

# Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee

## Ngā Tāpiritanga – Mēneti | Attachments – Minutes

Attachments – Minutes of a meeting of an ordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee held in the Council Chambers. 35 Kenrick Street, TE AROHA on 25 Feb 2025 at 09:00.

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**Note:** *The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.*

## Chief Executive Officer Report to the Risk and Assurance Committee February 2025

### Report Purpose

The purpose of the report is for the Chief Executive Officer to provide his perspective on activities in the organization that relate to the functions of the Risk and Assurance Committee

### Executive Summary

The report provides Chief Executive comments and perspectives on matters considered relevant to the Risk and Assurance Committee:

- Performance against Long-Term Plan and Annual Plan targets
- External Audits
- Internal Audit
- Compliance with Laws and Regulations
- Risk Management and Internal Controls
- Special Projects/Emerging Issues

In reference to functions of the Committee, I would hope the report provides reassurance that:

- We are transparent about actual and potential significant risks
- We acknowledge the need for improvement in processes and systems
- There is evidence that improvements are occurring.

### Recommendation

**That the report be received.**

### Background

The Chief Executive Officer previously provided a verbal update to the Risk and Assurance Committee.

As a new Chief Executive, I am taking the opportunity to take a different approach and provide a formal report to the Committee.

As this is my first report, I wanted to ensure the format met the expectations of the Committee chair and the Mayor. As a consequence, the report was not circulated with the agenda.

Once the Risk and Assurance Committee approves the format (with any amendments), the report will be circulated with the agenda in the future.

### Issues

#### Performance against Long-Term Plan and Annual Plan targets

Note that the six month report is on the agenda.

## Chief Executive Officer Report to the Risk and Assurance Committee February 2025

Non-financial performance: The report notes a risk that the survey results for 2024/25 will differ from those of prior years. This is considered a minor matter.

Staff are expected to manage activities within budget. This expectation has been reinforced in light of the over-expenditure operating results in the last two financial years. The overall operating result for the half-year is positive. Items outside staff control have contributed to this position.

The risk to the operating position is assessed as low. It is expected that any significant financial variances (excluding non-cash transactions eg losses on disposal of assets) for the final two quarters would have to arise from matters beyond staff control

Capital expenditure – the report on projects is a separate item on the agenda. The Matamata wastewater treatment plant project is significantly larger (in value) than any other project we have completed. Progress on this project will have a significant impact on the total capital spend.

It is expected that we are more likely to complete a higher proportion of the budgeted capital projects than previous years. This is due to the introduction and concerted focus on the project management framework.

Accounting standards – There are no significant accounting policy changes or issues identified at this time.

### Annual Report preparation status

In past audits, performance measures related to customer requests and response times have been problematic. Staff particularly focused on this area through 2023/24, and the resulting audit had a positive outcome. This focus has been maintained in 2024/25.

Staff will again check with Audit New Zealand regarding expectations regarding non-financial performance measures. If the expectations are consistent with the 2023/24 audit, no issues are anticipated.

Asset revaluations will again present the greatest risk to the audit time-frame. The relevant staff are aware of the need to ensure third party valuers meet our expected time-frames.

### **External Audits**

#### Audit New Zealand

We have an audit engagement letter with expected fees which has been previously sent to Risk and Assurance. Staff have advised Audit NZ that our ideal Annual Report adoption date this year is 8 October ahead of Local Government Elections on 11 October. Our newly elected members are not due to be sworn in until 4 November which is after the 31 October deadline for adoption. We are awaiting a response from Audit NZ as to whether they can make this deadline.

Building Consent IANZ Audit - the next audit is due to commence in late March. I am aware that the relevant staff have been preparing for the audit for many months.

#### Progress again Audit recommendations

## Chief Executive Officer Report to the Risk and Assurance Committee February 2025

The Audit Management report for 2023/24 is on the Council agenda.

The following is a summary of the outstanding recommendations:

- 5 Urgent
- 17 Necessary
- 2 Beneficial

None of the recommendations materially affected the 2023/24 annual report. In my opinion if not completed to the auditors satisfaction, they would not materially affect the accuracy of the 2024/25 annual report. I respect the statutory role and professional standards that provide the guiding parameters for our Auditors. We have noted where we disagree with the auditor's recommendations.

