



**I, Steven May, Tumu Whakarae Chief Executive Officer, hereby give notice that  
Finance, Audit & Risk Committee Meeting will be held on:**

**Date: Tuesday, 18 August 2020**  
**Time: 1.30pm**  
**Location: Council Chamber, Wairoa District Council,  
Coronation Square, Wairoa**

# **AGENDA**

## **Finance, Audit & Risk Committee Meeting**

**18 August 2020**

The agenda and associated papers are also available on our website: [www.wairoadc.govt.nz](http://www.wairoadc.govt.nz)

For further information please contact us 06 838 7309 or by email [info@wairoadc.govt.nz](mailto:info@wairoadc.govt.nz)



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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS**
- 5 LATE ITEMS OF URGENT BUSINESS**
- 6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson. Requests should also outline the matters that will be addressed by the speaker(s).

**7 MINUTES OF THE PREVIOUS MEETING**

Ordinary Meeting - 7 July 2020

**MINUTES OF WAIROA DISTRICT COUNCIL  
FINANCE, AUDIT & RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA  
ON TUESDAY, 7 JULY 2020 AT 1.30PM**

**PRESENT:** His Worship the Mayor Craig Little, Cr Jeremy Harker, Cr Denise Eaglesome-Karekare, Mr Philip Jones, Cr Danika Goldsack

**IN ATTENDANCE:** Steven May (Tumu Whakarae Chief Executive Officer), Cr Hine Flood, Kitea Tipuna (Pouwhakarae – Hapori/Whakatūtaki Group Manager Community and Engagement), Kimberley Tuapawa (Pouwhakarae – Pārongo/Wheako Kiritaki Group Manager Information and Customer Experience), Gary Borg (Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support), Stephen Heath (Pouwhakarae – Hua Pūmau Hapori/Ratonga Group Manager Community Assets and Services), Simon Mutohori (Kaiwhakahaere Ratonga Kiritaki/Customer Service Manager-Regulatory), Kevin Stevenson (Kaiurungi Kore Whakawhara/Zero Harm Officer), Tyler Trafford-Misson (Kaiurungi Mana Arahi/Whakawhanake Ōhanga Governance and Economic Development Officer), Kimberley Jones (Kaikaute Pūtea /Financial Accountant), Luke Knight (Kaiwhakahaere Rawa/Property Manager), Mike Hardie (Kaiwhakahaere Hua Pūmau Huarahi/Transport Asset Manager).

**1 KARAKIA**

Karakia was given by Kitea Tipuna

**2 APOLOGIES FOR ABSENCE**

Nil

**3 DECLARATION OF CONFLICT OF INTEREST**

Cr Jeremy Harker – **Items 1.1** – Support for QRS Project Funding and **9.1** – Potential NZTA Funding (PUBLIC EXCLUDED).

**4 CHAIRPERSON'S ANNOUNCEMENTS**

A number of late reports are up for consideration at today's meeting.

**5 LATE ITEMS OF URGENT BUSINESS**

Additional public excluded item

**6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

**7 MINUTES OF THE PREVIOUS MEETING****COMMITTEE RESOLUTION 2020/100**

Moved: His Worship the Mayor Craig Little

Seconded: Cr Denise Eaglesome-Karekare

That the minutes, and the public excluded minutes of the Ordinary Meeting held on 26 May 2020 be confirmed.

**CARRIED**

**8 GENERAL ITEMS****8.1 UPDATE ON PREPARATION OF THE ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2020.****COMMITTEE RESOLUTION 2020/101**

Moved: Mr Philip Jones

Seconded: Cr Jeremy Harker

That Committee receive the report.

**CARRIED**

Gary Borg (Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support) shared a model showing the status and progression of a number of actions being undertaken in the completion of the Annual Report. Explanations were given of the risks associated with these actions where applicable.

**8.2 FINANCIAL PERFORMANCE TO 31 MAY 2020****COMMITTEE RESOLUTION 2020/102**

Moved: Cr Jeremy Harker

Seconded: Mr Philip Jones

That Committee receive the report.

**CARRIED**

Gary Borg (Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support) gave the committee an update of the Wairoa District Councils financial performance, most activities are on budget. Favourable variances include PGF cash inflows, adverse include wastewater and environmental levies, but generally finances are in good shape. Discussion of the risk with the decrease in reserves and that depreciation ought to be included in the quarterly reports.

**8.3 PROJECT UPDATE 2019/20 - COMMUNITY ASSETS AND SERVICES****COMMITTEE RESOLUTION 2020/103**

Moved: Cr Denise Eaglesome-Karekare

Seconded: Cr Danika Goldsack

That Committee receive the report.

**CARRIED**

The report was also presented to the Infrastructure Committee Meeting on 18 June 2020, Luke Knight (Kaiwhakahaere Rawa/Property Manager) gave a quick overview of the keypoints discussed at this Committee meeting including risk, on time, on budget etc. Committee accepts that discussion needs to be had in regard to external funding and the impact that this will have on the Council (Capex vs Opex, staffing issues, risks etc) and the position of Council to take on future projects.

**8.4 HEALTH & SAFETY****COMMITTEE RESOLUTION 2020/104**

Moved: Cr Jeremy Harker

Seconded: His Worship the Mayor Craig Little

That Committee receive the report.

**CARRIED**

Kevin Stevenson (Kaiurungi Kore Whakawhara/Zero Harm Officer) gave a brief overview of Council's Health and Safety matters. Reporting procedures are being put in place to ensure a more streamlined process, gave an update on recent incidents, flu shot numbers, COVID support and staff training for personnel.

**8.5 FAR WORK PLAN****COMMITTEE RESOLUTION 2020/105**

Moved: Cr Jeremy Harker

Seconded: Cr Danika Goldsack

That Committee receive the report.

**CARRIED**

Agreement to add another Item to provide an update on where Council is on all policies and bylaws as a legislative compliance review.

Cr Jeremy Harker left the meeting at 2:33pm due to a Conflict of Interest, Cr Denise Eaglesome-Karekare took the Chair.



**1.1 SUPPORT FOR QRS PROJECT FUNDING****COMMITTEE RESOLUTION 2020/106**

Moved: Mr Philip Jones

Seconded: His Worship the Mayor Craig Little

That Committee endorses the proposal for Council confirm its willingness to lend up to \$1.2 million to QRS for the purposes of securing funding for its Operations Hub, providing that there is agreement to ensure that there is no extra cost to council and that appropriate security and term of loan be considered by council.

**CARRIED**

Discussion was had in relation to ensuring that there would be no added costs on Council. Long term prospects of the company are generally favourable therefore Council will be likely under take this action, however Council needs to require appropriate security, recommendation was therefore amended.

**9 PUBLIC EXCLUDED ITEMS****RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2020/107**

Moved: Cr Denise Eaglesome-Karekare

Seconded: His Worship the Mayor Craig Little

That the public be excluded from the following parts of the proceedings of this meeting at 2.50pm

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<b>9.1 – Potential NZTA funding</b>	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>1.1 – Staff Workloads</b>	s7(2)(b)(ii),s7(2)(h) - the withholding of the information is necessary to protect information where the	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to

	making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; AND the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.	result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>CARRIED</b>		

**COMMITTEE RESOLUTION 2020/108**

Moved: Cr Denise Eaglesome-Karekare

Seconded: Cr Danika Goldsack

That Council moves out of Closed Council into Open Council at 3.38pm.

**CARRIED**

The Meeting closed at 3:40pm with a karakia given by Cr Denise Eaglesome-Karekare.

The minutes of this meeting were confirmed at the Finance, Audit & Risk Committee Meeting held on 18 August 2020.

## 8 GENERAL ITEMS

### 8.1 EXTERNAL AUDIT MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019

**Author:** Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager  
Finance and Corporate Support

**Authoriser:** Steven May, Tumu Whakarae Chief Executive Officer

**Appendices:** 1. Audit Management Report [↓](#)

#### 1. PURPOSE

- 1.1 This report provides information for the Committee on the control findings from the audit of the Annual Report for the year ended 30 June 2019. No decisions are required by Committee at this stage.
- 1.2 Although the observations contained in the report are primarily for management to address, receipt of this information supports the Committee's fulfilment of its obligations under its Terms of Reference.



#### RECOMMENDATION

*The Group Manager: Finance & Corporate Support RECOMMENDS that the Committee receives the Audit Management Report for the Year Ended 30 June 2019.*

#### 2. BACKGROUND

- 2.1 The audit management report is a standard component of the annual audit process. It provides observations and recommendations concerning Council's control environment and reporting processes; and contributes to continuous improvement and risk management.
- 2.2 The report to management for the year ended 30 June 2019 is attached as **Appendix 1**.
- 2.3 The observations of the auditor are vital to the development of Council's risk management and reporting capability; and support the prioritisation of these activities.

#### Signatories

	
Author Gary Borg	Approved by Steven May

# WAIROA DISTRICT COUNCIL

Report on Control Findings

Draft 17 February 2020

Finalised 10 June 2020





Ernst & Young  
100 Willis St  
Wellington 6011  
PO Box 490 Wellington 6140

Tel: +64 4 499 4888  
Fax: +64 4 495 7400  
ey.com/nz

Steven May  
Chief Executive Officer  
Wairoa District Council  
PO Box 54  
Wairoa 4160

Dear Steven

Report on control findings for the year ended 30 June 2019

We have completed our audit of the financial statements and non-financial performance information of Wairoa District Council ("the District Council") and its controlled entity ("the Group") for the year ended 30 June 2019.

This report on control findings includes all control matters and issues arising from our audit findings that we consider appropriate for review by management. This report should be read in conjunction with our report to the audit committee tabled at the Council meeting on 26 November 2019.

In accordance with the Office of the Auditor-Generals Auditing Standards we performed a review of the design and operating effectiveness of Wairoa District Council's significant financial and non-financial reporting processes. Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data. They have not been designed for the purposes of making detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in District Council's internal control environment.

We wish to express our appreciation for the courtesies and co-operation extended to our representatives during the course of their work, especially by Gary Borg. If you have any questions or comments, please do not hesitate to call me on (04) 470 0539 or contact me on [stuart.mutch@nz.ey.com](mailto:stuart.mutch@nz.ey.com).

Yours faithfully

Stuart Mutch  
Partner

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## 1. Overview

### 1.1 Overview of Risk Ranking System and Summary of Recommendation Issues

As part of our audit of the financial statements and service performance information, we obtained an understanding of the internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of the internal controls we are required to communicate to you significant deficiencies in the internal controls.




The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

The following table provides an overview of the number of observations and the risk ratings we have identified.

	High	Moderate	Low	Total
Open at 30 June 2018	3*	6*	4	13
Consolidation and risk reclassification of non-financial performance points raised in FY18	1	(1)	(1)	(1)
Other risk rating reclassifications for points raised in FY18	-	1	(1)	-
Closed during FY19	(2)	(2)	(2)	(6)
New points raised in FY19	2	2	3	7
Total open points as at 30 June 2019	4	6	3	13

\*Includes one open item in each category in relation to the revaluation cycle which was not revisited during the year as no revaluation took place in 2019 and therefore has been carried forward.

Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within 6 months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.

### 1.2 Disclaimer

Issues identified are only those found within the course of the audit for the year ended 30 June 2019. Our recommendations in relation to these issues are intended solely for the use of management and those charged with governance. We disclaim any assumption of responsibility for any reliance on this report, to any person other than management or for any purpose other than that for which it was prepared.

EY | 2

## 1.3 Schedule of Findings

Wairoa District Council	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
2.1 Financial statement close process – CARRIED FORWARD & UPDATED FROM 2018	✓		
2.2 Fixed asset register updates	✓		
2.3 The Accurate recording of operational and capital expenditure	✓		
2.4 Timeliness and integrity of Asset Valuations – CARRIED FORWARD FROM 2018	✓		
2.5 Review of provision assessment		✓	
2.6 Credit Card approval – CARRIED FORWARD FROM 2018		✓	
2.7 Volume data of new infrastructure assets – CARRIED FORWARD FROM 2018 & 2017		✓	
2.8 Legislative compliance monitoring – CARRIED FORWARD FROM 2018		✓	
2.9 Depreciable elements of core infrastructure assets – CARRIED FORWARD FROM 2018		✓	
2.10 Vendor Masterfile changes review – CARRIED FORWARD FROM 2018		✓	
2.11 Rates subledger information			✓
2.12 Accuracy of water rate charges calculated			✓
2.13 Depreciation figures disclosed in Annual Report			✓



## 2. Observations

### High Risk Category Issues

#### 2.1 Financial statement close process – CARRIED FORWARD & UPDATED FROM 2018

Observation	<p>Council has a statutory reporting deadline of 31 October for the adoption of its Annual Report. On a number of occasions in recent years Council has been unable to complete its Annual Report prior to the statutory deadline, and most recently Council has not adopted its long-term plan within the timelines set by the Act. The Council has breached its statutory reporting deadline for the 2018/19 Annual Report as a result of key finance members being new to their roles as well as health concerns resulting in absences of key staff during the finalisation of the Annual Report.</p> <p>At the start of our audit on 23 September 2019 there was a reasonable and agreed expectation that the annual report would be complete, internally reviewed and available for audit. However, key issues that remained outstanding included:</p> <ul style="list-style-type: none"> <li>▶ Receipt of complete ledger and 30 June trial balance;</li> <li>▶ Assessment of the landfill provision balance and calculations;</li> <li>▶ The consolidation of QRS;</li> <li>▶ The posting of Reserve movements and related schedules;</li> <li>▶ The capitalisation of capital work from project codes to the balance sheet;</li> <li>▶ Data to support reported measures for non-financial performance reporting;</li> <li>▶ The recognition of depreciation; and</li> <li>▶ The completion of the full annual report</li> </ul> <p>These, not insignificant, matters were progressively completed between 23 September and 14 November 2019.</p> <p>The continued inability of Council to report in a timely and accurate manner is not sustainable.</p> <p>We also noted a number of positions determined by management, could not be supported or were materially incorrected requiring amendment.</p>
Recommendation	<p>We accept that financial and non-financial reporting is complex given the size and scale of the reporting teams maintained by many small to medium sized Councils. However, we feel that given these matters have been re-occurring each year, steps need to be taken to address this. We recommend that Council take 2019's reporting process and examine where opportunities for further improvements are available.</p> <p>We would expect that the most significant gains can be achieved through the pro-active management of key one off matters such as revaluations (when there is revaluation year), all segments of Council collectively working to develop the Statement of Service Performance and an increased focus being placed on the timely classification and capitalisation of capital projects. Consideration could be given to bringing key items forward within the financial statement close process.</p>

