

Notice is hereby given that an ordinary meeting of the Horowhenua District Risk and Assurance Committee will be held on:

**Date:** Wednesday 21 February 2024  
**Time:** 10:00 am  
**Meeting Room:** Council Chambers  
**Venue:** 126-148 Oxford St  
Levin

---

## **Risk and Assurance Committee**

### **OPEN AGENDA**

---

#### **MEMBERSHIP**

<b>Chairperson</b>	Councillor Sam Jennings	
<b>Deputy Chairperson</b>	Councillor Paul Olsen	
<b>Members</b>	Councillor Clint Grimstone	
	Councillor Jonathan Procter	
	His Worship The Mayor Bernie Wanden	
	Sarah Everton	Independent Member
	Jenny Livschitz	Independent Member

Contact Telephone: 06 366 0999  
Postal Address: Private Bag 4002, Levin 5540  
Email: [enquiries@horowhenua.govt.nz](mailto:enquiries@horowhenua.govt.nz)  
Website: [www.horowhenua.govt.nz](http://www.horowhenua.govt.nz)

**Full Agendas are available on Council's website**  
[www.horowhenua.govt.nz](http://www.horowhenua.govt.nz)

**Full Agendas are also available to be collected from:**  
**Horowhenua District Council Service Centre, 126 Oxford Street, Levin**  
**Te Awahou Nieuwe Stroom, Foxton,**  
**Shannon Service Centre/Library, Plimmer Terrace, Shannon**  
**and Te Takeretanga o Kura-hau-pō, Bath Street, Levin**

---

**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the Chief Executive Officer or the Chairperson.



---

<b>ITEM</b>	<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
	<b>KARAKIA</b>	
	<b>PROCEDURAL</b>	
1	Apologies	5
2	Public Participation	5
3	Late Items	5
4	Declarations of Interest	5
5	Confirmation of Minutes	5
	<b>REPORTS</b>	
6	Reports for Noting	
6.1	Treasury Update - December 2023	7
6.2	Civic Financial Services - Statement of Intent 2024	17
6.3	Health, Safety and Wellbeing Quarterly Report - October to December 2023	27
6.4	Sensitive Expenditure Report	57
6.5	Risk and Assurance Committee Work Programme	59
6.6	Continuous Improvement and Audit Actions Monitoring Report	63



## Karakia

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tīhei mauri ora!	

### 1 Apologies

### 2 Public Participation

Notification of a request to speak is required by 12 noon on the day before the meeting by phoning 06 366 0999 or emailing [public.participation@horowhenua.govt.nz](mailto:public.participation@horowhenua.govt.nz).

### 3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

### 4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

### 5 Confirmation of Minutes

#### 5.1 Meeting minutes Risk and Assurance Committee, 8 November 2023

#### 5.2 Meeting minutes In Committee Meeting of Risk and Assurance Committee, 8 November 2023

#### Recommendations

That the meeting minutes of the Risk and Assurance Committee, 8 November 2023 be accepted as a true and correct record.

That the In-Committee minutes of the Risk and Assurance Committee, 8 November 2023 be accepted as a true and correct record.



## 6.1 Treasury Update - December 2023

File No.: 24/33

### 1. Purpose

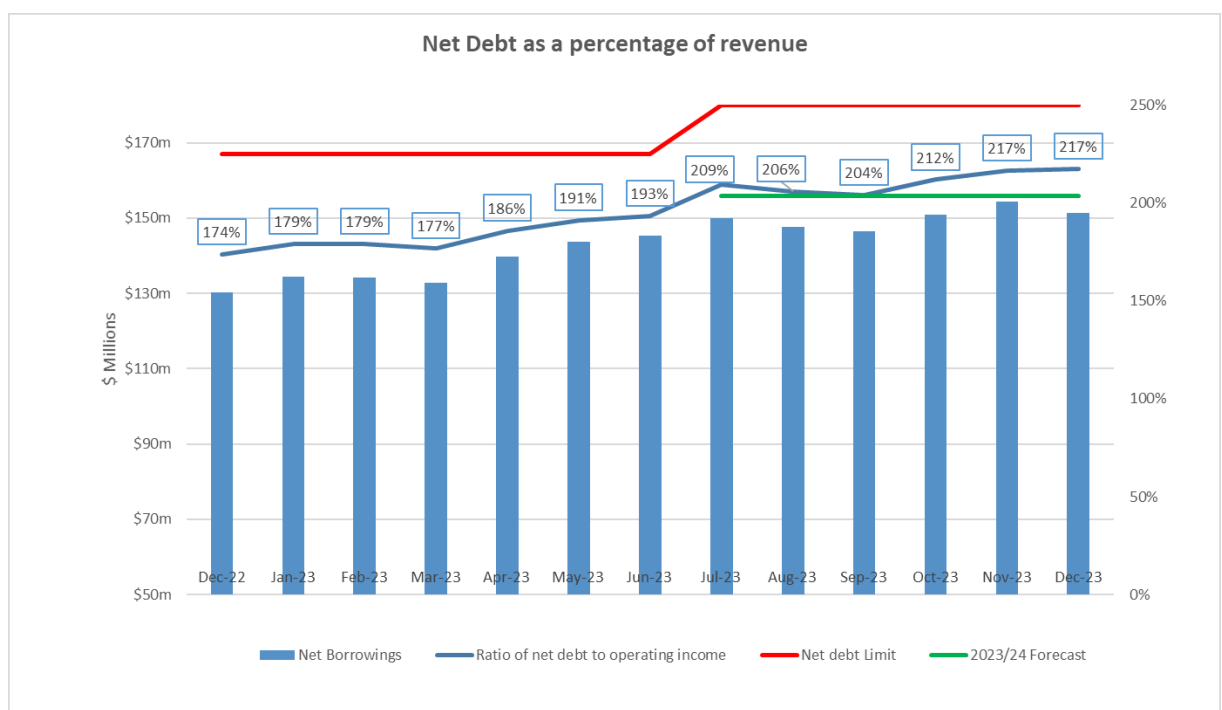
- 1.1 To update the committee on the Bancorp Treasury Reporting Dashboard for the December 2023 quarter.

### 2. Recommendation

- 2.1 That Report 24/33 Treasury Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Committee notes the Bancorp Treasury Reporting Dashboard for the December 2023 quarter.

### 3. Background and Issues for Consideration

- 3.1 This quarterly Treasury Reporting Dashboard is produced by Council's treasury advisors, Bancorp Treasury Services Limited, for the benefit of Executive Leadership Team, Elected Members and the Risk and Assurance Committee.
- 3.2 Council had \$181m of current external debt as at 31 December 2023, comprised of Commercial Paper (CP), Fixed Rates Bonds (FRBs) and Floating Rates Notes (FRNs), all sourced from the Local Government Funding Agency (LGFA). Currently % fixed term debt is 52% of our total debt (\$94m) and floating debt is 48% (\$87m). \$15m of this debt is held on term deposit to repay debt that is maturing this financial year.
- 3.3 As part our liquidity strategy, Officers are also planning to enter into similar arrangements to pre-fund debt maturing in 2025.
- 3.4 Council's net debt to total operating revenue as at 31 December 2023 is 217%. This is depicted in the following graph:



- 3.5 Officers are closely monitoring the net debt to operating income ratio, which is now forecast to be higher than the budgeted 196% due to the timing of capital grants and lower than budgeted asset sales. As part of setting the draft LTP a revised forecast of 204% for 2023/24 was agreed. It remains below the 250% limit.
- 3.6 The average cost of funds as at 31 December 2023 was 4.56%, which was up from 4.49% in June 2023. Core inflation continues to be high, tight labour markets, and wage inflation continue to impact the developed economies, which has seen several central banks continue to hike interest rates in the quarter ending December 2023. However, by the end of December, the markets were pricing in the first OCR cut in May 2024 and for it to fall to 4% by May 2025.

**Attachments**



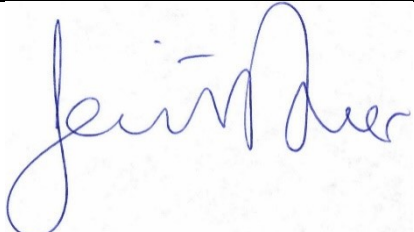

No.	Title	Page
A	Bancorp Horowhenua Dashboard as at 31 Dec 2023.	9

**Confirmation of statutory compliance**

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

Author(s)	Daniel Minty <b>Financial Services Manager</b>	
	Pei Shan Gan <b>Financial Controller</b>	
Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
	Monique Davidson <b>Chief Executive Officer</b>	





# Treasury Reporting Dashboard

31 December 2023



# Economic Commentary

## Global (for the December 2023 quarter)

2

The December quarter saw what has been described as epic moves in the benchmark US 10-year Treasury bond. The markets started the quarter with expectations of one further rate increase as the Fed reiterated its commitment to fighting inflation, concerns about the ability of the market to attract sufficient buyers to purchase US bonds as a result of the ever-increasing US deficits and continuing fallout from Fitch's downgrade of the US credit rating in early August. These factors saw the 10-year yield hit 17-year highs, peaking at 5.02% on the 20<sup>th</sup> of October, however since then the fall in US bond yields has been startling, with the market moving from 'higher-for-longer' outlook, to one of 'we have seen the top and then to pricing in six rate cuts at one point', the US 10-year bond closed the year at 3.76%, which represented a remarkable 1.26% fall in 72 days.

The Fed released a dovish statement on the 13<sup>th</sup> of December, where it appeared to pivot from the prospect of raising rates in earlier statements to talk of three rate cuts in 2024, the market then seized on this statement and as indicated above moved to price into six rate cuts at one point. However, many commentators make a good argument that economic data has not yet validated these significant market moves, and it is premature given that the battle against inflation is far from won and that the concerns around government bond issuance and the possibility of further US credit rating downgrades continue.

Despite the above, from a global perspective, the US still stands out as one of the few bright lights as we enter 2024. China continues to struggle to recover from the lifting of its Covid-19 restrictions, with China consumer prices declining for a third month in December, highlighting persistent deflationary pressures. These factors remain a concern for global growth given China's standing as the world's second-largest economy.

European inflation has fallen significantly from the 10.6% highs seen in late 2022, November inflation had fallen to 2.4% (on an annual basis) but increased back to 2.9% in December after seven straight monthly declines as food prices rose and support for high energy bills ended in some countries. The rise in price levels fueled debate over how soon interest rate cuts could be expected from the European Central Bank.

Across the Tasman, the Reserve Bank of Australia continued to increase its cash rate to 4.35% in November. However, at its December meeting, it kept rates unchanged, stating that any further moves would be data-dependent, however, its tone was seen as relatively hawkish. There is a widely held perception that it sits six to twelve months behind the rest of the world in its inflation settings. Like New Zealand though it has high levels of immigration which has increased aggregate demand which may see inflation higher than it would be otherwise.

Geopolitical issues also weigh on the global economy with the Ukraine and Russian war dragging on and with the tragic events in Palestine spilling over into tensions in the Red Sea. The impact on the global economy is strained supply lines and higher shipping costs.

# Economic Commentary

## New Zealand (for the December 2023 quarter)

3

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
30 Sep 2023	5.50%	5.74%	5.72%	5.48%	5.22%	5.17%	5.18%
31 Dec 2023	5.50%	5.63%	4.64%	4.32%	4.09%	4.07%	4.14%
Change	+0%	-0.11%	-1.08.%	-1.16%	-1.23%	1.10%	-1.04%

December was a significant quarter, with the shape of the new government being known, a continuing hawkish Reserve Bank of New Zealand (“RBNZ”), a market which is challenging the RBNZ’s stance by pricing in multiple rate cuts, poor economic data and a divergence in views amongst economists.

The new coalition government’s first piece of legislation was to change the RBNZ’s mandate back to a single mandate, requiring the RBNZ’s Monetary Policy Committee to target inflation, not price stability and “maximum sustainable employment”. The change is not expected to materially impact the RBNZ’s monetary policy settings.

On 29<sup>th</sup> November, the RBNZ’s *Monetary Policy Statement* stated that “*The Committee is confident that the current level of the OCR is restricting demand. However, ongoing excess demand and inflationary pressures are of concern, given the elevated level of core inflation. If inflationary pressures were to be stronger than anticipated, the OCR would likely need to increase (rates) further*”.

However, this statement was effectively ignored by the market, as it instead focussed on the sharp fall in US Treasury bonds and then the higher-than-expected local unemployment data (September quarter unemployment up from 3.60% to 3.90%). This was followed by the release in December of the shocking third quarter GDP data which saw GDP contract by 0.3% versus expectations of a 0.3% increase. Even worse Q2 GDP was revised downwards from 0.9% to 0.5%, occurring in a backdrop of soaring migration (at levels not seen since 1947) and the downward revision to the Q1 data once again put the country into recession for the six months ending 31<sup>st</sup> March 2023. The market then moved to a stance where it was pricing in 4-5 rate cuts in 2024.

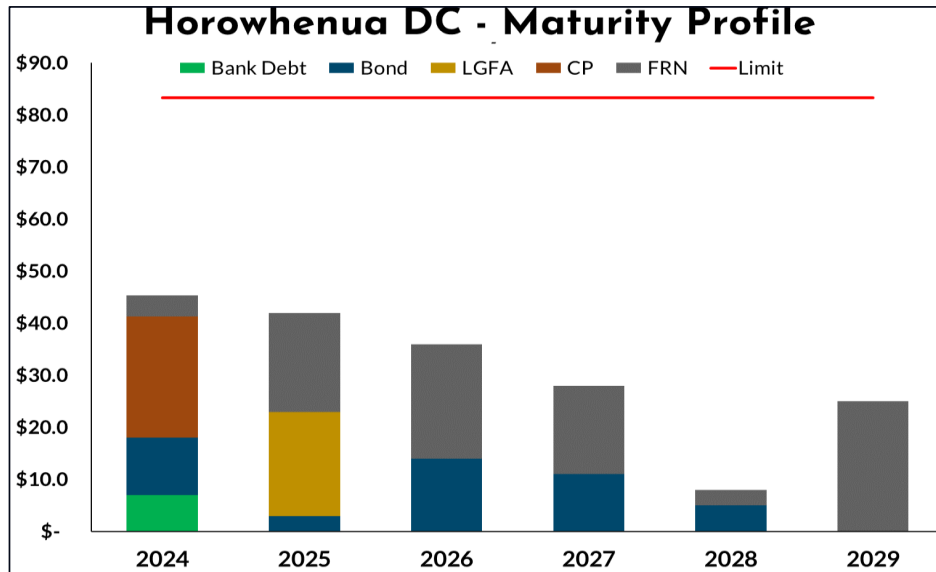
In looking at the bank’s economists’ views, we have a clear divergence in views, with some banks picking multiple rate cuts in 2024, with others such as Westpac and ANZ being much more cautious on the inflation outlook, particularly the sticky nature of non-tradeable inflation. By the end of December, the markets were pricing in the first OCR cut in May 2024 and for it to fall to 4.0% by May 2025.

Swap rates saw significant levels of volatility, with the reference 5-year swap rate peaking at 5.40% in early October and falling to a low of 4.06% in late December (in very thing trading). The downward momentum was initiated by falling US Treasury bond yields, a change to the Fed’s dot plots (which inferred 3 rate cuts in 2024 and then by the shocking NZ Q3 GDP data).

The new government’s policy agenda will be of interest with tax cuts potentially providing support to the economy which may see inflation remain higher for longer.

# Liquidity and Funding

4



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Current Debt  
**\$181.3m**  
External Council Drawn Debt

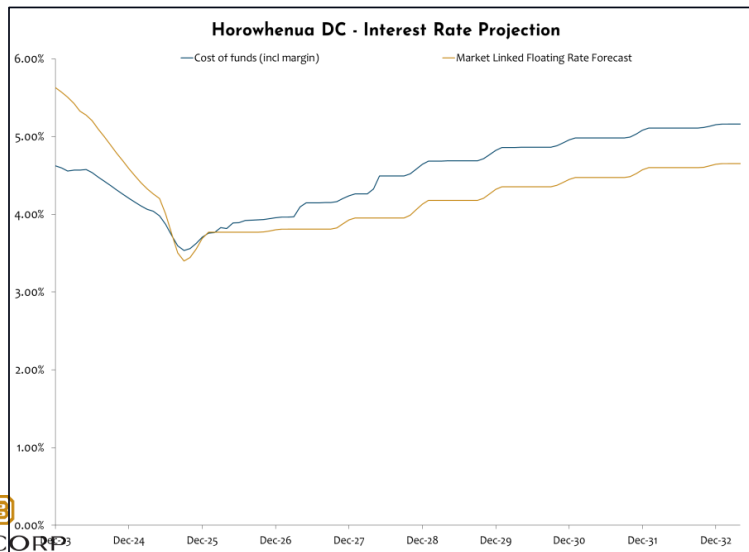
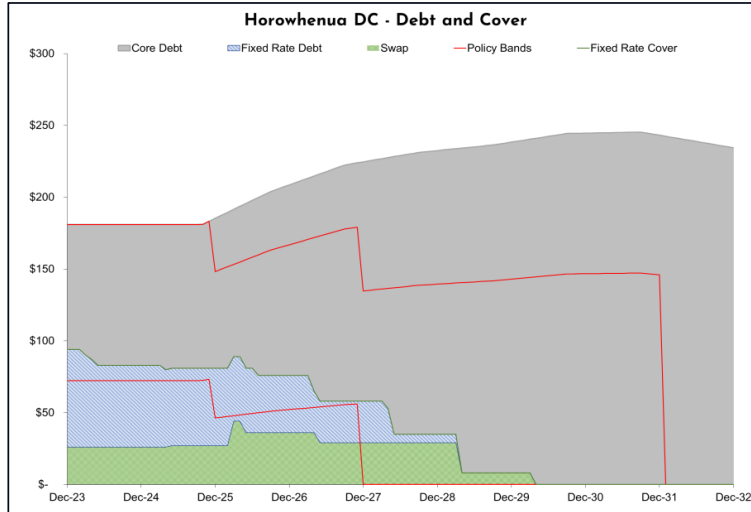
Current LGFA Debt  
**\$181.3m**  
Funds Drawn from LGFA

Headroom = undrawn bank and LGFA facilities and cash in bank  
**\$33.26m**

Liquidity Ratio  
**118.35%**  
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as of 31 December  
**4.56%**

# Debt & Cover Profile



<b>Current % of Debt Fixed</b>	51.9%
<b>Current % of Debt Floating</b>	48.1%
<b>Value of Fixed Rate (m)</b>	\$94.0
<b>Weighted Average Cost of Fixed Rate Instruments</b>	3.02%
<b>Value of Forward Starting Cover</b>	\$29.0
<b>Weighted Average Cost of Forward Starting Cover</b>	3.95%
<b>Value of Floating Rate (m)</b>	\$87.0
<b>Current Floating Rate</b>	5.63%
<b>Current Floating Rate (incl margin)</b>	6.08%
<b>All Up Weighted Average Cost of Funds Including Margin</b>	4.56%
<b>Total Facilities In Place</b>	\$208.3

<b>Policy Bands</b>			
	<b>Minimum</b>	<b>Maximum</b>	<b>Policy</b>
0 - 2 years	40%	100%	Compliant
2 - 4 years	25%	80%	Compliant
4 - 8 years	0%	60%	Compliant

# Horowhenua DC - Funding

## As at 31 December

6

As at 31 December 2023, HDC had \$181.3 million of core debt, all of which is sourced from the LGFA using Commercial Paper (“CP”), Floating Rate Notes (“FRN’s”) and Fixed Rate Bonds (“FRB’s”). In addition, HDC has a \$7m BNZ facility, with a maturity date of 20 December 2024 and a \$20m facility with the LGFA which is on a rolling 13 month term. Details of the drawn LGFA debt is as follows.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	26-Jan-24	5.80%	N/A	\$15,200,000
LGFA CP	14-Feb-24	5.77%	N/A	\$8,100,000
LGFA FRB	15-Mar-24	3.72%	N/A	\$4,000,000
LGFA FRB	15-Apr-24	2.52%	N/A	\$3,000,000
LGFA FRN	15-Apr-24	6.20%	0.49%	\$4,000,000
LGFA FRB	15-May-24	3.76%	N/A	\$4,000,000
LGFA FRB	15-Apr-25	4.20%	N/A	\$3,000,000
LGFA FRN	15-Apr-25	6.52%	0.81%	\$5,000,000
LGFA FRN	15-Apr-25	6.15%	0.44%	\$3,000,000
LGFA FRN	15-Apr-25	6.22%	0.51%	\$4,000,000
LGFA FRN	18-May-25	6.12%	0.49%	\$7,000,000
LGFA FRB	20-Mar-26	3.38%	N/A	\$9,000,000
LGFA FRN	15-Apr-26	6.27%	0.56%	\$4,000,000
LGFA FRN	15-Apr-26	6.21%	0.50%	\$4,000,000
LGFA FRN	15-Apr-26	6.21%	0.50%	\$6,000,000
LGFA FRN	15-Apr-26	6.10%	0.39%	\$8,000,000
LGFA FRB	15-Jul-26	3.37%	N/A	\$5,000,000
LGFA FRN	15-Apr-27	6.47%	0.76%	\$5,000,000
LGFA FRB	15-Apr-27	1.66%	N/A	\$5,000,000
LGFA FRB	15-Apr-27	2.12%	N/A	\$6,000,000
LGFA FRN	15-Apr-27	6.28%	0.57%	\$8,000,000
LGFA FRN	15-Apr-27	6.32%	0.61%	\$4,000,000
LGFA FRB	15-Apr-28	1.68%	N/A	\$5,000,000
LGFA FRB	15-May-28	2.11%	N/A	\$6,000,000
LGFA FRB	15-May-28	2.58%	N/A	\$12,000,000
LGFA FRN	15-May-28	6.35%	0.71%	\$3,000,000
LGFA FRN	20-Apr-29	6.28%	0.61%	\$5,000,000
LGFA FRN	20-Apr-29	6.43%	0.76%	\$6,000,000
LGFA FRN	20-Apr-29	6.48%	0.81%	\$4,000,000
LGFA FRN	20-Apr-29	6.37%	0.71%	\$10,000,000
LGFA FRB	20-Apr-29	5.17%	N/A	\$6,000,000



# LGFA Borrowing Rates

## As at 31 December

7

Listed below are the credit spreads and applicable interest rates as at the end of December for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at the Horowhenua District Council could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	5.78%	N/A
6 month CP	0.20%	5.86%	N/A
April 2024	0.34%	5.97%	6.03%
April 2025	0.40%	6.03%	5.83%
April 2026	0.46%	6.09%	5.53%
April 2027	0.56%	6.19%	5.43%
May 2028	0.71%	6.34%	5.44%
April 2029	0.78%	6.41%	5.42%
May 2030	0.82%	6.45%	5.44%
May 2031	0.94%	6.57%	5.56%
April 2033	0.98%	6.61%	5.66%
May 2035	1.07%	6.70%	5.80%
April 2037	1.09%	6.72%	5.91%

## Disclaimer

### IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us. It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp. Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

### CONFIDENTIALITY

The information provided herein is provided for your private use and on the condition that the contents remain confidential and will not be disclosed to any third party without the consent in writing of Bancorp first being obtained.