I agree with the recommendations otherwise, as they are consistent with our internal drive for high-quality, efficient systems and processes.

### Internal Audit

#### Internal audit program status

The internal audit programme is currently focused on audits related to the Food Regulations 2015. To meet section 110 (Quality Management System), 27 audits are required. The internal audit schedule for February – November 2025 has been set. This year, the team will only focus on the 15 high-risk areas. Next year, the full 27 audits will be undertaken (15 high-risk and 12 low-risk). All 27 audits were completed in 2024.

Following the review of our top organisational risks (one of the priorities listed in the risk management work programme), a further internal audit programme will be established.

Focusing only on high-risk audits may result in lost opportunities for the low-risk areas. However, this is likely to be minimal, as they were audited last year and will be audited again next year.

#### Key findings and recommendations and management responses

In 2024, 27 audits were conducted, seven of which were conducted in November. The opportunities for improvement raised have all been actioned.

Four audits were conducted in December, and the team plans to meet soon to review the outcomes and note any opportunities for improvement.

### Compliance with Laws and Regulations

#### Status of regulatory compliance – Waikato Regional Council

Annual Consent Reports submitted to the Regional Council are audited for overall compliance with consent conditions. An annual compliance report outlines findings, any follow-up actions, or potential enforcement measures. The various treatment plants are categorised as follows, based on the last compliance status report:

### Chief Executive Officer Report to the Risk and Assurance Committee February 2025

- Low risk non-compliance – three plants
- Moderate non-compliance – four plants
- Serious non-compliance – one plant.

The Waihou treatment plant was assessed as seriously non-compliant and is no longer in operation. The sewage from that settlement is now piped to the Te Aroha plant. I have reviewed the January compliance reports with the Three Waters Compliance and Improvement Manager and the Water and Wastewater Operations Manager. The purpose was to enhance my understanding of the status of waters and wastewater regulation compliance.

My summary is as follows:

- The leadership team have a strong focus on compliance and follow-up actions
- It was pleasing to note that most actions from the last compliance report had been completed. Progress is being made against the outstanding items.
- There is a drive in the team to look for improvements in our processes and/or treatment facilities.
- The team is communicating regularly with the Waikato Regional Council.

I will continue to review this area closely (ie to improve my understanding) and will consider how we should/could report to our Governance groups.

Importantly, I want to understand areas of support that might be required from the Executive Team.

The desludging work at the Matamata Wastewater Treatment Plant was known to create a risk of non-compliant discharge to the receiving waters. This occurred in November. The team mitigated the risk by implementing additional aeration equipment. The discharge returned to compliance, but the risk continues. Updates are regularly provided to Waikato Regional Council, and the project team has also informed Manawhenua.

My assessment is that the Three Waters Team's efforts and focus have reduced the risk of non-compliance in relation to matters that we can control.

#### Status of regulatory compliance – Drinking Water Standards

We currently report monthly on 10 water treatment sources. This relates to factors that the Water regulator wants to monitor regularly. There is an annual report that includes additional factors.

I reviewed the January report with the Three Waters Compliance and Improvement Manager and the Water and Wastewater Operations Manager, once again, to improve my understanding of the compliance status.

The following is a summary of the extent of compliance plants have achieved from July to January (ie 7 months) :

- 7 months in compliance – 6 plants

### **Chief Executive Officer Report to the Risk and Assurance Committee February 2025**

- 6 months in compliance – 2 plants
- 5 months in compliance – 2 plants

The main source of non-compliance appears to be monitoring requirements. Three incidents that are not monitoring-related are still under investigation.

Again, I am reassured by the importance that the Three Waters leadership team attaches to compliance in these activities. In this regard, I expect that the level of compliance achieved relating to factors that we can control will improve.

#### Any non-compliance incidents

In addition to the non-compliance associated with Matamata Wastewater Treatment Plant desludging, there were two other minor incidents of potential non-compliant discharge reported to the Regional Council in January.

In December, we reported one incident of non-compliance with the Privacy Act to the Privacy Commissioner. We have met all of the Commissioner's requirements in relation to that incident.