Management Response 2018	<p>A process has been agreed to enable asset capitalisations to be processed during the year and other initiatives include automation, task rotation and process documentation. The Annual Plan 2018-19 process is expected to run to schedule, allowing earlier management attention to the reporting process.</p> <p>However, a continuing key vacancy and increased complexity (during 2018-19 Council assumes the operation of the landfill and the theatre) will offset the expected benefits from these. Council is undergoing a reorganisation and there are continuing matters relating to projects and policy contained in the Long-term Plan.</p> <p>It is realistic to assume that the challenges identified will manifest again for the audit of the Annual Report 2018-19.</p>
Responsibility	Group Manager: Finance & Corporate Support
Update 2019	<p>Recommendation still open:</p> <p>Changes put in place in 2019 have not been effective. The poor performance in this area is both expensive for Council and time consuming and has a direct impact on management's ability to focus on broader issues.</p> <p>We note that we have received nine versions of the annual report in 2019, many of which had not received any effective peer review. This is not reflective of an effective reporting process.</p> <p>The late receipt of work papers and draft financial statements impacts the efficiency of the financial statement preparation and audit process and led to significantly more time being spent on the financial statements by both Council and EY staff. If these documents had been received when the audit team arrived onsite, particularly given the team arrived on 23 September, nearly 3 months after balance date, efficiencies would have been gained by all parties. There remains a significant opportunity for continued improvement by Council.</p>
Management Response	<p>The 2018/19 year included a move from Tier 2 to Tier 1 reporting, which resulted in additional work for the finance team in the preparation of the accounts. A number of challenges relating to the preparation and peer review of initial figures were identified during the 2019 annual report preparation process, and measures to mitigate these have been implemented to make the preparation of core financial statements part of our monthly and quarterly reporting process. Further work is being undertaken to ensure disclosures and templates are set up well in advance of the onsite audit component, to reduce time pressure and assist in having the draft reporting ready for onsite review. In Summary:</p> <ul style="list-style-type: none"> <li>• Considerable change has been achieved over the last year.</li> <li>• Monthly accounts have been produced since Dec-19</li> <li>• Steps including checklists have been implemented to assist with the accuracy and timeliness of the monthly reports</li> <li>• Finance Support officers have been assigned to work with the respective cost centre managers</li> <li>• Further improvements are planned as the Finance team evolves to achieve its objectives</li> </ul>
Responsibility	Finance Manager / Financial Accountant

2.2 Fixed asset register updates	
Observation	<p>The fixed asset register was not updated during the reporting period. As a result, all fixed asset additions, disposals and depreciation charges were made at year-end. Making all adjustments to fixed asset general ledger accounts at year-end requires a significant level of effort for those in the finance team that could be better spread across the period. The nature of this processing taking place at the year-end also contributed to the significant delays in the provision of information for the audit of the Annual Report.</p> <p>We also noted a lack of review over the fixed asset register, which resulted in a significant amount of audit adjustments raised, which were subsequently corrected. Through our procedures we identified that for every new addition recognised Council had recognised an offsetting disposal giving rise to material errors in asset write-offs. Management agreed to adjust for these errors however the corrections were incorrectly recorded in the fixed asset register, resulting in multiple versions of the fixed asset register, causing further delays to the completion of the Annual Report and the audit.</p>
Recommendation	<p>We recommend that Council consider periodically updating and ensuring appropriate review of the fixed asset register throughout the year to ensure any issues are resolved in a timely rather. Where a materially different approach to what has been considered as normal practice is to be applied we recommend Council consult with the auditors about the appropriateness of such an approach in light of accounting standards.</p>
Management Response	<p>The fixed asset process improvements were not implemented as soon as originally expected in 2019. However, advances have since been achieved.</p> <p>Capital Work in progress has been reviewed monthly since Dec-19 by the Cost Centre managers and the Finance Department. Adjustments from Capex to Opex and review of typical expense accounts to Capex were processed in April and May. The upskilling of Financial support officers and their involvement in this process was initiated in April -2020. We have worked with our systems provider to improve automation and enable the additions process to run alongside monthly creditor invoice processing. All year to date disposals and some additions were processed in May 2020. All 2020 additions and disposals will be completed by mid-July.</p>
Responsibility	Finance Manager

2.3 The Accurate recording of operational and capital expenditure	
Observation	<p>Our testing of capital and operational expenditure identified a number of instances where operating expenditure was being incorrectly capitalised. These errors were isolated to items included within capital non-roading work-in-progress positions.</p> <p>We acknowledge that Council's current process is to capture all costs associated, or with some linkage to projects within capital work-in-progress in order to track all expenses to compare against project budgets for internal monitoring. Current practice is that only when the project is complete and transferred into the fixed asset register does a reversal of non-capex items occur. However, in 2019 this resulted in expenditure being understated and consequently operational activities of Council did not effectively record the cost of operations during the period.</p> <p>We also noted that projects were not being capitalised in a timely manner. Consequently, work in progress is higher at balance date than what would be expected.</p>
Recommendation	<p>We believe the Council's current process of reviewing work-in-progress only at the point in time that capitalisation occurs represents a control deficiency as there is a risk that as larger projects are completed by the Council there is increased risk of material misstatement of expenses. As such we recommend the Council ensure that projects are actively reviewed, and expenditure is monitored by appropriate individuals to ensure appropriate classification of expenditure (i.e. between operating expenditure and capital expenditure) at the time costs are incurred and to ensure timeliness of transfer of capitalised project expenses from capital work-in-progress to the fixed asset register.</p>
Management Response	<p>Steps have been implemented to review Capital Work in progress and operating costs. Corrections and adjustments have been made in April and May for the first nine months data with a view to adjusting the final three months and continuing monthly.</p>
Responsibility	Finance Manager

## 2.4 Timeliness and integrity of Asset Valuations – CARRIED FORWARD FROM 2018

## Observation

## Background:

Infrastructure assets represent the significant component of Council's balance sheet. The last valuation occurred during the 2017 year where, Council engaged Opus International Consultants Limited to perform a revaluation of its core infrastructure assets including the valuation of land transport assets, water supply, waste water and storm water asset classes. The combined valuation resulted in the recognition of an uplift of \$10.2 million.

## Timeliness and integrity of the underlying data:

- ▶ In previous Reports to Management we have highlighted a number of issues and improvement points with Council's valuation process, namely the timeliness of the valuation for annual reporting and management due diligence on the external valuers' outputs. To mitigate this risk Council sought to change their valuer in 2017 and received initial drafts in March 2017. However, Council assessed they were not of an adequate standard for use. The reports were then severely delayed presenting the key element of the challenge around completing the financial statements in a timely manner. The Council's year end reporting objective was to complete the valuation reports prior to 18 September 2017 and there was a reasonable and agreed expectation that the valuation reports would be complete, internally reviewed and available for inclusion in the financial statements. However, whilst a draft land transport valuation report were made available in mid-September the three waters assets valuation was still being reviewed by the Engineering Manager and initial drafts were not provided until about a month after the September target date. We understand the delay can be partially attributed to Opus not delivering the required quality valuation on time, and that some results required the provision of feedback progressively through an extended process. Nevertheless, in situations where Council appoints an expert to provide significant technical advice, such as for a valuation, we do not expect Council management to be surprised by the results and the professional judgements made by the appointed expert. Council staff should remain close to the valuations so there are no surprises. The absence of appropriate and timely review of revaluation processes creates a risk that errors in the valuation reports are not spotted in a timely manner consequently causing a loss of valuation integrity and quality and significant delays to the annual reporting process. In addition the benefit of management's operational knowledge of the Council assets may not be reflected appropriately in the resultant valuation.
- ▶ We also note that management did not perform reconciliations between the infrastructure assets systems and the MagiQ fixed assets register (FAR) to assess the completeness of the valuation data. Opus' valuation is based on assets data stored and extracted from the Council's water (Asset Finda) and Rooding (RAMM) asset management systems which holds assets data at component level including asset ID, location, descriptions, age and capitalisation dates. The asset management systems do not contain asset cost values and in essence is different and separate from the MagiQ Fixed Assets Register (FAR), which only records summarised asset data for accounting purposes. The asset management systems and the FAR currently do not inter-face and a regular reconciliation between the systems is currently not conducted. In the absence of a regular reconciliation between these systems, there is an increased risk of inconsistent data being held in each system i.e. additions, disposals and useful lives might be included in one system but not in the other in a timely manner (or at all) and any valuations carried out by external parties could be prepared on the basis of incomplete information. In addition, the financial statements in years during which no valuations are undertaken, may not accurately reflect the infrastructure assets network.

	<p>► We note that the valuer has largely assessed the confidence rating in asset data as “Reliable”. This is consistent with most Councils in New Zealand. However, during the course of our review of the valuations we have noted a number of areas where asset quantity or quality information has been classified as “Uncertain”. We recommend that management continue to develop its asset condition information so to enhance asset management.</p>
Recommendation	<p>We recommend the valuation report be obtained with sufficient time available for WDC to review and to enable the correction of any identified errors ahead of the self-assessed deadline for the preparation of the financial statements. In addition, we recommend responsibility for obtaining and reviewing the valuation reports should be clearly defined. Management that are involved in the preparation of the annual financial statements should be actively involved in the valuation process and complete sufficient due diligence, in conjunction with asset management staff, to satisfy themselves that the information presented in the valuation report is appropriate for financial reporting purposes.</p> <p>A regular reconciliation should be conducted to ensure that the assets recorded in the FAR and the General ledger are consistent with those held within the Council's asset management systems. This helps to ensure data provided to the valuer is a full and complete record of the assets as at each balance date and that the FAR is accurate and complete in the intervening years.</p> <p>Finally, we understand Opus has made a number of improvement recommendations in the area of asset data and we believe Council should take action on these matters where it is economically viable to enhance Councils understanding of its asset base.</p>
Management Response	<p>It is apparent that the valuation project was not comprehensively scoped with regards to completeness of asset data and reconciliation to the FAR. As noted above the latter will become a routine process while the terms of reference for future valuations will require sign off from the Engineering Manager and the Chief Financial Officer.</p>
Responsibility	<p>Engineering Manager, Chief Financial Officer, Financial Planning Manager, Asset Managers</p>
2019 Update	<p>Recommendation still open:</p> <p>In line with Council's revaluation cycle there were no revaluations of infrastructures assets carried out during FY19. Therefore, this recommendation remains open until we validate the closure of these matters during the next schedule valuation of infrastructure assets which will occur in FY20.</p>
Management Response	<p>Agree that this should remain open until the full audit 2020. We are confident that substantial improvements will be observed.</p>
Responsibility	<p>Finance Manager, Transport Asset Manager, Utilities Manager</p>



## Moderate Risk Category Issues

2.5 Review of provision assessment	
Observation	<p>During our review of the Landfill aftercare provision, we noted a revision to the estimated nominal future cash flows was not undertaken in line with accounting standard requirements.</p> <p>Without a regular assessment of the expected nominal future cash flows, there is a potential risk for an incorrect provision being recognised in the financial statements.</p> <p>In addition, the Retirement Gratuity provisions had also not been updated for the 2019 financial year.</p>
Recommendation	<p>Given the inherent risks in estimating the nominal future cash flows of the landfill after-care costs, Council should seek to have these estimates reviewed on an annual basis in line with the requirements of the accounting standards. Council should also consider any revision to the nominal cash flows are peer reviewed at least once every three years or more regularly if required.</p> <p>In addition, to ensure compliance with accounting standards all provisions are required to be reviewed on an annual basis to ensure any changes are appropriately captured and updated.</p>
Management Response	<p>The retirement gratuity provision did not move materially as the 3 staff members entitled to it had already exceeded the length of service for maximum entitlement (26 weeks is the maximum entitlement and these 3 had 30+ years service). The workpaper for this provision was prepared in advance of the final audit and emailed to the audit Senior Associate on 23/09/2019.</p> <p>As regards the landfill provision, shortcomings in the process and documentation thereof will be addressed and the review will be undertaken earlier in the reporting cycle.</p>
Responsibility	Finance Manager, Financial Accountant

2.6 Credit Card approval – CARRIED FORWARD FROM 2018	
Observation	<p>Council policy is that all credit card statements must be reviewed and approved by appropriately delegated approvers prior to payments. While we have seen improvements on the approvals of credit card statements, we noted the CEO did not have a designated credit card and all his expenses were charged through his personal assistant's credit card which is subsequently approved by himself. This process immediately removed any real segregation of duties and is not good practice.</p> <p>If credit card purchases are not reviewed and approved prior to payment by an authorised independent person, there is a risk that the financial costs of items of a sensitive nature or personal expenses are borne by the Council.</p>
Recommendation	We recommend that Council ensures that its internal policy for reviewing of credit card statement is adhered to and that "one up" procedures are applied. This should include the Mayor or Chair of the Audit Committee reviewing the CEO's credit card usage on a regular basis. For the CEO's credit card usage for convenience purposes this may not be prior to payment. However, it should be in a relatively timely manner.
Management Response	This is not a reasonable representation. The credit card held by the Executive Assistant is for general administrative purposes and available to all staff, who are required to adhere to policy. During the year the control over credit card purchases was enhanced by including them in the purchase order system, this requiring the same rigour as other purchases. All expenses incurred by the CEO are approved by the Mayor and reviewed by the CFO. A schedule can be made available to the Finance, Audit and Risk Committee should they require.
Responsibility	Group Manager: Finance & Corporate Support
2019 Update	<p>Recommendation still open:</p> <p>We noted some instances arising from our procedures completed on credit card expenditure where self-approval has occurred for expenditure below certain thresholds, more specifically where the HR Advisor is able to approve her own credit card expenditure if it is below \$1,000.</p> <p>Additionally, we have noted instances where the CE's expenditure is captured on his executive assistant's credit card which is then subsequently approved by the CE essentially resulting in self-approval. These control weaknesses are reflective of the lack of segregation of duties risks, which exposes Council to a heightened risk of fraud or error. Whilst we acknowledge it is a challenge to maintain these controls in a small Council, we recommend continued diligence in the application of effective procedures. The reputational risk of inappropriate use of credit cards can be significant.</p>
Management Response	<p>The self-approval by the HR Advisor relates only to training and related travel where the authorising manager has already provided a signed form. We have reinforced the policy that these need to be electronically attached to the corresponding purchase orders.</p> <p>Any credit card expenditure incurred on behalf of the CE is countersigned by the Group Manager: Finance and Corporate Support.</p>
Responsibility	Group Manager: Finance and Corporate Support