## GET IN TOUCH

Bancorp New Zealand Ltd  
Head Office, Level 3, 30 Customs Street, Auckland  
09 912 7600

[www.bancorp.co.nz](http://www.bancorp.co.nz)



File No.: 24/59

## 6.2 Civic Financial Services - Statement of Intent 2024

### 1. Purpose

- 1.1 To update elected members on the Civic Financial Services - Statement of Intent for 2024.

### 2. Recommendation

- 2.1 That Report 24/59 Civic Financial Services - Statement of Intent 2024 be received.
- 2.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 2.3 That the Committee notes the Civic Financial Services - Statement of Intent for 2024

### 3. Background and Issues for Consideration

- 3.1 Civic Financial Services Ltd (Civic) is a Local Government owned financial services company that provides superannuation services to 76 councils and has funds under management of over \$537 million as at the end June 2023. Horowhenua District Council has a 0.98% shareholding in the company.
- 3.2 In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the Local Government Superannuation Scheme (Employer Scheme) and SuperEasy, KiwiSaver Superannuation Scheme which are offered to local government on an exclusive basis.
- 3.3 Civic's main source of income is from fees for providing superannuation administration for the local government sector through the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme. They also receive fees from providing administration, accounting and other services to the Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool.
- 3.4 Civic will reduce the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme base administration fee from 0.35% per annum to 0.33% per annum from 1 April 2024.
- 3.5 There is currently one staff member enrolled in the SuperEasy scheme with Civic. We are currently looking at ways to promote the Civic schemes and their benefits to staff.
- 3.6 Attached is the Civic Financial Services Ltd Statement of Intent for the year to 31 December 2024.

#### **Confirmation of statutory compliance**


In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

#### 4. Attachments

No.	Title	Page
<a href="#">A</a>	Civic Financial Services - Statement of Intent for 2024	19

Author(s)	Daniel Minty <b>Financial Services Manager</b>	
-----------	---	---

Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
-------------	--	---

	Monique Davidson <b>Chief Executive Officer</b>	
--	--	---



8 December 2023

Monique Davidson  
Chief Executive  
Horowhenua District Council  
Private Bag 4002  
LEVIN5540  
moniqued@horowhenua.govt.nz

Kia ora Monique

**Civic Financial Services - Statement of Intent for 2024**

Please find enclosed a copy of Civic's Statement of Intent for 2024.

The Company's major source of income in 2024 will come from providing superannuation administration services for the local government sector through the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme. Additional income will be derived from the services provided to the Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool.

The 2020 Special General Meeting of the Company agreed that instead of providing dividends to shareholders, future surplus funds should be applied to reduce the administration fees for members of the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme.

We are again pleased to announce that a further reduction in the schemes' base administration fee will apply from 1 April 2024, reducing the fee from the current rate of 0.35% per annum to 0.33% per annum.

We have updated the communication section incorporated in the Statement of Intent to keep you informed of the changes we have implemented as we strive to improve the information provided to our members.

Thanks for your continued support, I look forward to working with you in 2024.

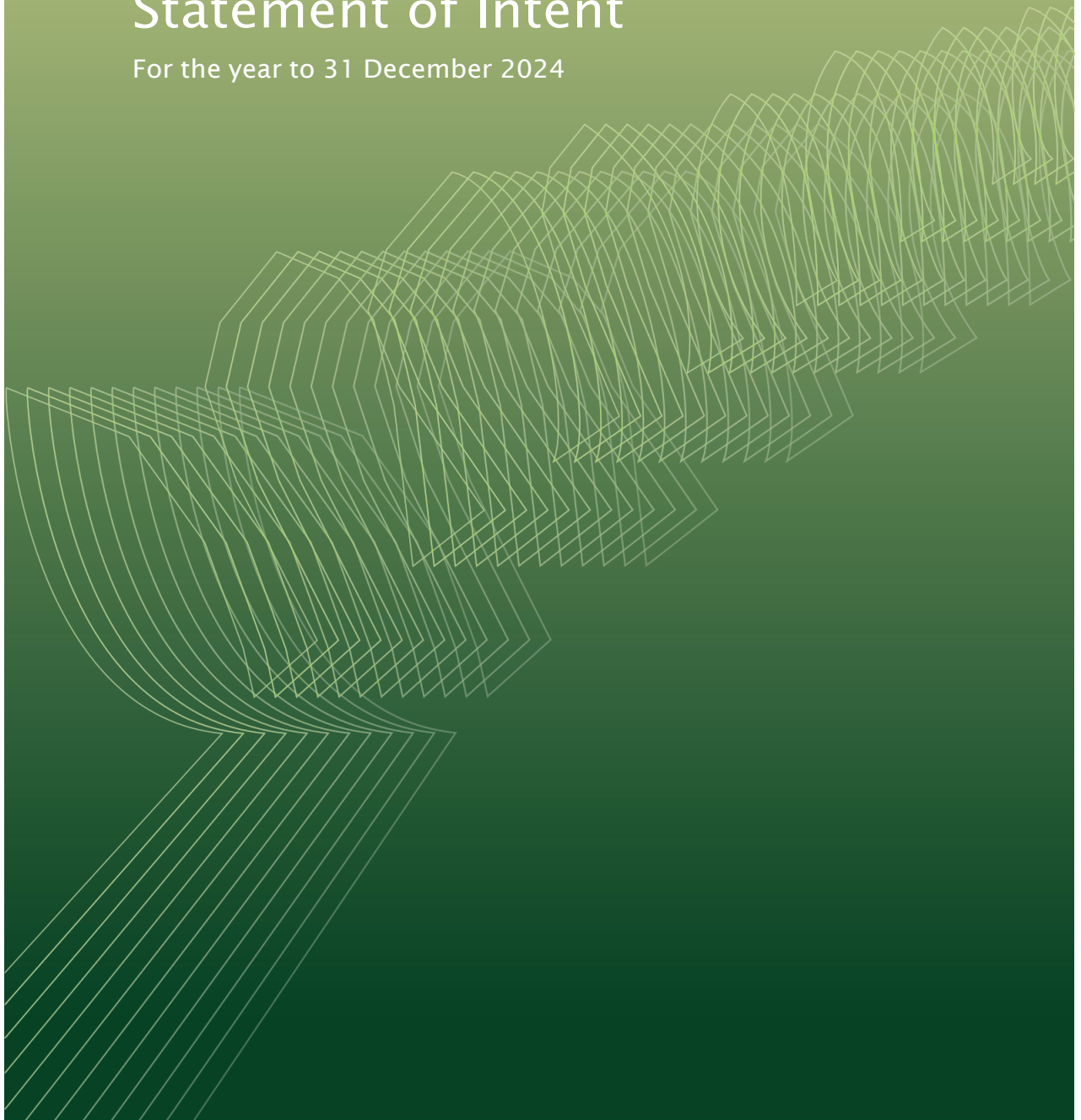
Ngā mihi

Charlie Howe  
Chief  
Executive  
Email: [charlie.howe@civicfs.co.nz](mailto:charlie.howe@civicfs.co.nz)



# Civic Financial Services Ltd Statement of Intent

For the year to 31 December 2024



---

## Contents

1.0	What we do	3
2.0	Mission Statement	3
3.0	Financial Projections	3
4.0	Performance Measures	4
5.0	Reporting to Shareholders	4
6.0	Transactions with Related Parties	5
7.0	Member Communication	5

---

## 1.0 What we do

- 1.1 We provide superannuation services for the local government sector through our SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme.
- 1.2 We also provide high-quality, low-cost administration services to our client boards (Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool).

## 2.0 Mission Statement

- 2.1 Civic will be a trusted and preferred financial services provider to the local government sector:
  - Dedicated to our shareholders.
  - Committed to our members.
  - A sound and successful business.

## 3.0 Financial Projections

- 3.1 Our primary source of income in 2024 will come from fees for providing superannuation administration for the local government sector through the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme. We also receive fees from providing administration, accounting and other services to the Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool.
- 3.2 Our other source of income in 2024 will come from returns on our investments.
- 3.3 The Boards current policy is not to pay a dividend to our shareholders. It was agreed at the 2020 Special General Meeting that the funds which could otherwise be provided as dividends to shareholders should be used to reduce the administration fees applied to our two superannuation schemes.
- 3.4 Fee reduction: We will reduce the SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme base administration fee from 0.35% per annum to 0.33% per annum from 1 April 2024.

3.5 Financial projections for the years 2024 to 2026 are:

	2024 \$000's	2025 \$000's	2026 \$000's
Administration Income	2,162	2,173	2,230
Investment Income	525	530	597
Total Revenue	2,687	2,703	2,827
Expenses	2,563	2,600	2,572
Surplus before tax	124	103	255
Surplus after tax	89	74	183

Note - these are projections, not firm predictions.

## 4.0 Performance Measures

- 4.1 We aim to provide superannuation and savings products and services to at least 90% of local authorities.
- 4.2 We plan to be retained as administration manager for the Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool.

## 5.0 Reporting to Shareholders

- 5.1 We will provide an audited report for the 2023 year by 30 April 2024. The report will contain a review of our operations during the year and audited annual accounts.
- 5.2 We will provide a report on the first half of 2024 by 30 September 2024. The report will contain a review of our operations during the half-year and unaudited half-yearly accounts.

---

## 6.0 Transactions with Related Parties

- 6.1 Civic has 73 shareholders, comprising 72 local authorities and TrustPower.
- 6.2 Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of Civic. Because it is sharing management resources, the Local Authority Protection Programme, Riskpool, Civic Liability Pool and Civic Property Pool are also considered to be related parties to Civic..
- 6.3 Transactions with shareholder members include risk-financing services and superannuation and savings-related financial services.
- 6.4 Charges to and from shareholder members will be made for services provided as part of the normal trading activities of Civic and its subsidiaries. All transactions with shareholder members are made on a purely commercial basis.

## 7.0 Member Communication

- 7.1 We have developed strategies setting out the future direction of Civic which focus on three key areas; positioning, promoting and protecting our brand as a trusted and preferred superannuation provider to the local government sector. The strategies are underpinned by Civic's people-centric model, an approach that cares about its members and their whānau and aims to maximise their retirement funds.
- 7.2 This has involved reviewing Civic's processes and product information to ensure it follows the BRACS formula: Believable, Relevant, Actionable, Compelling and Simple.
- 7.3 More regular and informative newsletters have become an important part of Civic's member-centric approach. As part of this, we have created presentations that better describe our purpose and the superannuation product range. The website has also undergone a refresh, the content and navigation being revised to provide easy access to product information, including automated sign-up forms to ensure a more efficient and user-friendly service for members and potential members.
- 7.4 We will be conducting our second member survey early next year to continue to monitor ongoing member satisfaction and assess the opportunity for better provision of services. Regular and targeted communications will provide members with the information requested in the surveys.
- 7.5 We are also investing into a completely new Website for SuperEasy next year which will improve communicating to members.





(04) 978 1250 | [admin@civicfs.co.nz](mailto:admin@civicfs.co.nz)



## 6.3 Health, Safety and Wellbeing Quarterly Report - October to December 2023

File No.: 24/41

### 1. Purpose

- 1.1 To provide the Committee with health, safety and wellbeing information and insights from 1 October to 31 December 2023.

### 2. Recommendation

- 2.1 That Report 24/41 Health, Safety and Wellbeing Quarterly Report - October to December 2023 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

### 3. Discussion

As part of this report there are 3 documents attached, below is a description of each.

#### Health, Safety and Wellbeing (HSW) Dashboard

This report gives a broad overview of lead and lag reporting across all of Council. It is designed to give Elected Members and independent members of the Risk and Assurance Committee assurance that HSW is being well managed for all staff through worker engagement, risk management and leadership. The variety of the reporting captures multiple aspects of data available to Council and allows the story of HSW across the three month reporting period to be told. Any issues highlighted in the dashboard will be discussed as part of the presentation of the report.

#### Health, Safety and Wellbeing (HSW) Action Plan 2023-2025

The HSW action plan is part of the organisation roadmap to enabling what matters and is an internal operational document. This document guides the organisation internally to continually improve our practice in HSW. To ensure worker engagement in the development of the action plan, we executed a series of meetings in May 2023, that included 186 staff attending and 924 individual items of feedback recorded. There was also a HSW compliance review completed. It involved many hours work to collate the information and produce an action plan that will enable the organization to drive towards our goal of continuous improvement.

#### Health and Safety Deep Dive – Animal Control

This allows a detailed understanding from a health and safety perspective of the type of risks the Animal Control team experience at work, and the control actions and mitigations that are in place to reduce harm occurring because of the risks.

### Attachments





No.	Title	Page
<a href="#">A</a>	HDC RAC - Health Safety and Wellbeing Dashboard Quarterly Report 1 October 2023 - 31 December 2023	29
<a href="#">B</a>	RAC - Animal Control Health and Safety Deep Dive - February 2024	39
<a href="#">C</a>	HSW Action Plan - RAC Meeting February 2024	49

**Confirmation of statutory compliance**

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

Author(s)	Tanya Glavas <b>Health &amp; Safety Lead</b>	
	Ashley Huria <b>Business Performance Manager</b>	
Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
	Monique Davidson <b>Chief Executive Officer</b>	

# Health, Safety & Wellbeing - Quarterly Report – October – December 2023

## Risk and Assurance Committee Meeting 21 February 2024

Horowhenua District Council  
October - December 2023  
2023/2024 Year

Horowhenua DISTRICT COUNCIL <b>SAFE+</b> <small>MAKING HEALTH A PART OF EVERYTHING</small>		Developing	Performing	Leading
Leadership	HDC		3.33	
	Benchmark	2.33		
Risk Management	HDC		2.70	
	Benchmark	2.45		
Worker Engagement	HDC		3.33	
	Benchmark	2.18		



### HDC SAFETY INDEX



Internal Lead & Lag reports: **HDC SAFETY INDEX**



External SafePlus Assessment: **SAFEPLUS INDEX**



Central & Local Government: **SAFEPLUS BENCHMARK INDEX**



Developing

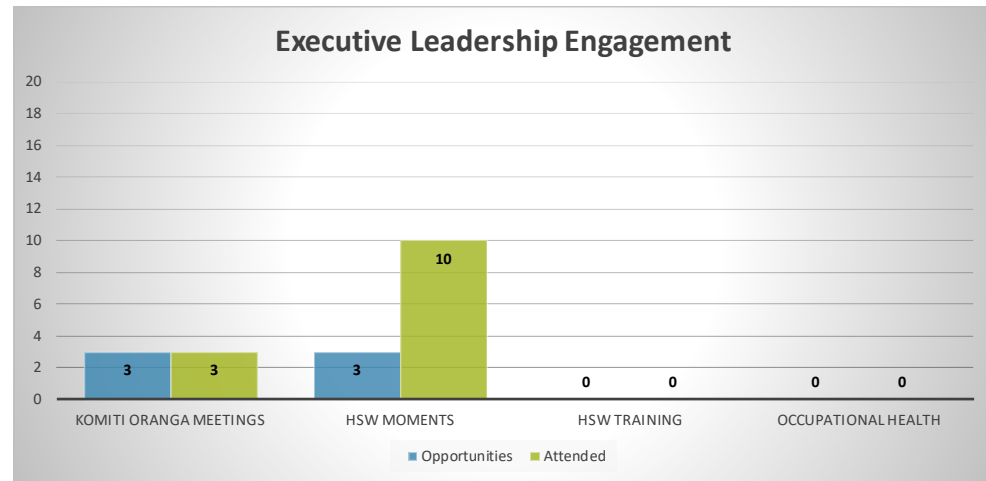
Performing

Leading

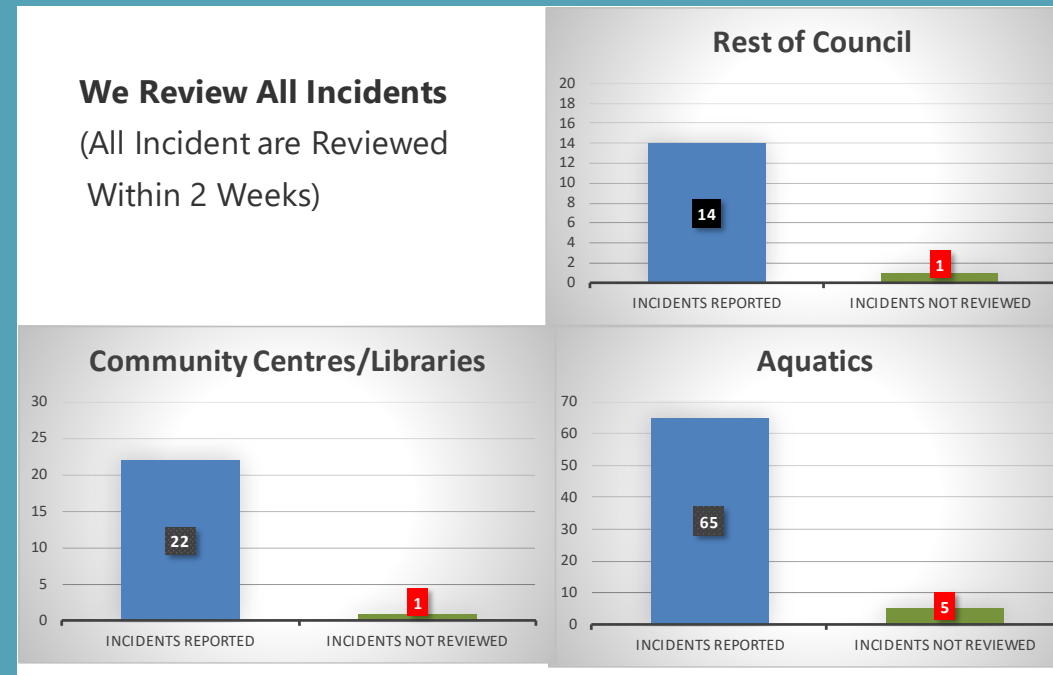
Leadership

HDC	3.33
Benchmark	2.33

**Executive Leadership Engages With Health, Safety and Wellbeing**  
(Due Diligence Obligations - Engagement)



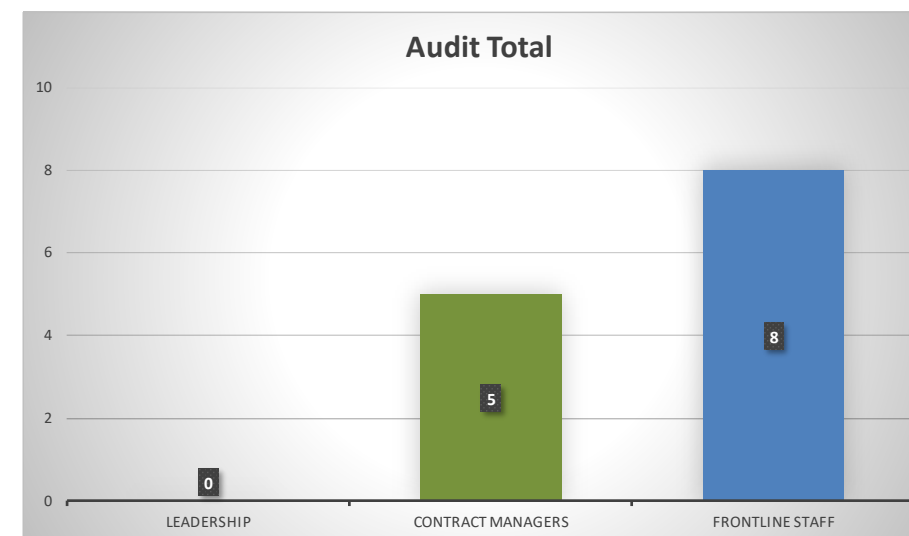
**We Review All Incidents**  
(All Incident are Reviewed Within 2 Weeks)



Leadership opportunities during the last quarter have seen officers lead health and safety in a variety of ways. Three Waters officers led a Leadership walk through the Levin Water Treatment Plant in October, H&S Representatives presenting at ELT meetings and a full ELT attendance at the SafePlus H&S assessment meeting.  
(Photo: HDC Health and Safety information board for staff)

**Lines of Defence Activity**

(Audits and inspections completed by Leadership, Contract managers, and Frontline staff)



Leadership

October - December 2023  
2023/2024 Year



HDC SAFETY INDEX



SAFEPLUS INDEX



SAFEPLUS BENCHMARK INDEX



**Risk Management**

	Developing	Performing	Leading
HDC		2.70	
Benchmark		2.45	

**Risk Management**

October -  
December 2023  
2023/2024 Year

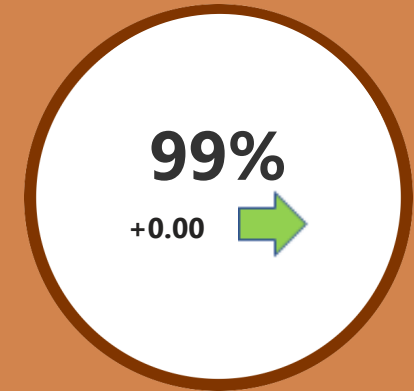
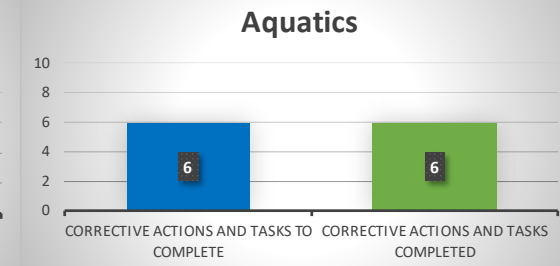
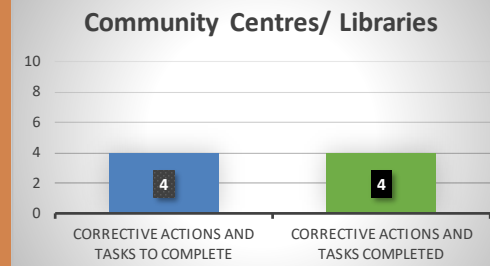
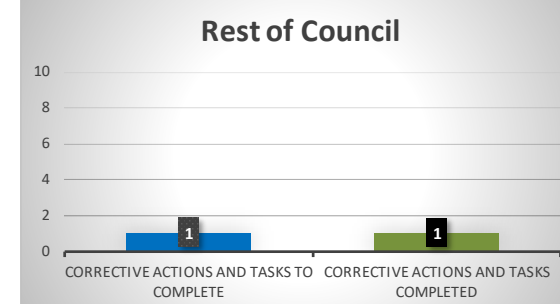


Risk Management starts by identifying and understanding what our workplace risks are, particularly those that have the potential to cause serious injury or illness. To manage risk we Plan, Do, Check and Review.

For an organisation like Council this includes risks like vehicle driving and people behaviour to safe lifting and construction site hazards. Council uses a reporting system called PeopleSafe for staff to notify risks and hazards they come across, and a risk register which shows risks and controls that reduce the risk of harm.