The incident highlighted the need for improved awareness and training for staff. Work on this has commenced.

#### **Status of claims against Council**

The Group Manager Growth and Regulation maintains a schedule of legal or other claims against Council.

The following is a summary of the active claims from the last report:

- Notified to Insurance (ie potential public liability) - 7
- Active claims with insurance – 1
- Waitangi Tribunal – 1
- Disputes tribunal - 2
- Ombudsman – 2

The relevant teams will address any learnings arising from these incidents.

Some of these matters (e.g. items notified to the Council's insurers) may result in court action.

The prosecution for the non-compliant discharge for the Waihou Treatment Plant is progressing. Parties are in discussion about the statement of facts.

#### **Risk Management and Internal Controls**

The following reports on the agenda are relevant to this section:

### Chief Executive Officer Report to the Risk and Assurance Committee February 2025

1. Risk Report – I am pleased with the opportunity we have to advance our risk management practices with the assistance of AON.
2. Insurance – advancements in risk management will eventually be reflected in a review of various aspects of insurance.
3. Health and Safety – Lucy Longstaff's appointment as the Safety and Wellness team leader has introduced fresh perspectives to our health and safety management. This includes positive feedback to the Executive Team regarding our health and safety culture and practices. Naturally, there is always room for improvement.
4. Project management: Embedding the project management framework has been a priority for over 12 months. Monthly project reports provide some assurance that our project management practices are improving.

#### Information Technology systems security status

One low-risk Cybersecurity breach occurred this month, generating approximately 700 spam emails in approximately one hour. The incident was managed according to the cyber-security incident response plan. The threat was isolated. The source of the breach is still being investigated.

I still need to confirm the date the independent Information Technology security audit will commence.

#### **Special Projects/Emerging Issues**

##### Waters reform

- Waikato Waters Done Well—Seven Councils are working together to identify the steps necessary to establish a subregional Council Controlled Organisation (CCO). Kahu Manawa (Vaughan Payne) is leading this effort on behalf of the Councils. Council has indicated that its preferred option is a subregional CCO.
- The Mayors of the Councils involved have met to establish governance and political oversight over the developments. They will also meet regularly to provide an overview of the process.
- All participating Councils are aware of the need to ensure the integrity of consultative process.
- Work is well advanced internally to review the capital expenditure for the Water Services Plan. Assumptions are having to be made on the expected regulatory levels of service
- The process of assessing the requirements for providing water services through an internal business unit is underway. This is one of the two options that the Council must consider.
- Briefings have been provided to Te Manawhenua forum.
- We expect to be consulting on the preferred option in April with a final decision to be made in June.

### Chief Executive Officer Report to the Risk and Assurance Committee February 2025

- The Te Ohu Takatuu Anamata group (future-ready), comprising leaders from various parts of the organisation, has been reconvened to help guide it through this and other change processes.
- The Executive Team is working through a process to ensure that the impacts of the water reforms on the rest of the organisation, including post-waters reform, are understood.

The following high-level issues and risks have been identified:

- The statutory timeframes are quite challenging. Consultation and engagement must be finalised within this timeframe.
- Process integrity: The Council must consult on its preferred option. In practical terms, we must advance planning for a subregional CCO so that we are prepared to advance that option if the Council chooses it.
- Future regulatory standards and requirements are yet to be defined, so staff are making assumptions about what may be needed.
- Staff fatigue regarding the water reforms presents challenges for retention and staff well-being.
- The flow-on impacts of water reforms create uncertainty within the organisation.
- The reforms will impose costs that are not budgeted. Some of these costs are assumed to be transferable to a CCO.
- The seven Councils have engaged Kahu Manawa to lead the project and provide resources to drive the regional CCO's process. However, staff will still need to be involved in these processes, which will impact our capacity to deliver normal operational requirements.

The Water Services Authority has announced plans to consult on nationally consistent wastewater environmental performance standards. This initiative aims to reduce consenting complexity and provide greater cost certainty for network operators. Approximately 60% of the country's 353 wastewater consents will need renewal in the next decade. The standards will cover key areas, including discharges to land and water, biosolids reuse, and monitoring of overflows and bypasses. The standards could significantly impact our future infrastructure planning and compliance requirements. Councils will need to engage in the consultation process.