2.7 Volume data of new infrastructure assets – CARRIED FORWARD FROM 2018 & 2017	
Observation	<p>During the course of our review of the 2017 waste water valuation prepared by Opus we noted that a decrease in waste water treatment assets reflected a decrease in the value of the Mahia scheme compared to its construction cost.</p> <p>We noted that the valuers reflected that quantity data in regard to this asset has not been put into Council's asset database causing some concern in relation to the quality of the asset data.</p> <p>It is critical that the core volume information of new infrastructural asset developments is recorded within the Council's various fixed asset registers / databases in a timely manner. Without such information Council may maintain inaccurate valuation information or face an inability to assess the appropriate depreciation charges for such assets.</p>
Recommendation	The asset databases maintained by Council be updated to reflect the final, as built, Mahia scheme. Where other infrastructure assets are built, renewed or replaced, these amendments should be reflected in Council's asset databases in a timely manner.
Management Response	The as built data produced by the contractor for the scheme has delayed the process.
Responsibility	Engineering Manager [Stephen, Russell]
2019 Update	<p>Recommendation still open:</p> <p>In line with Council's revaluation cycle there were no revaluations of infrastructure assets carried out during FY19. Therefore, this recommendation remains open until we validate the closure of these matters during the next scheduled valuation of infrastructure assets which will occur in FY20.</p>

## 2.8 Legislative compliance monitoring – CARRIED FORWARD FROM 2018

Observation	<p>The Council has no formal legislative compliance monitoring process in place.</p> <p>We have noted historically that Council have pro-actively sought advice from Simpson Grierson on Rates related matters, but there is no formal mechanism for identifying relevant legislative matters arising in other areas of Councils operations, Due to the constantly changing legislative environment in which the Council operates, there is a risk that without a formal legislative compliance monitoring process, the Council may unknowingly breach significant legislative requirements.</p>
Recommendation	<p>We recommend that Council develops and implements a process for identifying and monitoring significant legislative requirements. A number of Local Authorities have developed suitable programmes and we recommend Wairoa District Council use its network to benefit from others investment in this regard. Alternatively, SOLGM guidance is often a useful reference point.</p>
Management Response	<p>We have made enquiries; to date a suitable solution has not been identified</p>
Responsibility	<p>Group Manager: Information and Customer Experience</p>
2019 Update	<p>Recommendation still open:</p> <p>We did not identify any enhanced mechanism for Council monitoring relevant legislation compliance matters during the 2019 audit and therefore this recommendation remains open.</p>
Management Response	<p>Following audit's 2018 recommendations, Council built a legislative compliance monitoring system in 2019 and implemented it in 2020. The system was developed and tested in-house using a series of editable templates and is based on SOLGM's LG toolkit legal compliance modules. The system comprises a central register, which outlines the key areas of compliance and responsibility, and records overall levels of compliance (%) per key area. The register is supported by a suite of activity-based workbooks. These workbooks each contain a series of sub-activity-based worksheets, which in turn each contain a series of operational steps. These steps are linked to relevant pieces of legislation against which they are measured to ensure compliance.</p> <p>The compliance system is managed internally. It is expected that a full review cycle be undertaken annually, with activity managers assisted to ensure compliance checks and actions are completed. To support this, Council has also subscribed to a legal 'watch-dog' system which provides notifications to activity managers on compliance changes and assists them to maintain an up-to-date record of compliance across activities.</p>
Responsibility	<p>Group Manager: Information and Customer Experience</p>

2.9 Depreciable elements of core infrastructure assets – CARRIED FORWARD FROM 2018	
Observation	<p>We considered the integrity of the depreciation charged on the various classes of infrastructure assets. The depreciation rates reflected in valuations have largely been reflected in the fixed assets register. However, we note that Council have chosen not to depreciate certain elements of paved and unpaved roads (basecourse) which have been included in the roading valuation as depreciable.</p> <p>This may put at risk the accuracy of Councils depreciation charge which is expected to provide an appropriate assessment of the utilisation of service potential by Council and the community.</p>
Recommendation	<p>We recommend that Council re-assess this treatment associated with roading basecourse going forward. Whilst Council may determine it will not rate for these charges, if the asset valuer, as Councils expert, recommends that it is depreciable, in line with sector norms, then Council should give it due consideration. If there are differences between how Wairoa DC operates as compared to other Councils this should be documented clearly, discussed with Councils valuer and agreed as appropriate by all parties.</p>
Management Response	<p>We contend that in practise the basecourse is not consumed and only requires reinstatement after a significant event. We will ensure this is addressed and documented during the next revaluation cycle.</p>
Responsibility	<p>Group Manager: Community Assets &amp; Services, Group Manager: Finance &amp; Corporate Support</p>
2019 Update	<p>Recommendation still open:</p> <p>This was noted again during 2019 and therefore remains open until the 2020 revaluation cycle.</p>
Management Response	<p>We confirm that this is being addressed during the 2020 revaluation.</p>
Responsibility	<p>Finance Manager, Transport Asset Manager</p>

2.10 Vendor Masterfile changes review – CARRIED FORWARD FROM 2018	
Observation	<p>We have noted that the management of creditor information such as changes to vendor static data including bank account details have not been adequately reviewed in a timely manner and related audit trails supporting the changes were not retained appropriately.</p> <p>There is a risk that errors, or deliberate misstatement of changes to vendors' static data, such as bank accounts, could go undetected enabling the potential for error or fraudulent activity.</p> <p>This represents a key segregation of duty risk exposing Council to payments being made to the incorrect or inappropriate external parties or the establishment of fictitious creditors.</p>
Recommendation	We recommend vendor master-file change reports be produced and reviewed on a monthly basis by appropriate staff members who are segregated from those able to process payments and initiate change within the master file data.
Management Response	We believe this observation is overstated. Clear evidence was provided that all changes to sensitive data are reviewed and signed at the supplier account level. However, we agree that the relevant sections of the Masterfile changes report will be routinely reviewed and retained.
Responsibility	Group Manager: Finance & Corporate Support
2019 Update	<p>Recommendation still open:</p> <p>No changes to this process were noted during the 2019 audit and therefore remains open.</p>
Management Response	All changes to master file are reviewed and signed by the Finance Manager
Responsibility	Finance Manager

## Low Risk Category Issues

2.11 Rates subledger information	
Observation	Our review of rates identified that the subledger containing the detailed rates information did not reconcile to the general ledger, this difference was not considered material for audit purposes. The difference was not able to be explained by management, raising concerns on oversight and accuracy of the rates processing.
Recommendation	Whilst we acknowledge that the difference noted was not material for audit purposes, it is best practice for Council to investigate and resolve any differences between the subledger and general ledger, to ensure differences are identified and resolved in a timely manner. Thereby ensuring variances do not accumulate over time as this may lead to material reconciling differences.
Management Response	Review of the rates ledger to the trial balance are performed periodically
Responsibility	Finance Manager, Senior Rates Officer

2.12 Accuracy of water rate charges calculated	
Observation	We understand that water readings are used to calculate the charges for water rates and that the meters are read in person by Council staff with this data then manually entered into the system by the same individual. Consequently, increasing the risk of human error leading to incorrect water rate charges.
Recommendation	We recommend that Council perform an analytic comparison, period to period to assess the reasonability of water charges calculated, this will give rise to providing an opportunity to detect any potential significant variances on a timely basis.
Management Response	This task is now undertaken by Council's contractor. We advise that there have been transitional challenges and these are being addressed.
Responsibility	Utilities Manager, Financial Support Officer

2.13 Depreciation figures disclosed in Annual Report	
Observation	Council were unable to provide supporting documentation for 'depreciation not funded' figures disclosed in the Annual Report.
Recommendation	Documentation should be recorded and maintained by relevant individuals and reviewed appropriately throughout the year to ensure sufficient data can be provided to support the information disclosed in the Annual Report.
Management Response	<p>It is not always possible to demonstrate this in the general ledger because the amount not funded is often a percentage of the total, relating to a single bulk asset in the Fixed Asset Register which can only be mapped to one depreciation account.</p> <p>The 'non funding' of depreciation is more a planning matter rather than reporting. We have no intention of posting manual journals to split the charge from the Fixed Asset Register. A reconciliation is available.</p> <p>Depreciation not funded in the past was detailed in a spreadsheet "Movement in Reserves". This was provided to the Audit team</p>
Responsibility	Group Manager: Finance and Corporate Support, Finance Manager

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**8.2 UPDATE ON PREPARATION OF THE ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2020.**

**Author:** Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager  
Finance and Corporate Support

**Authoriser:** Steven May, Tumu Whakarae Chief Executive Officer

**Appendices:** 1. Annual Report Project Status [↓](#)

**1. PURPOSE**

- 1.1 This report provides information for Committee on progress against the annual report timetable 2019-20. No decisions are required by Committee at this stage.
- 1.2 The Committee's Terms of Reference includes overseeing the compilation of the Annual Report.

**RECOMMENDATION**

*The Group Manager: Finance and Corporate Support RECOMMENDS that Committee receive the report.*

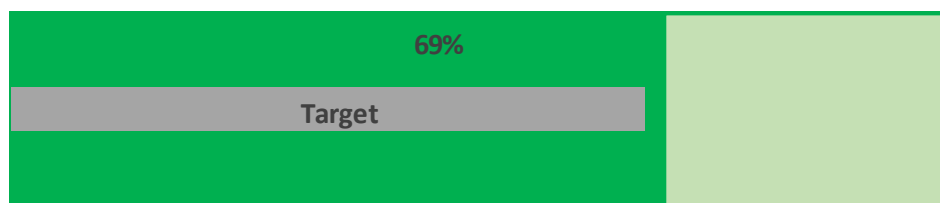
**2. BACKGROUND**

- 2.1 The full timetable and audit plan for the Annual Report 2019-20 was presented to the Committee at its meeting on 26 May 2020, resolution 2020/93 refers.
- 2.2 To support the Committee in fulfilling its responsibilities per 1.2 above, an update on progress against this timetable is provided at every Committee meeting until the completed report has been audited and is available for recommendation.
- 2.3 At the time of writing it is before year end, so most of the work that can be completed is preparatory. Nevertheless, much has been done in this vein to ensure activities commence as early as possible and that information is complete and on time.
- 2.4 Immediate risk pertains to a minor delay in completing the infrastructure revaluations. These are cost to completion.
- 2.5 An update to the timetable is attached as **Appendix 1**.
- 2.6 A snapshot of the current state is provided below:





Key deadlines		Progress
Preliminary workpapers	17-Jul	<div></div>
Preliminary workpapers 2	31-Jul	<div></div>
Draft TB ready	31-Jul	<div></div>
SSP	31-Jul	<div></div>
Performance stories	31-Jul	<div></div>
Draft annual report	24-Aug	<div></div>
Audit documentation	11-Sep	<div></div>
Review of draft	12-Oct	
Final report for adoption	12-Oct	
Adoption	20-Oct	
Summary report	30-Oct	
Publish	30-Oct	

## Project progress



### Signatories

	
Author Gary Borg	Approved by Steven May



## Annual Report Timetable 2019/20

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Prepare Templates for Statements of Service Performance and Financial Statements (including comparatives)	12 June	<p>Delayed sending of the workbooks. <b>Unanticipated</b></p> <p>Incorrect Target information included <b>Very rare</b></p>	<p>Delays the managers completing and allowing SLT a chance to review</p> <p>Adds work to Auditors and managers to correct, delays signoff of the Audit process</p>	<p>SSP template prepared and in use (half year and third quarter) therefore turnaround quicker, and managers more familiar with the layout and expectations.</p> <p>Greater distribution of tasks.</p>	<p>25/6 90% - restatement of some comparatives</p> <p>7/8 - Complete</p>
Interim Audit	15 June			Leverage opportunity to discuss areas of judgement and interpretation.	<p>25/6 Complete, no issues</p> <ul style="list-style-type: none"> <li>- Model statements received</li> <li>- New disclosures discussed</li> </ul>

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Regular Year-End Adjustments <ul style="list-style-type: none"> <li>- Investment Adjustments</li> <li>- Debtors – Aging of Rating Debtors and Provision for Doubtful Debts</li> <li>- Stocks on Hand</li> <li>- Payroll</li> <li>- Grants</li> <li>- Landfill provision</li> <li>- Rates reconciliation</li> </ul>	17 July	Delayed completion of this work <b>Rare</b>  Systemic challenges to production of base data <b>Rare</b>	Work would need to be done in August  Delayed close of ledgers and completion of notes to accounts	Stock on hand to be requested in advance for 30 June.  Testing to be undertaken in May including rates reconciliation which caused delays last year  Draft landfill provision calculations to be reviewed at interim audit.	25/6 On track, all procedures under way and ready for year end.  7/8 Complete
Third party confirmations	24 July	Responses delayed or incomplete. <b>Rare</b>	Compromise signoff	Diarise, single checklist	25/6 Letters prepared  7/8 Complete

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Creditors - Non-Contractual Creditors <ul style="list-style-type: none"> <li>o Processed Invoices ex GL</li> <li>o Invoices not received or processed</li> </ul> - Contract claims/Prepayments and accruals	31 July	Creditor and costs are not accurately recorded in the accounts <b>Moderate</b>  Cost information incomplete <b>Likely</b>  PO's are not receipted, have wrong value, or not raised <b>Likely</b>	Understated expenditure and capital costs in the accounts.	Control list to be created for completeness and reconciled to contracts.  Liaison with activity managers, review of purchase orders.  Mail-out to suppliers	25/6 Contracts master list prepared, contractors notified re: cut off.  7/8 Complete
Revenue not recognised including NZTA Claim 12 – Check for Wash-up	31 July	Income not included in accounts. <b>Very rare</b>  Incomplete claims <b>Rare</b>	Understated Revenue and Receivables	1. Reconciliation of income to Claims. 2. Review of expenditure to claims. 3. Emergency spending FAR claims	25/6 Actions have been co-ordinated, residual risk acknowledged due to early NZTA cut-off  7/8 Complete

