



Our reference  
F19/13/03-D21/26182

16 September 2021

**Audit and Risk Committee Meeting of Council**

Notice is hereby given that the **Audit and Risk Committee Meeting of Council** will be held in the **Council Chambers, Stratford District Council, Miranda Street, Stratford** on **Tuesday 21 September 2021** at **2pm**.

At this stage the meeting will be held in the Council Chambers, however should it be required due to COVID-19 Alert Levels or from guidance received, the meeting may be moved to an alternative venue or held virtually.

**Timetable for 21 September 2021 as follows:**

12pm	Farm and Aerodrome Committee meeting
1pm	Workshop for Councillors – Audit and Risk Committee review
1.45pm	Afternoon tea for Councillors
2pm	Audit and Risk Committee meeting

Yours faithfully

Sven Hanne  
Chief Executive

# AGENDA

## Audit and Risk Committee



F19/13/05 – D21/31953

**Date: Tuesday 21 September 2021 at 2 PM**

**Venue: Council Chambers, 63 Miranda Street, Stratford**

The meeting location may change, or will be held via Audio Visual Link, if required due to current COVID-19 Alert Levels or Government Guidelines.

1. [Welcome](#)

Health and Safety Message

2. [Apologies](#)

3. [Announcements](#)

4. [Declarations of members interest](#)

Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.

5. [Attendance Schedule](#)

Attendance schedule for Audit and Risk Committee meetings.

6. [Programme of Works](#)

D21/6382 (page 7)

**Recommendation**

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

/  
Moved/Seconded

7. [Confirmation of Minutes](#)

**7.1 Audit and Risk Committee Meeting – 20 July 2021**

D21/26251 (page 8)

**Recommendation**

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 20 July 2021 be confirmed as a true and accurate record.

/  
Moved/Seconded

8. [Matters Outstanding](#)

D18/27474 (page 15)

**Recommendation**

THAT the matters outstanding be received.

/  
Moved/Seconded

9. Information Report – Health and Safety  
D21/31852 (page 16)

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

10. Information Report – Audit NZ – Audit Matters Outstanding  
D21/31863 (page 19)

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

11. Information Report – Annual Report Update 2021  
D21/31840 (page 23)

**Recommendations**

1. THAT the report be received.
2. THAT the Audit Engagement letter and Audit Proposal Letter for the years ended 30 June 2021 and 2022 be received and the District Mayor is authorised to sign both on Council's behalf.

/  
Moved/Seconded

12. Information Report – Risk Review  
D21/31913 (page 71)

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

13. Information Report – Internal Audit Findings  
D21/30310 (page 78)

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

14. Information Report – Tax Audit  
D21/31471 (page 89)

**Recommendations**

1. THAT the report be received.
2. THAT the Committee reviews the final tax audit report provided by PWC and accepts the recommendations and actions to address these.

/  
Moved/Seconded

15. Information Report – Water Supply Heavy Metals Monitoring Report  
D21/31696 (page 108)

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

16. General Business

17. Questions



**Our reference**  
F19/13/03-D21/26210

### **Health and Safety Message**

In the event of an emergency, please follow the instructions of Council Staff.

Please exit through the main entrance.

Once you reach the footpath outside please turn left and walk towards the Bell Tower congregating on the lawn outside the Council Building.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Stay indoors until the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

**Schedule for 2021 Audit and Risk Committee meetings.**

Date	19/03/21	18/05/21	22/06/21	20/07/21	21/09/21	16/11/21	Attendance	Percentage
<b>Meeting</b>	<b>A</b>	<b>D</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>		
Neil Volzke	✓		✓	✓				
Grant Boyde	✓		✓	✓				
Rick Coplestone			✓					
Peter Dalziel	✓		S	✓				
Jono Erwood	✓		✓	✓				
Amanda Harris			✓					
Alan Jamieson	✓		✓	✓				
Vaughan Jones			✓					
Min McKay	✓		✓	✓				
John Sandford	✓		✓	✓				
Gloria Webby	✓		✓					
Philip Jones (Chair)	✓		✓	✓				

Key	
<b>A</b>	<b>Audit and Risk Meeting</b>
<b>D</b>	<b>Meeting deferred</b>
<b>NC</b>	<b>Non committee member</b>
<b>✓</b>	<b>Attended</b>
<b>A</b>	<b>Apology/Leave of Absence</b>
<b>AB</b>	<b>Absent</b>
<b>S</b>	<b>Sick</b>
<b>(AV)</b>	<b>Meeting held, or attended by, Audio Visual Link</b>

## Audit and Risk Committee - Programme of Works

	Sep-21	Nov-21	Mar-22	May-22	Jul-22	Sep-22
<b>Standing Items</b>	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Six Monthly Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review  -Audit NZ Matters raised
<b>Annual Items</b>	-Annual Report update -Internal Audit Report (outcomes)	-Committee Self-Review - Annual Report 2020/21 (final draft for approval)	-Cyber Risk prevention update	-Civil Defence Readiness	- Review of Insurances	-Annual Report update -Internal Audit Report (outcomes)
<b>One-Off Items</b>	- Workshop: Committee Self-Review  - Water Quality (Heavy Metals) update  -Tax audit report	- Emerging Risk: Local Government Reforms (what it means for the community and Council)	Annual Plan 2022/23 - risks, assumptions and challenges - include recommendation on Financial Budget Model audit recommendation by Audit NZ.	LTP Capital Projects - progress status update	IANZ Building Accreditation update	

# MINUTES

## Audit and Risk Committee



F19/13/05 – D21/26251

**Date: Tuesday 20 July 2021 at 2pm**  
**Venue: Council Chambers, 63 Miranda Street, Stratford**

### Present

P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors J M S Erwood, P S Dalziel and M McKay.

### In attendance

Councillors G W Boyde and W J Sandford.

The Director Corporate Services – Mrs T Radich, the Director Assets – Mrs V Araba, the Administration and Communication Support Officer – Ms R Vanstone, the Corporate Accountant – Mrs Christine Craig, the Communications Manager – Ms Gemma Gibson, the Roading Asset Manager – Mr Steve Bowden and one member of the media (Stratford Press).

#### 1. Welcome

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

The Chair noted the health and safety message and emergency procedures on page 5 of the agenda.

#### 2. Apologies

An apology was noted from the Chief Executive – Mr S Hanne.

#### 3. Announcements

The Chair noted that a Councillors workshop would commence at 3.30pm and that an addendum to the Information Report – Health and Safety Report had been made available to elected members prior to today's meeting.

#### 4. Declarations of Members Interest

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

#### 5. Attendance Schedule

The attendance schedule for Audit and Risk Committee meetings was attached.



6. Programme of Works  
D21/6382 (Page 7)

**Recommendation**

THAT the Audit and Risk Committee's rolling programme of works up to the end of the 2022 be received.

DALZIEL/ERWOOD  
Carried  
A&R/21/23

The Chair proposed to circulate information to elected members prior to a workshop in September on the committee's self-evaluation. There will be a report back to elected members at the November Audit and Risk meeting on this topic.

Mrs Radich added that the water quality update had been pushed out to September in order to include the results of water testing done over the last six months. She also invited committee members to add any items to the programme of works.

7. Confirmation of minutes

7.1 **Audit and Risk Committee Meeting Minutes – 22 June 2021**  
D21/21219 (Pages 8-16)

**Recommendation**

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 22 June 2021 be confirmed, with any amendments, as a true and accurate record.

JAMIESON/VOLZKE  
Carried  
A&R/21/24

The Administration and Communication Support Officer undertook to make the following amendments:

- Page 11 – first bullet point – amend to “he does, on occasion, approve reimbursement back to the Mayor for other local authorities, ...”.

8. Matters Outstanding  
D18/27474 (Page 17)

**Recommendation**

THAT the matters outstanding be received.

JONES/McKAY  
Carried  
A&R/21/25

The Director – Corporate Services noted the following points:

- That there has been no time to clarify the process for a review of the contractor health and safety prequalification process but that a response will be reported to this committee at the September Audit and Risk meeting.
- Mr Chris Webby, Audit NZ will be invited to update elected members at the September Audit and Risk meeting to clarify matters outstanding and the annual report.

- Stratford District Council are working toward being one of the early councils to have their audit completed.

Questions/Points of clarification:

- The Chair noted that government continues to pass legislation affecting the LTP adoption process – a number of councils have still not adopted their LTP consultation document. There are also impacts for local government with the national shortage of auditors, the unavailability of international auditors and the public service salary freeze.

9. **Decision Report – General Insurance Renewal 2021**

D21/24912 (Page 18-44)

**Recommendations**

1. THAT the report be received.
2. ~~THAT the Committee approves the recommendations for the general insurance renewal programme for 2021.~~
3. THAT the Committee approves the proposed amendments to Council's Insurance Framework.

JONES/ERWOOD  
Carried  
A&R/21/26

The Director – Corporate Services noted the following points:

- Above-ground services and assets are insured by various insurers via the broker, Marsh NZ. Below-ground services and assets are insured through the Local Authority Protection Programme (LAPP).
- The general insurance renewal programme in 2021/22 sees an increase of \$26,000 in premiums.
- Detailed options for consideration for insurance renewal are contained in the report.

Questions/Points of clarification:

- Deputy Mayor Jamieson sought an explanation as to why Council insures the hockey turf and lights. Mrs Craig clarified that Council on-charges this cost to the Hockey Turf Trust. Councillor Boyde noted his reluctance to pay a high excess for the turf and lights.
- Councillor McKay noted that the relatively small amount of savings did not warrant paying the excess increase especially given the number and value of recent claims. She supported remaining with the status quo.
- The District Mayor agreed, acknowledging the relatively small savings in context to the total cost, adding that if the excess is increased, unless there was a major disaster affecting any one of the assets, Council would not be in a position to make savings. Mayor Volzke also added his support to set aside excess funds in a natural disaster contingency fund. With the frequency of natural disasters increasing and becoming more expensive, Council should be looking to maximise the insurance claim rather than save a few dollars in premium.
- Councillor Dalziel agreed to remain with the status quo.
- The Chair pointed out his support for the status quo also, adding that a claim for under \$100,000 would see Council staff working on the claim and therefore accruing administrative costs. A claim for more would mean passing the claim administration over to the insurer who were far better equipped to make recovery from a third party, for instance.
- Mrs Radich clarified the process of tendering for brokering services, when asked by Councillor Boyde. There is a shared service arrangement with other Taranaki councils, last reviewed in 2020 for two years. Council does not deal directly with insurers – most of which are overseas – and there are often multiple insurers underwriting a policy. There are only two brokers in the New Zealand market providing this service – AON and Marsh.
- Councillor Dalziel noted that the annual fee of \$7,700 for brokering services was not a huge cost.
- The Chair added that, contractually the broker does not receive commission if the Council is paying directly for those services, so a broker cannot 'double dip'.

**Recommendation**

THAT the Committee approves the recommendations for the general insurance renewal programme for 2021 with the status quo in addition to reducing the excess for natural disaster as outlined in option 1c within the report.