One immediate risk relates to the upgrade of the Matamata Wastewater Treatment Plant. The design parameters for treatment are founded on recent resource consent conditions granted for upgrades to other treatment plants in our region. There is a recognized project risk that the design is moving forward in expectation of the consent conditions. Furthermore, the standards proposed by the Water Services Authority add another layer of uncertainty regarding the sufficiency of the treatment plant's design.

As noted earlier in the report, the Matamata Wastewater Treatment Plant upgrade involves desludging of oxidation ponds. The current volume of desludging is to reclaim sufficient land to provide a building platform for the new treatment plant. Eventually, all sludge will need to be removed from the ponds. The sludge volume involved in the reclamation was estimated to be



### Chief Executive Officer Report to the Risk and Assurance Committee February 2025

2000 cubic metres. Now that work has commenced, the volume is estimated to be 6,000 cubic metres. I have asked for an explanation as to the significant variation in sludge volume.

Te Whare Whakapakari—Matamata Stadium: All necessary consents and agreements are now in place, and physical works are underway. Council has accepted responsibility for the physical works noting that community fund-raising efforts are continuing.

The main risk is a potential shortfall in funding from grants or fundraising. Council has passed a resolution confirming how any shortfall will be covered.

#### Special investigations or reviews

Trade waste charges – we will be in touch with two industrial businesses soon about increased trade waste charges. There is potential for dispute over the basis of the trade waste charges.

Earthquake-prone buildings –three Council buildings have been assessed as either earthquake-prone or partially earthquake-prone:

- Firth Tower – There is no public access to the building, and there is a no-access perimeter zone. The safety risk has been mitigated. There is a reputational risk if earthquake strengthening is not completed. The capital cost is yet to be determined.
- Matamata Squash building (part of the Matamata Sports Centre) – Initial seismic assessment completed. Some investigation has been conducted as part of the detailed seismic assessment. There is a safety risk to Matamata Squash club members. This is mitigated to an extent by ensuring the Squash Club Committee is informed of the risk.
- Te Aroha Office: A portion of the building (below the IT office) has been assessed as earthquake-prone.. The remedial work is relatively straightforward. The project is being advanced as a priority

Council has requested an update report on the Firth Tower and Matamata Squash Club.

Flood modelling is currently underway to assess the impact of various rainfall events (for example, a 1 in 100-year rain event) on the larger townships. This information, which is preliminary, will aid in planning for growth, infrastructure upgrades, maintenance, and storm event responses.

Council is providing information on Land Information Memoranda for affected properties. This meets Council legal responsibilities.

#### Policy reviews

Three policy reviews are overdue

Sensitive expenditure – work is underway on this review and it is expected to be completed by June 2025.

### **Chief Executive Officer Report to the Risk and Assurance Committee February 2025**

Procurement: The policy review has been commenced and will be completed by June 2025. Work is also underway to review and update the Procurement Manual, which covers the policy's operational aspects.

Capitalisation - the policy review has commenced and will be completed by June 2025.

Managing conflicts of interest – we may wish to defer work on this pending clarification of the Government's proposals (see below).

#### Policies due for review in 2025

Code of conduct

The Government released the Cabinet paper that Hon Simeon Brown took to Cabinet in December regarding the 'Local Government Forward Work Programme. It is noted that there is discussion regarding the following:

- New standardized code of conduct to be issued by Secretary for Local Government
- Changes to systems for managing conflicts between elected members
- Potential new written questions system for elected members

#### **2025/26 Annual Plan**

At the December meeting, Council determined that there are no substantial or material differences between the draft Annual Plan 25/26 and year 2 of the long term plan. As a result, consultation is not required; instead, an information campaign will be implemented.

**Chief Executive Officer Report to the Risk and Assurance Committee**  
**February 2025**

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the District Council on the audit of

Matamata-Piako District  
Council

For the year ended 30 June 2024

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## Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the final audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement. This report should be read together with the Interim Report to the Council, dated 3 September 2024.