(Photo: Officers completing a risk assessment for safe access of contractors to a site)

**We Ensure Corrective Actions and Tasks are Completed**  
(PeopleSafe Task Completion)



HDC SAFETY INDEX



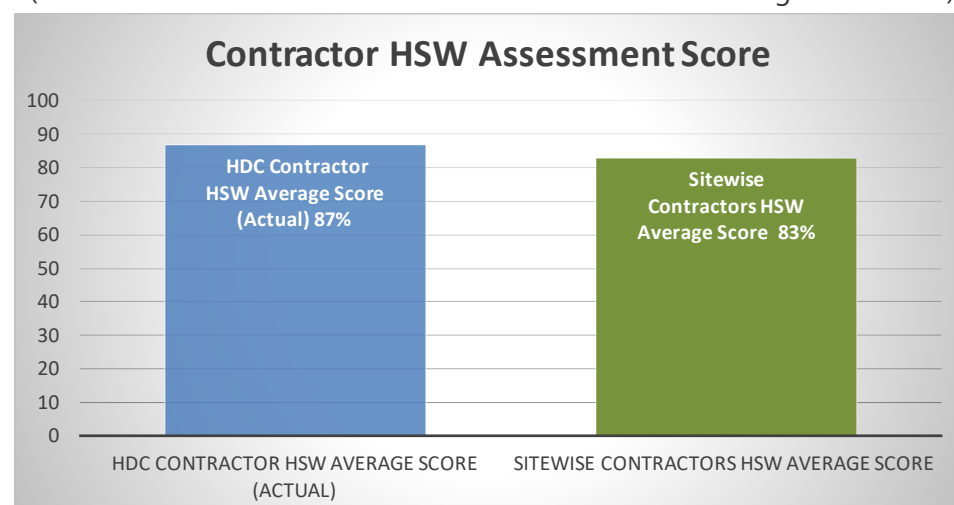
SAFEPLUS INDEX



SAFEPLUS BENCHMARK INDEX

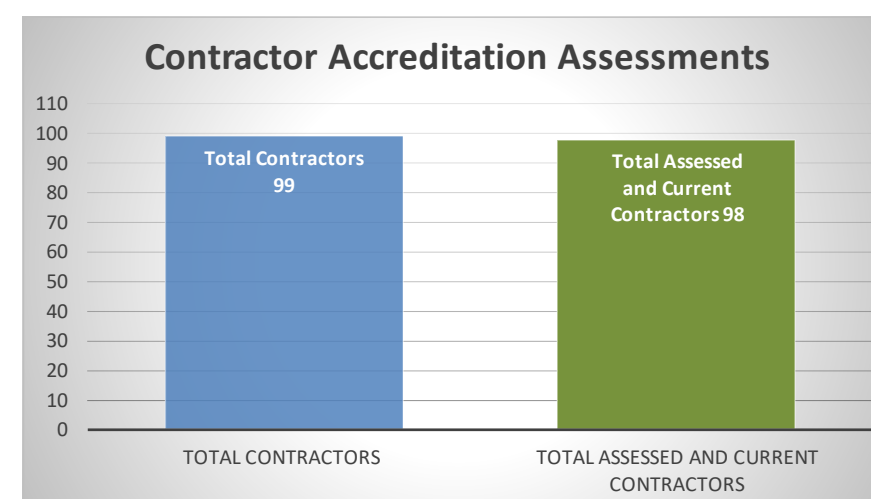
**We Ensure All Contractors Maintain a High Standard of Health, Safety and Wellbeing**

(Our Contractors HSW Assessment Scores are Above Average in Sitewise)



**We Ensure All Contractor Accreditation Assessments are Up to Date**

(Sitewise Assessments and Insurances are all up to date for all contractors)





Developing

Performing

Leading

Worker Engagement

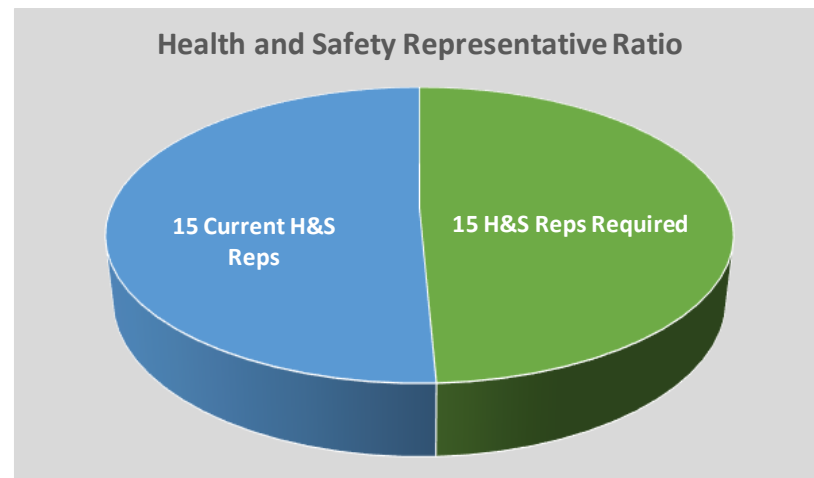
HDC	3.33
Benchmark	2.18

## Worker Engagement

October -  
December 2023  
2023/2024 Year

### We Ensure We Have Enough Health and Safety Representatives

(1:19 Health and Safety Representative ratio maintained)



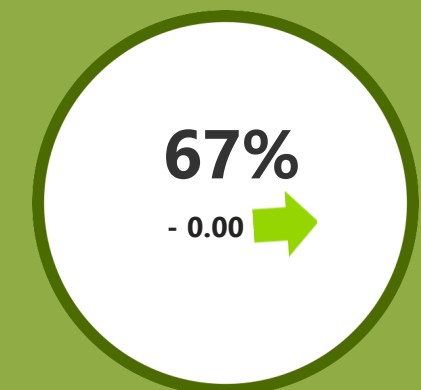
Workplace wellbeing is identified in many ways, one being workers engaging in different cultural events occurring across the year.

Cultural celebrations bring together staff who experience the language, food, costume and visual displays of the celebration. This brings a sense of connectedness with fellow colleagues and a chance to celebrate.

December brings us warmer weather, end of the calendar year and the chance for staff to celebrate Christmas by decorating their work area and themselves in a Christmas theme.  
(Photo: Elf hard at work)



HDC SAFETY INDEX



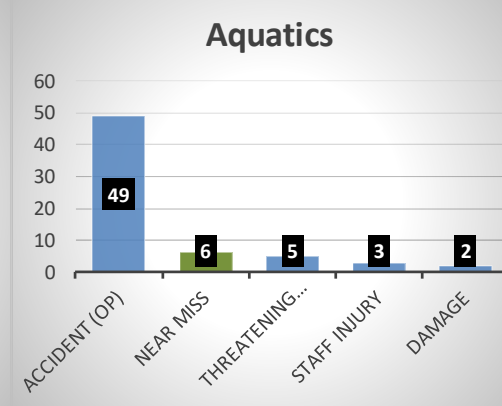
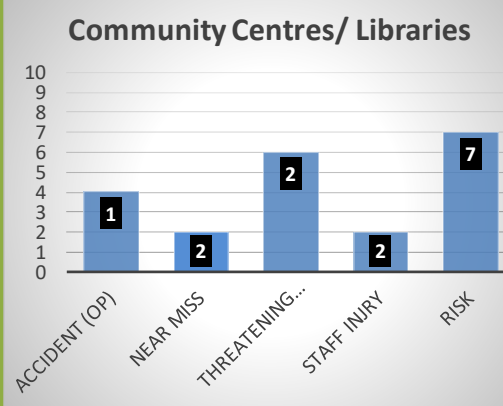
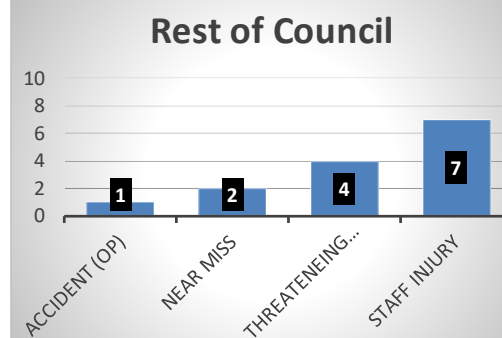
SAFEPLUS INDEX



SAFEPLUS BENCHMARK INDEX

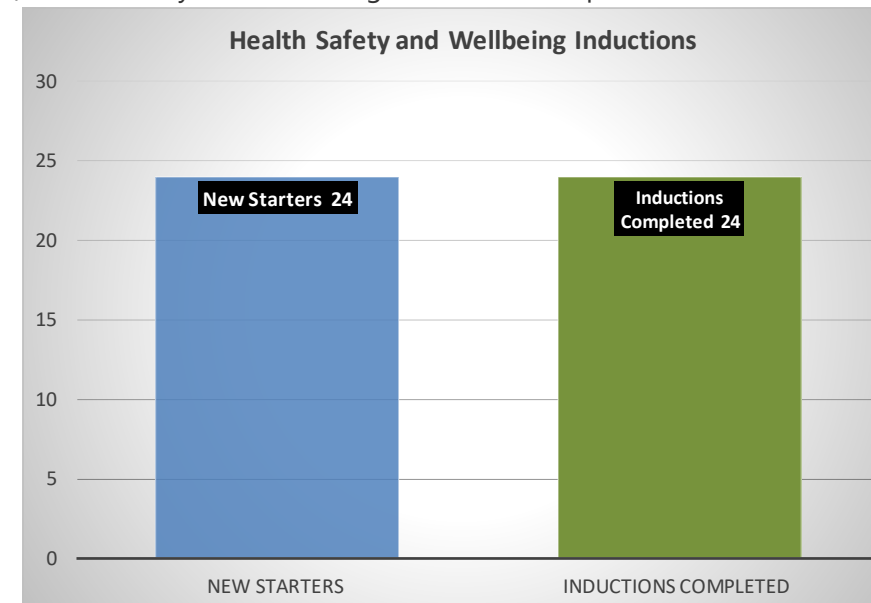
### We Ensure All Incidents Are Reported

(All Incidents are Reported in PeopleSafe)



### We Ensure All new Starters Receive Essential Health, Safety and Wellbeing Information

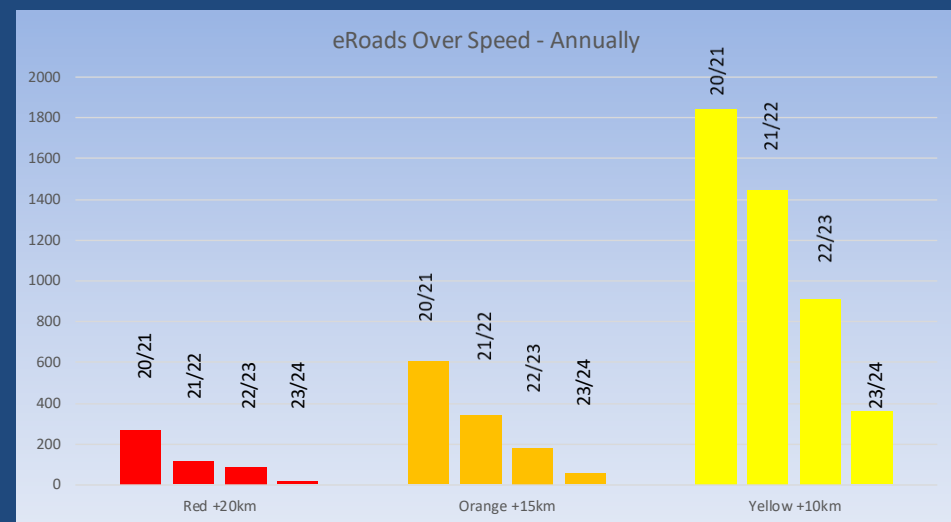
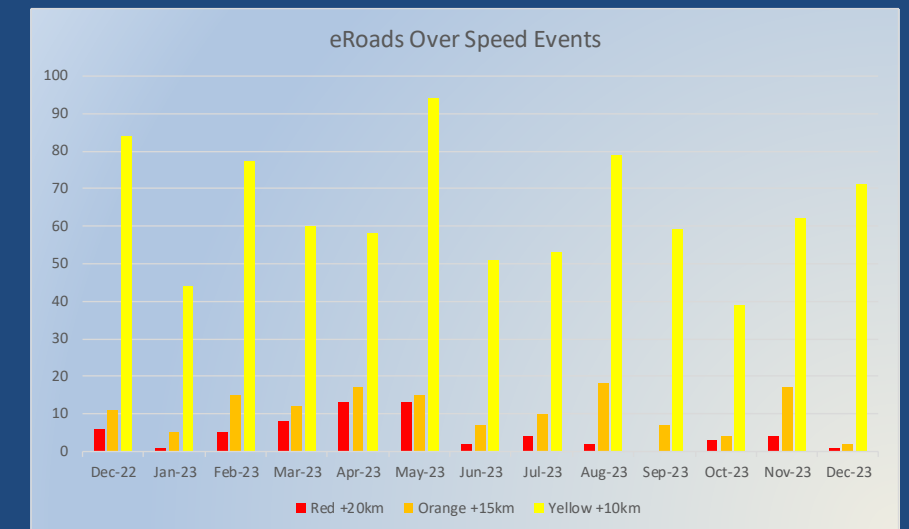
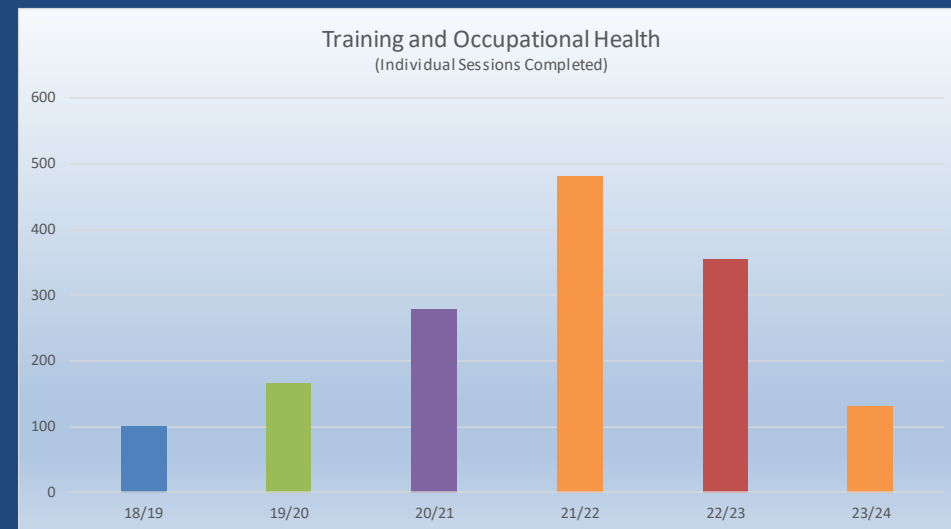
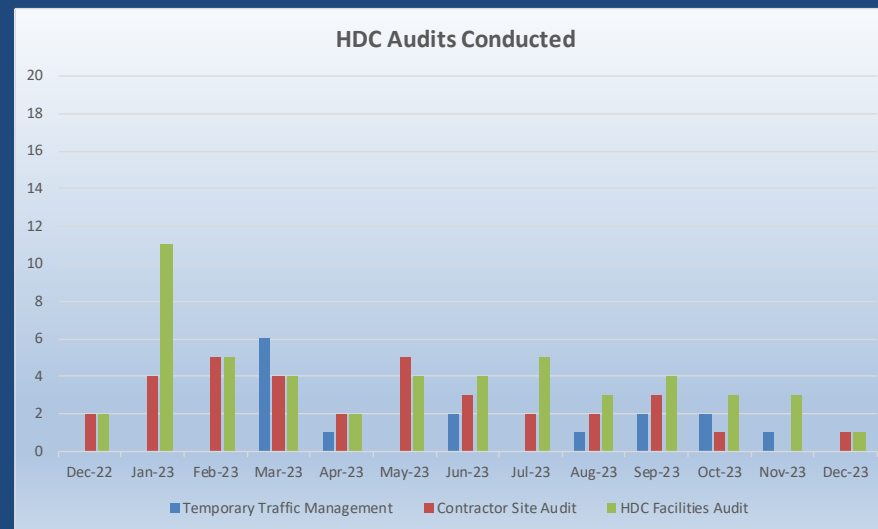
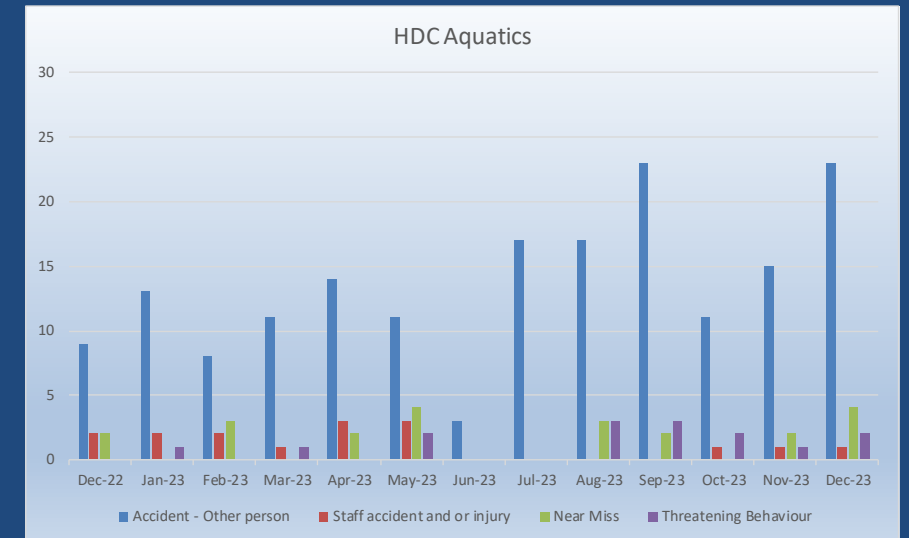
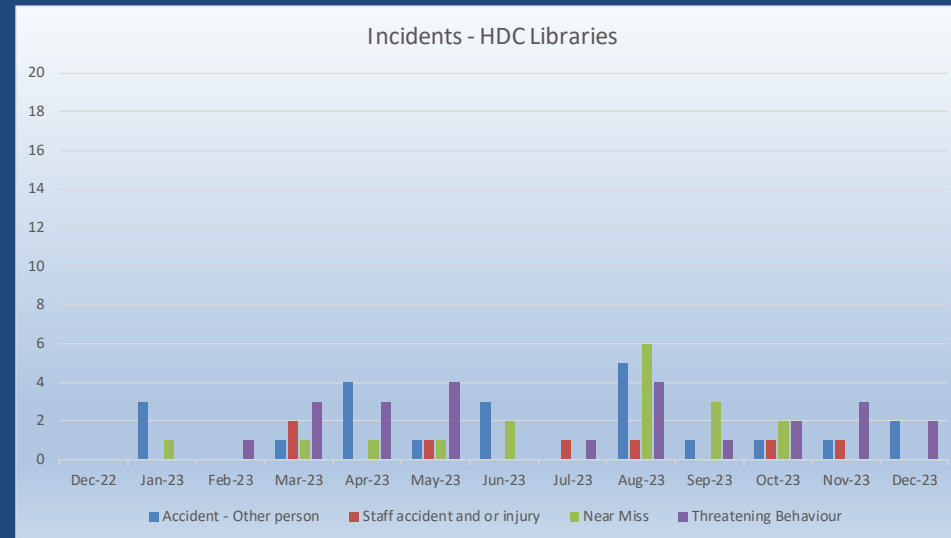
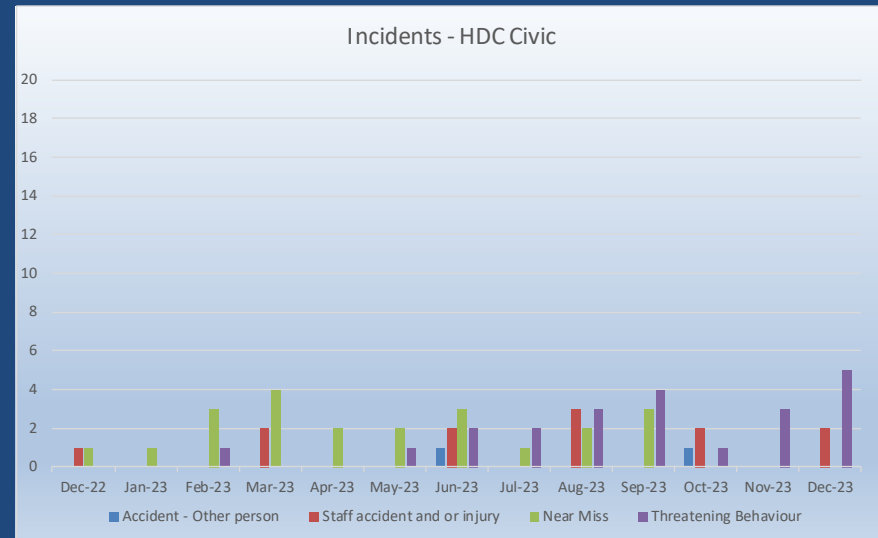
(Health, Safety and Wellbeing Inductions completed for each new starter)





# HEALTH, SAFETY AND WELLBEING – 13 MONTH TRENDS as at 31 December 2023

Horowhenua  
District Council  
2023/2024 Year

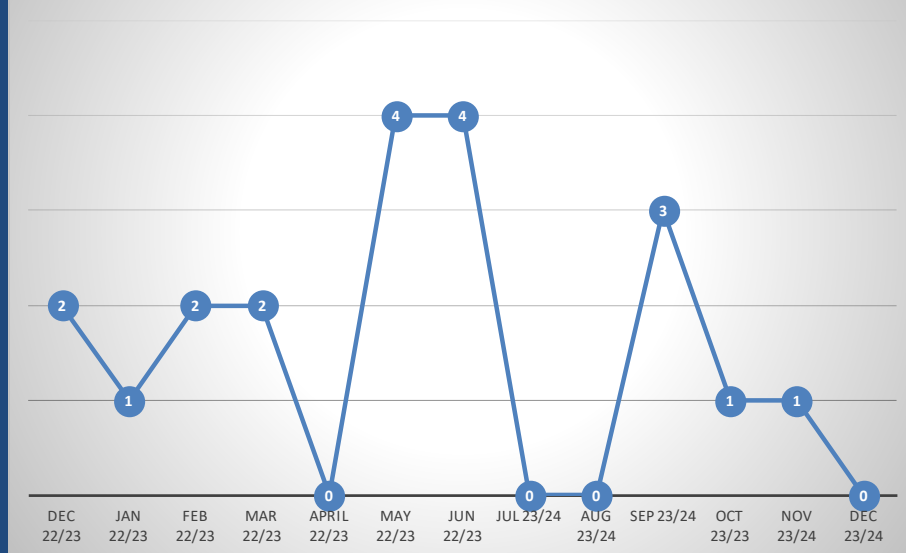


### eRoads Driver Leaderboard

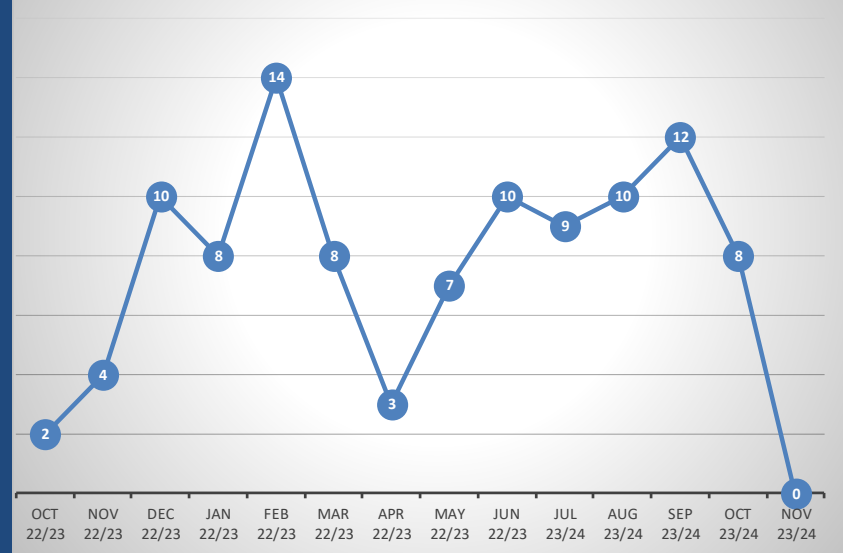
Star Rating	October 2023	November 2023	December 2023
★★★★★	57	70	60
★★★★	7	8	4
★★★	9	4	10
★★	0	1	0