JONES/ERWOOD  
Carried  
A&R/21/27

10. Decision Report – Review of Risk Management Policy  
D21/24848 (Page 45-62)

**Recommendations**

1. THAT the report be received.
2. ~~THAT the amendments to the Risk Management Policy be reviewed and approved.~~

JONES/McKAY  
Carried  
A&R/21/28

The Director – Corporate Services noted the following points:

- The policy is the overarching guidance for staff and elected members. The framework contains more detail around how risk is assessed, managed and monitored.

Questions/Points of clarification:

- Elected members focused on the risk appetite statement, particularly the risk categories and there was much discussion around degrees of risk. Members concluded that reputation risk should be reduced to moderate and compliance risk to low.
- Mrs Radich noted that it is good practice for local government to have a risk appetite statement adding that time would tell in how it could be applied.
- Regarding the policy, Mrs Radich explained the risk reporting procedure adding that currently, Council does not have any extreme risks.
- The District Mayor noted that he would like to see extreme, very high and high risks notified to the Chief Executive, as the eyes and ears of elected members.
- Councillor Dalziel noted his preference for the risk matrix to work on the residual rather than the raw risk adding that, residual risk is what has to be managed because that is where Council is exposed. He stated the logic of the matrix (on page 56 of the report) was incorrect - that all minor risks should be low and that any exposure to an extreme or catastrophic risk to be a rare event.
- The Chair disagreed with Councillor Dalziel, noting that Council needs to focus on the raw risk and be aware of the controls in place to mitigate that raw risk.
- Mrs Radich noted that each risk is assessed twice – once at the raw risk and then again when the mitigation and control has been developed. In terms of the risk reporting to this meeting, this is based on the raw risk rating.
- Elected members discussed the risk matrix at length focusing on the frequency and likelihood of events.
- Councillor Erwood considered that the risk matrix should be more agile.
- Mrs Radich confirmed that risks are constantly being reassessed at an SLT level. Councillor Boyd suggested that the policy be reviewed annually and that critically, the matrix is living because a lot can change in a short time, and has if we take Covid-19 as an example.
- Councillor McKay asked how, if Councillor Dalziel's comments were to be taken into account, the matrix could be applied practically. Mrs Radich responded that Council does not currently have any risks assessed in the risk register at the catastrophic/almost certain end of the scale and we are not using those categories. From a practical point of view, we need to be able to able constantly review.

**Recommendations**

2. THAT the amendments to the Risk Management Policy be received and approved.
3. THAT the Council monitor the Risk Management Policy and that it be reviewed in 12 months time.

JONES/McKAY  
*Against* DALZIEL  
Carried  
A&R/21/29

11. **Information Report – Health and Safety Report**  
D21/25927 (Page 63-66)

**Recommendation**

THAT the report be received.

DALZIEL/ERWOOD  
Carried  
A&R/21/30

Questions/Points of clarification:

- Council Boyde expressed his views around the prequalification of contractors noting that a line needed to be drawn in the sand around Council's use of non-pre-qualified contractors.
- Mrs Radich noted that a report is on the work programme and that there are various scenarios and fit-for-purpose solutions. She noted that the Health & Safety Advisor, Mr Mario Bestall, is constantly working with the problematic contractors.
- Councillor Dalziel felt that a one-size-fits-all approach did not always work, especially with the small, local contractor. He felt that time, education and practicality were also considerations and that Council must issue clear guidelines.
- Councillor Boyde agreed that a fit-for-purpose approach is sensible.
- The Director Assets explained the Health and Safety Officer had checked in with the big contractors to ensure that their sub-contractors were compliant. All contractors received a letter recently giving them until the end of the month to notify whether they are compliant and whether their subcontractors are compliant. After this contractors are not able to do any work for the Council. Mr Bestall is working with contractors/sub-contractors as they come through the door.
- The District Mayor noted that the civil defence centre is now complete and is open. This is a state-of-the art facility and Council have played a significant role in funding the service and our staff in delivering the service.

12. **Information Report – Audit NZ – Progress on Auditor Recommendations**  
D21/25066 (Page 67-72)

**Recommendation**

THAT the report be received.

DALZIEL/JONES  
Carried  
A&R/21/31

The Director Corporate Services noted that new recommendations from Audit New Zealand in relation to the Long Term Plan (LTP) and the final report on the LTP audit have been added.

Questions/Points of clarification:

- Councillor Dalziel congratulates the Corporate Services team on a good outcome.
- The Audit NZ response to the Annual Report will be received in for the November Audit and Risk meeting.
- The Director Assets confirmed that there was no completion date around the asset data due to continuously ensuring that it is dynamic as assets are updated. Mrs Araba did not foresee a time when this updating would stop. In terms of critical assets Council has a good handle on data. For non-critical assets Council must weigh the cost effective collection of data with the confidence that we have in the quality of our data.
- The Chair asked Mrs Araba whether she agreed with Audit NZ's recommendation concerning "*largely non-critical assets, where the confidence levels in data held are lower than what (Audit NZ) consider to be acceptable for the purposes of developing its renewal programme*". Mrs Araba did not disagree with this statement however, Audit NZ are referring to non-critical assets such as laterals, for example, which are almost insignificant parts of the water asset. It is not therefore, cost-effective to dig for laterals. She considers that the Council's strategy around the data held for non-critical assets works for Council and is cost-effective.
- The Chair added that it is worthwhile asking Audit NZ, when they bring back their subsequent report, whether they agree with Council's strategy.
- Councillor Boyde noted an error at the bottom of page 70 of the schedule of recommendations where the capital expenditure do-ability statement is repeated.

### 13. Information Report – Financial Risk Management Report

D21/24987 (Page 73-84)

#### Recommendation

THAT the report be received.

ERWOOD/DALZIEL  
Carried  
A&R/21/32

Questions/Points of clarification:

- The District Mayor noted that paragraph 2.2 of the Treasury Report on page 75 related to Council's financial investments – currently the entire amount of \$7 million sits with the Westpac Bank. This is consistent with the policy as long as the Chair and Mayor have approved. Councillor's were asked at the previous Ordinary council meeting if they were comfortable with this process – they were and that was noted formally. Mayor Volzke considers that approval, when given, should be formally noted at this meeting as well.
- The Chair considers that a recommendation should formally note that while the investments fall outside of policy, there was prior approval given as per the policy.
- The Chair asked, referring to the committed cash facilities currently with TSB, is a facility fee paid? The Corporate Accountant clarified that if the facility is drawn down, interest is charged, otherwise no line fee is payable in the meantime.
- Councillor Boyde noted, in referring to page 77, that there were no concerns around rates collection. He asked what level of rates non-collection was a concern, but the concerns about Covid-19 affecting rates revenue received did not eventuate and rates collection is improved on the previous year.

14. Information Report – Risk Review  
D21/24911 (Page 85-106)

**Recommendation**

THAT the report be received.

McKAY/JONES  
Carried  
A&R/21/33

Questions/Points of clarification:

- The Chair, in referring to risk 78 on page 90, asked if the risk rating was too low given the current central government mandate with the amount of upcoming policy changes for local government. He considered that the residual risk score should be much higher as the scenario is a very real risk – at least major, if not extreme. It was agreed to increase the raw risk to Extreme – Almost Certain, and Major.
- Councillor Dalziel asked how, particularly with the 3 waters reforms, Council minimises the impacts on the districts.
- The Chair noted his concerns for the financial impact on ratepayers who have been promised a lower water bill, however he has seen no evidence of how this will be achieved.
- The District Mayor added that there are also other reforms which will have a cumulative impact.
- Councillor Dalziel noted his preference to re-work the rating of cyber attack. He felt that a residual risk score of 3 was 'undercooking' the situation.

15. General Business

No general business was discussed.

16. Questions

No questions were asked.

*The meeting closed at 3.32pm.*

P Jones  
**Chairman**

Confirmed this 20th day of July 2021.

N C Volzke  
**District Mayor**

## AUDIT & RISK COMMITTEE MATTERS OUTSTANDING INDEX

REF NO.	ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
	Health and Safety Framework Review – including pre-qualified contractors	22 June 2021	Sven Hanne/Mario Bestall	Reviewing contractor pre-qualification process.	November 2021 Audit and Risk Committee meeting – H&S report.
	LTP – Audit NZ representative available for LTP debrief including asset management plans	22 June 2021	Tiffany Radich	Audit NZ Director to attend Committee meeting.	September 2021
	Cyber insurance – an update on cyber security and the insurance renewal process	22 June 2021	Tiffany Radich	Completed	Workshop delivered by Marsh Insurance in July 2021.
	Tax Review – external tax auditor or reference group	6 October 2020	Tiffany Radich	Tax audit complete – report to Committee	September 2021

# INFORMATION REPORT



F19/13/04 – D21/31852

**To:** Audit and Risk Committee  
**From:** Health and Safety/Emergency Management Advisor  
**Date:** 21 September 2021  
**Subject:** Health and Safety Report

## Recommendation

1. THAT the report be received.

\_\_\_\_\_/\_\_\_\_\_  
 Moved/Seconded

## 1. Purpose of Report

- 1.1 This report presents a summary of the two monthly progress and any highlights for the main areas of activity within for the period to 31 August 2021.

## 2. Executive Summary

- 2.1 This report provides an overview of Council's health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the two months ending 31 August.
- 2.2 Results of data analysed since 1 July show that there have been a total of 14 events logged in Vault. This incorporates 5 pool events that are now being logged in Vault and 2 observations.

## 3. Incidents

### 1 July 2021 – 31 August 2021

	Period 1 July 2021- 31 August 2021	Running YTD Balance (1 July 2021 – 30 June 2022)
<b>Events</b>	<b>14</b>	<b>14</b>
<i>Of which:</i>		
Injury	1	1
ACC Claims	1	1
Notifiable	-	-
Near Miss	3	3
Observations	2	2
Other	7	7
<b>Type of Incident</b>		
Slips/Trips/Falls (no injury)	1	1
Sprains/Strains	1	1
Cuts/Abrasions/ Bleeding nose	2	2
Bruising	2	2
Near Miss	3	3
Aggressive/Abusive Customer	-	-
Vehicle Damage	-	-
Insect Stings	-	-
Plant/Equipment	2	2
Other	3	3



<b>Level of Treatment</b>		
No Treatment	5	5
First Aid	8	8
Medical Centre/ DR	1	1
Hospital	-	-
<b>Level of Investigation</b>		
No Investigation	10	10
Formal Investigation	4	4
WorkSafe Investigation	-	-
<b>Health and Wellbeing</b>		
Workstation Assessments	2	2
EAP Referrals	1	1
Health Monitoring Assessments	0	0
Health and Safety Committee Meeting	0	0
Site Reviews	1	1

- 3.1 The reported number of incidents was steady leading up to lockdown on 16 August. There was an array of incidents reported, from staff members feeling unwell, to an unstable filing cabinet falling and almost injuring a staff member, to an incident of food choking in the staffroom.