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Ledgers closed	31 July	Timing and completeness <b>Moderate</b>	Delay completion of financial statements	Focus on project management	25/6 On track 7/8 Complete
Compilation of Statements of Service Performance <ul style="list-style-type: none"> <li>Received</li> <li>Reviewed (SLT)</li> </ul>	15 July 20 July	Late or incomplete returns <b>Likely</b>  Supporting information not reliable/inconsistent <b>Moderate</b>	Additional audit work, reporting delays	Supporting documentation to be supplied by managers. Half year and third quarter reports have resulted in timely provision of information.	25/6 On track 7/8 98%

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Capital Adjustments (Additions/Deletions/Depreciation & Valuation allocations) and Accruals	31 July	<p>Completion delayed <b>Likely</b></p> <p>Additions/disposals not recognised <b>Likely</b></p> <p>Operating expenditure incorrectly capitalised <b>Likely</b></p>	<p>Delays finalisation of Depreciation, Reserve Movements, and reporting</p> <p>Asset values and depreciation misstated</p> <p>Asset values and depreciation misstated, operating expenditure and overall profit misstated</p>	<p>Year to 30 April for infrastructure to be sent out early June</p> <p>Review of project book and sign off on completion</p> <p>Coding and posting sequence to be agreed and confirmed.</p> <p>Finance and asset manager working together to clarify capitalisation considerations and ensure operating expenditure is identified and classified correctly. Funding Impact Statement templates to be prepared in advance of final capitalisations.</p>	<p>25/6 On track 2 of 5</p> <p>Key dependency: draft valuation reports received and reviewed. Reviews of expenditure classifications 90% Capitalisation of in-year purchases 70%.</p> <p>7/8 Valuations at 75%, all other elements complete.</p>

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Overhead Allocations, Reserve Interest and Special Reserve funds	7 August	Complete information not available in timely fashion. <b>Moderate</b>	Delayed reporting, additional audit work	Dependent on above milestones, however much of the required information is now routinely prepared.	7/8 On track
Notes, Funding Impact Statements, Financial Prudence Benchmarks	14 August				7/8
Performance stories <ul style="list-style-type: none"> <li>Received</li> <li>Reviewed</li> </ul>	01 August 14 August				95%
Joint statement	19 August				
Draft financial statements - SLT review	24 August				
Draft Financial Statements - Council	8 September				
Audit	21 September – 9 October				
Presentation of Council only draft to Finance Audit & Risk Committee	29 September				



Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation	Status as at
Consolidation of CCO financial statements	02 October	QRS unable to pass info until audit is finalised <b>Moderate</b>	Delays completion of the accounts	Consolidation workbook and entry into the accounts template workbook to be setup in June, ready for data entry which will self-populate to ensure a fast turnaround once data received.	26/6 Year end discussion included in representatives meeting with QRS.
Audit report on Control Findings, Draft Opinion and Representation Letter	12 October	<b>Moderate</b>			
Report finalisation and Audit Opinion	16 October	<b>Moderate</b>			
Presentation of audited reports to Council for adoption	27 October	<b>Moderate</b>	Breach of statutory deadline for adoption of the report.		

**8.3 FINANCIAL PERFORMANCE TO 30 JUNE 2020**

**Author:** Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support

**Authoriser:** Kitea Tipuna, Pouwhakarae – Hapori / Whakatūtaki Group Manager Community and Engagement

**Appendices:** 1. Financial Performance Report [↓](#)

**1. PURPOSE**

- 1.1 This summary report provides information on Council's operating financial performance for the 12 months ended 30 June 2020. No decisions are required by Committee at this stage.
- 1.2 This is an information report-only report because it provides an update on Council's progress against objectives established and decisions previously made in the Annual Plan 2019-20 and Long-term Plan 2018-28.

**RECOMMENDATION**

The Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support RECOMMENDS that Committee receive the report.

**2. BACKGROUND**

- 2.1 Council's minimum statutory obligations regarding reporting, public accountability and financial management are contained in Part 6 of the Local Government Act 2002. Monitoring financial performance on Council's behalf is included in the Committee's Terms of Reference.
- 2.2 Beyond this, regular performance reporting is good practice, keeping Council and the community informed of its financial performance and position.
- 2.3 In addition, reporting during the year provides an indication of full year outcomes and informs the decision-making process for each subsequent Annual Plan and Long-term Plan.
- 2.4 The financial performance report, attached as **Appendix 1**, sets out the financial results against estimated phased budgets for each Group of Activities and the whole of council.

**References (to or from other Committees)**

Council - 11 January 2020 – Half Year Performance 2019-20



Finance Audit and Risk Committee – 3 March 2020 – Financial Performance to 31 January 2020

Finance Audit and Risk Committee – 14 April 2020 – Financial Performance to 29 February 2020

Council – 5 May 2020 – Council Performance for the 9 months to 31 March 2020

Finance Audit and Risk Committee – 7 July 2020 – Financial Performance to 31 May 2020

Signatories

 	
Author Gary Borg	Approved by Kitea Tipuna

# MONTHLY REPORT

TO 30 JUNE 2020



**TE WAIROA**  
**WAIROA DISTRICT**

## FINANCIAL COMMENTARY

These financial statements are draft as at the beginning of August 2020. We are awaiting final valuations for infrastructural assets and forestry and therefore expect there to be movement in the carrying amount of asset in the final annual report financials. While we expect there may be other minor changes during the finalisation and audit process, we do not anticipate large changes to these budgeted figures in areas other than assets.

At the end of June 2020, Wairoa District Council had a draft net surplus on operations of \$3,901K against the annual plan budget of \$4,448K.

The Council continued to operate during the COVID-19 lockdown period, with staff supporting the Civil Defence response, and continuing business as usual from home. The Council is actively supporting COVID-19 recovery in the Community by offering assistance and promoting a "Shop Local" campaign.

During lockdown there was a reduction in non-rates revenue generation, mostly as a result of reduced NZTA subsidies due to minimal roading work being carried out. During May and June there has been significant catchup work performed, with billings for June allowing some offset of the downturn during April.

The lower than budgeted surplus YTD is also a result of wastewater costs on desludging of the oxidation ponds and operational classification of expenses relating to sewerage discharge consent costs. Some unbudgeted increases in activity spend have been unavoidable, for example solid waste costs relating to government levies are higher due to an increase in the levies charged. Others relate to unpredictable phasing of activities throughout the period, such as maintenance on 3 waters assets.

## FUNDING IMPACT STATEMENT - WATER SUPPLY

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000	
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	159	-	-	-	
Targeted rates (other than a targeted rate for water supply)	1,203	1,289	1,614	1,289	
Subsidies and grants for operating purposes	-	-	-	-	
Fees and charges	317	309	828	307	
Internal charges and overheads recovered	-	427	-	536	
Internal interest income	-	65	-	-	
Interest and dividends from investments	-	-	65	-	
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	
<b>Total operating funding (A)</b>	<b>1,679</b>	<b>2,090</b>	<b>2,507</b>	<b>2,132</b>	
<b>Applications of operating funding</b>					
Payments to staff and suppliers	1,131	1,039	1,557	1,314	A
Finance costs	95	-	2	-	
Internal charges and overheads applied	373	833	356	891	
Internal interest charged	-	-	-	171	B
Other operating funding applications	-	-	-	-	
<b>Total Applications of operating funding (B)</b>	<b>1,599</b>	<b>1,872</b>	<b>1,915</b>	<b>2,376</b>	
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>80</b>	<b>219</b>	<b>592</b>	<b>(244)</b>	
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	
Development and financial contributions	-	-	-	-	
Increase (decrease) in debt	-	3	(8)	255	
Gross proceeds from sale of assets	-	9	-	-	
Lump sum contributions	-	-	-	-	
Other dedicated capital funding	-	-	-	-	
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>12</b>	<b>(8)</b>	<b>255</b>	
<b>Application of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	
- to improve the level of service	75	97	11	50	
- to replace existing assets	821	293	324	239	C
Increase (decrease) in reserves	(816)	(159)	249	(278)	
Increase (decrease) of investments	-	-	-	-	
<b>Total applications of capital funding (D)</b>	<b>80</b>	<b>231</b>	<b>584</b>	<b>11</b>	
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(80)</b>	<b>(219)</b>	<b>(592)</b>	<b>244</b>	
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Expenses for this activity grouping include the following depreciation/amortisation charge				(592)	

A Payments to staff and suppliers are \$275k higher than budgeted. This relates to lower than forecast recharges to the Community Centre and is offset by a favourable variance in Community Facilities.

B Internal interest relates to the use of reserves in previous years for capital renewals. This recharge is offset by a favourable variance in Corporate Functions. A similar variance will be present in other Groups of Activities.

C Capital budget not spent relates to pipeline renewals, with design work in progress.

## FUNDING IMPACT STATEMENT - STORMWATER

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	394	415	428	415
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	-	-	-	2
Internal charges and overheads recovered	-	-	-	-
Internal interest income	-	39	-	-
Interest and dividends from investments	23	-	39	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>417</b>	<b>453</b>	<b>467</b>	<b>417</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	178	118	66	105
Finance costs	85	-	70	-
Internal charges and overheads applied	146	159	138	121
Internal interest charged	-	55	-	140
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>409</b>	<b>331</b>	<b>274</b>	<b>366</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>8</b>	<b>122</b>	<b>193</b>	<b>51</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	231	225	31
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>231</b>	<b>225</b>	<b>31</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	12	386	231	81
- to replace existing assets	8	108	262	58
Increase (decrease) in reserves	(12)	(140)	(75)	(58)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>8</b>	<b>353</b>	<b>418</b>	<b>81</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(8)</b>	<b>(122)</b>	<b>(193)</b>	<b>(51)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(222)</b>

A Internal interest relates to the use of reserves in previous years for capital renewals. This recharge is offset by a favourable variance in Corporate Functions. A similar variance will be present in other Groups of Activities.

B Capital expenditure on piping open drains was included in the approved NZTA funded programme and has thus been accounted for in the Transport Group. Mahia Beach pipeline renewals is likely to be deferred while investigations are carried out.

## FUNDING IMPACT STATEMENT - WASTEWATER

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	1,153	1,163	1,019	1,163
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	92	130	103	26 A
Internal charges and overheads recovered	-	1	-	-
Internal interest income	-	64	-	-
Interest and dividends from investments	-	-	64	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>1,358</b>	<b>1,358</b>	<b>1,186</b>	<b>1,189</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,093	815	617	3,451 B
Finance costs	256	-	72	-
Internal charges and overheads applied	282	307	271	123
Internal interest charged	-	54	-	267 B
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>1,177</b>	<b>1,177</b>	<b>960</b>	<b>3,841</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>181</b>	<b>181</b>	<b>226</b>	<b>(2,652)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	62	142	2,860
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	92	-	100	-
Other dedicated capital funding	-	-	154	-
<b>Total sources of capital funding (C)</b>	<b>62</b>	<b>62</b>	<b>396</b>	<b>2,860</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	198	-	164	217 C
- to replace existing assets	1,209	798	737	222
Increase (decrease) in reserves	(1,703)	(556)	(279)	(230)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>243</b>	<b>243</b>	<b>622</b>	<b>208</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(181)</b>	<b>(181)</b>	<b>(226)</b>	<b>2,652</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(410)</b>

A Fees and charges are \$104k less than budgeted. The budget contained an estimate of the amount of settlements that would be received from Mahia and Opoutama residents for their share of the local wastewater scheme. The residents that do not elect to pay the financial contribution continue to pay a separate targeted rate.

B Payments to suppliers are \$2.636m higher than budgeted, due to the cost of desludging the oxidation ponds and associated waste levy charges, along with the discharge consent and increased monitoring costs to meet consent conditions.

C Capital expenditure to improve the level of service is \$217k higher than budgeted. This is due to compliance changes in the 3 waters space which has resulted in projects being brought forward and undertaken earlier than contemplated in the LTP. The two key projects impacting this are the Wairoa wastewater discharge resource consent application and the Inflow and Infiltration project (to separate storm water and



wastewater networks). The above statement shows how these variances have been funded by both an increase in debt of \$2.860m and a decrease in reserves of \$230k.

## FUNDING IMPACT STATEMENT – WASTE MANAGEMENT

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000	
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	-	-	-	-	
Targeted rates (other than a targeted rate for water supply)	837	984	852	984	
Subsidies and grants for operating purposes	-	-	-	-	
Fees and charges	502	641	495	635	
Internal charges and overheads recovered	-	-	-	-	
Internal interest income	-	-	-	-	
Interest and dividends from investments	-	-	-	-	
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	
<b>Total operating funding (A)</b>	<b>1,339</b>	<b>1,626</b>	<b>1,347</b>	<b>1,620</b>	
<b>Applications of operating funding</b>					
Payments to staff and suppliers	1,495	1,299	1,021	1,686	A
Finance costs	50	-	56	21	
Internal charges and overheads applied	206	224	197	48	
Internal interest charged	-	58	-	196	B
Other operating funding applications	-	-	-	-	
<b>Total Applications of operating funding (B)</b>	<b>1,751</b>	<b>1,582</b>	<b>1,274</b>	<b>1,951</b>	
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>(412)</b>	<b>44</b>	<b>72</b>	<b>(331)</b>	
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	
Development and financial contributions	-	-	-	-	
Increase (decrease) in debt	-	570	-	643	
Gross proceeds from sale of assets	-	-	-	-	
Lump sum contributions	-	-	-	-	
Other dedicated capital funding	-	-	-	-	
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>570</b>	<b>-</b>	<b>643</b>	
<b>Application of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	
- to improve the level of service	133	570	77	312	C
- to replace existing assets	-	-	-	-	
Increase (decrease) in reserves	(545)	44	(5)	-	
Increase (decrease) of investments	-	-	-	-	
<b>Total applications of capital funding (D)</b>	<b>(412)</b>	<b>614</b>	<b>72</b>	<b>312</b>	
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>412</b>	<b>(44)</b>	<b>(72)</b>	<b>331</b>	
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(130)</b>	

A Payments to suppliers are \$387k higher than budgeted. This is due to government levies being higher than those budgeted. Furthermore, landfill operations and monitoring costs are also higher than budgeted, as signing of the new waste management agreement coincided with the 19/20 annual plan preparation.

