition, only the first call should be measured for response times to the event (e.g., water leak). This process has since been implemented at Council in the 2021/2022 financial year

- 6.4 The qualification on this issue will mean Council will have a modified Audit Report for the next three years until the issue is fully cleared (both current and comparative results).

## **7. Management Report**

- 7.1 Council will be presented with the management report from Audit New Zealand once it has been compiled and reviewed by management for comments.

## **8. Draft Summary Annual Report**

- 8.1 The Summary Annual Report must represent, fairly and consistently, the information regarding the major matters dealt within the Annual Report.
- 8.2 A Summary Annual Report must be made publicly available within one month after the date the full Annual Report has been adopted.
- 8.3 The information contained in the Summary Annual Report must include an auditor's report on the matters required by Section 99 of the Local Government Act 2002

## **Attachments**

Nil.