Of note, was a near miss incident reported by a staff member that led to an investigation with a Council contractor.

#### **Background to Incident**

Workers were tasked with cleaning out roof gutters at the Centennial Restrooms facility, which required a boom-lift to be used. On previous occasions, the boom-lift was able to be parked well off the footpath, but due to new planter boxes being installed around the restrooms, the boom-lift had to be positioned, partially encroaching the footpath.

#### **The Issue**

This was identified as a non-compliance on the traffic management plan (TMP) that upon further questioning, did not exist. Members of the public were also exposed to this operation on the footpath needlessly while the facility remained open. Also, measures need to be considered to prevent the public being endangered by the activity (work at heights, plant movements, excavations etc).

#### **Corrective Actions – short-term and long-term**

A staff member witnessed the arrangement and spoke to the contractors who ceased the operation immediately. The Contractor was warned, and advised that a TMP is required where any section of road, footpath or public thoroughfare is encroached by a work operation and where there is public access to an area. On this occasion, the Contractor was able to complete the job using an alternative piece of equipment that did not jeopardise public safety.

The long-term preferred solution is to fence/barricade the area, along with signage, to prevent a member of the public entering the area unless authorized to do so. Finally, communications between the Contractor and Property Officer must take place so that the facility can actually be closed whilst work is being completed.

## **4. Civil Defence**

- 4.1 Business-as-usual roles, tight schedules and high workload across the organisation remain as limiting factors in getting staff to further civil defence training resulting in potential shortfalls if and when an activation of the Emergency Coordination Centre is needed. On 16 August the country went to Alert Level 4 lockdown as a result of a Covid-19 outbreak in the Auckland and Wellington areas. There were no cases in Taranaki. The Taranaki Emergency Management Office (TEMO) managed the event remotely with other agencies such as the Ministry of Social Development taking the lead. There

were some local welfare requests. These were worked through and completed without fuss. Bidfood deliveries organised through iwi were also carried out regionally. This was logistically supported by the three district councils. SDC's call centre was operational throughout the lockdown and was able to provide assistance, advice and moral support to callers. We received no direct requests for welfare but there was strong enquiry regarding the impact of lockdown on payment of rates and rubbish collection. Our call centre staff deserve recognition for their efforts throughout this event.

## 5. Contractors

- 5.1 A review of health and safety systems is being undertaken. This is to ensure consistency at all levels and through all processes, including pre-qualification of contractors which was raised as an issue at the June Audit and Risk meeting. While the original focus was on a quick fix, a review of our Health and Safety system has since been initiated to ensure all our systems are aligned with each other and there are no gaps.
- 5.2 Two investigations were undertaken. This included work on the footpath without a traffic management plan, as mentioned earlier in this report, and follow up to a heavy lifting incident sustaining a back injury. The corrective actions for the lifting incident includes using four people as a minimum to lift the climbing walls with processes added to the Normal Operating Procedures manual that staff are now signed off on.

## 6. Site reviews

- 6.1 One site review has been conducted over the period with minor non-conformances noted.

## 7. Aerodrome

- 7.1 Council's duty of care towards the aerodrome has been discussed previously. Ascertaining where this begins and ends with the multiple PCBU's ('Person Conducting a Business or Undertaking') that occupy and use the aerodrome is a large piece of work, to be undertaken. Initial contact has been made with Councils that operate under similar conditions with roughly the same size facility, including Masterton Aerodrome that undertook a review in 2019. Advice has been varied but the underlying message so far is to ensure that Council gets in touch with each entity and commences regular meetings giving visibility on the situation and allowing transparency to each other's overlapping duties. There has been no trigger or incident noted for this work to be carried out, rather a surety that Council and the aerodrome users are complying with a universally acceptable standard.



M Bestall  
Health and Safety/Civil Defence Advisor



[Approved by]  
Sven Hanne  
Chief Executive

Date: 13 September 2021

# INFORMATION REPORT



F19/13/04 – D21/31863

**To:** Audit and Risk Committee  
**From:** Director – Corporate Services  
**Date:** 21 September 2021  
**Subject:** Audit NZ Matters Outstanding

## Recommendations

1. THAT the report be received.

## Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2019/20 Annual Report and Long Term Plan 2021-31, summarising the actions that have or intend to be taken by Council Officers to respond to audit recommendations with respect to each issue raised.

\_\_\_\_\_/\_\_\_\_\_  
 Moved/Seconded

## 1. Purpose of Report

- 1.1 To provide an update to the Committee of Audit New Zealand recommendations, that came out of the Annual Report and Long Term Plan audits, and Council Officer progress with each of these.

## 2. Executive Summary

- 2.1 The purpose of this report is to inform the Committee of the issues identified in the final Audit New Zealand Management Report for the most recent external audit/s, and summarises the actions that have or are to be taken by Council officers to respond to audit recommendations.
- 2.2 This is in line with the Audit and Risk Committee's Terms of Reference which includes a responsibility "To review the external audit findings and the annual financial statements and report back to the Council".

## 3. Local Government Act 2002

Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future"

Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:

Affects all four well-beings in some way.

Social	Economic	Environmental	Cultural
✓	✓	✓	✓

#### 4. Background

- 4.1 Audit New Zealand issued an unmodified audit opinion for the year ended 30 June 2020 on 13 October 2020. As a follow up, Audit New Zealand issued a Management Report setting out the findings from the audit, highlighting areas where Council is doing well, and making recommendations for improvement.
- 4.2 With regards to the Long Term Plan, the audit management report was finalised in June 2021, with the findings presented to the Audit and Risk Committee at the June 2021 meeting.
- 4.3 The auditor recommendations from these two audit reports have been summarised in Appendix 1, with an update on current status and timeframe for resolution where relevant.

#### 5. Information Summary

- 5.1 Refer to Appendix 1.

#### 6. Strategic Alignment

##### 6.1 Direction

The Annual Report is a statutory requirement and must include an independent audit report. It is largely reporting historical information, whereas the Annual Plan and Long Term Plan are forward looking and direction setting.

##### 6.2 Annual Plan and Long Term Plan

Direct alignment with both of these documents.

##### 6.3 District Plan

Not applicable.

##### 6.4 Legal Implications

Not applicable.

##### 6.5 Policy Implications

There are no policy implications to consider directly. However, some of the audit recommendations may involve Council having to review particular policies.



Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

**APPENDIX 1****Schedule of Audit NZ Recommendations**

<b>Recommendation</b>	<b>Current status</b>	<b>Comments</b>	<b>Timeframe</b>
<p><b>Asset Data</b> Improvements be made to ensure that data is complete and covers the performance and condition of all assets. There are also specific areas, largely non-critical assets, where the confidence levels in data held are lower than what we consider to be acceptable for the purposes of developing its renewal programme.</p>	Closed	<p>The Council is committed to making improvements to ensure that data is complete, including asset condition for all assets.</p> <p>In all cases, the Council will weigh the cost and benefits of data collection with the risk associated with not collecting the data. The Council will be guided by the Risk Management framework at all times to ensure that the condition of its assets and the reliability of asset data is improved.</p>	This action is an ongoing task for the Assets team.
<p><b>PBE IPSAS 41 – Financial Instruments</b> Perform a more detailed and robust assessment on the impact of the introduction of PBE IPSAS 41.</p>	Closed	Council staff were under the impression that the application of PBE IPSAS 41 had been sufficiently covered in terms of the work carried out on the assessment impact and updating the accounting policies. Further work in this area is unlikely to bring any direct benefits to Council (other than not being reported on by Audit NZ).	N/A
<p><b>Capital Expenditure do-ability</b> The LTP forecasts \$127 million of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years. The assumption made is that the capital expenditure programme will be achieved.</p>	In progress	Council has recognised that there is a medium to high level of uncertainty around delivering 100% of its capital works programme over the next 10 years, and the LTP specifically discusses skill shortages, contractor availability, shortages of physical inputs, and cost certainty as factors that may impact on this. We will continue to monitor Council's progress on planned capital works on a monthly basis over the LTP.	Ongoing

Recommendation	Current status	Comments	Timeframe
<p><b>Roading – Theoretical replacement profile</b> We recommend the District Council develop a theoretical replacement profile for roading assets in order to inform the renewals forecasting and formalise documentation held to support renewals planning.</p>	Closed	The theoretical replacement profile is a very costly exercise and may not put council in a better position than it is currently in terms of outcomes for the district’s residents and ratepayers. However, we are working toward a more robust method of renewals planning albeit in a more cost-effective way.	N/A
<p><b>Financial Budget Model</b> The District Council’s current financial model is entirely spreadsheet based with numerous formulas throughout. There is therefore an increased risk of error as spreadsheets can be easily changed and may lack certain control features.</p>	In progress	An investigation will be undertaken by Director – Corporate Services on the best solution to efficiently deliver a financial budget model that is accurate and easily auditable.	Report to Audit and Risk Committee scheduled for March 2022.
<p><b>Reconciliation between the general ledger and the asset management system</b> Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset-Finda on a monthly basis. This reconciliation should include a report on the depreciation charged.</p>	Closed	The infrastructure asset revaluation in 2021 will be as at 1 July 2021. The plan will be to balance the two systems at the end of each financial year. The cost vs benefits of attempting to reconcile the systems during the year is prohibitive.	Fully reconciled at 30 June 2021 and annually thereafter.
<p><b>Assessment of asset condition be carried out at valuation cycles</b>  Having appropriate information over the condition of assets and taking this into account when revaluing will give the District Council a better picture of their assets. This will also mean the District Council will have better information for asset management planning.</p>	To consider for next infrastructure valuation.	Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.	Next infrastructure asset valuation is taking place in October 2021.
<p><b>Contract management register</b>  Consider improvements to the contract management register and processes to include a whole-of-Council contract management system.</p>	Partially complete	The new contracts register module in Authority is now being used by staff. Work to link work orders to contracts and set up workflows to enable more effective contract management has been put on hold as it is not a current priority in the IT work programme.	N/A

# INFORMATION REPORT



F19/13/04 – D21/31840

**To:** Audit and Risk Committee  
**From:** Director – Corporate Services  
**Date:** 21 September 2021  
**Subject:** Annual Report Update 2021

## Recommendations

1. THAT the report be received.
2. THAT the Audit Engagement letter and Audit Proposal Letter for the years ended 30 June 2021 and 2022 be received and the District Mayor is authorised to sign both on Council's behalf.

## Recommended Reason

To inform the Committee of the current status of the Annual Report 2021, enable progression of the year end audit, and give the opportunity for the Audit Director from Audit New Zealand to discuss the upcoming audit with the Committee.

/\_\_\_\_\_  
 Moved/Seconded

## 1. Purpose of Report

- 1.1 To give a high level update on the Annual Report 2021, and give elected members an opportunity to have a discussion with the Audit Director prior to the commencement of the year end audit.