# Contractor Health and Safety Reporting

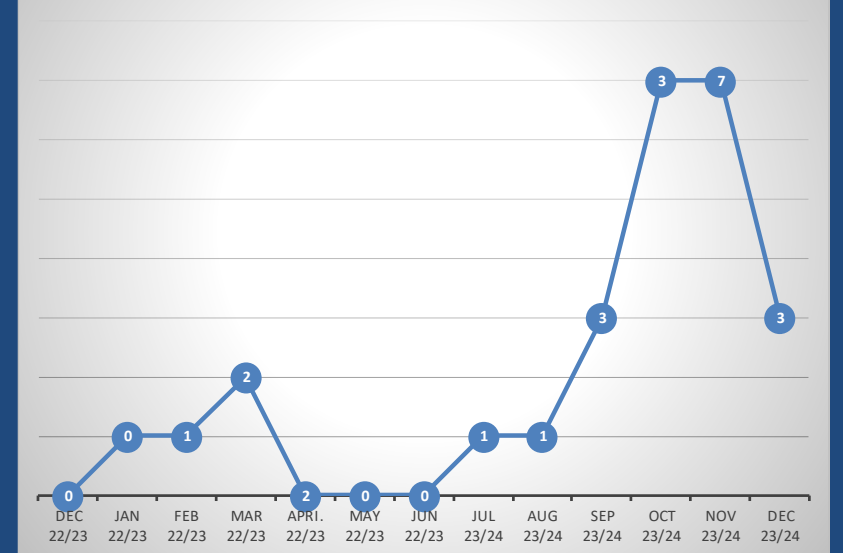
Contractor Accident, Incidents and Near Miss (Higgins)



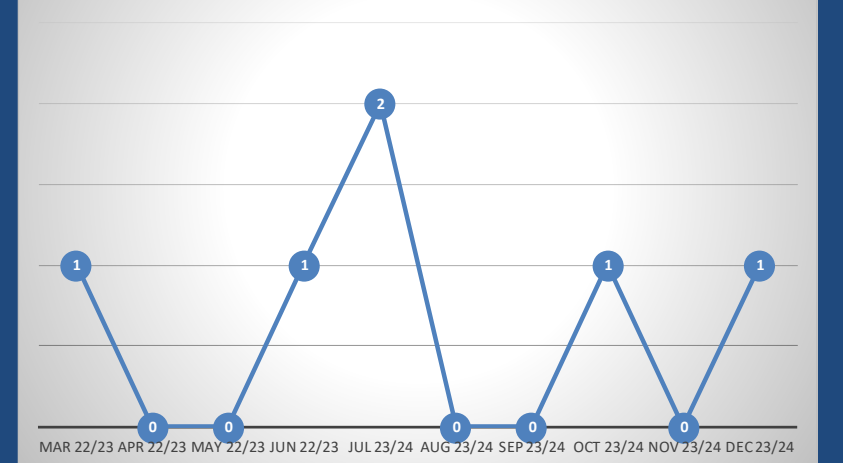
Contractor Accident, Incidents and Near Miss (Recreational Services)



Contractor Accident, Incidents and Near Miss (Horowhenua Alliance)



Contractor Accident, Incident and Near Miss (Low Cost Bins)



<b>Downers New Zealand</b>	<b>Sitewise Rating</b>	<b>All New Zealand</b>	<b>Civil Construction</b>	<b>Last Assessment Valid to 23/01/2024</b>	<b>23/01/2025</b>	<b>Sitewise Score 100</b>
<b>Recreational Services Limited</b>	<b>Sitewise Rating</b>	<b>All New Zealand</b>	<b>Civil Construction</b>	<b>Last Assessment Valid to 09/01/2024</b>	<b>09/01/2025</b>	<b>Sitewise Score 100</b>
<b>Higgins Group Holdings Limited</b>	<b>Sitewise Rating</b>	<b>All New Zealand</b>	<b>Civil Construction</b>	<b>Last Assessment Valid to 21/07/2023</b>	<b>21/7/2024</b>	<b>Sitewise Score 100</b>
<b>Northland Waste (Low Cost Bins)</b>	<b>IMPAC Rating</b>	<b>All New Zealand</b>	<b>Waste Management</b>	<b>Last Assessment Valid to 15/03/2022</b>	<b>15/03/2024</b>	<b>Successful Completion of PREQUAL</b>

# Health & Safety – HDC Critical Risks

## Education Piece – Contractor Health and Safety Management

### Education Piece - Risk Management – Health and Safety at Work Act 2015 (Section 30)

This education piece is to further explain how Council manages health and safety critical risks by breaking down each piece of information shown in the Health and Safety Significant Risk Register. Each critical risk has information related to it and resources available to support the management of the identified hazards and the associated risks.

From the Significant Risk/Hazard register, the following health and safety Critical Risks for Council have been identified.

- Contractors and sub-contractors - detailed below**

- People behaviour
- Moving stock off the road
- Confined space dangers
- Driving/vehicle related incidents
- Lone Worker

Why are Contractors and Sub-Contractors a critical risk?

Under the Health and Safety at Work Act 2015 (HSWA) WorkSafe expects businesses to be able to explain the steps they have taken to consult, cooperate and coordinate with each other about their overlapping duties, and their arrangements to control risks.

Hazard	Risk	Likelihood	Consequence	Risk Score	Hierarchy of Control Action	Person Responsible	How often action is monitored	Detailed Control Action	Reference	Date identified	Last reviewed	Training	Health Monitoring	Final Risk Rating	Verification
Contractor & Sub Contractor	Accident or incidents. Prosecution by Worksafe	3. Likely	4. Major	Significant	Administrative - Change the way people work	Contract Manager H&S Lead	Annually	<ol style="list-style-type: none"> <li>1. Health and safety pre-qualification of contractors and (sub-contractors if required) through SiteWise Health and Safety Prequalification.</li> <li>2. Read and refer to the Contractor Health and Safety Management Policy</li> <li>3. Contract Managers understand shared responsibility of contractors, from Worksafe regulation.</li> <li>4. H&amp;S induction of contractor onto site at beginning of job.</li> <li>5. H&amp;S audit completed as required.</li> </ol>	<a href="http://www.sitewise.co.nz">www.sitewise.co.nz</a>  <a href="https://www.worksafe.govt.nz/managing-health-and-safety/getting-started/understanding-the-law/overlapping-duties/overlapping-duties-quick-guide/">https://www.worksafe.govt.nz/managing-health-and-safety/getting-started/understanding-the-law/overlapping-duties/overlapping-duties-quick-guide/</a>	17/02/2020	24/08/2023	Contractor Management training with SiteWise.  FibreSafe asbestos register training.  Health, Safety & Wellbeing Portal information	N/A	Significant	Site Inductions by Staff to ensure known hazards and risks are identified during site inductions. Consult, cooperate & coordinate with contractors.

When there are many businesses at the same time working on the same thing to reach a common goal (e.g. construction project) each business has to do what it can (in terms of health and safety), using their influence and control to keep workers safe. This is called an Overlapping Duty. Overlapping Duty is an expectation that businesses with a common work goal will, so far as is reasonably practicable, consult, cooperate and coordinate activities with the other businesses involved so that you can all meet the joint responsibility for your project in respect to health and safety. You cannot just assume that the other business is taking care of things. Council carries out much of its physical work with the use of Contractors. So Council needs to ensure the Contractors engaged have the health and safety competencies to undertake the work and that those competencies are applied in practice (they do what they say they are going to do).

# Health & Safety – HDC Critical Risks

## Education Piece – Contractor Health and Safety Management

To assist Officers ensure the contractors they engage have an understanding of their responsibilities under HSWA, Council uses SiteWise for contractor health and safety prequalification. This Register holds the health and safety information on contractors for Officers to access, to find out if a company they wish to use is pre-qualified, which gives an indication they understand how to complete their work safely. This is just one part of contractor health and safety management, there is also the requirement to induct contractors onto a council site, this ensure both Officers and contractors are aware of any risk and hazards on site and how they will be managed. Site audits are also completed during the time work is underway at a site.

- **Hazard:** A hazard is a situation that poses a level of threat to life, health, property, or environment.
- **Risk:** Is the chance or probability that a person will be harmed or experience an adverse health effect if exposed to a hazard.
- **Likelihood:** On a risk matrix represents the likelihood of the most likely consequence occurring in the event of a hazard
- **Consequence:** Consequence is the outcome of an event.
- **Risk Score:** Used during risk assessment to define the level of risk by considering the category of likelihood against the category of consequence severity. This is the score without any Control Actions in place to mitigate the risk.
- **Hierarchy of Control Action:** Use the *hierarchy of controls* to determine the most effective control measures to minimise those risks.
- **Person Responsible:** Job title or position of person/s responsible for contractor health and safety. Usually the Officer who is engaging the contractor for work and the Health and Safety Advisor who reviews and issues the pre-qualification approved status of contractors.
- **How often action is monitored:** Based on type of action and the schedule of the register review
- **Reference:** Supporting documents and Regulatory information
- **Date Identified:** the date the hazard was identified and added to the risk register
- **Last Reviewed:** the date the register was reviewed (Reviews are carried out by multiple groups including staff focus groups, Managers, H&S Committee members and staff who are exposed to the hazard)
- **Training:** Identifies specific training required e.g. working at heights, hot-works, confined spaces.
- **Health Monitoring:** Occupational health monitoring requirements e.g. Hepatitis A&B screening for landfill and waste water work
- **Final Risk Rating:** Where the hazard fits in the risk matrix after the elimination or minimisation of the risks, through the detailed control actions that have been implemented. Sometimes risks do not reduce, even with controls in place, due to elements like human behaviour.

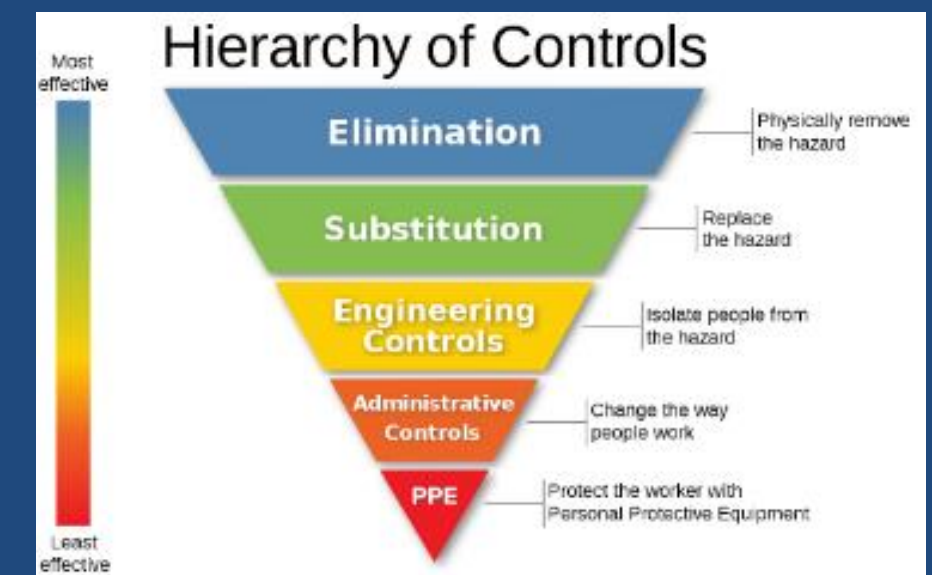
# Health & Safety – HDC Critical Risks

## Education Piece – Contractor Health and Safety Management

**Detailed Control Action for Contractors and Sub-contractors:** The actions taken to eliminate or minimise the risks identified.

1. *Health and safety pre-qualification of contractors and (sub-contractors if required) through SiteWise Health and Safety Prequalification.* First step is to check status of pre-qualification of contractors for health and safety in the SiteWise register, so the Council can be sure they understand their own responsibilities under the HSWA. The SiteWise assessment looks for evidence of a health and safety policy, health and safety manual, risk register, incident and accident reporting system and other appropriate documentation or evidence for the type of work the contractor is engaged to complete.
2. *Read and refer to the Contractor Health and Safety Management Policy.* This policy has the information on how we share management of our contractors health and safety, including information on asbestos management and training requirements for staff.
3. *Contract Managers understand shared responsibility of contractors, from Worksafe regulation.* Information on the internal portal guides contract managers to information and supports understanding of Overlapping Duties under the HSWA 2015.
4. *H&S induction of contractor onto site at beginning of job.* Once pre-qualification is completed and the work is agreed to, an Officer then completes an on-site health and safety induction to discuss work processes and identify any hazards, this is part of the consult, cooperate and coordinate requirement. This is completed for all new worksites.
5. *H&S audit completed as required.* There is also a health and safety audit process which can be completed at any time by an Officer, which ensures that what the contractor has said will happen, does.

RISK MATRIX - SCORE						
<b>RISK HAZARD MANAGEMENT</b> : Purpose - To further improve the method for systematically identifying, assessing and controlling hazards in the workplace as required by the Health & Safety at Work Act 2015						
	Consequence					
Likelihood	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic	
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme	
4 - Very Likely	Low	Moderate	Significant	Significant	Extreme	
3 -Likely	Low	Moderate	Significant	Significant	Extreme	
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate	
1 - Extremely unlikely	Low	Low	Low	Low	Low	







# Healthy & Safe

## Animal Control Health and Safety Deep Dive

# Animal Control Team



- Animal Control is in the Compliance Team and based at the Council Pound in Levin
- There are currently seven Animal Control Officers (ACO) and one Team Leader making up the team, including FTE, Part Time and Casual
- They cover animal control responses 24/7
- Council has a Dog Control Bylaw 2015
- Animal Control Officers handle dogs, stock, and various animal-related complaints. They aim to reduce animal nuisances by promoting responsible ownership and enforcing relevant legislation and bylaws.

**Healthy & Safe**



# Health & Safety Training

- All Animal Control Officers complete a health and safety induction at the start of their employment
- All Animal Control Officers hold a current first aid certificate

Other HSW training opportunities that have been completed by Animal Control Officers include;

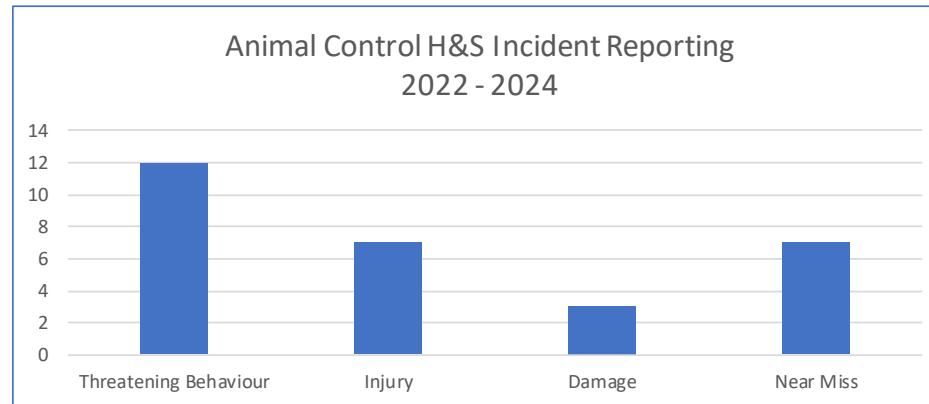
- Animal handling training
- Traffic control
- De-escalation training
- Crisis resilience training



**Healthy & Safe**

# Health and Safety Reporting

Animal control use the PeopleSafe reporting system and have the ability to report through an app on their phone or through the programme on a computer from the Pound office.



**Healthy & Safe**

## Critical Risk – Threatening Behaviour

- Threatening behaviour (People Behaviour critical risk) is a risk that Animal Control Officers face during their work
- People can have an emotional response when their animal is being uplifted or managed by our animal control team
- This emotional response can often be expressed by aggressive or abusive language, threats of violence and threats against Officer's families
- Any of these responses are unacceptable and reported as a health and safety incident and to the police

**Healthy & Safe**

## Critical Risk – Threatening Behaviour

ACO have procedures and skills they use to deal with threatening behaviour. These include the following controls;

- Pre-assessment using all tools/data prior to off-site visits
- Cell phones are to be on hand at all times
- Buddy system to be used for any situation deemed a potential for escalation
- Use of de-escalation techniques and/or leave situation immediately
- Body cameras are provided for recording off site call outs
- Personal protection equipment supplied and worn
- CCTV set up at the Pound for safety of staff

**Healthy & Safe**

## Critical Risk – Moving Stock off the Road

Work with stock or animals on roads becomes a critical risk because of the potential combination of night call out, single staff member and working on the road.

Detailed control actions for this risk are;

- Risk assessment for each situation to be completed
- Staff to avoid work on or near railway areas, and to contact KiwiRail immediately
- Vehicles fitted with LED roof lighting, hazard lighting and spotlights
- Resources available include high visibility triangles and cones, staff in high visibility vests/jackets
- Safety procedures that include contact numbers in staff phones and vehicles for after hours support e.g. Higgins, Main Security, KiwiRail, NZTA and Police
- Traffic management training

**Healthy & Safe**

## Example of Other Risks Identified

Lone Worker

Animal attacks

- PPE and resources including bite sticks, muzzles and catch poles
- Animal handling training
- Staff are first aid trained and have first aid kits in all vehicles
- Staff to risk assess each situation and respond appropriately (e.g. control the animal, call for back up or remove themselves)

Euthanasia, trauma, injury of animals

- Veterinary services are engaged for this part of the job
- Resources carried in vehicles to assist e.g. blankets, gloves, bags



**Healthy & Safe**

# Continual Improvement

**Lone Worker** - The Animal Control team are included as a lone worker risk, and this has a suite of policy and processes supporting lone workers, which are currently under review across the organisation.

The Lone Worker Policy and supporting documents are being reviewed alongside a trial of StaySafe, a lone worker app for cell phones, used when a worker is out alone but within cell phone range, and a handheld satellite device, for when workers are out alone, and out of cell phone range.

The Animal Control Team are trialling the StaySafe app over the next month as part of the review.



Healthy & Safe

# Continual Improvement

**Training** - is ongoing, both from a health and safety aspect and a skills aspect. Training that has been booked for the team in March is following up on the de-escalation and situation safety training already completed, and will include skill specific dog handling components with an ex-Police College trainer.

**Risk register** - Animal Control page is currently being reviewed with the team, whose input ensures the 'work done' is identified and the risk mitigations are correct and able to be completed by the team.



Healthy & Safe



## Health, Safety & Wellbeing Action Plan

Part of the strategic work completed in 2023 was the development of a health, safety and wellbeing framework. Included in the new framework is the Action Plan 2023-2025.

The action plan is part of the organisation roadmap to enabling what matters. To ensure worker engagement in the development of the action plan, we executed a series of meetings in May 2023, that included 186 staff attending and 924 individual feedback recorded.

There was also a HSW compliance review completed, and many hours work to collate the information and produce an action plan that drives us toward our goal of continual improvement.

Horowhenua 2040 – Horowhenua Blueprint				
Long Term Plan 2021 - 2041				
Chief Executive Performance Agreement				
Organisation Roadmap				
<b>Health, Safety &amp; Wellbeing Action Plan</b>	Communications and Engagement Action Plan	Customer Services Action Plan	Digital Action Plan	Tūhono ki Te Ao Māori (Cultural Induction Toolkit)
Organisation Performance Business Plan	Community Experience and Services Business Plan	Community Vision and Delivery Business Plan	Community Infrastructure Business Plan	Housing and Business Development Business Plan
Organisation Moments that Matter				
Performance Agreements and Development Plans				
Position Descriptions				

Adopted November 2023

**OUR VALUES**

<b>Mahi Tahi</b>	<b>#Arohatōmahi</b>	<b>Tiakitanga</b>	<b>Manaakitanga</b>
We are one team, stronger together as we work with and for our community to deliver outcomes that matter.	We love our work and know that our work matters. That is why we do what we say we will do and apply energy and enthusiasm across our mahi.	We proudly and professionally contribute every day to the care of our community and whenua with courage, positivity and mana – leaving a legacy which will protect a future that matters.	We put our people first by showing them they matter, through a caring, whanau centric and solutions focused approach.

**WHAT WE ARE FOCUSED ON**



**You' Matter**



**Work Matters**



**Performance Matters**



**Partnerships Matter**

**WHAT WE NEED**

Horowhenua District Council (HDC) has reviewed its health, safety and wellbeing policies, procedures, and performance. Our strengths have been acknowledged and opportunities for further improvement have been identified. This document is the action plan that takes the identified opportunities for improvement and expands them into practical objectives that can be scheduled to be completed. This maps the pathway for HDC to journey from its current position as a 'performing' organisation, to become a 'leading' organisation under the SafePlus health, safety, and wellbeing cultural maturity scale.

The result of our action will be:

HDC being externally assessed in SafePlus and achieve a 'Leading' assessment result. The navigation of this pathway is only possible if the organisation takes a team approach to health, safety, and wellbeing. Living by our values and understanding our responsibility for ourselves, each other and for those we owe a duty of care.