### Audit opinion

We have issued an unmodified audit opinion dated 27 November 2024. This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

### Matters identified during the audit

Our audit plan outlined the key matters identified for the audit. We have detailed the work performed for these matters in section 3 of the report.

Overall, the quality of the annual report improved compared to prior year. Some corrections were made to both the financial statements and performance reporting as noted in Appendix 2.

The quality of supporting listings and evidence in relation to property, plant and equipment needs significant improvement. We recommend that management implements quality control processes to ensure that listing provided to audit reconcile to the financial statements and relevant supporting information is available in a timely manner. Management should also tighten the procedures and controls around asset capitalisations to ensure that assets are correctly classified for inclusion in the financial statements.

The District Council has made progress in implementing or closing previous recommendations raised. However, a number of previous recommendations remain open. We encourage the District Council to continue addressing the remaining open recommendations. Appendix 1 provides a summary of these.

### Thank you

We would like to thank the Council, management, and staff for the assistance received during the audit.



Rene van Zyl  
Appointed Auditor  
18 February 2025

## 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.

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
<b>Timely capitalisations - PPE</b> Management should tighten the procedures and controls around asset capitalisations to ensure that assets are correctly classified for inclusion in the financial statements.	4.1.1	Urgent
<b>Quality and timeliness of information – PPE</b> The quality of supporting listings and evidence in relation to property, plant and equipment needs significant improvement. We recommend that management implements quality control processes to ensure that listings provided to audit reconcile to the financial statements and relevant supporting information is available in a timely manner.	2.4	Urgent

Recommendation	Reference	Priority
<p><b>Depreciation not correctly backdated</b></p> <p>Management should investigate the reasons why the system is not calculating depreciation correctly using the install date (date when asset was actually completed) rather than the found date (when asset was capitalised) and take appropriate action.</p>	4.1.2	Necessary
<p><b>Internal charges for NZTA claim</b></p> <p>We recommend the District Council reviews its processes for recording labour time for internal charges for workorders (which form part of the NZTA claim) to ensure that the labour time is captured in a timely manner for labour charges to be included as part of the NZTA claims.</p>	4.1.3	Necessary
<p><b>Useful lives disclosed for accounting policy</b></p> <p>The Council should review the accounting policy for useful lives included in the financial statements and ensures that it is consistent with the useful lives adopted.</p>	4.1.4	Necessary
<p><b>Register of pecuniary interest</b></p> <p>All interests should be declared by elected members to ensure that the District Council complies with the Local Government Act pecuniary interests' requirements.</p>	5.1	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 matters from 2023 report	1	10	1	12
Open matters from 2024 interim report	-	4	2	6
Implemented or closed during 2024 final audit	1	3	1	5
<b>Total matters considered</b>	<b>2</b>	<b>17</b>	<b>4</b>	<b>23</b>



## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit opinion on 27 November 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

### 2.2 Uncorrected misstatements

During the audit, we have discussed with management any misstatements and disclosure deficiencies that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed in Appendix 2 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The corrected misstatements are listed in Appendix 3.

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



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required on AuditDashboard to management in August 2024. This included the dates we required the information to be provided to us.

Overall the quality of the annual report improved compared to prior year. Some corrections were made to both the financial statements and performance reporting as noted in Appendix 3 resulting in the review of several versions of the annual report.

In general information was provided as agreed with delays experienced in receiving information requested in relation to property, plant and equipment as well as bank reconciliations.

In relation to bank reconciliations management provided a listing of all unreconciled items and additional audit work was performed to verify these unreconciled items and assess the impact on the financial statements. Unmatched items should be processed in a timely manner to ensure that at year end they are classified appropriately in the financial statements and relate to the correct financial year. Currently this is a manual process completed by staff. We have made recommendations in our interim Report to the Council for improvements needed.

The quality of supporting listings and evidence in relation to property, plant and equipment needs significant improvement. We recommend that management implements quality control processes to ensure that listings provided to audit reconcile to the financial statements and relevant supporting information is available in a timely manner. This impacted the extent of audit work required as well as requiring adjustments to the financial statements and other disclosures as these numbers impact various sections of the annual report.

