

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

Westland District Council

For the year ended 30 June 2021

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Key messages

We have completed the audit for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where Westland District Council (the Council) and group is doing well and where we have made recommendations for improvement.

Audit report

We issued an audit report with an unmodified audit opinion dated 21 December 2021.

Without modifying our opinion, the audit report also includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the three waters reform announced subsequent to balance date.

Matters identified during the audit

Property, plant and equipment

Land and buildings were revalued effective 30 June 2021, with a revaluation increase of \$1,877,000 being recognised in the financial statements. Our review confirmed that the valuer prepared the valuation in accordance with applicable accounting and valuer standards. In addition, we found that the processes, assumptions and calculations were reasonable and consistently applied. We concluded that the revaluation and the associated disclosures were materially fairly stated in the annual report.

The Council's infrastructure assets were last revalued as at 30 June 2019. We completed an assessment to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2021. Our audit work concluded that the overall difference from fair value, was not material.

Central government funding

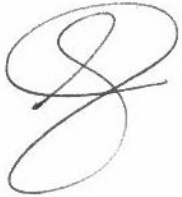
A significant amount of stimulus funding was received in 2021. Our work completed confirmed that the amounts had been accounted for correctly in accordance with PBE IPSAS 23, Revenue from non-exchange transactions. Where funding had been received, but conditions were not yet met at 30 June 2021, we confirmed that these had been accounted for correctly as liabilities at balance date.

Other matters

We set out the areas of focus, for the 2021 audit, in the Audit Plan. The outcome of this work, as well as other findings from the audit, are summarised in sections 2 to 5 of this report. In Appendix 1, we summarise the progress made in addressing prior recommendations.

Thank you

We would like to thank the Council, management and staff for the assistance provided throughout the audit.

A handwritten signature in black ink, appearing to be 'CG', written in a cursive style.

Chantelle Gernetzky
Appointed Auditor
10 May 2022

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Revaluation of land and buildings</p> <p>All assets within a class should be revalued to ensure compliance with accounting standards.</p>	3	Necessary
<p>Fair value assessment in non-valuation years</p> <p>Where assets are held at fair value and a valuation is not scheduled at balance date, ensure a fair value assessment is completed to ensure compliance with PBE IPSAS 17, <i>Property, Plant and Equipment</i>.</p>	3	Necessary
<p>Complaints reporting</p> <p>Ensure the number of connections, which form part of the complaints performance measures, are taken from the Council's rating system.</p>	5.1	Necessary

Recommendation	Reference	Priority
<p>Cut-off errors</p> <p>Ensure cut-off controls are implemented as part of the annual report process. This should involve a comprehensive review by management before the financial statements are provided for audit.</p>	5.2	Necessary

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 recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	0	10	2	12
Implemented or closed recommendations	0	9	1	10
Total	0	19	3	22

2 Our audit report

2.1 We issued an unmodified audit report



We issued an audit report with an unmodified audit opinion on 21 December 2021. This means we were satisfied that the financial statements and statement of service performance present fairly the 's activity for the year and its financial position at the end of the year.

Without modifying our opinion, the audit report includes an emphasis of matter paragraph referring to the Council's disclosure on the impact of the three waters reform announced subsequent to balance date.

In forming our audit opinion, we considered the matters below in section 2.2 and in sections 3 to 5.

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. There were no significant misstatements identified during the audit that required correcting.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The significant corrected misstatements related to the valuation, payables cut-off errors, and consolidating subsidiary figures into the group. There were also minor edits of a presentation and disclosure nature, which were corrected by management.

2.4 Quality and timeliness of information provided for audit



We received a draft annual report on 7 October 2021, which was the start date of our final audit. However, this was considered an incomplete draft and the start of the audit was therefore not as efficient as it could have been. While the next version was considered a more reasonably complete draft, there were still sections of the report that were not updated from the prior year. We also noted that a number of the requests in AuditDashboard were yet to be uploaded at the start of the audit.

Management comment

There were some failings in timing from both Westland District Council and Audit New Zealand.

The finance team being short staffed as the finance manager resigned at the end of the financial year putting pressure on the rest of the team.

This was exasperated (sic) by the resourcing issues Audit New Zealand were suffering with not completing the audit dashboard in a timely manner with priority items identified. There were also issues with the ambiguity of the information requests from Audit New Zealand and of returning information back to Westland District Council and requesting it be in pivot tables.