## 2. Executive Summary

- 2.1 The Local Government Act 2002 requires that all local authorities must complete and adopt by Council resolution its Annual Report within 4 months after the end of the financial year to which it relates. As was done in 2020, the legislation has been changed to extend the time limits for adopting the 2020/21 and 2021/22 annual reports to no later than 31 December. Refer to Appendix 1 for further background from the Officer of the Auditor-General New Zealand on this particular matter.
- 2.2 The draft Annual Report 2020/21 is being prepared by Council Officers. Draft financial statements have been attached to this report which show the following preliminary results.

### Revenue

- Total Revenue was \$30,046,000, compared to budgeted revenue of \$27,005,000 – largely due to unanticipated government funding received during the year of \$6,965,000.
- Net rates collected (including rates penalties and rates remissions) came to \$13,437,000 compared to budgeted net rates of \$13,391,000. Reflecting an actual increase from the previous year of 4.7%.

### Expenses

- Total Expenses was \$19,926,000, compared to budgeted expenditure of \$19,111,000 – a result of higher operating expenses in areas that received government funding for operational purposes such as the Mayors Taskforce for Jobs and Community Librarians, a requirement for the use of consultants in the Building Control functions, and the write-off of all work in progress in relation to the Council subdivision.

**Borrowings**

- Gross debt at year end was \$22,200,000, compared to budgeted gross debt of \$24,536,000. This is despite Council borrowing \$7,200,000 in December 2020 in connection with the loan to the Stratford Agricultural and Pastoral Association which was not budgeted for. The budget includes the full drawdown of capital for the new swimming pool – which is not expected to be complete until 2022.

**Performance Measures**

- Of the 98 non-financial performance measures, 62 (or 63%) have been achieved, 28 (or 29%) have not been achieved or information has not (or cannot) be provided to verify outcome, and 8 (or 8%) were not applicable for differing reasons.

2.3 The Audit Engagement Letter, Draft Proposal Letter, and Draft Audit Plan are attached to this report. The total audit fee proposed for the 2021 audit (including disbursements) is \$116,769 excluding GST – an increase of 11% on the actual previous year cost. While this increase is larger than expected, it reflects the complexity and intensity of the year end audit – where for example the audit of the Annual Report 2019/20 in 2020 actually cost Audit New Zealand \$181,499 to deliver. The budget for the Annual Report audit is \$105,000.

The Audit Proposal Letter also gives a proposed fee of \$126,018 for the audit of the following 2021/22 year.

2.4 The audit is proposed to commence on 26 October 2021, with verbal audit clearance expected by 7 December 2021. The final Annual Report 2020/21 (with audit opinion) is expected to be adopted by Council on 14 December 2021. The adoption date is much later than usual but is out of Council’s control. The delay in adoption does not have any significant effect on Council operations or the development of the Annual Plan 2021/22.

**3. Local Government Act 2002**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
<b>Social</b>	<b>Economic</b>	<b>Environmental</b>	<b>Cultural</b>
✓	✓	✓	✓

2.1 The Annual Report addresses all four wellbeing areas and is a key document for performance reporting in all four of these aspects.

**4. Background**

4.1 Council is required to provide to elected members an audited Annual Report for the year ended 30 June, for adoption usually by 31 October. However, this year due to Covid-19 the statutory deadline for adoption (as in 2020) has been extended to 31 December 2021.

**5. Information Summary**

5.1 Refer to Executive Summary and attachments.



The Audit Engagement Letter sets out the respective responsibilities of the Council and the Appointed Auditor for the financial statements and audit of the performance measures.

The Audit Proposal Letter sets out the audit fee for the 30 June 2021 and 2022 audits.

5.2 This year the auditors have advised they will focus particularly on the following, in addition to the necessary verification of the figures provided and performance outcomes stated in the Annual Report:

- Subdivision accounting treatment
- Fair value / impairment assessment of assets
- Accounting for shovel ready funding
- Impact of three waters reform
- Ongoing impact of Covid-19 pandemic
- The risk of management override of internal controls
- Fraud risk
- Performance measure compliance – Water Supply: safety of drinking water
- Performance measure compliance – Wastewater: sewerage overflows and resource consent compliance
- Performance measure compliance – Roading: average quality of ride on sealed road, and change in number of serious crashes.

## 6. Strategic Alignment

### 6.1 Direction

The Annual Report directly reports on all Community Outcomes.

### 6.2 Annual Plan and Long Term Plan

This is consistent with the Annual Plan 2020/21 and LTP 2018-28.

### 6.3 District Plan

Not applicable.

### 6.4 Legal Implications

There is a statutory deadline for adoption of the annual report – 31 December 2021.

There are also legislative requirements in terms of what must be included in an annual report and how it should be presented. The auditors will review Council's annual report, and provide an audit opinion on Council's compliance with these legislative requirements.

### 6.5 Policy Implications

Not applicable.

## Appendices:

- Appendix 1 - Update from Office of the Auditor-General on statutory reporting timeframe extension
- Appendix 2 - Draft financial statements 2020/21
- Appendix 3 - Draft balance sheet 2020/21
- Appendix 4 - Audit Engagement Letter for the 30 June 2021 and 2022 financial years
- Appendix 5 - Draft Audit Proposal Letter for the 30 June 2021 and 2022 financial years
- Appendix 6 - Draft Audit Plan 30 June 2021



Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

## APPENDIX 1



(<https://oag.parliament.nz/media/2021/extended-audit-time-frames/@images/a5488362-a2b8-42dc-884c-faf61ca96cee.jpeg>)

# Statutory reporting time frames to be extended to respond to auditor shortages

*8 July 2021: Parliament has passed a Bill to extend by two months the statutory reporting time frames in the Crown Entities Act 2004 and the Local Government Act 2002. The Bill will come into law once it has received Royal Assent.*

Parliament has passed the Bill to extend by two months the statutory reporting time frames in the Crown Entities Act 2004 and the Local Government Act 2002. The extensions apply to Crown entities and organisations listed in Schedules 4 and 4A of the Public Finance Act 1989 and local authorities and council-controlled organisations with 30 June balance dates.

Last year, all reporting time frames for public organisations with a 30 June balance date needed to be extended. This was because of the way Covid-19 affected many of those organisations' ability to prepare their financial statements (and performance information) and affected our ability to carry out the annual audits. This year, global mobility restrictions and auditors leaving the profession have meant a shortage of auditors in Australia and New Zealand. There are simply not enough auditors available (<https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/audit-recruitment-challenges-in-new-zealand>) to do the work.

It is vital that the shortage of auditors does not compromise the quality of the audit work carried out, especially during times of increased uncertainty. The reporting time frames are being extended to allow auditors to sequence their work over a longer period and maintain the quality of their work.

The move will also avoid many public organisations breaching their statutory reporting timeframes. Statutory time frames are important to the integrity of New Zealand's public accountability system.

Auditors will engage directly with Crown entities, organisations listed on Schedules 4 and 4A of the Public Finance Act 1989, local authorities, and council-controlled organisations to discuss the sequencing of audit work. Many of the public organisations that we audit will be unaffected by this change and their audits will be completed within normal statutory time frames.

Audits that will be completed within the normal statutory reporting time frames include:

- The audit of the financial statements of the Government and its main component audits. This includes all government departments, the Reserve Bank of New Zealand, New Zealand Superannuation Fund, State-owned enterprises, and mixed-ownership model companies.

## APPENDIX 1

- Large Crown entities, such as the Accident Compensation Corporation, Kainga Ora – Homes and Communities, Waka Kotahi NZ Transport Agency, and larger district health boards.
- All Financial Markets Conduct reporting entities (those covered by the Financial Markets Conduct Act 2013) such as Auckland Council.
- Larger local authorities (for example, Christchurch City, Tauranga City, Wellington City, and Dunedin City, including significant council-controlled organisations).

Any outstanding audits of local authorities' long-term plans 2021-31 will also be a priority, as well as any remaining audits of significant public organisations with a 31 March 2021 balance date.

Audits that will be completed within the extended statutory reporting time frames include:

- small to medium-sized local authorities and smaller council-controlled organisations;
- some smaller district health boards; and
- smaller Crown entities, trusts, and organisations listed on Schedules 4 and 4A of the Public Finance Act 1989.

### Background

Covid-19 continues to significantly affect many organisations in New Zealand, including ours.

There is a shortage of auditors across New Zealand and Australia. Normally, the audit profession relies on bringing in auditors from overseas to manage the workload at this time of the year. With global mobility restrictions, there is a limited supply of auditors in both the public and private sectors. Compounding this, there are auditor retention challenges. A tight labour market for qualified finance staff means that auditors are being actively sought for other positions.

These factors are affecting all audit firms, as shown in a [recent Chartered Accountants Australia and New Zealand survey](https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/audit-recruitment-challenges-in-new-zealand) (<https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/audit-recruitment-challenges-in-new-zealand>). They also affect audits in both the public and the private sectors. The Financial Markets Authority has already allowed for an [extended reporting deadline for Financial Markets Conduct reporting entities](https://www.fma.govt.nz/news-and-resources/covid-19/temp-extension-reporting/) (<https://www.fma.govt.nz/news-and-resources/covid-19/temp-extension-reporting/>) in response to the shortage of auditors.

The auditor shortage impact has been particularly acute for Audit New Zealand, the Auditor-General's in-house audit service provider. Audit New Zealand relies on both recruitment from overseas and on short-term engagements of auditors from New Zealand private audit firms during its busy period.

Auditors are also experiencing extended high workloads – from an extremely busy 2020 due to Covid-19, and a busy first half of 2021 with the audits of local authorities' long-term plans and their associated consultation documents.

For these reasons, the Auditor-General wrote to the Minister of Finance in mid-June requesting his support for a legislative amendment that would extend statutory time frames by two months for some public organisations' 30 June 2021 year-end reporting. There are similarities to the extensions provided in 2020 for a broader range of public organisations.

With a two-month extension to timeframes, we expect that all 30 June 2021 audits will be completed by the end of this calendar year without compromising audit quality. Although, as always, completing audits will depend to some extent on the readiness of public organisations for audit.

## APPENDIX 1

There is no short-term solution to the industry-wide shortage of auditors. We, together with the broader auditing profession, are actively working on a range of longer-term measures. These include supporting auditors being added to Immigration New Zealand's list of priority workers, recruiting a larger number of graduates, and extending the circumstances in which auditing work can be carried out offshore or through virtual secondments (with due consideration of security risks).

Although we want to return to a normal reporting cycle, it is possible that this auditor shortage will continue until at least the end of 2022. For this reason, allowing for extended time frames this year and next year will allow certainty of planning for public organisations and for our auditors.

Our auditors will now engage directly with the public organisations that are potentially affected by the extended statutory reporting time frames to confirm audit arrangements.