Adopted November 2023

WHAT CHANGE IN ACTION WILL LOOK LIKE

Where we are now	<i>Currently externally assessed in SafePlus as 'Performing'.</i>
Where we will be in six months	<i>Reassessed externally in SafePlus with improved assessment outcome</i>
Where we will be in one year	<i>Embedding the health, safety and wellbeing framework into BAU for HDC</i>
Where we will be in three years	<i>Externally assessed in SafePlus as 'Leading'</i>

Adopted November 2023

**IMPLEMENTATION PLAN - HOW WE WILL GET THERE**

<b>Action</b>	<b>Action Plan (How)</b>	<b>Completion Date</b>
<b>Leadership</b>		
Ensure Council Governance Group have clarity of their role as an Officer of the PCBU for HDC	Create a programme that allows for engagement opportunities for Council Governance Group that support them meeting their collective and individual obligations under the HSW Act.	Year 2 2025
Practical HSW activities are recorded and shared	Create a solution to capture evidence and utilise information for continual improvement.	Year 3 2026
Continue to look for opportunities to support and engage community Health and Safety	Actively seek and pursue opportunities to enhance community health and safety by engaging in supportive initiatives, fostering collaboration, and implementing proactive measures.	Year 3 2026
Understand the organisations engagement to Health, Safety and Wellbeing	Conduct the Safe Plus Online Tool assessment quarterly to establish a measurable pulse check on safety performance.	Year 1 2024
Elevate the profile by enhancing visual awareness.	Design and develop an identity/logo to serve as a visual reminder and enhance the overall profile of H&S.	Year 2 2025
Condense for ease, readability and understanding the number of policies related to HSW	Create an overarching HSW Policy and Framework	Year 1 2024
	Review current HSW related policies to be developed into procedures and processes while identifying gaps.	

Adopted November 2023

<b>Action</b>	<b>Action Plan (How)</b>	<b>Completion Date</b>
Clearly define Komiti Oranga commitment	Raising Komiti Oranga to effective and functional team of Council. Start of year planning to identify time and training to be scheduled into BAU across organisation for HSR	Year 1 2024
<b>Risk Management</b>		
People are confident of how to assess risk and apply those assessments to processes.	Integrate health and safety into all process maps. Evaluate HSW requirements for new processes and plan implementation stages accordingly.	Year 3 2026
Job descriptions clearly outline specific health and safety responsibilities.	Working with People and Capabilities determine specific health, safety and wellbeing responsibilities for every council role, including specific training requirements.	Year 2 2025
Professional Supervision is mapped to roles	Working with People and Capabilities, develop a plan for mapping roles that require professional supervision within the organisation to support wellbeing.	Year 2 2025
Ensure contractors are aware of Council health and safety processes around pre-qualification	Develop and communicate material on the practices and processes regarding contractors working for Council.	Year 1 2024
	Arrange contractor session to share and inform contractors on prequalification.	
Officers are confident to complete health and safety inductions and audits with contractors on the worksite	Develop a training and support initiative aimed at boosting officers' abilities in conducting contractor inductions, audits, and discussions.	Year 1 2024
	Engage staff in risk assessment processes e.g. Bow Tie	

Adopted November 2023

<b>Action</b>	<b>Action Plan (How)</b>	<b>Completion Date</b>
Staff are confident in risk assessment and opportunities for improvement (OPI)	Create templates to assist risk assessment	Year 1 2024
Personal protection equipment (PPE) is identified and tracked across the organisation	Review and improve identification and tracking of PPE utilising Peoplesafe GEAR programme.	Year 2 2025
Improve Lone Worker processes for staff	Update Lone Worker Policy and process for those who require it.	Year 1 2024
	Introduce lone worker app and procedures as appropriate	
Ensure serious incidents have a structured response when required to ensure wellbeing of staff responding.	Develop a serious incident response plan to support situations where leadership is required due to the severity or situation, which will include initial response, people management and debriefing.	Year 1 2024
Mental Health and Wellbeing Support and education	Create a well-defined framework for delivering mental health first aid training to designated staff members, empowering them to assist their co-workers. Identify and provide support to individuals across the organisation who engage in this training effort.	Year 1 2024

Adopted November 2023

Action	Action Plan (How)	Completion Date
<b>Worker Engagement</b>		
Improve communications around HSW across the organisation.	Create a HSW one-stop shop information portal.	Year 3 2026
	Engage Communications Team to assist with an engagement plan for HSW to investigate different formats of communication to share our HSW journey.	
Wellbeing and Risk Management is understood and considered in our work.	Create a campaign and tool to introduce the practice of Take 5 moments. E.g. assessing risk and wellbeing before completing a task, allowing time for a 5min break before meetings, having a common language, tools down, toolbox talks, pulse checks.	Year 2 2023
Supporting all staff to feel rested and refreshed while working at HDC	Working with People and Capability guidelines, Managers to incorporate wellbeing into quarterly check-ins with staff, including identifying pressure points and annual leave planning.	Year 3 2026
Time and resource management relating to HSW	Support ELT with a review of the impact of rostered working hours and the impact on wellbeing.	Year 2 2025

Adopted November 2023





File No.: 24/60

## 6.4 Sensitive Expenditure Report

---

### 1. Purpose

- 1.1 To provide the information required for the Committee to note Sensitive Expenditure of the Mayor, Elected Members and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

### 2. Recommendation

- 2.1 That Report 24/60 Sensitive Expenditure Report be received.
- 2.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.

### 3. Background / Previous Council Decisions

- 3.1 Sensitive expenditure is any spending by an organisation that could be perceived to be giving private benefit to staff additional to the business benefit to the organisation.
- 3.2 This is the first report to the Risk and Assurance Committee on sensitive expenditure and is provided to give the committee assurance that sensitive expenditure is approved following the one-up principle and has supporting information justifying the purchase(s).
- 3.3 A revised Sensitive Expenditure policy was adopted by Council on 11 October 2023, incorporating recommendations from the Audit Management Letter from 2021-22 and from 2022-23.
- 3.4 The policy gives responsibility of the Mayor, Councillors and the Executive Leadership Team of being accountable for property and prudently spending the public money under their control including sensitive expenditure and internal controls that support this.
- 3.5 The Mayor, Councillors and the Executive Leadership Team are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of the sensitive expenditure policy should not be included as part of an employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.
- 3.6 In the Audit Management Letter for the 2021-22 Annual Report it was recommended that sensitive expenditure is approved on a one-up basis. In the Audit Management Letter for the 2022-23 Annual Report it was recommended that:
  - Council reviews its policies and procedures for sensitive expenditure and communicate these changes and expectations in respect of sensitive expenditure;
  - Improve documentation in respect of sensitive expenditure justification and approval processes; and
  - Enhance the monitoring and reporting of sensitive expenditure to improve visibility and maintain transparency.

### 4. Discussion

- 4.1 The tables below outlines the sensitive expenditure for the Chief Executive, Mayor and Elected Members from 1 July 2023 to 31 December 2023 and outlines whether the spending was compliant with the Policy.

4.2 Chief Executive's Sensitive Expenditure Summary for 1 July 2023 to 31 December 2023

<b>Expenditure</b>	<b>Amount (excl. GST)</b>	<b>Compliant with Policy</b>
Entertainment	\$0.00	n/a
Travel & Accommodation	\$2,083.76	Yes
Conferences	\$170.00	Yes
<b>Total</b>	<b>\$2,253.76</b>	

4.3 Mayor's Sensitive Expenditure Summary for 1 July 2023 to 31 December 2023

<b>Expenditure</b>	<b>Amount (excl. GST)</b>	<b>Compliant with Policy</b>
Entertainment	\$104.35	Yes
Travel & Accommodation	\$832.18	Yes
Conferences	\$170.00	Yes
<b>Total</b>	<b>\$1,106.53</b>	



4.4 Elected Members' Sensitive Expenditure Summary for 1 July 2023 to 31 December 2023

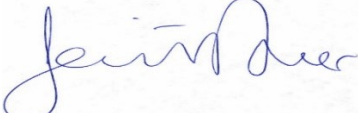

<b>Expenditure</b>	<b>Amount (excl. GST)</b>	<b>Compliant with Policy</b>
Entertainment	\$0.00	n/a
Travel & Accommodation	\$3,186.79	Yes
Conferences	\$3,459.48	Yes
<b>Total</b>	<b>\$6,646.27</b>	

4.5 Some sensitive expenditures have been retrospectively approved, in accordance with the Sensitive Expenditure policy.

**5. Attachments**

There are no appendices for this report

Author(s)	Meagan Binnie <b>Financial Accountant</b>	
	Pei Shan Gan <b>Financial Controller</b>	

Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
	Monique Davidson <b>Chief Executive Officer</b>	

## 6.5 Risk and Assurance Committee Work Programme

File No.: 24/56

### 1. Purpose

- 1.1 The purpose of this report is to provide the Risk and Assurance Committee with an outline of a Draft Work Programme. Please note that the draft programme for 2024/25 will be provided at the 15 May 2024 meeting.

### 2. Recommendation

- 2.1 That Report 24/56 Risk and Assurance Committee Work Programme be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk and Assurance Committee notes the Finance, Audit and Risk Committee Work Programme.

### 3. Issues for Consideration

- 3.1 The Risk and Assurance Committee work programme is attached for consideration.


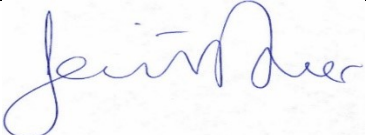

### Attachments

No.	Title	Page
A	Risk and Assurance Committee Work Programme	60

#### Confirmation of statutory compliance

- In accordance with section 76 of the Local Government Act 2002, this report is approved as:
- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
  - is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

### Signatories

Author(s)	Ashley Huria <b>Business Performance Manager</b>	
Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
	Monique Davidson <b>Chief Executive Officer</b>	

**Risk and Assurance Committee Work Programme**

	Q1 - 2024	Q2 - 2024
Internal Audit / Treasury	<p>Independent Treasury Report (Bancorp) Treasury Report</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> <li>• Audit NZ</li> <li>• PwC Tax for internal audit</li> <li>• Other internal audit</li> </ul> <p><i>Sensitive expenditure report</i></p> <p><i>Verbal update - Legislative Compliance &amp; Conflict of Interest</i></p>	<p>Independent Treasury Report (Bancorp)</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> <li>• Audit NZ</li> <li>• PwC Tax for internal audit</li> <li>• Other internal audit</li> </ul> <p>Conflict of Interest</p> <p>2024/25 Work Programme</p>
Risk Management	Risk Register	<p>Risk Register</p> <p>Review Emergency Management effectiveness within the organisation</p>
Health, Safety and Wellbeing	<p>Dashboard</p> <p>H,S&amp;W Action Plan</p> <p>Deep Dive – Animal Control</p>	<p>Dashboard</p> <p>H,S&amp;W Action Plan</p> <p>Deep Dive</p>





## 6.6 Continuous Improvement and Audit Actions Monitoring Report

File No.: 24/37

### 1. Purpose

- 1.1 To report to the Risk and Assurance Committee on progress of the action items from previous resolutions.

### 2. Recommendation

- 2.1 That Report 24/37 Continuous Improvement and Audit Actions Monitoring Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk & Assurance Committee notes the final 2022/23 Audit Management letter in Attachment A.
- 2.4 That the Risk & Assurance Committee notes the Risk & Assurance Committee resolution and actions monitoring report in Attachment B.

### 3. Background/Previous Council Decisions

- 3.1 This paper reports on actions generated from Committee resolutions, and any requests noted through the minutes, or requested through external and internal audit work and for actions accepted by the Chair.
- 3.2 Much like the Committee Work Programme, the Resolution Monitoring Report is a standing item, and reported through at each committee meeting.
- 3.3 The monitoring report includes actions that have been carried over from the Finance, Audit and Risk Committee from the previous Triennium.
- 3.4 The draft 2022/23 Audit management letter that was tabled and presented to the committee on 8 November 2023 has since been finalised. It is attached in Attachment A.

### 4. Issues for Consideration

- 4.1 New items raised as part of the 2022/23 Audit Management Letter (Attachment A) have been added to this report. Below is a list of the nine new items in the monitoring report. The full report is attached with explanations. It has also been updated status and officer comments.

<b>Recommendation</b>	<b>Priority</b>
Sensitive expenditure policies and procedures (Interim)	Necessary
Robustness of month-end financial reporting process (Interim)	Necessary
Record keeping and evidence of approvals (Interim)	Necessary
Controls be strengthened over the review of public documents especially those incorporating Council decisions to avoid any ambiguity	Urgent
Ensure that there is complete information for all asset classes.	Urgent
Enhance the data reliability and quality assurance process over service performance reporting	Urgent
Introduce a centralised asset management database	Necessary
Introduce processes to clear the Purchase order clearing account in a timely manner.	Necessary
Establish a separate GL account for contract retentions	Beneficial

- 4.2 One item was archived from the monitoring report due to it being implemented and reviewed by Audit NZ. It related to Credit card usage.
- 4.3 The monitoring report has been updated to reflect both audit and management responses according to the reviewed of the 2022/23 Audit Management Letter completed as part of the 2023/24 annual report audit. Some previous recommendations were incorporated into new recommendations by Audit NZ and the monitoring report has been updated accordingly. These previous recommendations are:

<b>Recommendation</b>	<b>Due date</b>	<b>Status</b>	<b>Officer Comment</b>
<b>Ensuring all assets within an asset class are revalued</b>			
<b>1.</b> A process/reconciliation should be implemented to ensure that all assets within an asset class are revalued.	<b>30/06/2023</b>		<b>2.</b> This was incorporated into recommendation under <b>“Valuation of land and building and infrastructure assets”</b>
<b>Infrastructure, land and buildings valuations</b>			
Ensure there is a clear reconciliation between the revalued assets back to the valuation information.  Develop a clear process to document adjustments to the valuation information and reassess the useful lives of infrastructure assets on a regular basis to ensure lives are in line with asset condition.	<b>30/06/2024</b>		This was incorporated into recommendation under <b>“Valuation of land and building and infrastructure assets”</b>
<b>Payroll masterfile review</b>			
<ul style="list-style-type: none"> <li>Changes to the payroll masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report.</li> <li>Consideration be given to giving the reviewer “read-only” access to the payroll masterfile to ensure the review is independent.</li> </ul>	<b>30/06/2023</b>		This was incorporated into recommendation under <b>“Record keeping and evidence of approvals”</b>
<b>Performance measures process for complaints</b>			
<ul style="list-style-type: none"> <li>Review the effectiveness of the current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented,</li> </ul>	<b>28/02/2024</b>		This was incorporated into recommendation under <b>“Data reliability and quality assurance process over service performance reporting”</b>



<p>and regular training provided to all staff involved.</p> <ul style="list-style-type: none"><li>• Perform a regular, weekly or even daily, quality review of data entered into the Customer Request Management system (CRM) for complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should also focus on following up unclosed jobs, ensuring all data fields are updated, and review of unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature.</li><li>• Ensure data fields include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised them.</li><li>• Document any calls that are excluded as Department of Internal Affairs (DIA) service requests or complaints. This may require additional fields to be added to the existing CRM if this information is not already captured.</li><li>• Continue to review DIA guidance to ensure that the data being captured and reported, meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting.</li><li>• Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District</li></ul>			
---	--	--	--

Council's key performance targets.			
<ul style="list-style-type: none"> <li>Use the data from the CRM to monitor the District Council's performance, on a regular basis, to ensure corrective action can be taken as needed.</li> </ul>			
<b>Service performance: Evidencing monthly review of CRM requests</b>			
Evidence review of the CRM requests at month-end with a dated signature.	28/02/2024		This was incorporated into recommendation under <b>"Data reliability and quality assurance process over service performance reporting"</b>
<b>Classification of records in the CRM system</b>			
We recommend that a monthly review of the CRM is implemented in order to mitigate the risk of overstating the reported results.	28/02/2024		This was incorporated into recommendation under <b>"Data reliability and quality assurance process over service performance reporting"</b>

4.4 There are 22 open recommendations from the Audit Management letter for the year ended 30 June 2023. 4 of these are classed as "Urgent", 1 "Beneficial" and the rest as "Necessary".

- 6 new recommendations in 2022/23 final audit
- 3 new recommendations in 2022/23 interim audit
- 13 previous recommendations

4.5 12 out of 19 of the recommendations resulting from the GST Compliance evaluation by PwC have been implemented and completed. They are detailed in Attachment B.

4.6 17 out of 18 of the recommendations resulting from the PAYE Compliance evaluation by PwC have been implemented and completed. They are detailed in Attachment B.

4.7 The completed items will be removed from the monitoring report.

## Attachments


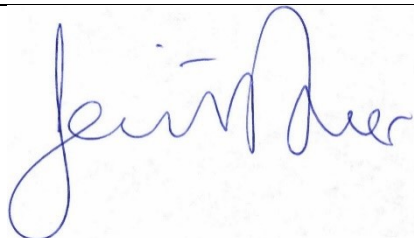

No.	Title	Page
<a href="#">A</a>	HDC Audit Management Letter - Final 2023	68
<a href="#">B</a>	Risk & Assurance Committee monitoring report	98

### Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

Author(s)	Pei Shan Gan <b>Financial Controller</b>	
Approved by	Jacinta Straker <b>Group Manager Organisation Performance</b>	
	Monique Davidson <b>Chief Executive Officer</b>	

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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

Horowhenua District Council

For the year ended 30 June 2023

## Contents

Key messages .....	3
1 Recommendations .....	4
2 Our audit report .....	6
3 Matters identified during the audit .....	8
4 Assessment of internal control .....	12
5 Useful publications.....	18
Appendix 1: Status of previous recommendations .....	21
Appendix 2: Disclosures .....	29

## Key messages

We have completed the audit for the year ending 30 June 2023. This report sets out our findings from the audit and draws attention to areas where Horowhenua District Council (the District Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued our audit report on 25 October 2023 which included qualified opinion in respect of the prior year reported results with respect to the verification of the number of complaints for some services and an emphasis of matter paragraph drawing the reader's attention to the District Council's disclosures regarding the uncertainty over the water services reform programme.

### Matters identified during the audit

In carrying out our audit we identified the following matters that we wish to bring to your attention:

- Differences between the rates resolution and information disclosed in the annual plan for 2023/24;
- Supporting information for land under roads;
- Data reliability and supporting information for service performance information;
- Centralised asset management database;
- Processes for clearing the Purchase Order clearing account; and
- Managing and monitoring of contract retentions.

### Thank you

We would like to thank Council, the Risk and Audit Committee and staff for the assistance provided during the audit.



Clint Ramoo  
Appointed Auditor  
24 November 2023

## 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

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

### 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Controls be strengthened over the review of public documents especially those incorporating Council decisions to avoid any ambiguity	4.1	Urgent
Ensure that there is complete information for all asset classes.	4.2	Urgent
Enhance the data reliability and quality assurance process over service performance reporting	4.3	Urgent
Introduce a centralised asset management database	4.4	Necessary
Introduce processes to clear the Purchase order clearing account in a timely manner.	4.5	Necessary
Establish a separate GL account for contract retentions	4.6	Beneficial

**1.2 Status of previous recommendations**

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
No of recommendations open at 1 July 2022	-	14	-	14
Implemented or closed	-	(1)	-	(1)
New recommendations in 2022/23 audit				
• Interim	-	3		3
• Final	3	2	1	6
<b>No of open recommendations at 30 June 2023</b>	<b>3</b>	<b>18</b>	<b>1</b>	<b>22</b>
• Old	-	13	-	13
• New	3	5	1	9



## 2 Our audit report

### 2.1 We issued a non-standard audit report



We issued a non-standard audit report. Our audit report included:

- A qualification in audit opinion in respect of the prior year reported results with respect to the verification of the number of complaints for some services.
- An emphasis of matter paragraph drawing the reader's attention to the District Council's disclosures regarding the uncertainty over the water services reform programme.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1		Expenditure - \$121	PO- Clearing Account - \$139	GST - \$18
2			Revaluation Reserve - \$ 193	Solid Waste Asset _ \$193
3			Other Receivable - \$271	Rates Receivable - \$271

#### Explanation for uncorrected misstatements

- 1 This is a projected error that relates to unreversed purchase orders for which the supplier/creditor has already been paid.
- 2 Relates to the inclusion of staff related costs in the cost of consent reviews in Councils records and not part of the revaluation report.
- 3 This relates to the misclassification of receivables.

### 2.3 Quality and timeliness of information provided for audit



Management is required to provide information for audit. This includes the draft annual report with supporting working papers. We have set up the Audit Dashboard final audit requests on 18 September 2023. This included the dates we required the information to be provided to us.

We note significant improvement in performance from last year in terms of provision of information in time for the audit team's arrival at the District Council. There are still areas where improvements could be made particularly with the quality of the information being provided in respect of the fixed asset additions as well as the quality review of the draft annual report presented for audit and supporting information for performance results.

The finance team provided us with the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase of the audit to proceed more efficiently and reduced the level of interruption of the finance team. However, PPE additions provided did not reconcile to the YTD statements and the correct documents relating to performance measures were not availed on time. This reduced the efficiency of the audit and required the audit team to spend more time than planned collating the information that was required for the audit.

We acknowledge that the improvements from the previous year delivery and responsiveness to audit requests and we will continue to work with management to achieve improvements as part of the 2023/24 audit.