The consolidation and the final accounts processes were time consuming this year. We also identified a number of misstatements that required adjustment, with 10 versions of the annual report being received over the duration of the audit. Unbudgeted time was also spent requesting additional information to ensure we had the right level of assurance, for example a fair value assessment in relation to infrastructure assets was not completed by management.

Management comment

Westland District Council staff disagree, a fair value assessment was completed by council staff. The information that had been provided in previous audits was calculated and provided, however, for this audit further information was requested and was not provided.

We intend to hold a debrief with management to discuss whether any additional costs should be recovered as a result of this additional audit effort.

Management comment

Further costs will not be accepted by Westland District Council.

Audit response

Managements comments are noted and we intend as part of the debrief and recovery process to discuss these explanations and outline the additional audit effort. Our Audit Proposal Letter outlines the assumptions we have in setting the fee and the processes we will follow should this not be the case.

3 Matters raised in the Audit Plan



In our Audit Plan dated 18 October 2021, we identified the following matters as the main risks and issues:

Risks/issue	Outcome
Revaluation of land and buildings	
<p>The Council’s property, plant and equipment assets are significant items in its statement of financial position. Many of these asset classes are subject to periodic revaluation in accordance with the Council’s accounting policies.</p> <p>The accounting standard PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value.</p> <p>From discussions with management to date, the Council has identified that land and buildings asset class is due to be revalued in the 2020/21 year.</p> <p>Due to the significance of the balances involved and the judgemental nature of the revaluation process, this is a specific area of audit focus.</p>	<p>Land and buildings were revalued effective 30 June 2021 by Coast Valuations Limited. Land and Buildings were valued at fair value using market-based evidence. Specialised buildings were valued at fair value using the depreciated replacement cost method because no reliable market data is available for such buildings. The revaluation movement was an increase of \$1,877,000.</p> <p>We reviewed the valuations of land and buildings performed by Coast Valuations as at 30 June 2021. We confirmed that the valuer prepared the valuation in accordance with applicable accounting and valuer standards.</p> <p>We assessed the processes and procedures supporting the integrity of the underlying data and schedules. We also performed a review of the calculations and methodology used.</p> <p>We found that the processes, assumptions and calculations are reasonable and consistently applied. We concluded that the revaluation and the associated disclosures are materially fairly stated in the annual report.</p> <p>However, in our review we noted that not all land and buildings were valued. PBE IPSAS 17 requires all assets within an asset class to be revalued at the same time. Analysis was performed by us to determine the likely impact if these assets had been included in the valuation. This indicated that the current book values were not materially different to the estimated fair values based on our asset intensive materiality.</p>

Risks/issue	Outcome
	<p>Recommendation</p> <p>All assets within a class should be revalued to ensure compliance with accounting standards.</p> <p>Management comment</p> <p><i>All assets in the class were revalued, only items that were not revalued were those that will be included in the infrastructure revaluations as transfer station buildings are included in infrastructure. It may be that some assets are classified in the wrong class and need to be reviewed and moved. A thorough review needs to take place to assess this.</i></p> <p>Audit response</p> <p>We agree that a review should take place to assess this. Assets such as transfer station buildings should be included as part of the land and buildings valuation, rather than infrastructure.</p>
Fair value and impairment assessments	
<p>The Council periodically revalues specific classes of its property, plant and equipment (PPE). PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amounts do not materially differ from fair value.</p> <p>Infrastructure assets were last valued in the 2019 financial year. Fair value assessments will be required by the Council to determine whether the carrying value as at 30 June 2021 continues to represent the fair value for assets held at fair value.</p> <p>PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash Generating Assets</i> require assets held at cost to be assessed for indicators of impairment on an annual basis. We expect the Council to have completed an impairment assessment to determine whether any assets will need to be impaired.</p>	<p>The Council periodically revalues specific classes of its property, plant and equipment. PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amounts do not materially differ from fair value. Infrastructure assets were last valued at 30 June 2019.</p> <p>The Council did not initially prepare a formal assessment in 2021. However, they did assist us in the process to determine whether the carrying value of PPE subject to revaluation continued to represent fair value at 30 June 2021. Our assessment involved applying an applicable index (CGPI) and recent contract rates to the book values of the Council's assets at 30 June 2021 and determining whether any movement in the value of the assets would lead to a material difference in the financial statements. We concluded that the overall difference from fair value was not material.</p> <p>Recommendation</p> <p>Where assets are held at fair value and a valuation is not scheduled at balance date,</p>