Office of the Auditor-General, 100 Molesworth Street, Thorndon, Wellington 6011 | +64 4 917 1500 | [enquiry@oag.parliament.nz](mailto:enquiry@oag.parliament.nz) (mailto:enquiry@oag.parliament.nz)

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## APPENDIX 2

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE  
FOR THE YEAR ENDED 30 JUNE 2021

	Council			Group	
	Actual 2020/21 \$000	Budget 2020/21 \$000	Actual 2019/20 \$000	Actual 2020/21 \$000	Actual 2019/20 \$000
<b>Revenue</b>					
Rates	13,437	13,391	12,836	13,437	12,836
Subsidies and Grants	11,138	7,341	3,695	11,152	3,731
Development and Financial Contributions	127	-	47	127	47
Fees and Charges	2,226	2,275	2,000	2,275	2,021
Finance Revenue	139	139	97	188	149
Other revenue - residential sections sales	2,779	3,816	1,292	2,779	1,292
Other revenue - sale of property	-	-	615	-	615
Gains on property, plant and equipment	61	-	260	61	260
Vested Assets	-	-	6,786	-	6,786
Sundry Revenue	140	44	134	92	134
<b>Total Revenue</b>	<b>30,046</b>	<b>27,005</b>	<b>27,762</b>	<b>30,109</b>	<b>27,870</b>
<b>Expenses</b>					
Personnel Costs	4,427	4,157	4,099	4,537	4,201
Depreciation and Amortisation	4,626	4,810	4,784	4,706	4,860
Other expenses	10,426	9,478	10,436	10,437	10,451
Landfill impairment	-	-	23	-	23
Finance Costs	447	665	398	447	398
<b>Total Expenses</b>	<b>19,926</b>	<b>19,111</b>	<b>19,740</b>	<b>20,128</b>	<b>19,933</b>
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>	<b>10,120</b>	<b>7,894</b>	<b>8,022</b>	<b>9,981</b>	<b>7,937</b>
Income Tax Expense	-	-	-	-	-
<b>SURPLUS/(DEFICIT) AFTER TAX</b>	<b>10,120</b>	<b>7,894</b>	<b>8,022</b>	<b>9,981</b>	<b>7,937</b>
<b>Other Comprehensive Revenue and Expense</b> <i>Items that will not be reclassified to surplus / (deficit)</i>					
Fair value movement of listed and unlisted shares	9	-	(61)	9	(61)
Staff Gratuities	-	(48)	-	-	-
Property, Plant and Equipment Revaluations	-	-	1,154	-	1,344
<b>Total Other Comprehensive Revenue and Expense</b>	<b>9</b>	<b>(48)</b>	<b>1,093</b>	<b>9</b>	<b>1,283</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>10,129</b>	<b>7,846</b>	<b>9,115</b>	<b>9,990</b>	<b>9,220</b>
<b>Total Comprehensive Revenue and Expense attributable to:</b>					
Stratford District Council	10,129	7,846	9,115	10,081	9,114
Percy Thomson Trust	-	-	-	(91)	106
	<b>10,129</b>	<b>7,846</b>	<b>9,115</b>	<b>9,990</b>	<b>9,220</b>

Note: The net surplus of \$10,120,000 is primarily due to the receipt of central government funding for capital projects; and the sale of further residential sections in the Pembroke Road development.

The accompanying notes form part of these financial statements.  
Explanations of significant variances against budget are provided in note 29.

## APPENDIX 3

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021

	Council			Group	
	Actual 2020/21 \$000	Budget 2020/21 \$000	Actual 2019/20 \$000	Actual 2020/21 \$000	Actual 2019/20 \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	2,256	3,981	5,082	2,388	5,123
Short Term Deposits	7,000	-	3,000	7,250	3,250
Receivables	6,235	1,026	904	6,238	907
Inventory - assets held for sale	-	-	610	-	610
Prepayments	13	-	11	13	11
Other Financial Assets	32	-	56	82	106
<b>Total Current Assets</b>	<b>15,536</b>	<b>5,007</b>	<b>9,664</b>	<b>15,971</b>	<b>10,008</b>
<b>Non-Current Assets</b>					
Receivables	19	-	23	19	23
Property, Plant and Equipment	337,050	344,534	328,722	338,957	330,694
Intangible Assets	497	-	565	497	565
Investment in Percy Thomson Trust (CCO)	0	0	0	-	-
Other Financial Assets	8,276	921	865	8,828	1,542
<b>Total Non-Current Assets</b>	<b>345,842</b>	<b>345,455</b>	<b>330,175</b>	<b>348,300</b>	<b>332,825</b>
<b>Total Assets</b>	<b>361,378</b>	<b>350,462</b>	<b>339,838</b>	<b>364,271</b>	<b>342,832</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables and deferred revenue	7,501	2,067	2,823	7,515	2,843
Provisions	7	11	11	7	11
Employee entitlements	243	117	183	249	190
Borrowings	2,000	1,500	3,500	2,000	3,500
<b>Total Current Liabilities</b>	<b>9,751</b>	<b>3,695</b>	<b>6,517</b>	<b>9,771</b>	<b>6,544</b>
<b>Non-Current Liabilities</b>					
Provisions	18	26	45	18	45
Employee entitlements	52	47	49	52	49
Borrowings	20,200	23,036	12,000	20,200	12,000
<b>Total Non-Current Liabilities</b>	<b>20,270</b>	<b>23,108</b>	<b>12,094</b>	<b>20,270</b>	<b>12,094</b>
<b>Total Liabilities</b>	<b>30,021</b>	<b>26,803</b>	<b>18,611</b>	<b>30,041</b>	<b>18,638</b>
<b>Equity</b>					
Accumulated Funds	189,944	181,362	181,353	191,562	183,109
Reserves	141,415	142,296	139,878	142,622	141,084
<b>Total Equity Attributable to Stratford District Council</b>	<b>331,359</b>	<b>323,658</b>	<b>321,230</b>	<b>334,183</b>	<b>324,193</b>
<b>Total Liabilities &amp; Equity</b>	<b>361,378</b>	<b>350,462</b>	<b>339,838</b>	<b>364,224</b>	<b>342,832</b>

The accompanying notes form part of these financial statements.



## APPENDIX 4

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

8 September 2021

31 Amesbury Street  
PO Box 149, Palmerston North 4440

Neil Volzke  
Stratford District Council  
PO Box 320  
Stratford 4352

Dear Neil

### Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Stratford District Council, under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of Stratford District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the year ending 30 June 2021 and 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the Council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Stratford District Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Stratford District Council’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.



## APPENDIX 4

### The Council's responsibilities

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from Stratford District Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit;

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

## APPENDIX 4

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within Stratford District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

### **Our responsibilities**

#### ***Carrying out the audit***

We are responsible for forming an independent opinion on whether the financial statements of Stratford District Council:

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

We are also responsible for forming an independent opinion on whether the performance information of Stratford District Council:

- presents fairly, in all material respects, the performance for the financial year, including:
  - its performance achievements as compared with the intended levels of service for the financial year; and
  - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

## APPENDIX 4

- the funding impact statement of Stratford District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the annual plan; and
- the statement about capital expenditure for each group of activities of Stratford District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the annual plan; and
- the funding impact statement for each group of activities of Stratford District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.

We are also required to report on whether the Stratford District Council has:

- complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stratford District Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the Stratford District Council have carried out their activities;
- consider laws and regulations relevant to the audit;

## APPENDIX 4

- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of Stratford District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and Stratford District Council have met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

### ***Our independence***

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of Stratford District Council; including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

### ***Reporting***

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other management letters to Stratford District Council from time to time. We will inform the Council of any other management letters we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

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### Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely



Chris Webby  
Appointed Auditor  
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: Neil Volzke  
Title: Mayor on Behalf of the Council

## APPENDIX 4

### Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and performance information</b>	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects:                             <ul style="list-style-type: none"> <li>○ the financial position; and</li> <li>○ the financial performance and cash flows for the financial year;</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year, including:                             <ul style="list-style-type: none"> <li>○ the performance achievements as compared with the intended levels of service for the financial year; and</li> <li>○ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year.</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> <li>• the funding impact statement of Stratford District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the annual plan; and</li> </ul>

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Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>• the statement about capital expenditure for each group of activities of Stratford District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Annual plan; and</li> <li>• the funding impact statement for each group of activities of Stratford District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.</li> </ul> <p>We are also required to report on whether Stratford District Council has:</p> <ul style="list-style-type: none"> <li>• complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and</li> <li>• made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

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Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> </ul>



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Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of Stratford District Council;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable Stratford District Council's financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for accounting and internal control systems</b>	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Stratford District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
<b>Responsibilities for preventing and detecting fraud and error</b>	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Stratford District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within Stratford District Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>• report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

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Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for compliance with laws and regulations</b>	
<p>You are responsible for ensuring that Stratford District Council has systems, policies, and procedures (appropriate to the size of Stratford District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Stratford District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance;</li> <li>• the impact of non-compliance for the addressee of the audit report</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
<b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Stratford District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

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Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<b>Responsibilities for conflicts of interest and related parties</b>	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
<b>Responsibilities for publishing the audited financial statements on a website</b>	
<p>You are responsible for the electronic presentation of the financial statements and performance information on Stratford District Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

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### **Appendix 2: Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



## APPENDIX 5

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

8 September 2021

Neil Volzke  
Mayor  
Stratford District Council  
PO Box 320  
Stratford 4352

Ref: EN/LCA/03-0038  
Copy: Director Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington 60140

Dear Neil

### **Proposal to conduct the audit of Stratford District Council and group on behalf of the Auditor-General for the 30 June 2021 and 2022 financial years**

#### **1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the two years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the two financial years ending 30 June 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- background to fees increase;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit;
- our proposed fees for the audit for the financial years ending 30 June 2021 and 2022 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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Please read this letter in conjunction with our audit proposal letter dated 6 July 2020.

### 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that “the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place.

### 3 Background to the fee increases

In our audit proposal letter dated 6 July 2020, we set out the statutory basis for our audit and how fees are set.

We also referred to a letter that the Auditor-General had sent to Councils in April 2020 setting out his thoughts on the matter of Council audit fees. He reflected that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. He advised that audit fees will, in the future, need to be increased to reflect the real costs.

The Auditor-General has now agreed to allow us to discuss with you an approach to increasing audit fees to better reflect those real costs.

### 4 Entities covered by this proposal

This proposal covers the audit of Stratford District Council parent and group.

### 5 Key members of the audit team

Appointed Auditor Chris Webby

Audit Manager Ros Rheeder

### 6 Team mix and hours for the year ending 30 June 2021 and 30 June 2022

Audit team member	2020 budget	2020 actual	2021 proposed	2022 proposed
Appointed Auditor	65	99	65	65

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Audit team member	2020 budget	2020 actual	2021 proposed	2022 proposed
EQR Director	12	13	-	-
Audit Manager	90	123	90	90
Other CA qualified staff	180	458	180	180
Non-CA qualified staff	380	181	380	380
<b>Other specialists:</b>				
Sector specialist support	5	5	5	5
Information systems	20	24	20	20
Tax	1	1	1	1
<b>Total audit hours</b>	<b>753</b>	<b>903</b>	<b>741</b>	<b>741</b>

EQR is an Audit New Zealand internal process and was not charged as part of the 30 June 2020 audit. An EQR is not required for the year ending 30 June 2021 and 2022.