### 3 Matters identified during the audit

#### 3.1 Headings as appropriate



In our Audit Plan first presented to you on 15 May 2023, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
<b>Revaluation of Property, Plant and Equipment (revaluation year)</b>	
<p>The District Council has previously revalued its infrastructural assets yearly and operational assets every three years to ensure compliance with PBE IPSAS 17, <i>Property, Plant and Equipment</i>.</p> <p>Rather than undertaking a full valuation each year in respect of infrastructure assets, the District Council undertook a fair value assessment on all asset classes except for solid waste assets.</p> <p>The total value of this class of assets was \$7.5m which resulted in a \$15k decrease in the revaluation reserve.</p>	<p>As part of our audit procedures for revaluation of solid waste assets, we:</p> <ul style="list-style-type: none"> <li>• reviewed the information and instructions provided to the valuer;</li> <li>• assessed relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets;</li> <li>• evaluated the qualifications, competence and expertise of the external valuer used;</li> <li>• reviewed the method of valuing the assets and assessing if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation;</li> <li>• reviewed evidence of management’s review of the appropriateness of the valuation inputs; and</li> <li>• assessed the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul> <p>Based on the audit work performed, we are satisfied that the carrying value of the solid waste assets are materially correct.</p>

Audit risk/issue	Our audit response
<b>Complaints and response time performance measures</b>	
<p>An important part of the District Council’s service provision is the number of complaints it receives over the water, wastewater and stormwater networks and the response times to these complaints. This is important because the number of complaints and the response time for them are indicative of the quality of services received by ratepayers.</p> <p>The District Council reports on a number of complaints and response time related performance measures included in its long-term plan in accordance with the Non-Financial Performance Measures Rules 2013 made by the Secretary for Local Government.</p> <p>For the year ended 30 June 2022, and its comparative information for 2021, we were unable to determine whether the District Council’s reported results for these measures were materially correct as the District Council only recorded the first call received about an issue in its system. This does not comply with guidance from the Department of Internal Affairs (DIA) which says where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence.</p> <p>The District Council updated its internal process’s part way through the 2021/22 financial year. However, these updates were not in place for the entire 2021/22 year in respect of after-hours complaints, which are recorded on behalf of the District Council by the Palmerston North City Council.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>obtained an understanding of any changes made to the system and controls to rectify these errors;</li> <li>tested the completeness of the number of complaints recorded using information from Palmerston North City Council and information in the District Council’s CRM system and;</li> <li>considered any impact on our opinion.</li> </ul> <p>We are satisfied that the reported results for the three waters is complete and accurate for the year ended 30 June 2023, however, included a qualification in respect of the results for the year ended 30 June 2022 (prior year).</p>
<b>Fair value assessment of property, plant and equipment (non-revaluation year)</b>	
<p>For those assets that the District Council did not revalue, the District Council performed a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value.</p> <p>The District Council engaged an independent valuer (WSP) to assist in preparing a fair value assessment for its infrastructural assets. For its land and buildings under operational assets, fair value assessment has been done internally by the District Council.</p>	<p>We reviewed the reasonableness of the District Council’s assessment including the appropriateness of the assumptions used in the assessment. The movement in the value of the assets individually or collectively with other asset classes was not material to trigger a full valuation.</p> <p>We engaged with the District Councils experts to understand their approach and methodology and prepared our own estimate using Statistics NZ published indices.</p> <p>We are satisfied that the carrying value of roading and three water assets do not materially differ from their fair value as at 30 June 2023.</p>

Audit risk/issue	Our audit response
<b>Service performance reporting</b>	
<p><b>Mandatory performance measures</b></p> <p>The Non-Financial Performances Measures Rules 2013 promulgated by the Department of Internal affairs specify a set of standard performance measures for local authorities (the mandatory measures).</p> <p>The measures were included in the District Council's 2021-31 long-term plan and must be reported against in the 2023 annual report.</p> <p>The District Council needs to ensure that reliable systems are in place for the entire year to enable accurate performance reporting in the annual report.</p> <p><b>PBE FRS 48 Service Performance Reporting</b></p> <p>PBE FRS 48 <i>Service Performance Reporting</i> (PBE 48) replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for the current year ending 30 June 2023.</p> <p>PBE 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”.</p> <p>PBE 48 also requires that the City Council has:</p> <ul style="list-style-type: none"> <li>• applied the qualitative characteristics in determining the mix of its performance measures to ensure service performance information is appropriate and meaningful to people outside the organisation; and</li> <li>• focused its performance reporting on what it is accountable and responsible for to ensure the service performance information is relevant and understandable to readers of the annual report.</li> </ul> <p>The District Council should complete an assessment to understand the impact how the application of PBE 48 will affect its statement of service performance.</p>	<p>We assessed the District Council’s reporting against significant mandatory performance measures as part of our overall audit of the performance framework.</p> <p>We have also:</p> <ul style="list-style-type: none"> <li>• followed up on the District Council’s progress to address our prior year recommendations;</li> <li>• completed appropriate testing of material performance measures to determine the accuracy of results;</li> <li>• completed an appropriateness review through assessing the elements, and the measures/descriptions reported for material deficiencies; and</li> <li>• reviewed the adequacy of disclosures under PBE 48.</li> </ul> <p>We are satisfied that the District Council has complied with PBE FRS 48.</p>

Audit risk/issue	Our audit response
<b>Impact of Three Water Reforms</b>	
<p>In April 2023, the Government announced changes in the Three Waters Reform Programme. The number of entities had increased from the previously proposed four to ten regional water service entities (WSEs) with the aim of strengthening local representation.</p> <p>The establishment date of the new entities was moved back two years from 1 July 2024 to 1 July 2026 with entities being able to proceed earlier if they were ready.</p> <p>New legislation was introduced in August 2023 and promulgated.</p> <p>There are still several uncertainties associated with the proposed three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, and the control and governance of these entities and the accounting implications. Notwithstanding the current uncertainty the impact of these reforms will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services from 1 July 2026.</p> <p>The District Council has disclosed these uncertainties in their Annual Report.</p>	<p>We have reviewed the District Council's disclosures and are satisfied that these are appropriate.</p> <p>We have included in our audit report an emphasis of matter paragraph drawing the reader's attention to these disclosures.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul> <p>We have not identified any issues of management overriding controls.</p>

## 4 Assessment of internal control

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.

### Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of 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.

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

### Internal controls

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

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.

We identified the following areas for improvement in internal control:

#### 4.1 Difference between rates resolution and annual plan

Our review of the rates resolution for the 2023/24 rates highlighted a difference in a rate for Foxton Beach residents as compared to what was included in the annual plan. Rate

information for wastewater is not complete in the annual plan as well. We are comfortable that the rate struck is accordance with the resolution and that the error is due to version control issues and will not impact on the validity of the rates.

We recommend that controls be strengthened over the review of public documents especially those incorporating Council decisions to avoid any ambiguity.

**Management Comment**

*We believe this is a one-off incident. We now have better processes in place for the peer review and ELT review of key reports including the Annual Report, Annual Plan and Long term plan documents. Regular communication across teams is also happening to ensure links to key documents to be updated are validated/checked.*

**4.2 Information supporting land under roads**

We were unable to obtain a detailed listing of land under roads to support the balance in the financial statements. The land is carried at cost and not subject to depreciation.

We recommended that the District Council remedy this matter as soon as possible and ensure that it has complete supporting information for all classes of assets.

**Management Comment**

*The listing of land under roads is being compiled and aimed to be ready for the next annual audit.*

**4.3 Data reliability and quality assurance process over service performance reporting**

Based on our discussion with various teams at the District Council and our audit work over service performance information, we noted the following:

- Lack of clear understanding among business units on how the performance information included in the annual report links to daily activities.
- Insufficient training on DIA requirements for mandatory performance measures, and incomplete formal process among business units to capture the appropriate information for performance reporting.
- There are minimal activities in place which support a systematic review of the District Council's performance information.

In prior years we noted and reported on the following matters:

- Misclassification of the complaints records in CRM.
- No formal system manual in place to ensure the completeness and accuracy over the data collection process.



- No evidence of review of CRM complaints.

We continue to recommend that the District Council:

- Review the effectiveness of the current reporting systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented.
- Clearly communicate the requirements over data collection and submission from various business units, and provide regular training to all staff involved.
- Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets.
- Review DIA guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. For example, DIA's 20 days processing time for building consent applications commences the next working day after the day on which a complete application is received, however, the Council has been recording the commencement date as the working day on which a complete application is received. This may lead to understatement of the Council's performance.
- Implement quality review processes on a regular basis to ensure data accuracy and adequate supporting information is available to support the reported result.

#### Management Comment

*Discussions are currently being held on the scope and resourcing of a project to address the issues noted and to implement recommendations.*

#### 4.4 Centralised asset management database

Currently the District Council have multiple asset management systems to record their assets which includes the use of Excel spreadsheets. This resulted in not all assets being initially included in the 2022 revaluation. We reported on this as part of our 2021/22 audit.

Subsequently, the Finance team has invested significant amount of effort in cleaning up the assets records and reconciling various asset registers to the general ledger. As result of our work around the capital assets and expenditure process for the 2023 audit, we have identified the following areas for further improvement:

- Incorrect information recorded for vested assets information.
- The inclusion of staff related costs in the cost of consent reviews in Councils records is not consistent with the revaluation report for solid waste.

- Assets and capital expenditure is only capitalised at year end by bulk manual journals. This is not in line with the accounting standards for capitalisation and may create difficulties when tracking capital project progress and capital commitments at year end. This also increases the risk of incomplete asset records and incorrect depreciation.

We continue to recommend that the District Council:

- Consolidate various asset management systems and explore practical options with the current system suppliers.
- Reduce the amount of manual journal posted at year end for the capitalisation and reconciliation process by performing monthly WIP reviews and fixed asset reconciliation.
- Strengthen the formal quality assurance review process to ensure the accuracy and completeness of data inputs.

For other resources and guidance on asset management, please refer to our latest publications:

- [What good looks like: Asset Management](#)
- [Asset management, consultation, and accountability](#)
- [Asset management and long-term planning](#)

#### Management Comment

*In the past, the delay in capitalisation had been due to system limitation and delay in finalising annual accounts for various reasons. This will stop and asset capitalisation will start to happen as/when it should from 2023/24 now that we have just finalised the 2022/23 accounts and able to roll over the CVR (asset module) into the new financial year.*

*Significant improvement is planned to bring assets information into our CVR as the one source of truth to stop the use of Excel spreadsheet. Comprehensive training with system provider took place in August 2023 and work is planned to start in early 2024 for the consolidation.*

*Quality assurance process (including peer review and/or Financial Controller review) for key documents such as revaluation report and data has already started since the WSP fair value assessment report.*

#### 4.5 Purchase order clearing account

During our testing of the PO Clearing Account, we noted that the system was not operating as designed. There are instances where goods are receipted but the PO is not cleared and requires manual intervention. Our testing of two samples noted a potential overstatement of liabilities due to:

- the existence of a credit balance in both PO clearing and the trade payables resulting from uncleared liability from the PO clearing account.
- the existence of credit balance in PO clearing resulting from mismatched invoice amount and remaining balance uncleared.

We also noted that there are transactions recorded that relate to future financial years and should have been corrected as part of assessment of year-end adjustments.

We recommend that the District Council:

- Review all items within the PO clearing account to determine the appropriateness of balance recorded as a liability at year-end.
- Undertake relevant maintenance work to resolve the detected system issues.
- Assess prepayments and accruals in detail to conclude on appropriateness of items comprising the year-end balance reported in financial statements.

#### Management Comment

*Review of the PO clearing account is currently underway. Council AP officer and Financial Services Manager will be monitoring this closely and regularly. Meaningful report will be developed to check for exceptions.*

*A year-end wash up review will be put in place in April/May too and then for June to review transactions in the PO clearing account for items that should have been cleared and items that are related to coming financial year.*

#### 4.6 Separate GL account for contract retentions account

During our review of capital contracts, we noted that retentions are recorded in the normal creditor's ledger. There is a risk that a retention is being held by the District Council for longer than intended. With no separate GL account for retentions, there is no practical way of reviewing every credit balance to check for retentions due to be released.

We recommend that the District Council maintain a separate GL account for all contract retentions held by the District Council and review them for reasonableness on a regular basis.

#### Management comment

*In May 2022, we developed a process to reconcile retentions via a report download from our AP module where retention amount are kept, vs retentions showing via progress claims and contracts. This is done in an Excel spreadsheet and regularly reconciled.*

*In October 2023, we set up a separate account in our banking to track retention funds separately. This follows changes to the Constructions Contracts Act.*

*We are in the process of discussing with our providers about the separate retention GL where any money withheld for this purpose is automatically processed into the new GL. As opposed to setting up a separate retention GL and perform manual reconciliation and adjustment journal based on the spreadsheet process established in May 2022.*

## 5 Useful publications



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

Description	Where to find it
<b>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: <a href="#">The problems, progress, and potential of performance reporting</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: <a href="#">Good practice in reporting about performance – Office of the Auditor-General New Zealand (oag.parliament.nz)</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>

Description	Where to find it
<b>Managing conflicts of interest involving council employees</b>	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> <li>significant accounting policies are alongside the notes to which they relate;</li> <li>simplifying accounting policy language;</li> <li>enhancing estimates and judgement disclosures; and</li> <li>including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	Link: <a href="#">Model Financial Statements</a>
<b>Client substantiation file</b>	
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.  We have put together a collection of resources 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 toolbox to help you collate documentation that the auditor will ask for.	On our website under good practice. Link: <a href="#">Client Substantiation File</a>
<b>Sensitive expenditure</b>	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: <a href="#">Sensitive expenditure</a>

Description	Where to find it
<b>Good practice</b>	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG’s website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Procurement</b>	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p>	<p>On the OAG’s website under publications.</p> <p>Links: <a href="#">Strategic suppliers: Understanding and managing the risks of service disruption</a></p> <p><a href="#">Getting the best from panels of suppliers</a></p> <p><a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<p><b>Valuation of land and building and infrastructure assets</b></p> <p>The District Council experienced difficulties in both performing the revaluation and accounting for the movements in 2022. We also noted a number of errors as part of our review mainly relating to disclosures and completeness of information provided to the independent valuers. A more focussed approach to this process is required going forward.</p> <p>We also recommended in 2021 that a process be implemented to ensure that all assets within an asset class are revalued.</p>	<p><b>2022 Final</b></p>	<p><b>Open</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comment</b></p> <p><i>A revaluation schedule was created for 2022/23 financial year to better show the status of asset revaluation by asset class.</i></p> <p><i>A full revaluation of Solid Waste assets was completed for the 2022/23 financial year.</i></p> <p><i>A reconciliation for asset classes subject to revaluation in 2023/24 will be performed as part of the next valuation prior to providing information to the valuers.</i></p>
<b>Necessary</b>		
<p><b>Sensitive expenditure policies and procedures</b></p> <p>We recommended that the District Council:</p> <ul style="list-style-type: none"> <li>review its policies and procedures for sensitive expenditure and communicate these changes and expectations in respect of sensitive expenditure;</li> <li>improve documentation in respect of sensitive expenditure justification and approval processes; and</li> <li>enhance the monitoring and reporting of sensitive expenditure to improve visibility and maintain transparency.</li> </ul> <p>We also recommended in 2022 that sensitive expenditure should be approved on a one-up basis.</p>	<p><b>2023 Interim</b></p>	<p><b>In progress</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comments</b></p> <p><i>Council's updated Travel Policy was adopted by the Executive Leadership Team (ELT) on 1 August 2023. Vehicle Management Policy is also being finalised and scheduled to be adopted by ELT on 22 August 2023</i></p> <p><i>Council's Sensitive Expenditure Policy has been updated to further strengthen OAG's best practice guidelines. The policy was endorsed by ELT and adopted by the Council on 11 October 2023.</i></p> <p><i>All staff workshop and training materials related to sensitive expenditure policies and procedures are being scheduled and</i></p>



Recommendation	First raised	Status
		<p><i>prepared to be rolled out to all staff in 2024.</i></p> <p><i>Finance is monitoring sensitive expenditure more regularly and will provide regular updates of findings to the Risk and Assurance Committee (RAC). The first session with the RAC on 16 August 2023 included a presentation on sensitive expenditure including an update on current status, audit comments, and our plan forward.</i></p>
<p><b>Robustness of month-end financial reporting process</b></p> <p>We noted that monthly reconciliations were not prepared and reviewed in a timely manner. We recommended that the District Council:</p> <ul style="list-style-type: none"> <li>• Be clear on roles and responsibilities by embedding expectations and requirements for the application of month-end closing processes.</li> <li>• Clearly communicate these expectations and data collection and submission to other business units and stakeholders.</li> <li>• Implement processes to review fixed asset additions and capital projects WIP monthly to ensure timely capitalisation and better tracking of the financial impact of the key capital projects.</li> </ul> <p><b>Maintenance of fixed assets WIP schedule /depreciation</b></p> <p>The District Council should perform a full review of the Fixed Asset Register (FAR) to ensure valid data is contained in the module. Accounting policies should be reviewed to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</p>	<p><b>2023 Interim</b></p> <p><b>2016</b></p>	<p><b>In progress</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comments</b></p> <p><i>Month end reconciliations will be prepared and reviewed by the last working day of the month, from now.</i></p> <p><i>Fixed Asset policy or something similar will be worked on with clear instructions on Asset disposals and asset additions. Assets capitalisation and reconciliations are planned to be done monthly from 2024 once all improvements identified are tested, put in place, and made known to all staff involved. Improvements identified that are starting now and with the aim to be completed by the end of 2024:</i></p> <ol style="list-style-type: none"> <li><i>1 Better understanding of how we can fully utilise the current CVR system – with on sites sessions (15-18 August) with Civica consultants specialising in CVR module in Authority.</i></li> <li><i>2 Capturing all assets in CVR, rather than on Excel Spreadsheet.</i></li> <li><i>3 Better process of asset additions and disposals with clear step-by-step guidance and finance information needed from asset managers.</i></li> <li><i>4 Regular reconciliation of AMS (asset management systems) to CVR.</i></li> </ol>

Recommendation	First raised	Status
<p>We recommended that the District Council Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers, and the FAR, maintained by the finance team. The reconciliations should be reviewed by an independent person and the review appropriately evidenced.</p>		<p>5 <i>Forward looking schedule of PPE revaluation.</i></p>
<p><b>Record keeping and evidence of approvals</b></p> <p>Record keeping and insufficient evidence of approval were issues across all areas where we performed sample testing, including fixed asset additions, timesheet and leave request, supplier, and employee Masterfile changes.</p> <p>We recommended that the District Council develop, implement, and enforce a standard review process which requires clear and sufficient evidence.</p> <p>We also recommended in 2020 that changes to the payroll Masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report; and consideration be given to giving the reviewer “read-only” access to the payroll Masterfile to ensure the review is independent.</p>	<p><b>2023 Interim</b></p>	<p><b>In progress</b></p> <p><i>We will follow up on this matter as part of our 2023/24 audit.</i></p> <p><b>Management comments</b></p> <p><i>Council has stopped raising SPOs from 1 July 2023, with the only exception being for fleet and reactive maintenance suppliers due to the reactive nature of this spending. With the use of SPOs in these circumstances, pre-approval memos are prepared and signed off by the appropriate one-up delegated authority.</i></p> <p><i>Leave approval – This refers to the Aquatics and Te Takere staff who currently apply for leave manually and not via Authority (automated). Discussions have commenced to address some of these issues. Discovery session with our system provider around sick leave applications are also in train. Further discussions will be required with Managers/Team Leads regarding their continued monitoring of their teams leave activity.</i></p>

Recommendation	First raised	Status
		<p><i>Timesheet approval – This pertains to timesheets from our Aquatics Centres. Full approval process of how timesheets are approved and documented to commence. Currently payroll receives mainly via emails the timesheet summary and actual timesheets from the Aquatics Centre with no other documentation i.e. emails chain.</i></p> <p><i>Supplier Masterfile Changes will be prepared and reviewed by the last working day of the month, from now.</i></p> <p><i>Employee Masterfile Changes will be prepared by the end of each pay period and reviewed/approved within 5 working days of being prepared.</i></p>
<p><b>Elevated network user accounts need management</b></p> <p>Any elevated access account creation should have formalised approval by the IS manager and regular reviews of these accounts should be carried out.</p> <p>Use of the generic Administrator account should be eliminated and the password stored away for use in an emergency.</p> <p>Logging of any changes to privileged network accounts, and to usage of the Administrator account should be established and reviewed.</p>	<p><b>2022 Final</b></p>	<p><b>In progress</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comment</b></p> <p><i>Currently developing business case to move from E3 to E5 Microsoft Licencing which allow us to implement Privileged Identity Management – this supports appropriate access and permission management across various administrative roles.</i></p>

Recommendation	First raised	Status
<p><b>Organisational Business Continuity and IT Disaster Recovery</b></p> <p>We noted during prior years that the District Council's Business Continuity and IT Disaster Recovery plans have not been finalised and tested.</p>	<p><b>2022 Final</b></p>	<p><b>In progress</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comment</b></p> <p><i>A Cyber Security Audit has been completed and highlighted the specific actions required to improve BCP &amp; Disaster Recovery resilience, the IS Manager will be outsourcing this area work along with the organisation wide BCP review. Information Services continues to work closely with the Risk Manager to ensure that IT risks and BCPs are captured and managed. The due date has been pushed out from 30/06/2023 to allow for further scoping work.</i></p>
<p><b>Improve network login and application login password strength</b></p> <p>We recommend that the District Council improve its network and application password settings to meet current NZ Information Security Manual or other internationally recognised standards.</p>	<p><b>2022 Final</b></p>	<p><b>Open</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comment</b></p> <p><i>We are now in the process of updating our Password policies and processes and will be rolled out to Council by the end of this financial year.</i></p>
<p><b>Annual financial reporting process</b></p> <p>Implement audit recommendations to improve the annual financial reporting process including improving the quality assurance review over the annual report.</p>	<p><b>2018</b></p>	<p><b>In progress</b></p> <p>We will follow up on this matter as part of our 2023/24 audit.</p> <p><b>Management comment</b></p> <p><i>Significant improvements were planned and implemented for the 2022/23 annual report (AR) to improve the document and the way that it is prepared to ensure better quality assurance is achieved.</i></p> <ul style="list-style-type: none"> <li><i>Key staff on the AR were meeting twice weekly to check in on progress.</i></li> <li><i>A detailed tasks schedule with responsibilities and due dates were circulated at the start of the AR process, with outstanding tasks being actively followed up on.</i></li> </ul>

Recommendation	First raised	Status
		<ul style="list-style-type: none"> <li>• <i>Management guidance and direction were sought and received in a timely manner.</i></li> <li>• <i>Review process is built into the timetable by the finance team (peer review), the Financial Controller (Full document review), and ELT.</i></li> <li>• <i>Established robust relationship with our auditors and the use of regular catch up enabled outstanding issues to be addressed promptly.</i></li> <li>• <i>We delivered the 2023 full and summary Annual Report to our auditors as per agreed timetable and this is adopted by the Council on 25 October 2023.</i></li> </ul>
<p><b>Legislative compliance</b></p> <p>The Council should look at mechanisms to actively monitor compliance with legislative requirements.</p>	<p><b>2016</b></p>	<p><b>Open</b></p> <p>No change in processes from last year.</p> <p><b>Management comment</b></p> <p><i>The development of a Legislative Compliance Programme is underway and will be presented to the Risk and Assurance Committee which will be aligned with and form part of the existing Council Risk Management Policy and Framework. This programme will include a way to monitor and report compliance.</i></p>
<p><b>Three Waters Alliance arrangements</b></p> <p>The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.</p>	<p><b>2020</b></p>	<p><b>In progress</b></p> <p>We will assess this as part of the 2022/23 audit.</p> <p><b>Management comment</b></p> <p><i>The risk register has been updated to reflect this and the District Council's risk manager is continuously working with the alliance and community infrastructure team to review the water services risk register and improve the risk identification and assessment processes.</i></p>

Recommendation	First raised	Status
<p><b>Performance reporting</b></p> <p>We encourage the Council to take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.</p>	<p>2020</p>	<p><b>Open</b></p> <p>We will engage with the Council on this as part of the LTP process.</p> <p><b>Management comment</b></p> <p><i>The performance measures are being reviewed as part of the LTP 2024-44.</i></p>
<p><b>Three Waters infrastructure assets</b></p> <p>As part of the 2020/21 revaluation, the valuers, (WSP) recommended that the District Council:</p> <ul style="list-style-type: none"> <li>• Update of the GIS asset register to reflect the reassessed useful lives in the valuation worksheet;</li> <li>• Componentise the treatment plants and pump stations;</li> <li>• Water supply tanks are revalued in conjunction with treatment plants and pump stations;</li> <li>• Further investigate and track Alliance costs as the true on-costs applied to capex projects could be higher than the currently applied value;</li> <li>• Investigate and reconcile the discrepancy between water and wastewater laterals and house connections; and</li> <li>• Investigate the impact of significant population growth on the remaining life where the replacement date could be brought forward to achieve required capacity/standards.</li> </ul>	<p>2021</p>	<p><b>Open</b></p> <p>We will assess this as part of the next revaluation.</p> <p><b>Management comment</b></p> <p><i>WSP noted that there have been improvements since the 2020/21 valuation specifically in respect of the componentisation of the treatment plants and pumps stations.</i></p> <p><i>Significant work is happening in this area currently to improve the way that we work, including:</i></p> <ul style="list-style-type: none"> <li>• <i>GIS/AMS system has been updated to reflect the latest WSP component pricing; and</i></li> <li>• <i>IPS upgrade project is currently underway which will result in all three water assets information being captured in a single source.</i></li> </ul>