Risks/issue	Outcome
	<p>ensure a fair value assessment is completed in advance of the final audit commencing to ensure compliance with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>Management comment</p> <p><i>As above, the information that was provided was the same as has been accepted in previous audits. Audit New Zealand should ensure that the information they expect is made clear at the start of the audit.</i></p> <p>Audit response</p> <p>Our audit information requests were captured on dashboard in 2021. Each year there can be additional items that need to be followed up that may be specific to the year we are auditing. Therefore this wouldn't necessarily just be a submission of the same information as has been provided in previous years.</p>
Three waters reform and shovel ready projects	
<p>In July 2020, the Government released its three waters reform, a three-year programme to change the way drinking water, wastewater and stormwater are delivered, to improve public health, environmental and economic outcomes.</p> <p>At the same time, the Government offered a multi-million-dollar stimulus funding package, to maintain and improve three waters infrastructure across New Zealand. Funding was also received during the financial year which related to shovel ready projects. Any funding that the Council received will need to be accounted for in accordance with PBE IPSAS 23 <i>Revenue from Non-Exchange Transactions</i>.</p>	<p>A summary of the grant revenue amounts recognised in FY 2021 have been included below:</p> <ul style="list-style-type: none"> • Provincial Growth Funding: Three waters \$956,000. • Provincial Development Unit: Infrastructure grants \$6,357,000. • Provincial Development Unit: Halls and War Memorials renovations grant \$274,000. • Regional Culture and Heritage: Carnegie building strengthening grant \$208,000. • Mayor's Task Force for Jobs grant \$642,000. <p>Our work completed over these confirmed that they had been accounted for correctly in accordance with PBE IPSAS 23 <i>Revenue from non-exchange transactions</i>. Where funding had been received, but conditions were not yet met at 30 June 2021, we confirmed that these had been accounted for correctly as liabilities at balance date.</p>

Risks/issue	Outcome
The risk of management override of internal controls	
<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>In response to this risk, we:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. <p>Our audit work completed in this area did not find any indication of management override that would result in a material misstatement to the financial statements.</p>
Statement of service performance	
<p>The Council's statement of service performance is the primary means of reporting to ratepayers its performance for the year. The Council is continuing to improve its systems for capturing the underlying data for this reporting.</p> <p>During our review in 2020 we noted a number of Department of Internal Affairs (DIA's) mandatory performance measures could not be reported on. In addition, the Council also did not perform surveys to ensure other measures could be reported on. This meant a large number of measures were not reported in 2020.</p>	<p>As part of our audit, we reviewed the Council's reported performance measures and results against its annual plan, the 2018-28 long-term plan and relevant supporting documentation.</p> <p>We confirmed that the performance information is fairly stated in the final annual report. However, we identified that the Council was still unable to report on the following DIA mandatory measures:</p> <ul style="list-style-type: none"> • Percentage of real water loss. • Average consumption of drinking water per day per resident. <p>Management comment</p> <p><i>This is a requirement of the new water regulations coming into force in July 2022 and will be in place as part of Council's compliance with the new regulations.</i></p> <p>In addition, surveys relevant to the following measures were not completed, and therefore unable to be reported against:</p> <ul style="list-style-type: none"> • Building consent satisfaction. • Post event satisfaction for Hokitika Wildfoods Festival.

Risks/issue	Outcome
Rates	
<p>Rates are the Council’s primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The Council should have appropriate processes in place. Where issues or concerns arise, it should seek legal advice, to ensure compliance with legislation of its rates and rating processes.</p>	<p>In prior years, we found that ratepayers have been invoiced at per factor rates different to those in the approved rates resolution and FIS. Where there were differences, in nearly every instance they were invoiced a very small amount less than the amount per the resolution. To see if this remained an issue for 2021, we performed a comparison between the rates per the approved rates resolution and the rates actually charged to ratepayers. We found a variety of minor rating matters relating to 2020/21 which were included in the prior year’s report to the Council.</p> <p>For 2021/22, any issues of a similar nature that were identified as part of our 2021-2031 long-term plan audit were rectified by the Council before adopting their rates resolution and FIS.</p>

4 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. In our audit, we considered the internal control relevant to preparing the financial statements and the service performance information. We reviewed internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances.

4.1 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 those charged with governance, 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 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 Board and management to establish and maintain effective management procedures and internal controls.

4.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of 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 information systems.

In performing this assessment, we identified no new areas where we believe the control environment can be improved. We have followed up on our prior year recommendations within Appendix 1 to this report.