### 7 Proposed audit fee for the year ending 30 June 2021 and 30 June 2022

Our proposed fee for your audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2020 budget	2020 actual	2021 proposed	2022 proposed
	\$	\$	\$	\$
Net audit fee (excluding OAG ASQS fee and disbursements)	86,268	162,819	94,032	102,495
OAG Audit Standards and Quality Support (ASQS) fee	8,015	8,015	8,737	9,523
Costs not recovered		(76,551)		
<b>Total audit fee (excluding disbursements)</b>	<b>94,283</b>	<b>94,283</b>	<b>102,769</b>	<b>112,018</b>
Estimated disbursements	14,000	10,665	14,000	14,000
<b>Total billable audit fees and charges (excluding GST)</b>	<b>108,283</b>	<b>104,948</b>	<b>116,769</b>	<b>126,018</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fee.



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We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

### ***Reasons for increase in audit fee***

The main changes in cost components for future audits are:

<b>Reasons for increased audit fee compared to previous period <i>budgeted fees:</i></b>	<b>2021</b>	<b>2022</b>
Staff salary cost movements	2,588	2,821
Other changes – to move the fee to match the hours required for the job over time as noted in the audit proposal letter dated 6 July 2020.	5,176	5,642
<b>Total increase in audit fees</b>	<b>7,764</b>	<b>8,463</b>

## **8 Assumptions relating to our audit fee**

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work;
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and

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- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

### 9 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

### 10 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

### 11 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

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Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Chris Webby  
Appointed Auditor  
Audit New Zealand

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I accept the audit fees for the audit of the 2021 and 2022 financial years as stated above.

Full name: Neil Volzke Position: Mayor

Authorised signature: \_\_\_\_\_ Date: \_\_\_\_\_

Entity name: Stratford District Council

### Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:  
Chris Webby  
Audit New Zealand  
PO Box 149  
Palmerston North, 4440

# Audit plan

## Stratford District Council

For the year ended 30 June 2021

## Audit plan

I am pleased to present our audit plan for the audit of Stratford District Council (District Council) for the year ended 30 June 2021. The purpose of this audit plan is to discuss:

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The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Chris Webby  
Appointed Auditor  
8 September 2021 (Draft)

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
<b>Subdivision accounting treatment</b>	
<p>The District Council subdivided land for resale during the 2019 financial year. Some of these properties were sold in the 2020 financial year with more expected to be sold in the 2021 financial year.</p> <p>The District Council have recognised the costs associated with the subdivision as inventory in the previous financial years, in terms of PBE IPSAS 12 – Inventories and the Council infrastructure.</p> <p>For the 2021 financial year, the District Council will need to ensure they calculate the costs associated with the properties sold and recognise these as cost of sales (Expenditure - Cost of sales residential development). The remaining costs associated with properties not yet sold, should be recognised as inventory. The Council infrastructure that is completed at year end should be capitalised and incomplete work should be recognised as work in progress.</p> <p>The District Council should ensure there are accurate records of costs per plot and details of any assumptions made in calculating the amounts.</p>	<p>We will review the District Council’s assumptions and determine if these are reasonable and supportable. We will review the calculations and support for costs and sales. We will confirm that inventory, Council’s infrastructure, sales and cost of sales of residential development properties are recognised accurately in the financial statements at 30 June 2021.</p>

Audit risk/issue	Our audit response
<b>Fair value/impairment assessment of assets</b>	
<p>PBE NZ IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with enough regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash Generating Assets require assets held at cost to be assessed for indicators of impairment on an annual basis.</p> <p>The District Council revalues its property, plant and equipment on a three yearly cycle.</p> <p>Non-revaluation year and impairment assessment</p> <p>In a non-revaluation year the District Council must consider whether there has been any significant movement in the fair value of the assets.</p> <p>On a yearly basis the District Council must review its property, plant and equipment for impairment indicators.</p> <p>The last full revaluation of infrastructure was 1 July 2018 and for land and buildings was 1 January 2020.</p> <p>We expect that:</p> <ul style="list-style-type: none"> <li>• the District Council will have done a comprehensive analysis to determine whether there is a significant variance between the fair value as at 30 June 2021 and the carrying value that would trigger the need for the District Council to revalue or impair the assets; and</li> <li>• the value of work in progress (WIP) on projects that span an extended period of time to be assessed for impairment regularly over the period of the project.</li> </ul>	<p>Our audit response to this risk involves:</p> <ul style="list-style-type: none"> <li>• Reviewing the District Council's assessment of whether there is any significant difference between the carrying amount and fair value of its property, plant and equipment; and</li> <li>• Reviewing the District Council's assessment of whether there were any indicators of impairment, and the resulting accounting treatment if applicable.</li> </ul>

Audit risk/issue	Our audit response
<b>Accounting for Shovel Ready Funding</b>	
<p>We understand that the District Council has received Shovel Ready funding from central government.</p> <p>It is important that this funding is clearly and appropriately accounted for in accordance with the PBE accounting standards, and that the District Council is transparent with its community and meeting any obligations.</p>	<p>Our audit response to this risk involves reviewing appropriateness of the accounting treatment for any Shovel Ready funding received by the District Council.</p>



Audit risk/issue	Our audit response
<b>Impact of three waters reform</b>	
<p>During 2020/21, the District Council signed a non-binding Memorandum of Understanding (MOU) with Crown. By signing this MOU, the District Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>On signing of the MOU, the District Council subsequently received \$2.39 million of the share of \$761 million Crown stimulus funding. It is important that the District Council is appropriately accounting for its share of the funding and is meeting the obligations of the funding agreement.</p> <p>The Government is proposing to establish four publicly owned entities to take responsibility of drinking water, wastewater and stormwater infrastructure across New Zealand.</p> <p>The District Council will need to decide whether to opt out of the proposed new service delivery model. There is still considerable information to come as to what these reforms may mean for the District Council before this decision will be made.</p> <p>We would expect the District Council has taken steps to:</p> <ul style="list-style-type: none"> <li>• consider the implications of any government announcements about three waters reform up to the date of authorisation of the financial statements. This includes the impact on financial statements and disclosures, including subsequent events disclosures; and</li> <li>• ensure any crown stimulus funding resulting from the three waters reform programme received by the District Council has been appropriately accounted for in accordance with PBE accounting standards and the terms of the agreement.</li> </ul>	<p>We will continue to monitor developments related to the three waters reform. If any substantive announcements are made before the financial statements are authorised for issue, we will discuss the implications of these on the District Council and on our audit report with management and the Council.</p> <p>We will gain an understanding of the water stimulus funding agreements signed by the District Council. Water stimulus funding is material to the financial statements, so we will review this to ensure that revenue recognition is in line with PBE accounting standards.</p>

Audit risk/issue	Our audit response
<b>Ongoing impact of Covid-19 pandemic</b>	
<p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, it is likely that the uncertainties in the economic environment will increase the risk of material misstatement in financial statements. These effects might include uncertainties relating to revenue and asset valuations.</p> <p>We would expect the District Council has taken steps to:</p> <ul style="list-style-type: none"> <li>• reconsider the risks that the District Council faces; and</li> <li>• reconfirm that reporting and internal control systems are in place and functioning effectively.</li> </ul>	<p>As part of our audit response, we will:</p> <ul style="list-style-type: none"> <li>• gain an updated understanding of the impact of Covid-19 on the District Council's operations, financial statements, and performance story;</li> <li>• establish if management has identified and recorded any additional Covid-19 related revenue, receivables, and costs, including as a result of shovel ready or recovery funding, and whether these are recognised in line with PBE accounting standards; and</li> <li>• assess the completeness and reasonableness of disclosures contained within the Annual Report relating to the impact of Covid-19.</li> </ul> <p>If we identify additional Covid-19 related audit risks or issues, we will advise you of these separately.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

### Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we have discussed the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](http://oag.parliament.nz/reports/fraud-reports).

## Group audit



The group comprises:

- Stratford District Council
- Percy Thomson Trust

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

Significant component	Work to be performed
Percy Thomson Trust	<p>This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> <li>• Management override</li> </ul> <p>More information on this audit risks can be found in the Audit Risks and Issues section above.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

## Our audit process

### Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

### Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the District Council, your business, and the environment you operate in.

### Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

### Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

### Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

### Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the District Council's financial statements and performance information.

### Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the covering any relevant matters that come to our attention.

## Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers’ overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer’s perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer’s perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

### **Financial statements materiality**

For planning purposes we have set **overall materiality** for the financial statements at \$26,740,000 based on budgeted net assets. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment and associated movements in other comprehensive revenue and expense.

Overall materiality	\$26,740,000
Specific materiality	\$530,000
Clearly trivial threshold	\$26,500

For this audit we have set a lower, **specific materiality** of \$530,000 for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$26,500 to be clearly trivial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

**Misstatements**

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

**Materiality for service performance information**

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council’s performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers’ overall understanding, decision making, or assessment of the District Council’s performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
<b>Water</b>	
Safety of Drinking Water The extent to which the water supply will comply with part 4 of the New Zealand drinking water standards (bacteria compliance criteria) The extent to which the water supply will comply with part 5 of the New Zealand drinking water standards (protozoal compliance criteria)	0% - The measure is reported as “Yes” (compliant) or “No” (not compliant) for each water supply.

Material measure	Materiality
<b>Wastewater</b>	
Compliance with all resource consents for discharge from the wastewater system. Measured by: (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, in relation to those resource consents.	0%
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	8%
<b>Roading</b>	
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	10%
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	8%

### Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.



## How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

## Wider public sector considerations

A public sector audit also examines whether:

- the District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

### Reports to Council



We will provide a draft of all reports to management (and Council) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to .

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Chris Webby	Appointed Auditor
Ros Rheeder/Alistair Love	Audit Manager
Tayla Corbett	Senior Auditor

### Timetable



Our proposed timetable is

Interim audit	6 April 2021
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	18 October 2021
Final audit begins	26 October 2021
Final financial statements available, incorporating all the amendments agreed to between us	12 November 2021
Verbal audit clearance given	7 December 2021
Annual report available, including any Chair and Chief Executive's overview or reports	8 November 2021
Audit opinion issued	14 December 2021
Draft report to Council issued	21 December 2021

There is the possibility that, due to Covid-19 and the auditor shortage in New Zealand, there may be disruptions that will require changes to the timetable proposed above. Where this arises, we will discuss a revised timetable with you.

## **AuditDashboard**

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

During 2021 we implemented a new online portal called AuditDashboard. AuditDashboard allows for easier collaboration and file sharing between the District Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. More information on this new tool can be found at: [Information about AuditDashboard](#).

### **The benefits of AuditDashboard**

Your team have been invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

There will be no change to the information that the audit team asks for. Rather than emailing an Excel spreadsheet, we will request information using AuditDashboard, which your team will then use to upload files.