B The acquisition of a second-hand landfill compactor and the continuing investigations into a suitable location for the Mahia recycling centre explain the favourable variances in capital expenditure (\$258k).

## FUNDING IMPACT STATEMENT – TRANSPORT

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	103	62	-	62
Targeted rates (other than a targeted rate for water supply)	3,082	3,449	3,207	3,449
Subsidies and grants for operating purposes	7,791	6,744	5,170	6,429
Fees and charges	341	49	41	54
Internal charges and overheads recovered	-	-	-	-
Internal interest income	-	-	-	-
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>11,317</b>	<b>10,305</b>	<b>8,418</b>	<b>9,994</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,192	8,747	6,338	8,255
Finance costs	15	-	8	-
Internal charges and overheads applied	1,503	1,635	1,455	82
Internal interest charged	-	3	-	1,405
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>10,710</b>	<b>10,385</b>	<b>7,801</b>	<b>9,742</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>607</b>	<b>(80)</b>	<b>617</b>	<b>252</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	5,859	10,029	5,081	11,694
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	426	-	(195)
Gross proceeds from sale of assets	-	8	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>5,859</b>	<b>10,463</b>	<b>5,081</b>	<b>11,499</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	102	7,882	603	5,249
- to replace existing assets	7,714	4,893	6,862	8,456
Increase (decrease) in reserves	(1,350)	(2,393)	(1,767)	(1,953)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>6,466</b>	<b>10,383</b>	<b>5,698</b>	<b>11,751</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(607)</b>	<b>80</b>	<b>(617)</b>	<b>(252)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(4,185)</b>

**A** As described in the main commentary on page 1, the pandemic lockdown contributed to lower volumes of work being completed than forecast in the budget during April, which has impacted NZTA subsidy revenue and contractor costs. However, net funding for the roading activity reports favourable variances because the mix includes a higher proportion of PGF supported projects, so the ratio of subsidy revenue to expenditure is much higher.

**B** Total capital expenditure is \$929k higher than budgeted. It includes \$674k for runway resurfacing and other items at the airport. This was included in the budget as a brought forward aggregation from previous years and was loan funded.

## FUNDING IMPACT STATEMENT – COMMUNITY FACILITIES

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	738	767	-	767
Targeted rates (other than a targeted rate for water supply)	1,391	1,452	2,178	1,452
Subsidies and grants for operating purposes	85	60	-	118
Fees and charges	70	48	61	66
Internal charges and overheads recovered	-	-	-	-
Internal interest income	-	-	-	-
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>2,284</b>	<b>2,327</b>	<b>2,239</b>	<b>2,403</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,833	1,737	1,752	1,837
Finance costs	119	-	30	-
Internal charges and overheads applied	275	299	259	130
Internal interest charged	-	23	-	266
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>2,227</b>	<b>2,060</b>	<b>2,041</b>	<b>2,234</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>57</b>	<b>267</b>	<b>198</b>	<b>170</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	127	61	(53)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>127</b>	<b>61</b>	<b>(53)</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	395	121	73	153
- to replace existing assets	66	230	133	58
Increase (decrease) in reserves	(404)	44	54	(93)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>57</b>	<b>395</b>	<b>260</b>	<b>118</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(57)</b>	<b>(267)</b>	<b>(198)</b>	<b>(170)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(262)</b>

**A** Subsidy revenue is \$58k higher than budgeted, this is mostly due to the release to revenue of subsidies received in previous years relating to programmes that had been completed.

**B** Payments to suppliers is \$100k over budget. Most of this relates to expenditure on reserves maintenance being higher than forecast, along with additional maintenance of public toilets.

**C** Internal interest relates to the use of reserves in previous years for capital renewals. This recharge is offset by a favourable variance in Corporate Functions. A similar variance will be present in other Groups of Activities.

## FUNDING IMPACT STATEMENT – LEADERSHIP & GOVERNANCE

(VISITOR INFORMATION, MĀORI WHANAUNGATANGA, COUNCIL, ECONOMIC DEVELOPMENT, GAIETY THEATRE)

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,176	2,705	2,634	2,705
Targeted rates (other than a targeted rate for water supply)	539	655	-	655
Subsidies and grants for operating purposes	379	-	-	377
Fees and charges	197	312	62	219
Internal charges and overheads recovered	-	-	-	-
Internal interest income	-	-	-	-
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>3,291</b>	<b>3,672</b>	<b>2,696</b>	<b>3,956</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,789	1,817	1,380	1,844
Finance costs	38	1	6	-
Internal charges and overheads applied	1,487	1,630	1,301	11
Internal interest charged	-	3	-	1,540
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>3,314</b>	<b>3,450</b>	<b>2,687</b>	<b>3,395</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>(23)</b>	<b>222</b>	<b>9</b>	<b>561</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	51
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	6	-	7
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>58</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	6	11	8	629
- to replace existing assets	5	11	-	36
Increase (decrease) in reserves	(34)	207	1	(46)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(23)</b>	<b>228</b>	<b>9</b>	<b>619</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>23</b>	<b>(222)</b>	<b>(9)</b>	<b>(561)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(55)</b>

**A** The favourable variance in operational revenue reflects a grant from the Provincial Growth Fund, supporting Te Wairoa e Whanake and the Regional Digital Hub.

**B** Council's first phase contribution to the former was the acquisition of premises, which cost \$522k and funded by debt.

## FUNDING IMPACT STATEMENT – PLANNING AND REGULATORY

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000	
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	26	112	1,334	112	
Targeted rates (other than a targeted rate for water supply)	1,107	1,084	-	1,084	
Subsidies and grants for operating purposes	-	-	-	40	A
Fees and charges	612	452	430	704	B
Internal charges and overheads recovered	-	-	-	-	
Internal interest income	-	-	-	-	
Interest and dividends from investments	-	-	-	-	
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	
<b>Total operating funding (A)</b>	<b>1,745</b>	<b>1,648</b>	<b>1,764</b>	<b>1,940</b>	
<b>Applications of operating funding</b>					
Payments to staff and suppliers	1,004	1,560	1,612	1,475	
Finance costs	23	18	23	22	
Internal charges and overheads applied	447	336	391	9	
Internal interest charged	-	5	-	367	
Other operating funding applications	-	-	-	-	
<b>Total Applications of operating funding (B)</b>	<b>1,474</b>	<b>1,919</b>	<b>2,027</b>	<b>1,873</b>	
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>271</b>	<b>(271)</b>	<b>(263)</b>	<b>67</b>	
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	
Development and financial contributions	-	-	-	-	
Increase (decrease) in debt	-	17	-	(63)	
Gross proceeds from sale of assets	-	9	-	-	
Lump sum contributions	-	-	-	-	
Other dedicated capital funding	-	-	-	-	
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>(63)</b>	
<b>Application of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	
- to improve the level of service	21	62	17	77	
- to replace existing assets	77	-	-	38	C
Increase (decrease) in reserves	173	(307)	(280)	(111)	
Increase (decrease) of investments	-	-	-	-	
<b>Total applications of capital funding (D)</b>	<b>271</b>	<b>(245)</b>	<b>(263)</b>	<b>4</b>	
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(271)</b>	<b>271</b>	<b>263</b>	<b>(67)</b>	
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>(45)</b>	

A Subsidy revenue relates to a grant received for additional freedom camping signage in the district. This grant has not been fully spent as at 30 June 2020.

B Fee revenue is higher than forecast in all activities. Some of this is volumetric, but also recognises improvements in controls and processes and the deployment of additional subsidised resources. The most encouraging variance is an increase in subdivision consents.

C Three vehicles reached their optimal replacement windows, the budgets for these are in the LTP on a different cycle.

## FUNDING IMPACT STATEMENT – CORPORATE FUNCTIONS

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	208	(56)	2,469	(56)
Targeted rates (other than a targeted rate for water supply)	(599)	(1,469)	-	(646)
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	122	117	153	167
Internal charges and overheads recovered	4,811	5,119	-	4,658
Internal interest income	-	265	-	730
Interest and dividends from investments	610	570	496	750
Local authorities fuel tax, fines, infringement fees, and other receipts	283	87	87	55
<b>Total operating funding (A)</b>	<b>5,435</b>	<b>4,634</b>	<b>3,205</b>	<b>5,658</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	5,117	5,059	4,544	4,774
Finance costs	(334)	126	352	421
Internal charges and overheads applied	-	122	(955)	36
Internal interest charged	-	233	(3,400)	120
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>4,783</b>	<b>5,540</b>	<b>541</b>	<b>5,351</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>652</b>	<b>(906)</b>	<b>2,664</b>	<b>307</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	437	-	(264)
Gross proceeds from sale of assets	-	5	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>442</b>	<b>-</b>	<b>(264)</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	125	647	1,026	341
- to replace existing assets	82	306	722	240
Increase (decrease) in reserves	445	(1,417)	916	(538)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>652</b>	<b>(464)</b>	<b>2,664</b>	<b>43</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(652)</b>	<b>906</b>	<b>(2,664)</b>	<b>(307)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>				<b>97</b>

A The favourable variance in internal interest income (\$465k) offsets the unfavourable variances highlighted in other activities.

B Payments to staff and suppliers are \$285k higher than budgeted. This includes property management costs associated with disposals. The variance also includes increased liability insurance premiums and the cost of implementing Council's procurement and contract management manuals.

C There is \$372k of unspent capital budget, relating to the upgrade of the archives building and the resurfacing of the entrance to Council offices. The former has been deferred to the 2020-21 Annual Plan.



## FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2020

	Actual (draft) 30 June 2020	Annual Plan 30 June 2020	Variance			Audited 30 June 2019
	\$000	\$000	\$000	%		\$000
<b>Revenue</b>						
Rates	13,214	13,325	(111)	-1%		12,517
Subsidies and grants	18,710	16,833	1,877	11%		14,070
Petrol tax	55	87	(32)	-37%		88
Fees and charges	2,605	1,971	634	32%	A	2,811
Investment revenue	687	1,127	266	24%	B	609
Miscellaneous revenue	706	-				194
<b>Total revenue</b>	<b>35,977</b>	<b>33,343</b>				<b>30,289</b>
<b>Expense</b>						
Water supply	2,893	2,140	753	35%	C	2,535
Stormwater	546	554	(8)	-1%		600
Wastewater	4,205	1,458	2,747	188%	D	1,903
Solid waste	2,072	1,752	320	18%	E	1,838
Transport	13,859	13,587	272	2%		13,560
Community facilities	2,493	2,438	55	2%		2,462
Planning and regulatory	1,919	2,081	(162)	-8%		1,558
Leadership and governance	3,335	3,601	(266)	-7%		3,372
Corporate	754	1,284	(530)	-41%	F	614
<b>Total expense</b>	<b>32,076</b>	<b>28,895</b>				<b>28,442</b>
<b>Net surplus / (deficit) before taxation</b>	<b>3,901</b>	<b>4,448</b>				<b>1,847</b>
Taxation	-	-				-
<b>Net surplus / (deficit) for the year</b>	<b>3,901</b>	<b>4,448</b>				<b>1,847</b>
<b>Other comprehensive income</b>						
Increase (decrease) in revaluation reserve	-	15,073				-
Increase (decrease) in AFS reserve	-	-				-
<b>Total comprehensive revenue and expense for the year</b>	<b>3,901</b>	<b>19,521</b>				<b>1,847</b>

## Variance explanations (30 June 20 actual compared to 30 June annual plan)

- A** Fees and charges income is 32% (634k) higher than budgeted. A number of income components impact this variance, including: sundry income from Gaiety Theatre (\$119k higher than budgeted), dog registration fees received (\$202k higher than budgeted), resource consent income (\$43k higher than budgeted), landfill user charges (\$105k higher than budgeted) and water sales (\$211 higher than budgeted).
- B** Investment income is 24% (\$266k) more than budgeted. Miscellaneous revenue includes property sales which were budgeted for in investment revenue therefore these are analysed together. The higher than budgeted gains on property sales and higher than budgeted cash dividends received are offset in part by lower than budgeted interest on reserve funds.
- C** Water supply expense is 35% (\$753k) higher than budgeted. This is due to a number of factors including higher than budgeted consultancy (\$276k), interest expense (\$91k) and higher than budgeted staff costs (\$79k).
- D** Wastewater costs are 188% (\$2.747m) higher than budget. This is due to the \$415k spent on desludging of the oxidation ponds. The cost of this project is budgeted as a capital expenditure in the Long-term Plan, however, has been reported as an operating expenses in line with financial reporting standards. The classification of sewerage discharge consent costs during the exploratory phase is \$1.473m unbudgeted operational expense. There are also higher than budgeted costs associated with Wairoa Wastewater treatment operations and maintenance - along with greater costs at Mahia and Opoutama operations, all in order to meet consent conditions.
- E** Solid waste costs are 18% (\$320k) higher than budgeted. Waste levy payments, including ETS levies, are a total of \$334 higher than budgeted. This is mainly related to the increased cost of disposing of the sludge when desludging the oxidation ponds. Furthermore there have been higher than budgeted operating costs relating to landfill operations are (\$271k higher than budgeted) and recycling (\$468k higher than budgeted). The costs relating flydumping, which continued during lockdown, are \$38k over budget.
- F** Corporate expense is 41% (\$530k) under budget. This is primarily due to processing interest recoveries on internal loans, although these savings have been partially offset by higher than budgeted expenditure on consultancy, including LiDAR.