5 Other matters arising from the audit



During our final audit, we identified the following matters:

5.1 Complaints reporting

While reviewing customer satisfaction performance measures expressed per 1000 connections, it was noted that the number of connections within the calculation have come from the asset management system. Department of Internal Affairs (DIA) guidance states that the number of connections should be derived from the numbers of customers charged in their rates.

The Council's rating system is therefore the appropriate source of the information, not the asset management system. Although the difference identified did not create a material difference in 2021, there is a risk that this could occur going forward.

Recommendation

Ensure the number of connections, which form part of the complaints performance measures, are taken from the Council's rating system.

Management comment

Westland District Council is currently writing a Complaints Policy along with procedures. It is expected that all complaints will be tracked via a service request.

5.2 Cut-off errors

During our audit we identified a number of cut-off related issues within accounts payable. While the material errors were corrected, there were other instances where transactions had been incorrectly accounted for. These largely related to unpaid prepayments, which should not be included in the financial statements.

Recommendation

Ensure cut-off controls are implemented as part of the annual report process. This should involve a comprehensive review by management before the financial statements are provided for audit.

Management comment

A thorough review is generally completed, however, due to staff shortage there was not time between preparation and audit to carry out this review in full.

6 Public sector audit



The Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also considered if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Council carrying out its activities effectively and efficiently;
- the Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

In completing our audit, we note that improvements could still be made to manage sensitive expenditure. Progress in relation to our prior year recommendations are detailed within Appendix 1 of this report.

7 Group audit



The group comprises:

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

We have not identified any of the following during our audit for the year ended 30 June 2021:

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

7.1 Westland Holdings Limited (WHL)

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

- Given the "for-profit" status of the WHL group, it needed to consider impairment for the cash generating airport assets when there are impairment indicators, based on forecast cashflows. There is an indicator that the value of the airport assets to the group is impaired.
- Despite the evidence that the airport related assets included in property, plant and equipment may be impaired, WHL did not determine the recoverable amount of the relevant assets in accordance with the relevant accounting standards. The component auditor was unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised.

At the group level, the impairment issue is not applicable for the Council as the assets are not held as cash generating and do not have to be assessed for impairment based on the associated future cash flows. Instead, the airport assets are held for strategic purposes by the Council to allow for better access to the district rather than to make a profit. Therefore, the carrying value of the assets in WHL's financial statements, which is cost, is appropriate for inclusion in the Council's group financial statements.

8 Useful publications



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

Description	Where to find it
Performance reporting	
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: The problems, progress, and potential of performance reporting
Local government risk management practices	
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: Observations on local government risk management practices
Public accountability	
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: Building a stronger public accountability system for New Zealanders
Setting and administering fees and levies for cost recovery	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications. Link: Setting and administering fees and levies for cost recovery: Good practice guide

Description	Where to find it
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
Covid-19 implications for financial reporting and audit in the public sector	
<p>Audit New Zealand Executive Director Steve Walker and Head of Accounting Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.</p>	<p>On Audit New Zealand’s website under good practice.</p> <p>Link: Covid-19 page</p> <p>Link: Webinar</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On Audit New Zealand’s website.</p> <p>Link: Model Financial Statements</p>

Description	Where to find it
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On Audit New Zealand’s website under good practice. Link: Tax Matters</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a 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.</p>	<p>On Audit New Zealand website under good practice. Link: Client Substantiation File</p>
Sensitive expenditure	
<p>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.</p>	<p>On the Office of the Auditor-General’s website under good practice. Link: Sensitive expenditure</p>
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications. Link: Severance payments</p>

Description	Where to find it
The Auditor-General's report on the results of recent audits	
<p>The Office of the Auditor-General publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Local government 2019/20 audits</p>
Good practice	
<p>The Office of the Auditor-General's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The Office of the Auditor-General are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Reporting all Department of Internal Affairs (DIA) mandatory performance measures		
Council measure and report performance on all aspects of the DIA mandatory performance measures.	2020	Outstanding. Refer to comments in section 3 of this report.
Declaration of interests		
Ensure all interests held by members of Key Management Personnel are disclosed in the interests register.	2020	Outstanding. Differences noted between the Companies Office Register and Council's interest register. Management comment <i>Noted and rectified, however the difference is due to a closed business that is still showing on companies register.</i>
Asset information and valuations		
Valuation process and underlying assets information improve in the following areas: <ul style="list-style-type: none"> Internal review processes. The retention/creation of supporting information for unit rates, asset lives and changes to other assumptions. Continued improvement of asset data, including inclusion and capture of all asset additions into Assetfinda and RAMM. Updating replacement cost unit rates in future valuations subject to indexing in 2019. Reviewing road surfacing base lifecycles based on condition-based renewals. 	2019	In progress. Recommendations were noted by management during the 2019 audit and these will be followed up the next time infrastructure assets are revalued.