We have started using AuditDashboard on the audit. We provided the Chief Executive with an overview and agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy.

We will work with your team to onboard them to AuditDashboard, answer any questions you might have, and ensure your team understand how to use it.

## Expectations



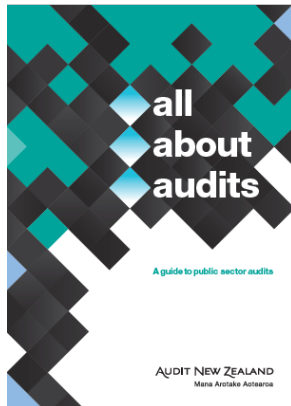
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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

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# INFORMATION REPORT



F19/13/04 – D21/31913

**To:** Audit and Risk Committee  
**From:** Director – Corporate Services  
**Date:** 21 September 2021  
**Subject:** Risk Management

## Recommendations

1. THAT the report be received.

### Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

\_\_\_\_\_  
/\_\_\_\_\_  
Moved/Seconded

## 1. Purpose of Report

- 1.1 To provide a high level update on Council risk, in accordance with Council's Risk Management Policy.

## 2. Executive Summary

- 2.1 The key risks to Council that have required active management by the Senior Leadership Team are *Risk 78 – Government Policy impacting on Local Government*, *Risk 64 – Infectious Disease Outbreak / Pandemic*, and *Risk 58 – Contractor Damage or Breach*.
- 2.2 There have been no new risks identified and added to Council's risk register since the last Audit and Risk Committee meeting.
- 2.3 The raw risk rating for *Risk 78 – Government Policy impacting on Local Government* has been updated to Extreme, from Very High.

## 3. Local Government Act 2002

Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future"

Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:

Affects all four well-beings in some way.

Social	Economic	Environmental	Cultural
✓	✓	✓	✓

- 3.1 Risk Management aims to protect all areas of Council operations.

**4. Background**

- 4.1 The Council maintains a full risk register, which currently has 85 risks. Of these, 10 of the highest risks in terms of likelihood and consequence are monitored and reported to the Audit and Risk Committee.
- 4.2 In August 2021, the Risk Management Policy was updated and one of the changes to the previous reporting system was that only high level risks would feature in this regular report to the Audit and Risk Committee.
- 4.3 The risk register includes a description of the risk, and evaluates the risk in terms of likelihood and consequence without any controls in place. Controls (risk reduction methods and mitigations) have been established for each risk, and then the risk is re-evaluated to get a residual risk score. In terms of what constitutes a significant risk, the raw risk score is taken into account rather than the residual risk as it is important that the Senior Leadership Team and the Audit and Risk Committee regularly monitor that the controls in place are appropriate and effective.

**5. Information Summary**

- 5.1 At the July 2021 Audit and Risk Committee meeting, the risk score for Risk 78 – Government Policy impacting on Local Government, was updated to Extreme to reflect that there is significant change proposed by the government such as the Three Waters Reforms, Resource Management Act Reform, and the Future of Local Government Reform that will definitely have significant impact on local authorities. A report on this particular risk will be brought to the Audit and Risk Committee in November 2021. In terms of the Three Waters Reforms, Council has recently held two workshops with elected members specifically on this topic, and will respond to an Entity B survey within the next week to get some high level data to guide Council feedback to the Government.
- 5.2 The control measure for this risk has been updated as follows:

*Where a policy change may have a significant negative impact on the Council then staff and elected members should consider making a submission to suggest and encourage alternative options. Council officers and elected members need to keep up to date with proposed changes to legislation and government policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice. Council should aim to maintain a position where it can be adaptive and respond well to change, e.g. low to medium debt levels, diversification, good employment relationships.*

The raw risk rating has been updated to Extreme – 20, and the residual risk score has been updated to High – 6 (to reflect that the controls above may have an impact on both the severity of the reforms, and possibly the likelihood).

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	Low	1-Low	1-Low	4-Moderate	5-High

- 5.3 *Risk 64 – Infectious Disease Outbreak / Pandemic – With the country going into Level 4 lockdown, due to a community outbreak of Covid-19, from 18 September 2021, Council services were limited to services that were deemed to be essential – this included Water Supply, Rubbish Collection, Rooding, and Customer Service. Most*



Council staff were able to work from home during this period and Council was sufficiently prepared for the emergency lockdown. Since Level 2, all Council staff have now returned to work and operations have resumed under the new requirements of Level 2. This has not been particularly onerous on public facing operations. The first quarterly instalment of rates were due during Level 4, and the Rates Remission Policy was used to defer the application of late payment penalties, upon application.

- 5.4 *Risk 58 – Contractor Damage or Breach*, this risk is under review in terms of ensuring one of the risk mitigations is working effectively and is fit for purpose. All physical works contractors are required to be health and safety pre-qualified with Stratford District Council. A two tier qualification system has been proposed to the Health and Safety Adviser to attempt to resolve the problem of some of the smaller contractors with less resources being unable or unwilling to complete the current pre-qualification application to a satisfactory level. The Adviser is currently reviewing the proposal and will make a decision in due course on next steps.
- 5.5 *Upcoming Risk Reports* – One-off items that are expected to be presented to the Audit and Risk Committee over the next year include:

<b>November</b>	Emerging Risk: Local Government Reforms (what it means for the Community and Council)
<b>March</b>	Annual Plan 2022/23: risks, assumptions and challenges, including a recommendation on the Financial Budget Model audit recommendation by Audit New Zealand.
<b>May</b>	LTP Capital Projects – progress status update
<b>July</b>	IANZ Building Accreditation update

## 6. Strategic Alignment

### 6.1 Direction

Not applicable.

### 6.2 Annual Plan and Long Term Plan

Not applicable.

### 6.3 District Plan

Not applicable.

### 6.4 Legal Implications

Not applicable.

### 6.5 Policy Implications

This report is in line with the Risk Management Policy.



Tiffany Radich  
**Director – Corporate Services**

A handwritten signature in blue ink, appearing to read 'Sven Hanne', with a long horizontal stroke extending to the right.

[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

## APPENDIX 1

## Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	20 Extreme	Where a policy change may have a significant negative impact on the Council then staff and elected members should consider making a submission to suggest and encourage alternative options. Council officers and elected members need to keep up to date with proposed changes to legislation and govt policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice. Council should aim to maintain a position where it can be adaptive and respond well to change, e.g. low to medium debt levels, diversification, good employment relationships.	6 High
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	4 High
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High

## APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate

**APPENDIX 1**

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High

# INFORMATION REPORT



F19/13/04 – D21/30310

**To:** Audit and Risk Committee  
**From:** Corporate Accountant  
**Date:** 21 September 2021  
**Subject:** Internal Audit Report 2020/21

## Recommendation

THAT the report be received.

### Recommended Reason

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

/\_\_\_\_\_  
Moved/Seconded

## 1. Purpose of Report

The purpose of this report is to enable the Audit and Risk Committee to carry out its function of reviewing the internal audit activity of the Council by providing the final Internal Audit Report 2021, conducted by Stratford District Council staff.

## 2. Executive Summary

The Audit and Risk Committee have, in its Terms of Reference adopted in February 2020, an obligation to:

1. Agree the internal audit programme, review the findings of internal audits, and to monitor management response and implementation of their recommendations.
2. To ensure that recommendations highlighted in internal audit reports are actioned by management.
3. To review the internal auditors and their activities.

This report provides the Committee with the opportunity to action the obligations above.

Key findings from the audit – based on the four risk categories were:

- Compliance and Legislation
  - All consents selected complied with the relevant conditions;
  - Can improve the recording of waters complaints required; and
  - All necessary liquor and health license documentation for the samples selected was fully compliant, depending on the nature of the application.
- Financial
  - issue invoices for resource consents in a more timely manner, potentially charging upfront (which would require a change in the fees and charges) and charging for withdrawn applications;
  - more awareness of the local tolerance allowable for procurement; and
  - more staff awareness needed of the gift register.
- Health and Safety Wellbeing
  - recommendation to have a designated assembly area in case of an emergency evacuation at the Prospero Market;
  - recommendation to ensure no other swimmers or instructors are in the respective lanes/s while spin bike classes are in progress at the pool;
  - storage of chemicals at the water treatment plant is good; and
  - recommendations for safety of authorised personnel at the water treatment plant.

- Operational
  - access to the archives room is well controlled;
  - requests for entry and other documentation could go digital.

### 3. Local Government Act 2002

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
	✓		

A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community (Section 101 of the Local Government Act 2002 “the Act”). The internal audit process is a mechanism by which senior management and elected members can get some form of assurance that the Council is managing its assets prudently.

### 4. Background

4.1 The purpose of carrying out an annual internal audit is to provide additional assurance to the Audit and Risk Committee that the Council is managing its risks effectively. It fulfils the Council’s responsibilities in the Risk Management Policy approved in September 2017. The following is an excerpt from the Council’s Risk Management Policy:

**“FRAME** - Risk management practices are framed in the context of the Council’s risk appetite; The Stratford District Council’s strategic and business objectives; and the strategic, environmental and organisational context within which the Stratford District Council operates and from which risks arise.

**ASSESS** - what, why and how events may arise are identified, existing controls determined, and risks are analysed in terms of their likelihood and impact in the context of those controls.

**RESPOND** – Stratford District Council develops and implements specific risk management plans - with controls and treatments for high impact risks, or monitoring measures for lower or accepted risks – in response to risks.

**MONITOR** - Monitoring and review occurs throughout the risk management process, with oversight and review of Risk Registers and any changes that might affect them; this includes communication, consultation and reporting at all stages that enables the Stratford District Council to minimise losses and capitalise on opportunities.”

4.2 The attached audit report relates to the second in-house internal audit undertaken since the inception of the Audit and Risk Committee, the first one being in July 2020. Unlike the previous internal audits which were undertaken by external consultants, these audits were done by council staff, however still focused primarily on risks contained in Council’s Risk Register.

4.3 A wider risk based audit is considered to be a more effective use of an internal auditor, rather than focusing purely on a financial based audit. At year end, external auditors undertake a significant review of the Council’s financial processes, testing of asset and liability balances, and substantive transactional testing. In addition, the auditors review the effectiveness of internal controls in the finance function. Council officers are actively identifying ways to minimise and reduce the incidence of errors, or deliberate acts of fraud, on an ongoing basis.

- 4.4 It was once again considered good practice to undertake this year's internal audit by council staff. In addition to cost savings, this also gave the audit participants a better understanding of processes within other departments, assisting with individual personal development and cross department collaboration. The staff responsible for the function being audited also directly benefited from the audit as it was an opportunity for them to revisit their current processes and procedures.
- 4.5 The internal audit was carried out in line with the Internal Audit Plan (Appendix 2), approved by the Audit and Risk Committee at the June 2021 meeting. The intention was to start the audit in May 2021, however due to the postponement of the Committee's May meeting, the audit did not commence until June 2021. As expected, the audit identified areas for improvement and these are commented on in the next section.