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Actual As at 30 June 2020 \$000	Annual Plan As at 30 June 2020 \$000	Audited As at 30 June 2019 \$000	Variance		
				\$000	%	
<b>Current Assets</b>						
Cash and cash equivalents	2,795	410	2,473	322	13%	
Inventories	78	58	55	23	42%	
Trade and other receivables	6,640	2,484	5,908	732	12%	
Financial assets at fair value	-	-	509	(509)	-100%	
<b>Total current assets</b>	<b>9,513</b>	<b>2,952</b>	<b>8,945</b>			
<b>Current liabilities</b>						
Trade and other payables	5,986	9,531	5,973	13	0%	
Advance funding - PGF	1,096	-	-	1,096	100%	A
Borrowings	-	-	1,500	(1,500)	-100%	B
<b>Total current liabilities</b>	<b>7,082</b>	<b>9,531</b>	<b>7,473</b>			
<b>Working Capital</b>	<b>2,431</b>	<b>(6,579)</b>	<b>1,472</b>			
<b>Non-current assets</b>						
Property, plant and equipment	251,253	279,200	258,054	7,941	3%	
Work in progress	22,911	16,416	8,169			
Investment in subsidiary	1,250	1,250	1,250	-	0%	
Investment property	405	-	405	-	0%	
Biological asset - forestry	252	260	260	(8)	-3%	
Available for sale financial assets	21	23	37	(16)	-43%	
Intangible assets	37	231	69	(32)	-46%	
Financial assets held to maturity	144	-	56	88	157%	
Financial assets at fair value	5,958	7,620	5,408	550	10%	
<b>Total non-current assets</b>	<b>282,231</b>	<b>305,000</b>	<b>273,708</b>			
<b>Non-current liabilities</b>						
Employee entitlements	66	115	121	(55)	-45%	
Landfill aftercare	1,202	753	1,055	147	14%	C
Borrowings	9,000	8,182	3,500	5,500	157%	B
<b>Total non-current liabilities</b>	<b>10,268</b>	<b>9,050</b>	<b>4,676</b>			
<b>Net assets</b>	<b>274,394</b>	<b>289,371</b>	<b>270,504</b>			
<b>Represented by</b>						
<b>Equity</b>	<b>274,394</b>	<b>289,371</b>	<b>270,504</b>			

## Variance explanations (30 June 2020 compared to 30 June 2019)

- A** The \$1.096M in advance funding received relates to funds from the PGF for projects. These funds are held as a prepayment, as the they are available for clawback unless spent in accordance with the grant. These funds are therefore released to match expenditure.
- B** Total borrowings have increased by \$4m due to additional drawdowns to fund capital works. The current portion at year end was refinanced and so all borrowings are now long term liabilities. The financial assets held to maturity represent notes issued in conjunction with the LGFA borrowing. The additional borrowing particularly supports the Wairoa Wastewater Reconsenting programme. The variance to budget relates mostly to the acquisition of properties to support Te Wairoa E Whanake.
- C** Landfill aftercare provision has increased by \$147k due to a decrease in discount rate (the rate used is the published Treasury risk free rate for valuation purposes). The decrease in discount rate is greater than expected in the annual plan due to economic impacts of COVID-19.



## STATEMENT OF CHANGES IN EQUITY

As at 30 June 2020

	Actual As at 30 June 2020 \$000	Annual Plan As at 30 June 2020 \$000	Audited As at 30 June 2019 \$000
Total equity - opening balance	270,493	269,851	268,657
Net surplus (deficit) for period	3,901	19,521	1,847
Other comprehensive income	-	-	-
Total comprehensive income	3,901	19,521	1,847
<b>Total equity - closing balance</b>	<b>274,394</b>	<b>289,372</b>	<b>270,504</b>
<b>Components of equity</b>			
<b>Ratepayers equity</b>			
Ratepayers equity - opening balance	135,156	140,766	132,248
Net surplus/(deficit) for period	3,901	4,448	1,847
Transfers from restricted reserves	782	(7,830)	6,030
Transfers to restricted reserves	(8)	8,358	(5,231)
Transfer from revaluation reserve on disposal	3,377	-	262
<b>Ratepayers equity - closing balance</b>	<b>143,208</b>	<b>145,742</b>	<b>135,156</b>
<b>Special funds</b>			
Special funds - opening balance	22,076	17,171	22,875
Transfer from ratepayers equity	8	(8,358)	5,231
Transfer to ratepayers equity	(782)	7,830	(6,030)
<b>Special funds - closing balance</b>	<b>21,302</b>	<b>16,643</b>	<b>22,076</b>
<b>Revaluation reserves</b>			
Revaluation reserves - opening balance	113,261	111,913	113,534
Net transfer from revaluation reserve on disposal	(3,377)	-	(262)
Transfer to revaluation	-	15,073	-
<b>Revaluation reserves - closing balance</b>	<b>109,884</b>	<b>126,986</b>	<b>113,272</b>
<b>Total equity - closing balance</b>	<b>274,394</b>	<b>289,371</b>	<b>270,504</b>

## STATEMENT OF CASHFLOWS

For the year ended 30 June 2020

		Actual (draft) 30 June 2020 \$000	Audited 30 June 2019 \$000
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>	Rates received	12,866	12,552
	Other revenue	22,605	14,630
	Dividends received	369	110
	Finance income	318	500
<i>Cash was applied to:</i>	Payments to staff and suppliers and employees	(24,964)	(21,883)
	Taxation	-	-
	Interest paid	(200)	(189)
<b>Net cash flows from operating activities</b>		<b>13,563</b>	<b>10,994</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from:</i>	Sale of property, plant and equipment	-	285
	Repayment of advances	-	-
	Insurance proceeds	199	-
	Sale of financial assets	509	4,438
<i>Cash was applied to:</i>	Purchase of intangibles	-	-
	Purchase of financial assets	(638)	-
	Purchase of property, plant and equipment	(14,742)	(11,390)
<b>Net cash flows from investing activities</b>		<b>(14,528)</b>	<b>(14,672)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from:</i>	Loans raised	5,500	6,500
<i>Cash was applied to:</i>	Borrowings repaid	(1,500)	(6,512)
<b>Net cash flows from financing activities</b>		<b>4,000</b>	<b>4,000</b>
Net increase/(decrease) in cash and cash equivalents		3,035	322
Cash and cash equivalents at beginning of year		2,473	2,473
<b>Cash and cash equivalents at end of year</b>		<b>5,508</b>	<b>2,795</b>
Made up of:			
Cash		6	22
Short Term Deposits		2,789	2,451
Bank Overdraft		-	-
<b>Cash and cash equivalents at end of year</b>		<b>5,508</b>	<b>2,795</b>

## FUNDING IMPACT STATEMENT - WHOLE OF COUNCIL

For the period ended 30 June 2020

	Actual 30 June 2019 \$000	AP 30 June 2020 \$000	LTP 30 June 2020 \$000	Actual 30 June 2020 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	3,410	3,590	12,471	3,590
Targeted rates (other than a targeted rate for water supply)	9,107	9,023	-	9,845
Subsidies and grants for operating purposes	8,210	6,804	5,231	6,974
Fees and charges	2,320	2,060	2,772	2,182
Interest and dividends from investments	610	570	670	750
Local authorities fuel tax, fines, infringement fees, and other receipts	283	87	87	55
<b>Total operating funding (A)</b>	<b>23,940</b>	<b>22,134</b>	<b>21,231</b>	<b>23,396</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	22,739	22,191	18,950	24,741
Finance costs	347	144	771	464
Internal charges and overheads applied	-	-	(152)	-
Other operating funding applications	-	-	-	-
<b>Total Applications of operating funding (B)</b>	<b>23,086</b>	<b>22,336</b>	<b>19,569</b>	<b>25,205</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>854</b>	<b>(202)</b>	<b>1,662</b>	<b>(1,809)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	5,860	10,029	5,081	11,745
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	1,880	963	3,212
Gross proceeds from sale of assets	-	31	-	-
Lump sum contributions	91	-	100	-
Other dedicated capital funding	-	-	155	-
<b>Total sources of capital funding (C)</b>	<b>5,951</b>	<b>11,939</b>	<b>6,299</b>	<b>14,957</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	1,068	9,776	1,225	7,108
- to replace existing assets	9,983	6,639	8,884	9,347
Increase (decrease) in reserves	(4,246)	(4,678)	(2,148)	(3,307)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>6,805</b>	<b>11,737</b>	<b>7,961</b>	<b>13,148</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(854)</b>	<b>202</b>	<b>(1,662)</b>	<b>1,809</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenses for this activity grouping include the following depreciation/amortisation charge				<b>(5,806)</b>

**8.4 UPDATE ON RISK MANAGEMENT PROCESSES****Author:** Courtney Hayward, Policy Officer**Authoriser:** Steven May, Tumu Whakarae Chief Executive Officer**Appendices:** 1. Crowe Horwath Risk Management Schedule [↓](#)**1. PURPOSE**

- 1.1 This report provides information for Committee on the current risk management processes being undertaken, including research into a risk management portal/register. No decisions are required by Committee at this stage.

**RECOMMENDATION**

The Policy Officer RECOMMENDS that Committee receive the report.

**2. BACKGROUND**

- 2.1 The Crowe Horwath audit risk management schedule highlighted current risks and possible sources of assurance for WDC. This schedule (attached) emphasised the need for a number of risk management strategies, including highlighting the importance of a dedicated, organisation, wide risk register to ensure Council is mindful of enterprise risks.
- 2.2 Council have already implemented a number of assurance actions following the audit.
- 2.3 The risk management modules being researched currently are within existing council software (MagiQ and Ecoportal)

**Signatories**

	
Author Courtney Hayward	Approved by Steven May





## Appendix 1: Management Identified Risks and Sources of Assurance

During the engagement, we held individual interviews with WDC Management. The purpose of the interviews was to identify risks in their department and across the Council. The current sources of assurance were then identified. The results are included in the table below.

We have provided an indicative inherent risk rating for all risks before assessing the effectiveness of the identified sources of assurance. This has been a subjective process based on the risks we see across the local government sector. The ratings have been included to guide management, however management should independently assess and evaluate each risk according to the risk management policy.

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	Comments Courtney
<b>Corporate</b>							
1	Health & Safety	Serious injury or death as a result of a health and safety event	<ul style="list-style-type: none"> <li>Council have appointed a Health &amp; Safety Officer.</li> <li>Health &amp; Safety Committee in place.</li> <li>FARC provide oversight.</li> <li>Regular reporting.</li> </ul>	Extreme		CEO	Health and safety reporting through EcoPortal
2	Procurement	Procurement policies and processes are not appropriate	<ul style="list-style-type: none"> <li>Procurement strategy has been drafted. It was developed in conjunction with external consultants and NZTA is currently reviewing the draft.</li> </ul>	Extreme	Draft Procurement Policy has	Stephen Heath?	Procurement process in place adopted by council 28 <sup>th</sup> July
3	Tendering	Tendering processes are not appropriate	<ul style="list-style-type: none"> <li>Procedures manual (procurement strategy) outlines tendering requirements.</li> <li>Supplier selection is carefully considered and appropriate weightings are included within RFPs.</li> </ul>	Extreme		Stephen Heath	Procurement process in place adopted by council 28 <sup>th</sup> July
4	Contract Management	Contracts are not managed appropriately	<ul style="list-style-type: none"> <li>Contracts are run through NZS3910 standards where staff are appropriately trained.</li> </ul>	Extreme		Stephen Heath	Procurement process in place adopted by council 28 <sup>th</sup> July
5	Conflict of interest	Conflict of interest are not identified or managed appropriately	<ul style="list-style-type: none"> <li>There is a conflict of interest policy to guide Councillors and staff on appropriate actions.</li> <li>There is a code of conduct policy that outlines the required conduct and behaviour.</li> <li>Any conflicts are identified in the register of interests.</li> </ul>	High		Kimberley Tuapawa	Conflict of Interest policy and process written – to be circulated with SLT Exploring the use of MagiQ and/or ecoportal

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	Courtney Notes
6	Cyber Security	Serious loss as a result of a cyber breach (malware, phishing etc.)	<ul style="list-style-type: none"> <li>Trainings held with staff to make them aware of cyber events.</li> <li>Staff are tested in "live" situations.</li> <li>Nightly backup offsite and on-site.</li> </ul>	High	Regular emails and updates sent to staff advising of cyber risks. Implemented	Kimberley Tuapawa Gary Borg	
7	Management Reporting	Lack of internal reporting review (especially performance measures)	<ul style="list-style-type: none"> <li>Intend to enhance internal review.</li> </ul>	High	CEO Report	CEO	
8	Management Reporting	Poor/lack of information leading to poor decision- making (issues around timeliness and completeness)	<ul style="list-style-type: none"> <li>Well-structured reporting framework.</li> </ul>	High	CEO Report Project updates Financial Performance SSP	CEO Stephen Heath Gary Borg ALL	
9	Business continuity/disaster recovery	Lack of business continuity/disaster recovery	<ul style="list-style-type: none"> <li>Nightly backup offsite and on-site.</li> <li>Outsourced IT function.</li> <li>Monthly provider report.</li> <li>Generator on-site.</li> </ul>	High		Kimberley Tuapawa (partly)	
10	Policies & Procedures	Lack of documented procedures and processes, leading to inconsistency across the organisation	<ul style="list-style-type: none"> <li>Master spreadsheet maintained that identifies all policies. This is maintained by the Governance Advisor and Policy Strategist and helps identify any potential gaps.</li> </ul>	High		Kimberley Tuapawa	We have a centralized point in the W:drive now These can also be documented on ecoportal
11	Human Resources	Inability to attract and retain qualified, experienced staff	<ul style="list-style-type: none"> <li>There is a focus on recruiting staff locally where possible.</li> <li>Wider recruitment process outside the area when local candidates are not available or suitable.</li> </ul>	High		Kimberley Tuapawa	
12	Human Resources	Significant institutional knowledge lies with key individuals	<ul style="list-style-type: none"> <li>Council is aware of the issue and looking at putting plans in place.</li> <li>Human Resources ("HR") advisor appointed. The role will be responsible for implementing plans.</li> </ul>	High		Kimberley Tuapawa	Juanita and Courtney documenting processes – suggest using Promapp but also exploring other software
13	Succession Planning	Lack of succession planning	<ul style="list-style-type: none"> <li>Council are currently working on HR policies to address succession planning. Are we?</li> </ul>	Moderate		CEO/Kimberley Tuapawa	