Recommendation	First raised	Status
<ul style="list-style-type: none"> Reviewing the engineering margin at 5-8% which is generally at the low end of ranges we have seen elsewhere. 		
Statement of Service Performance		
Ensure systems are implemented to enable Council to report on measures set within the long-term and annual plans.	2019	Outstanding. Refer to comments in section 3 of this report.
Monitoring asset revaluation reserves		
Determine the asset revaluation reserve attributable to each revalued class of assets.	2019	In progress. Recommendation was noted by management during the 2019 audit and this will be followed up the next time infrastructure assets are revalued.
Asset and Asset revaluation		
Management carry out regular reviews of the fixed assets register (FAR) to confirm the existence and ownership of assets.	2018	In progress. Finance staff regularly review the FAR, however until a revaluation takes place, Finance is unlikely to be able to determine whether an asset still exists as a physical stock take is not undertaken. Smaller value non-infrastructure assets are easier to track and are regularly disposed of.
Information systems		
<p>Increase the maturity of the information systems management framework and supporting processes by:</p> <ul style="list-style-type: none"> Developing an information systems strategic plan. Developing an information security policy. Documenting user account security criteria and improve password strength. Reviewing vendor support accounts and ensure access is required. 	2018	<p>In progress.</p> <ul style="list-style-type: none"> The Strategic Plan draft document is completed and awaiting final checks. The plan was put on hold in order to align with WC4 strategic plan, however the WC4 plan is on hold so the Council is continuing with their own plan. The information security policy is not yet started/established.

Recommendation	First raised	Status
<ul style="list-style-type: none"> Improving change management processes – perhaps through the use of Spiceworks. Tracking and managing incidents – perhaps through the use of Spiceworks. Periodically testing back-ups. Updating the Disaster Recovery and IT Business Continuity Plans. 		<ul style="list-style-type: none"> Management are satisfied that there are no problems with password strength and that the policy needs to be updated. Vendor support accounts are now monitored to ensure only verified contractors can log on with credentials that allow for limited access. Change management processes are in progress using a new purpose-built helpdesk and knowledge base. Tracking and management incidents are in progress. Periodic testing backup has been completed and is an on-going process. The Disaster Recovery and IT Business Continuity Plan will commence once the strategic plan is completed. <p>Management comment</p> <p><i>A business continuity plan is not an IT plan, it is a business plan where IT is just one part to support the plan.</i></p> <p><i>This should not be an open item within IT items.</i></p> <p>Audit response</p> <p>The business continuity plan, which includes IT continuity, needs to consider the aspects raised in previous audits.</p>
Group accounting policy		
That the Council ensures consistency in group accounting policies going forward.	2018	Outstanding. Westland Holdings Limited recorded land and building assets at cost again in 2020/21.

Recommendation	First raised	Status
		<p>Management comment</p> <p><i>Westland Holdings Limited has stated that due to the cost of this process they are unlikely to change to a revaluation process in the near future.</i></p> <p>Audit response</p> <p>We acknowledge management's comments, however, note that this will continue to mean Westland Holdings Limited's accounts do not comply with Generally Accepted Accounting Principles.</p>
Renewals under expenditure		
<p>Ensure that planned renewal expenditure is sufficient to avoid significant failure of assets in future years due to delayed maintenance not being carried out.</p>	<p>2018</p>	<p>In progress.</p> <p>Renewals expenditure is an area of ongoing focus for both Council and management.</p> <p>The Council is carrying forward approximately \$6 million of capital expenditure to the next financial year. Resource restraints and Covid-19 disruptions contributed negatively to this area.</p>
Legislative compliance		
<p>Council develops and implements a sound legal compliance system for identifying and recording potential risks and assessing the likelihood of those risks across all activities of the organisation.</p> <p>Relying solely on the knowledge of staff exposes the organisation to risk, especially when staff change.</p>	<p>2016</p>	<p>In progress.</p> <p>The Electronic Document Management System is still being considered as an opportunity to assist once implemented.</p>
Beneficial		
Project management		
<p>Introduce, document, and apply a formal policy and approach for overseeing project delivery across the Council.</p>	<p>2020</p>	<p>In progress.</p> <p>Microsoft projects have been rolled out to all staff involved in project management. Process</p>