### **Management comments**

#### *Bank reconciliations*

*The bank reconciliation module in our Authority software is excellent in terms of generating an automated daily bank reconciliation that give us assurance that all transactions in the bank account and cashbook are captured. Beyond that, the module provides insufficient transaction information to enable a smooth matching of items between the bank account and the cashbook. The system is also incapable of producing an automated reconciliation at a specified date, which therefore requires staff to manually produce the year end bank reconciliation.*

*These issues have been raised with our software provider Civica on an individual basis, and in conjunction with other local authority users. Since Audit NZ's Interim Report, staff have met with other users and the module expert from Civica and have gained assurance that we are utilising the module to its current potential. As a result of the combined user issues raised, Civica have provided some enhancements in recent patches, however we have not found them to provide any benefit for the process of matching transactions. The module expert from Civica also noted that they have spent considerable time trying to develop an automated retrospective trial balance, but have found the process to be overly complex, and we were not given a strong indication that this enhancement would be forthcoming.*

*As such, staff have recently spent significant time developing and testing their own tool outside of the Authority system that we have found to be significantly beneficial in the process of matching transactions. We expect that this will greatly improve the timeliness of the matching, although noting that there are always transactions that take longer to resolve as they may require further investigation. Staff are also trialling processes to help make the manual bank reconciliation process at year end more efficient.*

#### *Property, plant and equipment*

*There are many staff involved in the administration and development of the supporting information for property, plant and equipment. Going forward, we will assign responsibility to an individual to coordinate and ensure that the information provided to the Audit team reconciles to the financial statements and is provided in a timely manner.*

### 3 Matters raised in the Audit Plan



In our Audit Plan of the District Council, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>The risk of management override of internal controls (significant risk)</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>In response to this risk, we performed testing over journals, accounting estimates and looked for significant transactions that were outside the normal course of business. Based on the results of our testing, we found no indications of management override of controls that would result in a material misstatement, in the financial statements, due to fraud.</p>
<b>Fair value assessment of property, plant and equipment (non -revaluation year) (area of audit focus)</b>	
<p>We understand that the Council is not planning to undertake revaluations for the 2024 financial year. For those assets that the Council is not planning to revalue, the Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>Council's assessment should:</p> <ul style="list-style-type: none"> <li>• factor in local cost information;</li> <li>• utilise relevant and reliable price movement indicators; and</li> <li>• involve consulting with valuers, if necessary.</li> </ul> <p>Alternatively, Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>We reviewed the fair value assessment performed by the District Council for Three Waters assets, roading assets, land and building assets. The audit team's review confirmed the assumptions used and the resulting calculation did not indicate a material difference between the District Council's current carrying value and their approximate fair value.</p>

Audit risk/issue	Outcome
<b>Completeness of data for performance measures (CRM related performance measures) (area of audit focus)</b>	
<p>During the prior year audit, Council was unable to extract complete reports for CRM data covering the previous financial year. Not being able to reproduce the data creates a risk to Council in terms of errors or incomplete reporting. It also creates audit risk as we need to gain support around the accuracy and completeness of the reported results.</p> <p>We understand that Council is extracting the data monthly for the 2024 financial year and saving the data in PDF format to ensure there are no manipulation of data.</p>	<p>CRM is the data system that the District Council uses to process their customer complaints and requests. This system also is used for year-end reporting purposes to determine the reported results in relation to the <i>“number of dry weather sewerage overflows from Council’s sewerage system”</i>.</p> <p>We performed alternative audit work to determine the completeness of data for measures we performed work over. We concluded that no data was omitted, and that the data used for reporting purposes was complete.</p> <p>We are satisfied that the performance result is fairly stated and complete.</p>
<b>“Local Water Done Well” programme (area of audit focus)</b>	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its "Local Water Done Well" programme through the passing of two further bills through Parliament.</p> <p>The first bill will set out provisions relating to Council service delivery plans and transitional economic regulation. It will also provide for streamlining the establishment of Council controlled organisations to deliver water should Councils desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent Council-controlled organisation.</p>	<p>We reviewed the District Council’s disclosure included in the annual report regarding the Local Water Done Well programme and are satisfied that the disclosure is reasonable.</p>

## 4 Other matters identified during the audit



In this section, we comment on any other matters that were identified during the audit that need to be brought to your attention.