14	Procurement	Outsourced service risk (Human Resources, Payroll, HR, IT)	<ul style="list-style-type: none"><li>Payroll and HR coming back in-house. Handover plan to be agreed.</li></ul>	Moderate	Complete – superseded by key personnel risk. To be addressed via segregation of duties and	Gary Borg Kimberley Tuapawa	Payroll and HR are back in house – Donna and Lauren – Courtney to back up in case they are away to eliminate key person risk.
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#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	Courtney Notes
15	Corporate	Lack of holding to account for poor decisions or poor performance	<ul style="list-style-type: none"> <li>Improvements in quality and timeliness of reporting will support this.</li> </ul>	Moderate	CEO Report Project updates Financial Performance	CEO Stephen Heath Gary Borg	
16	Corporate	Lack of a Council wide approach (staff are not clear about objectives, how their works fits into overall strategy, lack of alignment between activities etc.)	<ul style="list-style-type: none"> <li>Developing a culture of challenge and questioning.</li> </ul>	Moderate			Kimberley and Courtney to develop process mapping of council services to demonstrate "big picture"
17	Corporate	No formal long term strategic focus	<ul style="list-style-type: none"> <li>Operational policies to be written.</li> <li>KPIs under review.</li> </ul>	Moderate	Performance measures to be reviewed as part of LTP process		Policies under review
18	Governance	Lack of confidence in elected members (due to erosion of trust)	<ul style="list-style-type: none"> <li>Media protocols in place.</li> <li>Code of conduct.</li> </ul>	Moderate		Kitea Tipuna / Governance Kimberley Tuapawa	
19	Governance	Lack of ability of elected members	<ul style="list-style-type: none"> <li>A training and induction process was implemented during the past election. This provides an outline of their roles and responsibilities as elected members.</li> <li>Elected members are encouraged to attend LGNZ trainings.</li> <li>Professional development available to Councillors. (There is no formal professional development or training plans).</li> </ul>	Moderate	Review of previous Elected Member Induction programme undertaken, with revised 2019 Programme developed and scheduled for rollout	Kimberley Tuapawa	
20	Capability	Lack of confidence in management and/or staff (due to erosion of trust)	<ul style="list-style-type: none"> <li>Media protocols in place.</li> <li>Code of conduct.</li> </ul>	Moderate		Kitea Tipuna / CEO	
21	Capability	Lack of ability of Management	<ul style="list-style-type: none"> <li>Staff are encouraged to develop skills and attend training.</li> </ul>	Moderate		CEO	
22	Policy & Procedures	Inability of Council to implement new policy requirements from central government		Low		CEO	Reactive to requirements using ComplyWatch and SOLGM newsletters to further this
23	Engagement	Breakdown in relationships with tangata whenua and Māori	<ul style="list-style-type: none"> <li>Regular engagement between Council and tangata whenua and Māori.</li> <li>Specific Council activity and dedicated resources, including Committee</li> </ul>	Low		Duane Culshaw	

#	Risk Area	Risk Detail	Sources of Assurance	Update measures		Principle Lead	Courtney notes
24	Policy & Procedures	Public notification process not followed	<ul style="list-style-type: none"> <li>There is a monthly process where all meetings for the month are notified to ratepayers.</li> </ul>	Low			
25	Risk Management	Risk management happens in isolation and there is an inconsistent approach across Council.	<ul style="list-style-type: none"> <li>Internal Auditor appointed</li> </ul>	Low			WDC have not appointed an internal auditor, however there is scope to build this into existing positions
26	Economic Development	Inability to meet economic development strategy		Low		Kitea Tipuna	
27	Economic Development	Lack of economic development opportunities	<ul style="list-style-type: none"> <li>Economic Development Strategy in place.</li> <li>WDC is part of a wider regional economic development strategy.</li> </ul>	Low		Kitea Tipuna	
28	Economic Development	Socially irresponsible company moves into district	<ul style="list-style-type: none"> <li>Green carpet facilitative approach for companies who demonstrates sustainability and environmental sensitivity and who seek to have a social contract with the community.</li> </ul>	Low		Kitea Tipuna	
29	Economic Development	Freedom campers create negative perception in the region	<ul style="list-style-type: none"> <li>Freedom camping bylaw. (Consolidated Bylaw, Part 9 – Freedom Camping).</li> </ul>	Low	Council currently consulting on amendments to Freedom Camping Bylaw.	Kitea Tipuna	Freedom camping bylaw in place. Relationship with RIT – freedom camping officers
Financial							
30	Rates	Rates are not set in accordance with the rating act. May lead to financial, legal and reputational risks.	<ul style="list-style-type: none"> <li>As part of the annual rating setting process, procedures are undertaken to ensure rates are correctly set and charged. This includes checking against the rating act, sampling invoices, checking factors against the FIS and rates resolution.</li> <li>External consultants are used when there is a specific issue.</li> <li>External auditors review rating process as part of annual audit.</li> </ul>	Extreme		Gary Borg	Rates being workshopped
31	Asset Management	Valuation of assets is materially misstated (historic issue with asset register and AssetFinda not reconciling). Additional risk of over/under insurance.	<ul style="list-style-type: none"> <li>External reviewers.</li> <li>Annual audit.</li> <li>Reviews will be based on reconciled data from valuations.</li> </ul>	Extreme		Stephen Heath Gary Borg	

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	
32	Treasury	Lack of cashflow to fund operations	<ul style="list-style-type: none"> <li>Daily recording of cash movements, including forward forecasting.</li> <li>Forecasting, mainly from Engineers with the bigger spend.</li> <li>Availability of overdraft facility</li> <li>Have joined the Local Government Funding Agency which provides short term cover.</li> <li>Credit controller position to follow up late debtors.</li> </ul>	High	Prioritisation of external revenue sources e.g. NZTA claims	Gary Borg	
33	Policies & Procedures	Revenue and finance policy process not appropriate. May lead to legal challenge and financial consequence.	<ul style="list-style-type: none"> <li>Financial analysis reviewed by FARC.</li> <li>Legal review by Simpson Grierson.</li> </ul>	High		Gary Borg	
34	Fraud	Misappropriation or loss as a result of fraud	<ul style="list-style-type: none"> <li>Delegated authorities in place.</li> <li>System controls in place (electronic PO system, suppliers must have PO to be paid).</li> <li>IT equipment is assigned to users on a register and vehicles are fitted with Smartrak.</li> </ul>	High	QR code based register in early stages of development, part of proposed "Test and Tag" for checking electrical components.  Fraud policy and panel in place	CEO, Donna Moorcock, Gary Borg	Ecoportal could allow confidential reporting of this if we went with that software
35	Fraud	Theft of cash	<ul style="list-style-type: none"> <li>Segregation of duties.</li> <li>Cameras.</li> <li>Documented processes.</li> </ul>	High		Gary Borg Kimberley Tuapawa Kitea Tipuna	
36	Debtors	The risk that revenue will not be invoiced accurately or completely and that outstanding debt will not be collected or pursued.	<ul style="list-style-type: none"> <li>Fees set by Council and regulators.</li> <li>Credit controller position to follow up late debtors.</li> </ul>	Low	Lease reviews undertaken Third party agency enhancement	Gary Borg	
Regulatory							

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	
37	Public Health	Risk of water contamination to drinking water	<ul style="list-style-type: none"> <li>Water is treated to meet national drinking water standards. The standards are externally tested and audited by the Ministry of Health.</li> <li>There is a 3 Waters risk management plan that is audited by external consultants. Improvement plans are also audited.</li> <li>Emergency response plans are in place.</li> </ul>	Extreme		Stephen Heath Customer Regulatory Manager	
38	Legislative compliance	Non-compliance with consenting and licensing (significant legislation)	<ul style="list-style-type: none"> <li>Emphasis is placed on hiring qualified, competent staff, who receive training.</li> <li>Third party reviews are used on specific areas such as compliance with accreditation standards and compliance with quality control manuals.</li> </ul>	Extreme		CEO	Juanita undertakes some compliance functions
39	Legislative compliance	Lack of formal legislative compliance process	<ul style="list-style-type: none"> <li>Governance advisor and policy strategist receives parliamentary alerts which identify all policy changes. Updates are also provided from SOLGM and LGNZ. These are forwarded onto relevant staff.</li> <li>Legal compliance monitoring system being developed. Covers 17 key activities, based on SOLGM's Good Toolkit modules.</li> </ul>	Extreme	Legal compliance monitoring system being developed. Covers 17 key activities, and is based on SOLGM's Good Toolkit modules.	Kimberley Tuapawa	Juanita undertakes some compliance functions
40	Regulatory	Council not complying with consents, leading to financial loss or prosecution	<ul style="list-style-type: none"> <li>Council have a procedural process that steps through the consent process/requirements.</li> <li>All resource consents must be approved by two staff, who have appropriate degree qualification.</li> </ul>	High		Customer Regulatory Manager	
41	Regulatory	Failure in the building consent process could lead to leaky building claims and loss of accreditation	<ul style="list-style-type: none"> <li>To prevent losing accreditation, internal audits are completed by external consultants annually.</li> <li>To prevent leaky buildings, Council ensures staff are appropriately training, experienced and competent. There is a quality control manual that staff are required to follow (decision making process &amp; training requirements).</li> </ul>	High		Customer Regulatory Manager	
42	Regulatory	Resource consent process improperly managed, leading to judicial review and reputational damage	<ul style="list-style-type: none"> <li>Council have a procedural process that steps through the consent process/requirements.</li> <li>All resource consents must be</li> </ul>	High		Customer Regulatory Manager	

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	
43	Regulatory	Inconsistent application of licensing and consents	<ul style="list-style-type: none"> <li>Council has a procedural process that steps through the consent process/requirements.</li> <li>All resource consents must be</li> </ul>	High		Customer Regulatory Manager	
44	Regulatory	Appealed on decisions under the RMA, leading to financial and reputational loss	<ul style="list-style-type: none"> <li>Council have a procedural process that steps through the consent process/requirements.</li> <li>All resource consents must be approved by two staff, who have appropriate degree qualification.</li> </ul>	Moderate		Customer Regulatory Manager	
45	Health & Safety	Animal control officer injured while performing role	<ul style="list-style-type: none"> <li>Procedure manual for animal control.</li> <li>Firearms policy.</li> <li>All animal control officers have panic alarms and wear body cameras.</li> </ul>	Moderate		CEO/Zero Harm Officer	
Infrastructure							
46	Project Management	Project management risk (large waste water consent project). Risk of over time and budget and risk of public challenge.	<ul style="list-style-type: none"> <li>Experienced and qualified project managers.</li> <li>Extensive consultation with stakeholders.</li> <li>Use of external contractors.</li> </ul>	Extreme		Stephen Heath	
47	Asset Management	Disruption of drinking water supply/sewerage service as a result of an aging pipe network	<ul style="list-style-type: none"> <li>Robust condition assessment process and renewals programme.</li> </ul>	High		Stephen Heath	
48	Asset Management	Sewer pump stations overflow into water course	<ul style="list-style-type: none"> <li>Emergency generators at pump stations to mitigate the risk of power outage.</li> <li>Infiltration and inflow programme to reduce the flow.</li> </ul>	High		Stephen Heath	
49	Asset Management	Losing road access as a result of flooding event	<ul style="list-style-type: none"> <li>Extensive internal drainage programme in place.</li> <li>NZTA audits of roading measures.</li> <li>Asset Management Plans are</li> </ul>	High		Stephen Heath	

#	Risk Area	Risk Detail	Sources of Assurance	Risk Rating	Update measures	Principle Lead	
50	Asset Management	Access is restricted or prevented due to aging bridges.	<ul style="list-style-type: none"> <li>Bridge programme in place, utilising external consultants who have identified the highest risks and prioritised the programme based on risk.</li> </ul>	High		Stephen Heath	
51	Asset Management	Airport's inability to cope with growth	<ul style="list-style-type: none"> <li>Council have joined the airport association and working towards CAA association.</li> <li>Extending airport.</li> <li>Developing a secondary flight logistic plan.</li> </ul>	High		Stephen Heath	
52	Project Management	Black Beach realignment project. Risk of losing access to Māhia and Rocket lab.	<ul style="list-style-type: none"> <li>Realignment to be completed.</li> </ul>	High		Stephen Heath	
53	Corporate	Affordability of waste (low population numbers)	<ul style="list-style-type: none"> <li>Council are looking at a shared service model and other economic models to improve affordability.</li> </ul>	Moderate		CEO	
54	Natural Event	Flood risk with low lying rivers	<ul style="list-style-type: none"> <li>Emergency response built into maintenance contracts.</li> </ul>	Moderate		Stephen Heath	
55	Natural Event	Earthquake & Tsunami	<ul style="list-style-type: none"> <li>Building assessments in place.</li> <li>Earthquake risk is incorporated into decision making.</li> <li>Civil defence plans.</li> </ul>	Moderate		Jared Olsen / Civil Defense Controller / Denal Meihana	
56	Regulatory	Blue Bay subdivision consent lapsed that is held by Council		Moderate		Stephen Heath	
57	Asset Management	Councils inability to provide a safe carriage way	<ul style="list-style-type: none"> <li>Transport asset management plan</li> <li>Signage &amp; communication</li> </ul>	Moderate		Stephen Heath	

## Appendix 2: Additional Risks for Management Consideration

We have provided a number of additional risks for management to consider in developing a strategic risk register. These are risks that are commonly considered significant risks across the local government sector.

#	Risk		
1	Council's inability to adapt effectively to the social, economic and environmental impacts of climate change		CEO
2	Poor financial and management monitoring leading to inability to meet future service levels		Gary Borg
3	Decrease in funding impacts Councils ability to meet expected levels of service		CEO
4	Ineffective records management leading to loss of critical information		Kimberley Tuapawa
5	Inadequate planning for future growth leading to reduction in capacity to provide core services		Customer Regulatory Manager
6	IT systems failure resulting in loss of information or failure to maintain service delivery		Kimberley Tuapawa, Gary Borg
7	Lack of effective communication/consulting with key stakeholders (community engagement, media engagement, partnership engagement, internal & external)		CEO
8	A failure to realise key Council planning obligations (LTP and Annual Report)		Kimberley Tuapawa, Gary Borg



## 8.5 HEALTH & SAFETY

**Author:** Kevin Stevenson, Kaiurungi Kore Whakawhara Zero Harm Officer

**Authoriser:** Kitea Tipuna, Pouwhakarae – Hapori / Whakatūtaki Group Manager  
Community and Engagement

**Appendices:** 1. Risk Report [↓](#)

### 1. PURPOSE

- 1.1 This report provides information for Committee on Council's health and safety (H&S) matters. No decisions are required by Committee at this stage.