Recommendation	First raised	Status
		<p>documentation needs to be produced and is a work in progress.</p> <p>Key roles are undertaking project management training and recruitment is underway to appoint a full-time project manager to support projects.</p> <p>Management comment</p> <p><i>Council has implemented Laevo end to end project management software that will be used for planning and delivery of projects. The use of Laevo includes business case creation and management, forecasting and reporting on real-time progresses and stakeholder engagement.</i></p> <p>Audit response</p> <p>Management comment is noted, however this was not implemented at the time of signing our audit report. This will be followed up in your 2022 audit.</p>
Sensitive expenditure policies		
<p>Ensure that sensitive expenditure policies are aligned with Office of the Auditor-General good practice guidelines.</p> <p>https://oag.parliament.nz/2020/sensitive-exoenditure</p>	2020	<p>Outstanding.</p> <p>Management comment</p> <p><i>The policy is now updated and has been to the February 2022 Audit and Risk Committee for review.</i></p> <p>Audit response</p> <p>Management comment is noted, however this was not implemented at the time of signing our audit report. This will be followed up in your 2022 audit.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Councillor remuneration overpayment		
Discuss the matter with the Remuneration Authority to confirm whether there is an overpayment and consider the implications for amounts paid and for the 2020/21 financial year.	2020	No issues noted from our work completed in 2021.
Westroads profit margin elimination		
Ensure that internal profits, from assets constructed by Westroads for the Council, are being eliminated in the group financial statements.	2020	Profit elimination correctly included in 2021.
Afterhours service requests		
Improve processes to ensure all afterhours calls for service requests are recorded and captured into MagiQ.	2020	No issues noted from our work completed in 2021.
Publication of CCO information		
Ensure the publication of CCO information is completed in accordance with the LGA.	2020	No issues noted from our work completed in 2021.
Rates		
<ul style="list-style-type: none"> • Ensure rates and per factor amounts are consistent. • Council collect the per factor amounts included in the resolution. • Address the other issues noted in the 2021 rates setting and invoicing processes. 	2019	The status of this recommendation is documented in detail in section 3 of this and the 2020 report.
Sensitive expenditure approval		
<ul style="list-style-type: none"> • Ensure expenditure incurred by the Chief Executive is reviewed by the Mayor or Chair of the Finance, Audit and Risk Committee. • Ensure expenditure incurred by the Mayor is approved by the Deputy Mayor or Chair of the Finance, Audit and Risk Committee. 	2019	No issues noted from our work completed in 2021.

Recommendation	First raised	Status
Waka Kotahi New Zealand Transport Agency (NZTA) revenue systems and claims process		
<ul style="list-style-type: none"> • Improve the NZTA revenue system and implement controls. • Improve the process for compiling NZTA subsidy claims to ensure they align to the General Ledger. • Introduce an independent, evidenced review of the claim before it is submitted. 	2019	No issues noted from our work completed in 2021.
Service request system		
<ul style="list-style-type: none"> • Implement systems and controls to ensure the information recorded in the service request system is complete and accurate. • Implement clear guidance outlining what constitutes a customer complaint in line with DIA requirements. 	2018	Confirmed that the date and time of arrival (on site) and completion are now compulsory fields to fill out when completing a service request.
Timely review of balance sheet reconciliations		
Ensure that balance sheet reconciliations are reviewed on a timely basis.	2018	Confirmed that a cover sheet is now included to show the reconciliations has been reviewed on a timely basis.
Beneficial		
Traffic counts		
As part of the new arrangements with Beca, the Council put in place an appropriate, formal traffic count programme for calculating smooth travel exposure reporting.	2018	A traffic count strategy was put in place in January 2021.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in relation to the Council’s Debenture Trust Deed, the 2018-28 long-term plan amendment, and the 2021-31 long-term plan, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$154,889 as detailed in our Audit Proposal Letter.</p> <p>We have also charged audit fees of \$3,500 for the Council’s Debenture Trust Deed, \$26,520 for the 2018-28 long-term plan amendment, and \$102,400 for the 2021-31 long-term plan.</p> <p>No other fees have been charged in this period.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council or its subsidiaries during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Level 3, 335 Lincoln Road
PO Box 2
Christchurch 8140

www.auditnz.parliament.nz