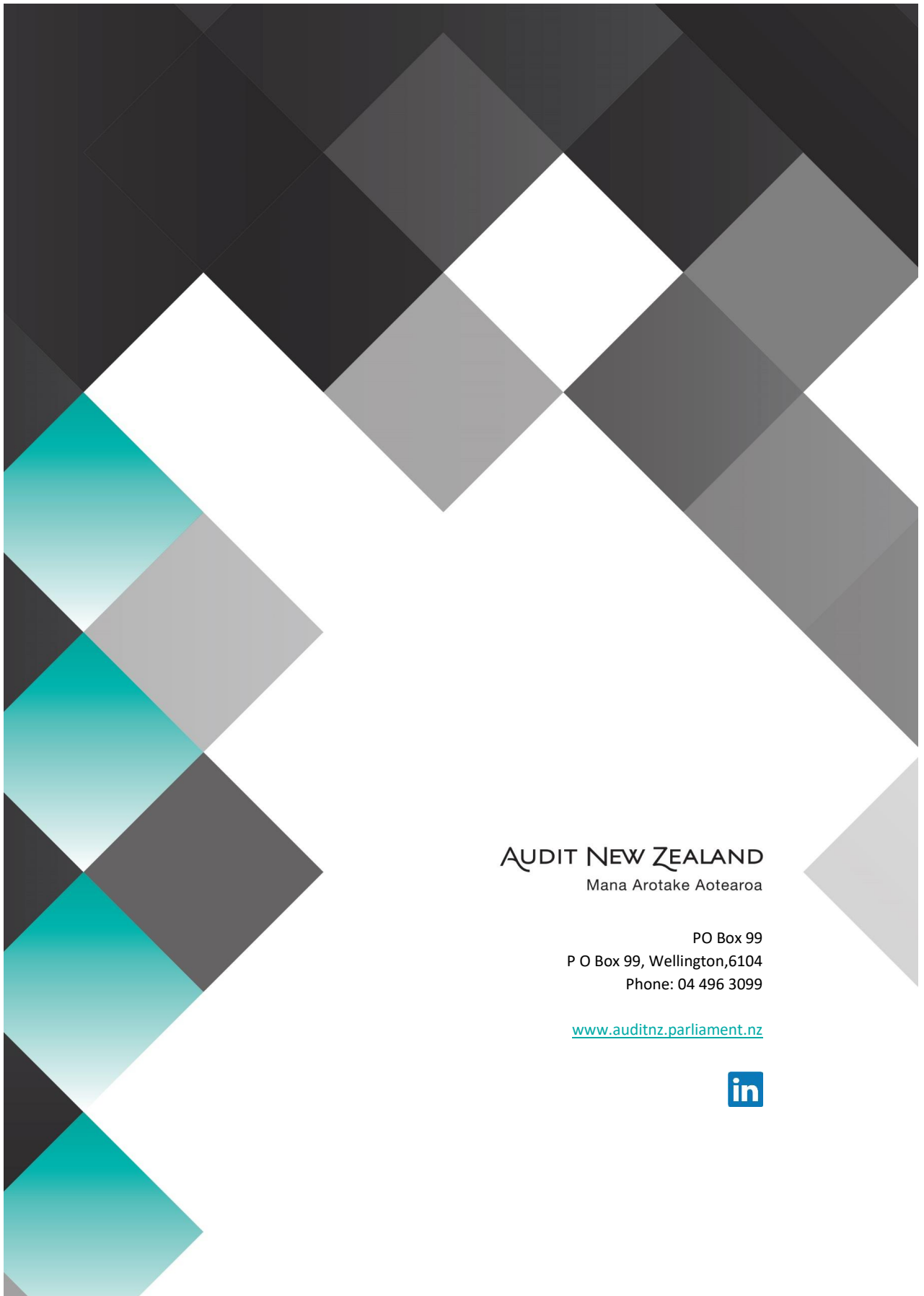
Implemented or closed recommendations

Recommendation	First raised	Status
<b>Credit card usage</b>		
<p>We recommended that:</p> <ul style="list-style-type: none"> <li>• Credit card holders should be reminded of, and adhere to, the requirements of the sensitive expenditure policy.</li> <li>• Either the sensitive expenditure policy be updated to reflect current practice where the Chief Financial Officer’s credit card is used as a corporate card or the practice of using that credit card as a corporate card should cease.</li> </ul>	2020	<p><b>Implemented</b></p> <p>Improvements have been made around the management of credit card usage:</p> <ul style="list-style-type: none"> <li>• All staff announcement made recently on Council intranet as a reminder to staff about the updated Sensitive Expenditure Policy and the related policies (Travel policy, Vehicle policy).</li> <li>• Organisation-wide policy training is being planned to ensure staff awareness of credit card usage, and sensitive expenditure.</li> <li>• The Sensitive Expenditure Policy is reviewed and updated to follow the best practice from OAG, as well as to reflect current practice where the credit card held by the GM Organisation Performance is used as a corporate card. This policy was endorsed by Executive Leadership Team and subsequently adopted by Council on 11 October 2023.</li> <li>• Work has started to explore purchase cards option for those staff who are frequent credit card users with the attempt to stop the single named credit card being used as a corporate card. This is expected to be in place from 2024.</li> </ul>

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>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.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with 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.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the District Council or its subsidiaries.</p> <p>To date, in addition to the audit we have carried out engagements in the areas of 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 or its subsidiaries. List any safeguards applied to reduce or eliminate threats to an acceptable level.</p>
Fees	<p>The audit fee for the year is \$271,079, as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p> <p>To date, other fees charged in the period are \$5,000 for the Debenture Trust Deed engagement.</p>
Other relationships	<p>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 or its subsidiaries that is significant to the audit.</p> <p>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 or its subsidiaries during or since the end of the financial year.</p>





AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 99  
P O Box 99, Wellington, 6104  
Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)





## Risk & Assurance Committee Actions Monitoring Report

	Completed
	In progress
	Transfer
	Off track/Not Started

Reference	Resolution/Action	Officer	Due date	Status	Officer Comment
21/337	Health & Safety Report <ul style="list-style-type: none"> <li>Enhanced risk management reporting, over time, in response to the SafePlus comment “some risk controls were being monitored but effectiveness of controls were not being verified”</li> </ul>	T Glavas	Complete		The effectiveness of the controls is being monitored through ongoing incident reporting and risk register.
21/392	Finance, Audit & Risk Committee Work Programme <ul style="list-style-type: none"> <li>Council's Risk Register – what should be added in terms of risk due to the proposed reforms – Local Government, RMA, and Three Waters to be considered. Also what was learned during the recent CouncilMARK process to be included.</li> </ul>	A Huria	Complete		Risk improvement programme presented to Council and implementation programme underway. Future updates will be via Risk Status Reports.

D23/18110

Last update: 15-Feb-244

UNCLASSIFIED

## Key from Audit

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

Audit Management Report 2022/23 Previous Recommendations			
Recommendation	Due date	Status	Officer Comment
<b>Urgent</b>			
<b>Difference between rates resolution and annual plan (new)</b>			
Controls be strengthened over the review of public documents especially those incorporating Council decisions to avoid any ambiguity	30/6/2024		Completed. We believe this is a one-off incident. We now have better processes in place for the peer review and ELT review of key reports including the Annual Report, Annual Plan and Long term plan documents. Regular communication across teams is also happening to ensure links to key documents to be updated are validated/checked.
<b>Information supporting land under roads (new)</b>			
Ensure that there is complete information for all asset classes.	30/6/2024		Completed. The listing of land under roads is available and ready for the next annual audit.
<b>Data reliability and quality assurance process over service performance reporting (new)</b>			
Enhance the data reliability and quality assurance process over service performance reporting. <ul style="list-style-type: none"> <li>Review the effectiveness of the current reporting systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented.</li> </ul>	30/6/2024		Discussions are currently being held on the scope and resourcing of a project to address the issues noted and to implement recommendations.  3Waters – new QA process established in August 2023 and completed monthly since. Contractor feedback loop

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<ul style="list-style-type: none"> <li>Clearly communicate the requirements over data collection and submission from various business units, and provide regular training to all staff involved.</li> <li>Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets.</li> <li>Review DIA guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. For example, DIA's 20 days processing time for building consent applications commences the next working day after the day on which a complete application is received, however, the Council has been recording the commencement date as the working day on which a complete application is received. This may lead to understatement of the Council's performance.</li> <li>Implement quality review processes on a regular basis to ensure data accuracy and adequate supporting information is available to support the reported result.</li> </ul>			<p>established in September 2023 to feedback on any data quality issues or opportunities for improvement on a monthly basis informed by the QA check process. Training completed with Customer Experience Team on October 2023. New CRM reporting developed, tested and refined throughout November and December 2023 and adopted for use from January 2024. All SSP Reporting templates enhanced to reduce manual interventions, with inclusion of checks and balance formulas to identify any data quality issues.</p>
---	--	--	--

**Valuation of land and building and infrastructure assets**



D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<p>We experienced difficulties in both performing the revaluation and accounting for the movements in 2022. Auditors also noted a number of errors as part of their review mainly relating to disclosures and completeness of information provided to the independent valuers. A more focussed approach to this process is required going forward.</p> <p>Auditors also recommended in 2021 that a process be implemented to ensure that all assets within an asset class are revalued.</p>	<p>30/6/2024</p>		<p>Completed.</p> <p>A revaluation schedule was created for 2022/23 financial year to better show the status of asset revaluation by asset class.</p> <p>A full revaluation of Solid Waste assets was completed for the 2022/23 financial year.</p> <p>A reconciliation for asset classes subject to revaluation in 2023/24 will be performed as part of the next valuation prior to providing information to the valuers.</p> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<p><b>Necessary</b></p>			
<p><b>Centralised asset management database (new)</b></p>			
<p>Introduce a centralised asset management database</p> <ul style="list-style-type: none"> <li>• Consolidate various asset management systems and explore practical options with the current system suppliers.</li> <li>• Reduce the amount of manual journal posted at year end for the capitalisation and reconciliation process by performing monthly WIP reviews and fixed asset reconciliation.</li> <li>• Strengthen the formal quality assurance review process to ensure the accuracy and completeness of data inputs.</li> </ul>	<p>31/12/2024</p>		<p>Fixed Asset policy or something similar will be worked on with clear instructions on Asset disposals and asset additions. Reconciliation of Capital Expenditure and Asset additions are planned to be done on a monthly basis, with asset capitalisation undertaken as soon possible after the asset data has been added to the AMS and all project expenditure has been captured.</p> <p>Improvements identified and underway with the aim to be completed by the end of 2024 aim to ensure that all assets are</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

			<p>captured within a dedicated asset management system that will allow us to accurately identify WIP, and capitalise and depreciate assets at the correct rates. Improvements identified include:</p> <ol style="list-style-type: none"><li>1. IPS Project to implement IPS Asset Management System that will capture all 3 waters assets including land and buildings with all assets currently in GIS and spreadsheets being captured. New processes implemented to create individual project service contracts within IPS that match Authority Work Order Expenditure will allow reconciliation between capital expenditure and asset data capture. Capitalisation of new assets and depreciation will be processed within IPS. (Underway)</li><li>2. RAMM will capture all Roding Assets, current valuation data will be imported into RAMM with improvements to enable full valuation to be undertaken and captured in RAMM. New processes implemented to create new work orders for individual projects will allow clear</li></ol>
--	--	--	--



D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

			<p>reconciliation between new assets and capital expenditure. Future improvements proposed to understand RAMM capability to capture costs at Work Order Level and capitalisation process.</p> <ol style="list-style-type: none"> <li>3. Following CVR module training, CVR data will be reviewed and cleansed to ensure current assets are correctly aligned with current structure of asset classes. (Underway)</li> <li>4. CVR structure will be reviewed to ensure it matches our reporting requirements.</li> <li>5. Assets currently sitting in spreadsheets will be brought into the CVR. (Underway)</li> <li>6. Proposal to enable land data to be captured and valued at parcel level in the CVR will be investigated. This data is currently captured at valuation reference number which poses challenges when QV create new ones. (Underway)</li> <li>7. New processes to be created and established to accurately document asset additions and</li> </ol>
--	--	--	---



D22/59985

Last update: 15-Feb-24

UNCLASSIFIED



			<p>disposals through to the CVR to ensure accurate maintenance of CVR data. (Underway)</p> <p>The due date has been changed from 31/12/2023. Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<b>Purchase order clearing account (new)</b>			
<p>Introduce processes to clear the Purchase order clearing account in a timely manner.</p> <ul style="list-style-type: none"> <li>Review all items within the PO clearing account to determine the appropriateness of balance recorded as a liability at year-end.</li> <li>Undertake relevant maintenance work to resolve the detected system issues.</li> <li>Assess prepayments and accruals in detail to conclude on appropriateness of items comprising the year-end balance reported in financial statements.</li> </ul>	<b>30/6/2024</b>		<p>A full review of the PO clearing account is currently in progress, and a procedure is being developed for the Council AP officer and Financial Services Manager to more easily monitor this on a regular basis. A request has also been loaded with our system provider to confirm the PO clearing account has been configured within expectations.</p> <p>In addition a year-end wash up review will be completed to review transactions in the PO clearing account and identify items that should have been cleared versus items that are related to coming financial year.</p>
<b>Record keeping and evidence of approvals (interim)</b>			
<p>Record keeping and insufficient evidence of approval were issues across all areas where Auditors performed sample testing, including fixed asset additions, timesheet and leave request, supplier, and employee Masterfile changes.</p>	<b>30/6/2024</b>		<p>Council has stopped raising Standing Purchase Orders from 1 July 2023, with the only exception being for fleet and maintenance suppliers due to the reactive nature of this spending. With the use of</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<ul style="list-style-type: none"> <li>Develop, implement, and enforce a standard review process which requires clear and sufficient evidence.</li> </ul> <p>Auditors also recommended in 2020 that changes to the payroll Masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report; and consideration be given to giving the reviewer “read-only” access to the payroll Masterfile to ensure the review is independent.</p>			<p>SPOs in these circumstances, pre-approval memos are prepared and signed off by the appropriate one-up delegated authority.</p> <p>Leave approval – This refers to the Aquatics and facilities staff who currently apply for leave manually and not via Authority (automated). This has been broken into 3 phases. 1. All salaried staff based at our facilities are now entering leave (all types) through Authority. Phase 2 – waged facilities staff, review of system access and cost to provide individual logins. Phase 3 – Waged Aquatics staff review of full digital platform set up, system access &amp; if allocated admin time would be required.</p> <p>Timesheet approval – This pertains to timesheets from our Aquatics Centres. Full approval process of how timesheets are approved and documented to commence. Currently payroll receives mainly via emails the timesheet summary and actual timesheets from the Aquatics Centre with no other documentation i.e. emails chain. Review into online timesheets to commence as part of ERP review</p> <p>Completed</p>
--	--	--	---



D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

			<p>Supplier Masterfile Changes will be prepared and reviewed by the last working day of the month, going forward. Employee Masterfile Changes will be prepared by the end of each pay period and reviewed/approved within 5 working days of being prepared.</p> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<b>Robustness of month-end financial reporting process (interim)</b>			
<ul style="list-style-type: none"> <li>• Be clear on roles and responsibilities by embedding expectations and requirements for the application of month-end closing processes.</li> <li>• Clearly communicate these expectations and data collection and submission to other business units and stakeholders.</li> <li>• Implement processes to review fixed asset additions and capital projects WIP monthly to ensure timely capitalisation and better tracking of the financial impact of the key capital projects.</li> </ul>	<b>30/6/2024</b>		<p>Month end reconciliations will be prepared and reviewed by the last working day of the month, from now.</p> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<b>Maintenance of fixed assets WIP schedule /depreciation</b>			
<ul style="list-style-type: none"> <li>• Perform a full review of the Fixed Asset Register (FAR) to ensure valid data is contained in the module. Accounting policies should be reviewed to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</li> <li>• Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers,</li> </ul>	<b>31/12/2024</b>		<p>Refer comments above under “Centralised asset management database (new)”. This recommendation ties in closely with having a centralised asset management database.</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

and the FAR, maintained by the finance team. The reconciliations should be reviewed by an independent person and the review appropriately evidenced.			
--	--	--	--

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

Sensitive expenditure policies and procedures (interim)		
<ul style="list-style-type: none"> <li>Review its policies and procedures for sensitive expenditure and communicate these changes and expectations in respect of sensitive expenditure;</li> <li>Improve documentation in respect of sensitive expenditure justification and approval processes; and</li> <li>Enhance the monitoring and reporting of sensitive expenditure to improve visibility and maintain transparency.</li> </ul> <p>Auditors also recommended in 2022 that sensitive expenditure should be approved on a one-up basis.</p>	<p>30/06/2023</p>	<p>Completed.</p> <p>Council's updated Travel Policy was adopted by the Executive Leadership Team (ELT) on 1 August 2023. Vehicle Management Policy is also being finalised and scheduled to be adopted by ELT on 22 August 2023</p> <p>Council's Sensitive Expenditure Policy has been updated to further strengthen OAG's best practice guidelines. The policy was endorsed by ELT and adopted by the Council on 11 October 2023.</p> <p>All staff workshop and training materials related to sensitive expenditure policies and procedures are being scheduled and prepared to be rolled out to all staff in 2024.</p> <p>Finance is monitoring sensitive expenditure more regularly and will provide regular updates of findings to the Risk and Assurance Committee (RAC). The first session with the RAC on 16 August 2023 included a presentation on sensitive expenditure including an update on current status, audit comments, and our plan forward.</p> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
Annual financial reporting process		

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<p>Implement audit recommendations to improve the audit process including improving the quality assurance review over the annual report.</p> <p>The particular areas auditors would expect to see improving is:</p> <ul style="list-style-type: none"> <li>Implementing a quality assurance review over the annual report before providing to audit, performed by a staff member not directly involved in collating the information. This should include a check that notes agree to the face of the accounts, disclosures, variance explanations and statement of service performance information are complete.</li> </ul>	<p><b>30/06/2023</b></p>	<p>Completed.</p> <p>Significant improvements were planned and implemented for the 2022/23 annual report (AR) to improve the document and the way that it is prepared to ensure better quality assurance is achieved.</p> <ul style="list-style-type: none"> <li>Key staff on the AR were meeting twice weekly to check in on progress.</li> <li>A detailed tasks schedule with responsibilities and due dates were circulated at the start of the AR process, with outstanding tasks being actively followed up on.</li> <li>Management guidance and direction were sought and received in a timely manner.</li> <li>Review process is built into the timetable by the finance team (peer review), the Financial Controller (Full document review), and ELT.</li> <li>Established robust relationship with our auditors and the use of regular catch up enabled outstanding issues to be addressed promptly.</li> <li>We delivered the 2023 full and summary Annual Report to our auditors as per agreed timetable and this was adopted by the Council on 25 October 2023.</li> </ul> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
---	--------------------------	--

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

Three water infrastructure assets valuation		
<p>Areas of improvement identified by the external valuer (WSP) and us, should be addressed prior to the next valuation, being:</p> <ul style="list-style-type: none"> <li>• update of the GIS asset register to reflect the reassessed useful lives in the valuation worksheet;</li> <li>• componentisation of the treatment plants and pump stations;</li> <li>• water supply tanks are revalued in conjunction with treatment plants and pump stations;</li> <li>• further investigation and tracking of Alliance costs as the true on-costs applied to capex projects could be higher than the currently applied value;</li> <li>• investigate and reconcile the discrepancy between water and wastewater laterals and house connections; and</li> <li>• investigate the impact of significant population growth on the remaining life where replacement date could be brought forward to achieve required capacity/standards.</li> </ul>	<p>31/12/2024</p>	<p>WSP noted that there have been improvements since the 2020/21 valuation specifically in respect of the componentisation of the treatment plants and pumps stations.</p> <p>A project is underway to move all 3 waters asset data from the GIS and spreadsheets to IPS Asset Management System.</p> <ul style="list-style-type: none"> <li>• New processes implemented to create individual project service contracts within IPS that match Authority Work Order.</li> <li>• Expenditure will allow reconciliation between capital expenditure and asset data capture as the full capital expenditure cost will be capitalised against all new assets created as part of the project.</li> <li>• Capitalisation and depreciation will be processed within IPS directly linked to the associated asset tables and rates. This will enable full export of all assets from a single source for future valuations and accurate reconciliation with Alliance transactions.</li> </ul>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

			<ul style="list-style-type: none"> <li>It is intended that all 3w asset data including land and buildings will be captured within IPS by 30 June 2024. Full 3w valuation is proposed to be brought forward to 30 June 2024 utilising an extract from IPS.</li> </ul> <p>The due date has been changed from 31/12/2023.</p> <p>Audit NZ will assess this as part of the next revaluation.</p>
<b>Elevated network user accounts need management</b>			
<p>Any elevated access account creation should have formalised approval by the IS manager and regular reviews of these accounts should be carried out.</p> <p>Use of the generic Administrator account should be eliminated and the password stored away for use in an emergency.</p> <p>Logging of any changes to privileged network accounts, and to usage of the Administrator account should be established and reviewed.</p>	<b>30/06/24</b>		<p>Date Due has changed from 31/12/2023. In process of obtaining/deploying limited E5 Microsoft Licencing to conduct Proof of Concept – Governance, compliance and security features including Privileged Identity Management. This supports appropriate access and permission management across various administrative roles</p> <p>Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<b>Legislative compliance</b>			
<p>Look at mechanisms to actively monitor compliance with legislative requirements.</p>	<b>Date change to 30/09/2024</b>		<p>Officers are looking at the ComplyWith Software which is a reporting tool for legislative requirement. There is currently no budget, however budget has been</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED



			allocated in the LTP 24-41 for implementation in FY 24/25.
<b>Three Waters Alliance arrangements</b>			
The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.	31/12/2023		Completed. The risk register is continuously updated to reflect a clear understanding of the potential impacts. Councils risk maturity continues to grow as the risk management processes become more integrated into the day to day operations
<b>Performance reporting</b>			
Take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.	30/06/2024		Completed. The performance measures has been reviewed as part of the LTP 2024-44. Audit NZ will engage with Council officers on this as part of the LTP process.
<b>Organisational Business Continuity and IT Disaster Recovery</b>			
We recommend that the District Council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet Council requirements, including confirming the risk tolerance and response to achieve mitigation required for the District Council's target risk level. Auditors noted during prior years	30/06/2024		A Cyber Security Audit has been completed and highlighted the specific actions required to improve BCP & Disaster Recovery resilience, these have been captured in Group Work Plan and assigned accordingly. The IS Manager will