### 4.1 Property Plant and equipment

#### 4.1.1 Timely capitalisations

With management's assistance, we identified a significant amount of WIP not capitalised into property, plant and equipment (PPE) at the appropriate time. A portion of which should have been capitalised in 2022 and earlier. The flow-on effect impacts depreciation as depreciation does not commence until the assets are capitalised into PPE.

We recommend that management tightens the procedures and controls around asset capitalisations to ensure that assets are correctly classified for inclusion in the financial statements.

#### **Management comment**

*Council has enhanced its processes and capitalisations over the past couple of years, particularly in Parks and Facilities and Roading. However, we acknowledge that some older projects, especially in the Three Waters sector, still need to be capitalised which we are currently working on this year to prevent any impact on our depreciation calculations.*

#### 4.1.2 Depreciation not correctly backdated

We noted several instances of AssetFinda (asset system) not correctly backdating the depreciation for older assets capitalised. The flow on effect impacts depreciation disclosed in the financial statements.

We recommend that management investigates the reasons for why the system is not calculating depreciation correctly using the install date (date when asset was actually completed) rather than the found date (when asset was capitalised) and take appropriate action.

#### **Management comment**

*Unfortunately, AssetFinda cannot backdate depreciation for found assets. As a result, the end-of-year depreciation does not include any backdated amounts. However, staff can manually review this annually to ensure there are no significant impacts.*

*As we work on reducing our backlog and WIP, fewer assets will be added with a found date.*

*We conduct annual or bi-annual valuations, which trigger the asset to be correctly valued, providing a written-down value reflective of the asset's age. The asset will then continue to depreciate based on this updated value.*

#### 4.1.3 Internal charges for NZTA claim

We noted that internal costs labour charges are recorded via an excel spreadsheet that is captured by relevant field employees. When reviewing the underlying roading expenditure transactions that the District Council had submitted for their June 2024 NZTA subsidy claim, we noted labour charges that related to March 2024 and May 2024 which should have been claimed within their respective months. We understand that this is due a time-lag of the input of labour chargers by relevant staff.

We recommend the District Council reviews its processes for recording labour time for internal charges for workorders (which form part of the NZTA claim) to ensure that the labour time is captured in a timely manner for labour charges to be included as part of the NZTA claims.

##### **Management comment**

*Internal Roading labour charges are generally claimed in a timely manner, and NZTA audits have not identified any issues with our process.*

*While some charges are backdated, they are very minor.*

*Due to overlapping work and budget changes with Transport Choices and General Roading subsidised work, some adjustments were necessary at the end of the year as NZTA changed the funding sources.*

*We will follow up with departments charging to the roading work orders to ensure they stay on top of their timesheet charges and review these regularly.*

#### 4.1.4 Useful lives disclosed for accounting policy

We noted that useful life adopted has not been accurately disclosed in accounting policy disclosed in the financial statements, particularly for Stormwater and Water.

We recommend Council reviews the accounting policy for useful lives included in the financial statements and ensures that it is consistent with the useful lives adopted.

##### **Management comment**

*The useful lives of PPE are reviewed as part of a revaluation process and following that the accounting policy is updated to reflect any changes made. Staff will review any updates required following the 30 June 2025 revaluation.*

## 5 Public sector audit



The District Council is accountable to 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 District 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 District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider 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 carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by ;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District 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 the District Council or by one or more of its members, office holders, or employees.

The following was noted during the audit:

### 5.1 Register of pecuniary interest

The Local Government Act 2002 (subpart 3) requires the District Council to keep a register of the pecuniary interests of elected members and make a summary of the information contained in the register publicly available. Elected members are required to make an annual return of their pecuniary interests to the registrar (a person employed at the District Council responsible for compiling and maintaining the register of members' pecuniary interests). The purpose of the register of members' pecuniary interests is to record members' interests to provide transparency and to strengthen public trust and confidence in local government processes and decision-making. Section 54E sets out the contents of the pecuniary return which includes for example:

- The name of every other company or business entity in which the member has a pecuniary interest, other than as an investor in a managed investment scheme, and a description of the main business activities of each of those companies or business entities.



































































































































































