### RECOMMENDATION

The Kaiurungi Kore Whakawhara Zero Harm Officer RECOMMENDS that Committee receive the report.

### 2. BACKGROUND

- 2.1 Regular reporting of health and safety compliance ensures that Wairoa District Council recognises its moral and legal responsibility to provide a safe and healthy work environment for its workers (employees, contractors, and volunteers). This commitment extends to ensuring its operations do not place the local community at risk of injury, illness, or property damage.
- 2.2 Consideration of this matter contributes to Council's vision of 'Connected Communities; Desirable Lifestyles; Treasured Environments', it also contributes to the following community outcomes:
- A safe and secure community.
  - A lifetime of good health and well-being.
  - A safe and integrated transport system.
  - Strong district leadership and a sense of belonging.
  - Safe and accessible recreational facilities.

### 3. CURRENT SITUATION

- 3.1 Hazard Identification/Register/Accident or Near Miss Reports:** One incident has been reported for the period since the Committee's last update in July. One minor incident involving a near miss slip on wet floor that did not result in any injury. This was caused by water leaking from the staff fridge after defrosting. This has now been remedied and should not pose any further issues.

#### 3.2 Staff Training

Six of the Engineering staff have undergone 4x4 Training on the new quad bike that was purchased to assist the Water and Sewage Team to carry out remote work that is inaccessible with their current vehicles.

A joint training initiative with the Police and the Council's Regulatory department has begun to better prepare and understand the requirements and obligation the Council have when attending some situations that have been causing Threatening Behaviour complaints by our staff over the last year. This will also involve updating their current operational procedures and practises to align with the new training. This will involve some practical field training and new documentation.

### **3.3 Health and Safety Committee.**

The Committee met on Wednesday 29<sup>th</sup> July and discussed the events of the last month including Council's training initiative with the Police for the Regulatory Department. Yearly health checks for staff that are required due to their occupational position will begin in August. Ergonomic Assessment will be carried out at the same time. New Health and Safety plus Wellbeing initiatives were discussed, and a suggestion box is now in place for the Staff to make recommendations. Preparation for the upcoming Safety Reps election have been started.

### **3.4**

#### **Safety Audits Summary**

Three on site safety inspections have been undertaken this month and more are scheduled now contractors are back at work. With the new projects beginning to start the workload will begin to increase.

The Committee is asked to consider the content of this report and advice of any practice or process changes.


**Further Information**

<http://www.worksafe.govt.nz/worksafe/>

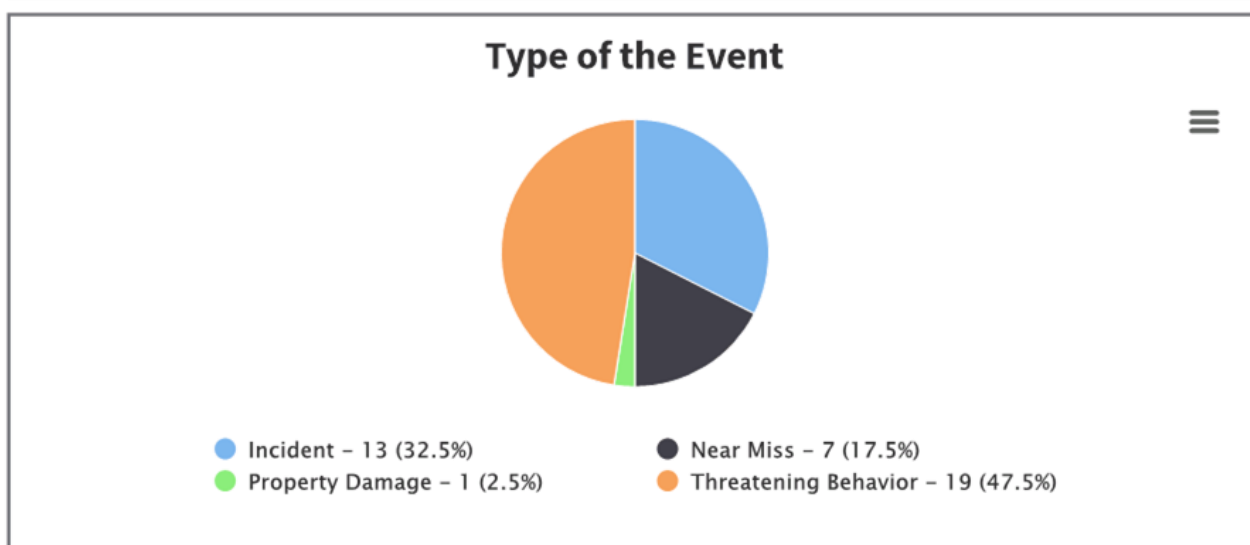
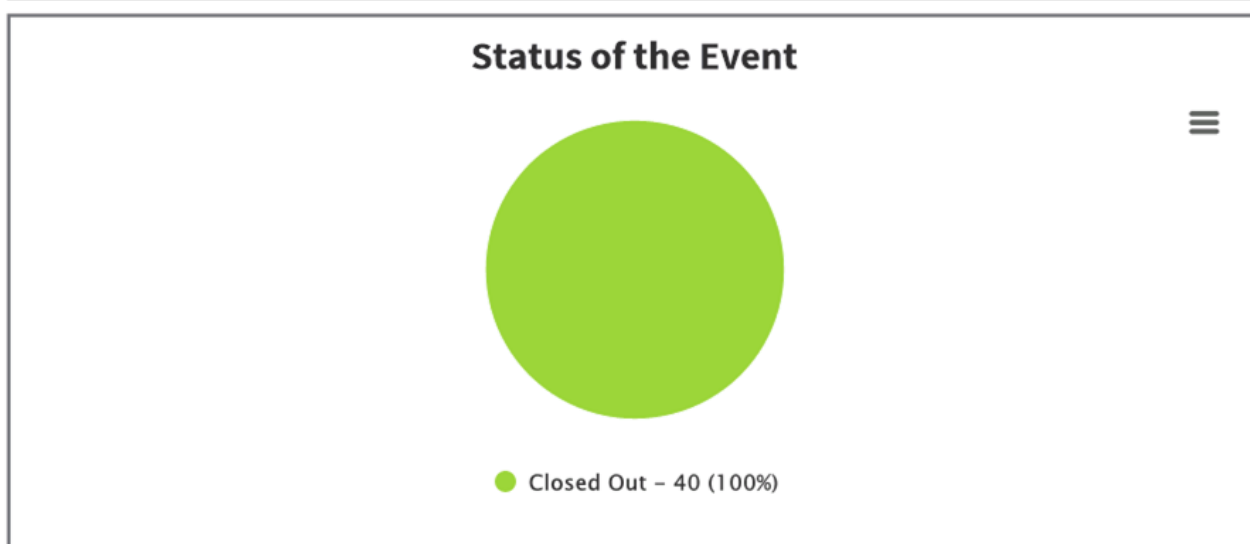
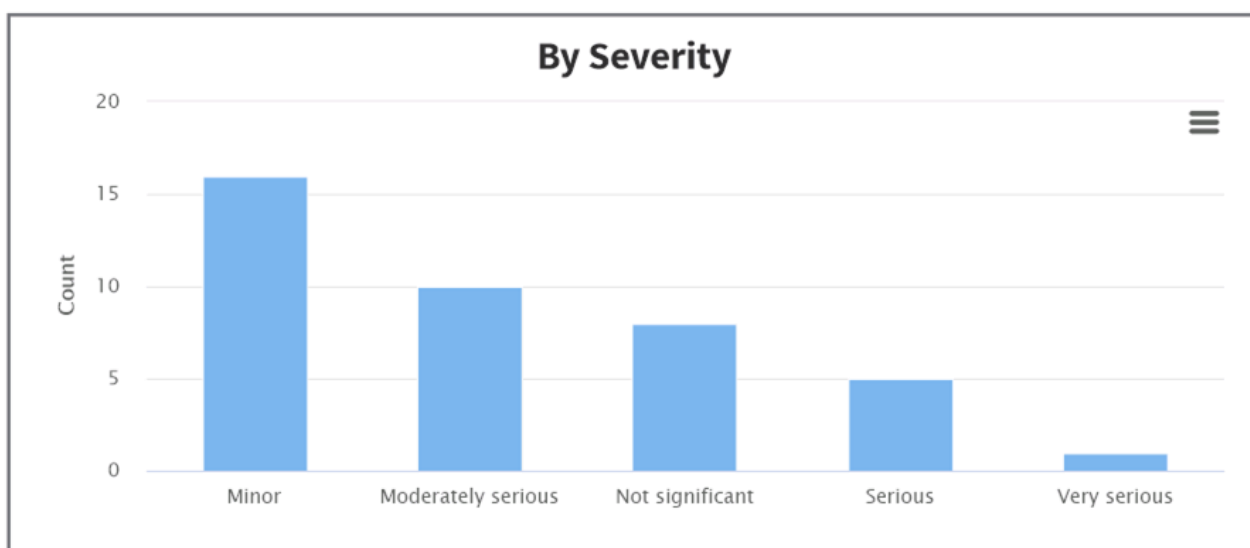
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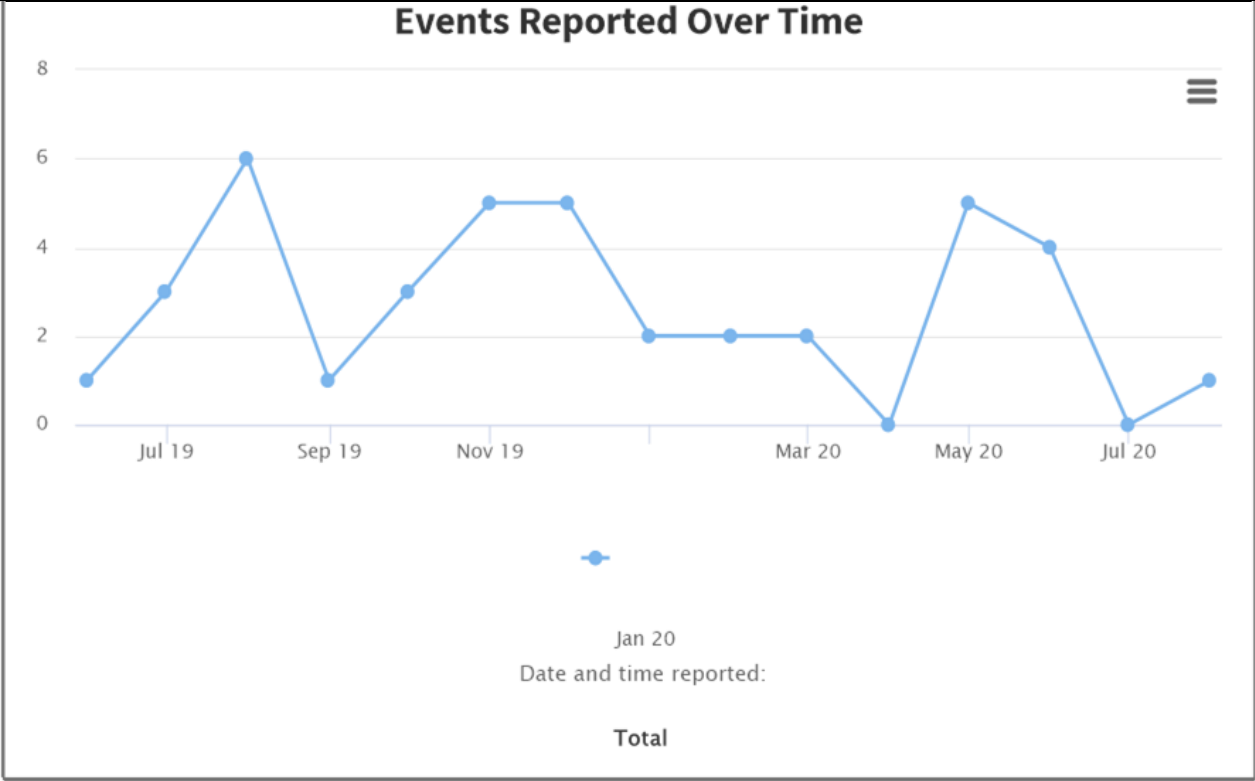
<http://www.guardianangelsecurity.co.nz/>

**Signatories**

	
Author Kevin Stevenson	Approved by Kitea Tipuna

## Events : Wairoa District Council





**8.6 FAR WORK PLAN****Author:** Steven May, Tumu Whakarae Chief Executive Officer**Authoriser:** Steven May, Tumu Whakarae Chief Executive Officer**Appendices:** 1. FAR Work Plan - 7 July 2020 [↓](#)**1. PURPOSE**

This report provides information for Committee on the FARC Annual Work Plan. 1.2 Attached is the FARC Annual Work Plan from the FAR Committee meeting held on Tuesday, 7 July 2020.

**RECOMMENDATION**

The Tumu Whakarae Chief Executive Officer RECOMMENDS that Committee receive the report.

**Signatories**

	
Author Steven May	Approved by Steven May

## FAR COMMITTEE WORK PLAN

-7 JULY 2020 –

ACTION TO BE TAKEN	RESPONSIBLE	CLOSED/OPEN
Adopt FAR Work Plan/ToR as per 26 Feb 2019 Committee minutes	Steven May	Ongoing
- Standing agenda item for Work Plan		
Establish an outstanding report to management register with a regular update.		Ongoing
Interim Summary from Ernst Young on Annual Report process and FY118/19 close off. Liaise with Stuart Mutch to request summary.	Gary Borg/Stuart Mutch	Closed
Full draft Annual report NLT 29 Sept 2020 to be reviewed by FAR before submitting to Auditors		Open
Draft financial statements including summary reserves.	Gary Borg	Closed
Contract management review	Stephen Heath	Closed
Interim report on risk against Council risk policy	Steven May	Ongoing
Update on Long Term Plan 2021-2031 (Project Review)	Kimberley Tuapawa	Ongoing
Reconciliation of reserves	Gary Borg	Closed
Update of Provincial Growth Fund		Open
Update on Crown Infrastructure Fund		Open
Provide an update where Council is at with all policies and bylaws.	Kimberly Tuapawa	Open