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<p>that the Council's Business Continuity and IT Disaster Recovery plans have not been finalised and tested.</p>			<p>be looking to outsource the Disaster Recovery and Resilience activities. Information Services continues to work closely with the Risk Manager and Manager Organisation Transformation and Procurement to ensure that IT risks and BCPs are captured and managed. The due date has been pushed out from 30/06/2023 to allow for further scoping work. Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<p><b>Improve Network Login and Application Login Password Strength</b></p>			
<p>Improve its network and application password settings to meet current NZ Information Security Manual or other internationally recognised standards.</p>	<p>30/06/2024</p>		<p>We are in the process of finalising our Password policies and processes for review and approval. These will be rolled out to Council by the end of this financial year. Audit NZ will follow up on this matter as part of the 2023/24 audit.</p>
<p><b>Beneficial</b></p>			
<p><b>Separate GL account for contract retentions account (new)</b></p>			
<p>Establish and maintain a separate GL account for all contract retentions held, and review them for reasonableness on a regular basis.</p>	<p>30/06/2024</p>		<p>In May 2022, we developed a process to reconcile retentions via a report download from our AP module where retention amounts are kept, vs retentions showing via progress claims and contracts. This is done in an Excel spreadsheet and regularly reconciled.</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

			<p>In October 2023, we set up a separate bank account to hold retention funds separately. This follows changes to the Constructions Contracts Act.</p> <p>We have recently received confirmation from our system provider that there is currently no support available within the system to separate retentions into their own GL account when a payment is made. The current manual reconciliation process, and bank account to hold retention funds will therefore continue until this is an option.</p>
--	--	--	--

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

### Key from PricewaterhouseCoopers

Priority	Explanation
Urgent	High risk/immediate action required
Necessary	Medium risk/attention recommended in the medium term
Beneficial	Low risk/for your information only
√	Tax opportunity/action required

GST Compliance evaluation by PwC Recommendations – 17 February 2023					
Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
<b>GST Process/Procedure</b>					
<b>GST Procedural Documentation</b>	We recommend that Council updates the GST procedural documentation to provide support for the basis of the calculations being made. In the event of an Inland Revenue risk review or audit, one of the first things that Inland Revenue request is procedural documentation and Inland Revenue will have a high degree of confidence over tax compliance if a taxpayer can produce up-to-date, comprehensive procedural documentation.	Beneficial	31/12/2023		Completed. Procedural documentation was reviewed and tested by another Council officer, who was new to the process and completed a couple of GST returns purely based on the documentation, to ensure completeness of the documentation.  Further refinement to the documentation is built into the BAU GST process, and will be made as/when required.
<b>GST Return Preparation</b>					
<b>GST Return Preparation Process</b>	We are of the view that Council's GST return process is broadly sound and in line with our expectations. Whilst a	Necessary	30/06/2023		Completed. The recommended monthly adjustment is put in place

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	<p>manual workaround has been created, we recommend that the underlying system settings are investigated to ensure these transactions are posted to the correct GST payable or receivable account. The manual workaround may correct this in most instances, however there can be legitimate reasons for negative postings (e.g. credit notes), which should not be transferred to the opposite GST account. We provide our further comments below in respect to individual aspects of the return for specific consideration, including an additional adjustment recommend for resource consent deposits.</p>				<p>from the March 2023 GST return to recognise GST on the Resource Consent deposit when a payment is received.</p> <p>The underlying system settings will be explored as part of the action under "GST codes" below.</p>
<b>Trend Analysis</b>	<p>To support the high-level analysis already undertaken by Council each month, the input and output GST accounts could be tracked in a separate workbook or system output, with larger variances above a defined threshold noted within. This could also be translated into a graph which can provide an effective high-level visualisation of movements in GST for Council.</p>	√	31/12/2023		Completed
<b>GST Codes</b>	<p>We agree that in some instances, GST treatment can differ for items coded to a particular code, however there are many instances (e.g. rates penalties), where a default GST code should be used to ensure these are treated correctly for GST. Accordingly, we recommend</p>	√	30/06/2024		Initial discussion with Council's system provider (Civica) to explore GST return capability in the system took place in May 2023.

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	Council review the default GST coding and ensure there is a default code where a particular GST treatment is certain or very common.				Further exploration session with Civica is needed to investigate the possibility of configuring the GST return function in the system by making use of the GST codes setting. The due date has been changed from 31/12/2023 to allow time to work with Civica on configuration and testing.
<b>Rates</b>					
<b>Rates – General</b>	For GST purposes, rates have a modified time of supply trigger, being the earlier of: <ul style="list-style-type: none"> <li>- The date the instalment notice is issued;</li> <li>- the due date for payment required by the instalment notice; or</li> <li>- the date any payment is received.</li> </ul> Council sets the rates for the year around July/August with four instalment dates which are invoiced as a “Tax Invoice/Credit Note/Debit Note” quarterly each year. For the GST return, Council’s system defaults to return the full GST portion of the rates set for the year and will make an adjustment per month according to how much has been invoiced and how much has been paid in advance. No action required.	Beneficial	NA	For noting. No action required.	No action required.
<b>Rates – Penalties</b>	We recommend that Council amend the invoice format to include a total amount of GST in the row above the total due.	Necessary	30/06/2024		This work has started in September 2023 as part of a wider review of the mail

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	We also recommend that there is a specific comment stating the rates penalties are exempt from GST.				house provider for rates printing and distribution. Implementation date is planned for 2024/25. The due date has been changed from 31/12/2023.
<b>Rates - Paid in Advance</b>	Technically, Council has no obligation to return GST on rates paid in advance of the rates being set. However, given the rarity of rates paid in advance and that Council's approach is conservative, we consider the risk minimal, and the current treatment is appropriate. No action required.	Beneficial	NA	For noting. No action required.	No action required.
<b>Rates – Remissions</b>	We recommend that Council amend the tax invoice template to include a separate line to show the remission amount. Council should make clear that GST will only apply to the discounted rate where remissions have been applied.	Necessary	30/06/2024		This work has started in September 2023 as part of a wider review of the mail house provider for rates printing and distribution. Implementation date is planned for 2024/25. The due date has been changed from 31/12/2023.
<b>Rates - Recent Invoice Error</b>	We recommend that when Council reissues an amended invoice, that it shows a separate line for the full amount incorrectly charged as a credit, then have the correct amount shown as the amount due. For example: Opening balance: \$1,200 Credit for prior invoice: (\$1,200) Correct Amount: \$1,000	Necessary	NA	For noting. No action required.	No action required.

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	----- Total Amount Due: \$1,000  We note that whilst there is a risk that a ratepayer may inadvertently claim GST on both invoices, the onus falls on the recipient to ensure GST is not over claimed in these instances.				
<b>Dog Licence Registrations</b>					
<b>Time of Supply</b>	We recommend that going forward, Council ensure any invoices dated the 1st of the month are not sent during the month earlier, to avoid triggering the time of supply for GST purposes.	Necessary	30/06/2023		Completed. Compliance team had been notified and this is built into the processing notes for future invoices.
<b>Dog Licensing – Invoices</b>	We recommend that to rectify the issues noted going forward, Council amend the invoice template to read “Tax invoice when paid” as well as include a GST line on the document. This will ensure that the documentation issued reflect Council’s current practice and simplifies the process.	Necessary	31/12/2023		Completed. Invoice template updated to include the wording “Tax invoice when paid” and a separate GST line. This was completed by 30 June 2023 to align with the Dog registration timing.
<b>Dog Licensing Fees – Credit Notes</b>	Consistent with the above recommendation, we recommend that Council amend the invoices for licensing to read "Tax Invoice When Paid". This would negate the requirement for Council to issue a credit note.	Necessary	31/12/2023		Completed. Invoice template updated to include the wording “Tax invoice when paid” and a separate GST line. This was completed by 30 June 2023 to align with the Dog registration timing.
<b>Property and Land Transactions</b>					

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED



<p><b>Property Purchases and Disposals</b></p>	<p>We recommend that Council update the sales/disposals on property and land policy and procedure documentation to ensure the finance team is made aware of potential transactions early and the expected GST treatment is determined prior to the transaction being finalised. We recommend that Council ensures that the GST schedule within all Sale &amp; Purchase agreements are completed. In the event that the GST treatment is ever scrutinised by the other party or by Inland Revenue, having this completed should support the GST position taken by Council.</p>	<p>Urgent</p>	<p>30/06/2024</p>		<p>In Progress. Whilst more time is needed to work on updating the policy and procedure documentation related to the sales/disposals on property and land, as an interim measure, the relevant team had been notified of the need to include the Finance team in completing the GST schedule within the agreements, and generally with questions around GST treatment. This process is currently in place. The update to the actual policy has been requested to the relevant team. However, due to staff vacancy in the team, the due date has been changed from 31/12/2023.</p>
<p><b>Residential Property</b></p>	<p>We recommend that Council confirm whether the tenants at Valvaleen Farm (66 Old Foxton Road) and the Salvation Army (24 Durham Street) have "quiet enjoyment" for residential purposes. Based on our discussions we understand this is likely. If confirmed as exempt from GST, we recommend that Council contact the leasee to notify them that Council will no longer charge GST on the rent. We understand the current contracts state 'plus GST'. We</p>	<p>Necessary</p>	<p>30/06/2023</p>		<p>Completed. Further guidance was sought from PwC on this, and tenants for the properties in question had been approached and notified of the need for change of GST treatment (GST exempt). Retrospective adjustments were made. Future billing have also been corrected.</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	<p>recommend this is amended to exclude GST on these contracts and any similar contracts entered into in future that have the same GST treatment. Council should confirm if these properties were ultimately purchased for taxable supply purposes, and if so, the SOLGM agreement (as discussed below) could apply, meaning that notional GST should be returned on the rent received. However, GST should not be charged to the tenant. If treated as exempt, Council should ensure GST is not claimed on any expenses incurred by Council in relation to the residential properties. Council should ensure appropriate training and controls are put in place to ensure those coding the expenses do not claim the GST.</p>				<p>Finance is proactively investigating expenses and questioning processes followed.</p>
<b>Consents and Contributions</b>					
<p><b>Resource Consent Deposits - Time of Supply</b></p>	<p>Moving forward, we recommend that Council recognise GST on the deposit when a payment is received. Only the GST portion of the deposit need be accounted for in the GST return as the full cost of the resource consent is not yet known. We recommend that this is a monthly adjustment completed in the GST return workpaper similar to the rates in advance adjustment. Ideally, a report could be run monthly detailing resource consent debtors with a credit balance and the movement between months included within the GST return.</p>	<p>Necessary</p>	<p>31/12/2023</p>		<p>Completed. The recommended monthly adjustment is put in place from the March 2023 GST return to recognise GST on the Resource Consent deposit when a payment is received.</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<b>Grants</b>					
<b>Grants</b>	We recommend that the finance team ensures it has oversight on all grants going both in and out of Council, to ensure the GST treatments are correct. We provide specific recommendations below in regard to individual grants and provide further information on the distinction between grants and donations at Appendix Four.	Beneficial	31/12/2024		In Progress Once grants that council will pay has been decided on, finance will be informed of who is receiving the grant so that the information can be reviewed for correct GST treatment. Grants are only handed out a selected time during the year so the process hasn't been tested yet. The due date has been changed from 31/12/2023 to allow for the testing to be done for a full financial year.
<b>Other</b>					
<b>Staff Reimbursements/ Credit Cards</b>	We recommend that Council ensures that managers who are responsible for approving invoices are given appropriate guidance on what to look out for from a GST perspective when undertaking this process, including a high-level understanding of GST claiming thresholds where no tax invoice provided. We also recommend that Council develop internal policy on any thresholds and limitations to staff reimbursements to minimise the number of personal claims going through and clarify the requirements for invoices/receipts required for expense claims. We note that GST invoicing requirements will be	Beneficial	31/12/2023		Completed. Ongoing training on Purchase order (PO) and Accounts Payable (AP) were put in place to educate staff about processes around PO and invoice payments.  Information about GST requirements on tax invoice was made available on Council's intranet.  AP officer taken on more responsibility in educating

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	changing for taxable periods starting 1 April 2023 onwards. We provide more information on this at Appendix Two.				<p>staff about GST invoicing requirements.</p> <p>Sensitive Expenditure Policy was reviewed and updated to include clearer processes and guidance for staff, with staff training to come, following Council adoption of the policy on 11 October 2023.</p>
<b>SOLGM Agreement</b>	We recommend that Council apply this methodology where applicable in relation to future purchases. We note that Inland Revenue are now very reluctant to accept similar GST apportionment agreements to that secured with SOLGM. As it significantly simplifies compliance, Council should take advantage of this option when it does apply.	v	31/03/2024		<p>In Progress.</p> <p>The SOLGM agreement cannot be applied retrospectively. Process is being put in place to update the sales/disposals on property and land to allow for the review of SOLGM agreement where an assessment will be undertaken for future property purchases. The due date has been changed from 31/12/2023.</p>
<b>WHT/GST</b>	We recommend that Council incorporate controls within the accounts payable process to ensure withholding tax (WHT) is considered when paying suppliers, particularly individuals and ad hoc suppliers.	Beneficial	30/06/2024		<p>In progress.</p> <p>Council does not often engage with contractors that will be subject to WHT. Currently, there is no WHT issue as the contractors that Council has engaged with are generally companies.</p>

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

				<p>Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately.</p> <p>New Creditor Setup Form used by Council has been reviewed and updated in March 2023 to assess and capture WHT information before a new creditor is setup.</p> <p>Work continues to explore accounts payable module being able to handle WHT. The due date has been changed from 31/12/2023.</p>
--	--	--	--	---



D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

### Key from PricewaterhouseCoopers

Priority	Explanation
Urgent	High risk/immediate action required
Necessary	Low – Medium risk – action recommended
Beneficial	Low risk/for your information only

PAYE Compliance evaluation by PwC Recommendations – 11 May 2023					
Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
<b>Overall</b>					
<b>Procedural Documentation</b>	We recommend that Council continue with the review and completes the PAYE procedural documentation. Following this, Council should ensure the documentation is kept up to date with any changes in process.	Beneficial	31/12/2023		Completed. Council continues to review and complete the PAYE procedural documentation. Changes in procedure is updated when required. A Payroll Audit Report is run each pay cycle, which is updated with supporting documentation and signed off by the People & Capability Manager
<b>Knowledge and awareness</b>	We encourage the Council to ensure that the team members who are involved in the PAYE process have access to up-to-date training and materials to ensure that they stay up to date with current tax legislation and Inland Revenue practice. Furthermore, we recommend that Council run regular checks and tests on	Necessary	30/06/2023		Completed. Ongoing training has been implemented via CHH Learning and NZPPA to ensure legislative changes are actioned when required. Going forward we will implement a process where spot checks are completed

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	the payroll system to ensure automatic calculations are being done correctly.				on automatic processes to ensure accuracy.
<b>Key person risk</b>	We recommend that Council ensure that there are other suitable team members in place who can ensure that the payroll process could still be completed in the absence of the Payroll manager.	Necessary	30/06/2023		Completed. Payroll function is now included within the People and Capability team. Key person risk is mitigated by cover put in place where both People and Capabilities Coordinators provide cover for each other in Payroll and Human Resources functions).
<b>Potential future benefits</b>	Tax advice should be considered prior to implementing any new benefits to employees. We recommend ensuring any potential offers to staff are communicated between HR, payroll and finance teams to ensure that the correct tax treatment is understood before implementation and ultimately is applied, particularly if there are any non –taxable offerings.	Necessary	30/06/2023		Completed. This has been implemented to ensure the correct tax treatment is understood before implementation.
<b>Payroll</b>					
<b>Fortnightly pay run</b>	As the ad hoc payments are calculated separately from the regular fortnightly pay run, the payment is made at the same time as the regular fortnightly pay.  If the situation arises where the ad hoc pay runs give rise to an actual separate payment, this will trigger a pay day filing	Beneficial	31/12/2023		Completed. Ad hoc payments are filed within the same pay period to Inland Revenue. A reconciliation file is prepared for each pay run and reviewed by the People and Capabilities Manager.

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	requirement for that payment. Council should ensure this is monitored and the pay day filling requirements are met.				This is embedded into day-to-day process and closely monitored.
<b>Final Pay – Ordinary Pay tax rate</b>	<p>We recommend that Council correct this calculation going forward by processing it through the payroll system. We understand that Council performs a manual calculation in attempt to avoid employees having a large refund or tax to pay when their individual tax return is assessed.</p> <p>In our view, the risk for Council is significantly lower if the calculation is performed using Inland Revenue's expected methodology as Council could be responsible for amending their PAYE returns upon investigation if the current methodology is used.</p>	Urgent	30/06/2023		Completed. Based on the recommendation from PwC, Council have put in place a process to calculate tax according to the IRD guidelines from November 2023. Tax will be calculated via Council's payroll system and spreadsheet will be used as part of calculating the final pay gross figure. This allows for cross checking of manual calculation vs system generated number.
<b>Final Pay – Lump sum payment</b>	We recommend that Council correct this calculation going forward by processing it through the payroll system if it has the capability. Alternatively, Council could amend the manual calculation methodology. We understand that Council performs a manual calculation in attempt to avoid employees having a large refund or tax to pay when their individual tax return is assessed.	Urgent	30/06/2023		Completed. Based on the recommendation from PwC, Council have put in place a process to calculate tax according to the IRD guidelines from November 2023. Tax will be calculated via Council's payroll system and spreadsheet will be used as part of calculating the final pay gross figure. This allows for cross checking of manual

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED



					calculation vs system generated number.
<b>Backpay</b>	Our sample testing of payslips indicated that the backpay component of a payslip was treated as ordinary pay rather than extra pay. Whilst we understand this was a unique instance, we recommend that in future, each instance of backpay is considered carefully to split out the actual backpay and the amount relating to the current period.	Beneficial	31/12/2023		Completed. All backpay components are processed and recorded separately to ordinary pay.
<b>Contractors &amp; Withholding tax (WHT)</b>	We understand that Council does not often engage with contractors and will do so sparingly. Currently, there is no WHT issue as the contractors that Council has engaged with are companies. Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately. No action required.	Beneficial	NA	For noting. No action required.	No action required.
<b>Superannuation</b>					
<b>Superannuation</b>	Council currently offers KiwiSaver and SuperEasy to employees. The interaction between superannuation schemes can be complex, however, as Council only contributes to KiwiSaver, this risk is mitigated. No action required.	Beneficial	NA	For noting. No action required.	No action required.
<b>ESCT rates for new employees</b>	Council relies on the payroll system to automatically calculate an employee's ESCT rate. Through our sample testing of payslips, we discovered that Council's payroll	Urgent	30/06/2023		Completed. On 25 October 2022, we made a voluntary disclosure to the Inland Revenue in relation to the underpayment

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

	<p>system, has been calculating ESCT rates for new employees incorrectly. Based on our testing, it appears that ESCT rates are determined based on their prior year earnings, regardless of when the employee started. This has resulted in ESCT rates being automatically set at 10.5% for new starters, resulting in an underpayment of ESCT by Council.</p> <p>We recommend that Council carry out a specific engagement to calculate the amount of ESCT underpaid over past four years and file a voluntary disclosure to Inland Revenue. Whilst this may result in a tax liability for Council, the alternative would be to amend employees Kiwisaver contributions which would be a very difficult process in addition to creating a high risk of disputes from employees. Calculating the shortfall will likely be difficult, as such Council should consider seeking external assistance and/or the use of data analytic tools.</p>				<p>of Employer Superannuation Contribution tax (ESCT). On 7 December 2022, Inland Revenue accepted the disclosure and amended the amount of ESCT payable for the periods (31/03/20, 31/03/21 and 31/3/22) and Council paid the amount of \$25,705.67 including use-of-money interest (UOMI). No shortfall penalty was imposed. Going forward, ESCT rates check had been included into the checklist for Payroll end of year process.</p>
<p><b>Change in superannuation rate + contributions holiday</b></p>	<p>Where Council employees want to change their contribution rate, they advise payroll and fill out a form. For a contributions holiday (Savings suspension) employees must notify Inland Revenue who will then notify payroll. No action required.</p>	Beneficial	NA	For noting. No action required.	No action required.

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

<b>Benefits and Allowances</b>					
<b>Benefits and Allowances</b>	We understand that Council currently provides very few allowances to employees. Councillors are provided with a mobile/telephone internet and mileage, and this is governed under the remuneration authority. No action required.	Beneficial	NA	For noting. No action required.	No action required.
<b>Flu vaccinations</b>	Flu vaccinations provided on site and paid for by Council will fall under the health and safety exemption under the FBT regime. Where an employee is reimbursed for obtaining their own vaccination, this is technically subject to PAYE regime where there is no mirroring health and safety exemption. As such, these reimbursements should be processed through the payroll system and subject to PAYE and other deductions (Kiwisaver, ACC levy, Student loan etc.) We recommend that in future when reimbursements are made for flu vaccinations, that these are grossed up and paid through the payroll system.	Beneficial	31/12/2023		Completed. Most flu vaccinations are provided on-site. In the unlikely event of an employee seeking a reimbursement for obtaining their own vaccination, this will be submitted to our Health and Safety Lead for review and if approved, it will be flagged to Finance to be processed through the payroll system so the appropriate deductions are recorded.
<b>Purchasing of goods on Council's account</b>	The provision of loans to employees for low or nil interest will be subject to FBT. We recommend that Council review its procedures regarding this treatment of personal purchases going forward.	Necessary	31/12/2023		Completed. Council staff was able to purchase paints from Resene on Council's account to access commercial discounts. All such purchases are to be paid at

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

					<p>the time of purchase by the staff member. Close monitoring is in place to ensure full payment i.e. no provision of loans to employees as such.</p> <p>Staff private purchasing policy was reviewed and incorporated into the overarching Sensitive Expenditure policy. As part of the review of this policy, ELT has decided to remove ability of staff to purchase goods/services on Council's account. As such, this has been removed upon policy adoption on 11 October 2023.</p>
<b>Clothing</b>	As this is a relatively rare reimbursement, we recommend that Council fix this going forward. As plain black pants and other similar items are not distinctive work clothing, the reimbursement for the pants will need to be subject to PAYE.	Necessary	31/12/2024		Review policy regarding clothing/uniform and ensure is aligned with the Collective agreement. This process has started. Current process for Swazi jackets which are subsidised, employees pay their portion through AP or deduction from pay (no PAYE). Full review of facilities uniform to be completed by the end of the year including alignment across of other roles where a

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED

					uniform is required. Reviewing a specific type of black pants so they can be deemed as distinctive work clothing and should not be subject to PAYE
<b>Other</b>					
<b>S 123 payments (hurt &amp; humiliation payments)</b>	As this is always a target area in Inland Revenue audits. We recommend that Council adopt a conservative approach to remediation payments and ensure there are documented procedures in place.	Beneficial	31/12/2023		Completed – no action was required Zero S123 payments have been made Agreed, a conservative approach is taken to all remediation payments.
<b>Relocation payments</b>	We recommend that Council continue to obtain receipts and ensure that any relocation payments made fall within Inland Revenue's determination 09/04, to ensure they can be paid tax-free.	Beneficial	31/12/2023		Completed Any relocation payments are paid for by the individual and then reimbursed so will not incur tax. Criteria for these payments needs to be included in the new recruitment/talent policy when this is reviewed.

D22/59985

Last update: 15-Feb-24

UNCLASSIFIED