## 5. Information Summary

- 5.1 Ten staff – nine from Corporate Services Department, and one other staff member – were each allocated a risk to audit. They were provided with a template for guidance on how to approach the audit, and the suggestions on steps to take to be able to come to recommendations.
- 5.2 Attached as Appendix 1 is a summary of the work undertaken, the findings, and resulting recommendations. These are summarised below:
- a) Risk 2 – Incorrect Planning Advice – Review current resource consent processes**
- i. Processes could be reviewed regularly and promapped, to ensure consistency,
  - ii. All three consents selected had the correct information provided, and the decisions were made at the appropriate level,
  - iii. In order to monitor progress on resource consents, a spreadsheet is being used to hold all outstanding consents. There is an opportunity for improvement in visibility and to reduce duplication by creating a report direct from Authority, which will present the information.
- b) Risk 3 – Statutory Reporting Commitment – Recording of water complaints**
- i. Assetfinda was not always showing the correct job completion details, so reporting response and completion times may not be accurate within Assetfinda.
  - ii. Duplicate data is held in Assetfinda software and in other documents by the Asset Services staff, so looking at how this can be held in the one place, which may require some enhancements to the Assetfinda software.
  - iii. Department of Internal Affairs and Council measures require both the response and completion times to be recorded, together with both justified and non-justified complaints, but currently not showing separately, so manual work is involved.
  - iv. Not all after hours calls were logged correctly with the initial response date and time, they were recorded on the day of data entry, which means performance measure reporting may not be correct.
  - v. There is an opportunity for improvement in the recording of calls and associated data.
- c) Risk 5 – Issue Regulatory (health or liquor) Licence or Decision – Review decision for issuing alcohol and food licences**
- i. In the test samples, all relevant documentation was received and attached to support the applications.
  - ii. There was one inconsistency between the promapp process and the actual legislation, which will be corrected, however this has not increased the risk of incorrectly issuing a licence.
- d) Risk 14 – Uncontrolled access to Physical and Digital Records in the Archives Room**
- i. There is a good record of who accesses the archives room, and for what purpose.
  - ii. The requests for either access or to store records, are still on paper, so going digital – online requests – is recommended as the way forward.



**e) Risk 23 – Debt Collection – Resource consent revenue is charged timely and collection is managed appropriately**

- i. All resource consent application fees are charged after the decision is released. To avoid delayed collection of revenue, the alternative would be to charge upfront at the time of application, however this would require a change to the fees and charges and invoice processes.
- ii. Not all invoices were paid to council in a timely manner, five of the 15 subdivision consents reviewed had been issued at least a month after the consent had been approved and released.
- iii. Applications that are withdrawn or declined are not charged any fee, therefore council is not reimbursed for either staff time or external costs. It is common industry practice not to charge, but could look in to some form of cost recovery or deposit for council officer time in processing a withdrawn application.
- iv. Currently there are no resource consent process promapped, which is a risk as steps can be missed leading to consents issued incorrectly or inconsistently.
- v. There is an opportunity for improvement to create a report within Authority that can give the current status of all consents at any one time, which will also show what consents are outstanding and statutory timeframes are being met.

**f) Risk 25 – Procurement Contracts**

- i. Three contracts and their procurement processes were reviewed, to ensure full compliance with policy, and all were compliant with processes and policies.
- ii. Two of the three staff were unaware of the 5% local tolerance, however with these specific contracts it did not impact the outcome of the process. Training could cover the allowance of a 5% tolerance for local suppliers.
- iii. Not all staff generally were aware of the procurement process, which can lead to council decisions being challenged by unsuccessful suppliers, so suitable training is required.

**g) Risk 29 – Health and Safety at Council Events – Public Events at Prospero Market and a pool fitness class**

- i. After attending a Prospero Market, it was noted that there was no signage indicating where the public are to assemble in the event of an emergency or an evacuation.
- ii. Recommend to erect a sign at Prospero Place advising the public of where the assembly point is in the event of an emergency.
- iii. Viewed a spin bike class at the pool, to ensure the safety of instructors, class members, and other pool users, while the class was in progress.
- iv. Noted that the lane that is used is not blocked off to casual /other swimmers, therefore recommend that the lane is fully blocked off to everyone that is not participating in the class, in the interests of safety of all users.

**h) Risk 32 – Lone worker safety at the water treatment plant and pool**

- i. Looked at the water treatment plant for safety, and ascertained it is not always known when someone enters the building due to noise from the plant, so recommend that council install a buzzer at the door so technicians are aware of other people entering the building.
- ii. Looked at the use of the Smartrak devices at the pool, and how effective it is when working alone e.g. if a staff member is incapacitated and can't activate the remote control.
- iii. More work needs to be done on the use of the Smartrak devices, which will ensure the safety of lone workers. Also timely to review whether Smartrak is still the right product for the purpose.
- iv. Reviewed documentation for health and safety and recommend that a section on Working Alone be included, and relevant training be provided to both sites.

**i) Risk 73 – Chemicals are stored and labelled correctly, and review access**

- i. Looked at access to all chemicals at the water treatment plant, and found that there is a visitor sign in book together with instructions regarding hazards, which include chemicals.
- ii. There is a chemical register together with data safety sheets, also a certificate for each officer qualified to handle chemicals.
- iii. Chemicals are all labelled and stored correctly.
- iv. There is also a chemical spill kit, together with a checklist and a register.
- v. There is online monitoring for water leaving the plant 24/7, with alerts being sent to the duty operator if there are issues.

**j) Risk 79 – Bribery and Corruption – Existence of Gift Register**

- i. Asked 5 random staff who deal with external customers about the gift register
- ii. Of the 5, 3 were aware of the existence of the register and the process to follow when offered a gift.
- iii. One staff member read in in the internal newsletter recently, and the 5<sup>th</sup> one didn't know about it at all.
- iv. However when randomly asking other staff, most were aware of it.
- v. There were no instances of the receipt of any gifts that were not recorded by the 5 staff selected.
- vi. It is important that staff are aware of it, as the acceptance of gifts can be seen as a form of bribery or corruption, which is not acceptable
- vii. Therefore recommend that in addition to regular items in the staff newsletter, this be included as part of the induction process for new staff.

**6. Strategic Alignment**

**6.1 Direction**

This does not link directly to Council's strategic direction or the long term plan, however direction was taken from Council's Risk Register which identifies and evaluates the risks of all Council's activities and responsibilities. This register was adopted by the Audit and Risk Committee and regularly reviewed to ensure it meets the needs of council.

**6.2 Annual Plan and Long Term Plan**

There are no implications on the Annual Plan or Long Term Plan as a result of the internal audit.

**6.3 District Plan**

There is no direct connection with the District Plan.

**6.4 Legal Implications**

Potential legal implications if recommendations not considered:

- Council could be subject to a judicial review or dispute if resource consents are granted incorrectly.
- Council could be subject to scrutiny and being legally challenged by the Department of Internal Affairs if reporting of water complaints is not correct.
- Potential liability could be imposed on Council if regulatory decisions are made incorrectly.
- Possibility of death or serious injury at a public event, or from incorrect chemical handling, could lead to litigations.

**6.5 Policy Implications**

Potential policy implications if recommendations not considered:

- Polices and Bylaws may become unenforceable, and Council could be acting illegally.
- If the Procurement Policy is not followed then Council could be subject to industry, media and legal scrutiny.

**Attachments:**

**Appendix 1 -** Summary of work undertaken, findings, and recommendations

**Appendix 2 -** Internal Audit Plan – originally presented at the June 2021 Audit and Risk Committee Meeting



Christine Craig  
**Corporate Accountant**



[Endorsed by]  
Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

**INTERNAL AUDIT PLAN - SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
**RISKS FROM COUNCIL'S RISK REGISTER**

D21/30278

Risk No.	Risk category and subject	Risk description	Control description	What auditor will be looking for	Work undertaken	Findings	Recommendations
2	Compliance and Legislation - Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	Check that all staff responsible for the issuing of any resource consents for council are fully trained, that decisions are in line with the relevant legislation / policies / bylaws, and that all consent application documentation is of good quality.	Reviewed processes in Promapp Reviewed standard operating procedures Spoke to planner regarding processes and how to select audit sample Identified 3 consents using spreadsheet and reviewed these against audit criteria	Existing processes need to be reviewed and all Promapped for accessibility, with ongoing future reviews to ensure they are meeting business needs. All 3 consents had an assessment for environmental effect; written consent from affected parties, and notification, where applicable; and all 3 had the decision made within the relevant timeframe. All decisions were made at the appropriate level and fees charged in accordance with council's fees and charges. Planner advised of the difficulty in reporting from Authority hence the need for a spreadsheet, duplicating information. Specific issues identified. Planning department were unclear on the correct process for saving invoices in Content Manager and have only recently started saving them in the respective property folder. One consent had additional fees requested, however the tracking view showed as complete.	Processes could be reviewed regularly and promapped, to ensure consistency As it was difficult to get a report that showed all consents outstanding, in order to monitor progress, a report be created direct from Authority, which will hold all the information in the one place.
3	Compliance and Legislation - Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and received attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	That each complaint received by Council for water, wastewater and stormwater issues is recorded correctly, to ensure full compliance with legislation.	Obtained a list of all complaints / requests recorded for March to May 2021 from Assetfinda, then selected Water Supply. This was compared to the spreadsheet that the Services Asset Manager holds, for any discrepancies. The checks included response and resolution times, to ensure that all were within the DIA and Council requirements as per the Annual Plan performance measures. Also compared data held in Assetfinda with the GIS Officer.	Assetfinda had a column that recorded the closed date and time, which is for when the job is closed off, and is done by the contractor usually on completion of the job in the field. The majority of the time when this is not the case is when they either forget or the job is raised outside of operating hours and has not yet been logged in AF. The services assets people have the same data extracted from AF, with extra columns with formulas in, to calculate both the response and completion times, in hours and days, which is required for the relevant performance measures, and feed in to the annual report. AF automatically calculates the due date based on the fault / request type e.g. a P1 blockage is 8 hours and a P2 leak is 5 working days.	In Assetfinda there needs to be another column that records the actual job completion date and time, and it is understood that since this audit review, this is now happening. Add two extra columns in Assetfinda that automatically calculates the response and completion times, so a spreadsheet is not required, and the data is all in the one place.
						Where there is multiple complaints for 1 event, there is 1 call out and 1 works request generated. Service Centre have a separate spreadsheet where all additional calls for the one job are recorded. Should multiple calls be entered in to AF, they are merged in to one job. There were instances where a complaint is taken by the after hours call centre, however when logged by council staff the next work day morning it is entered with the current day and time rather than when the initial call date and time. This then affects the response time recorded in AF. Water complaints are classified in one of 2 ways - Justified - a council problem, so council fixes; or Non-justified - is rung in but found to be a property / owner issue. These are all recorded together with no differentiation between the 2 types. DIA require the total number of both types to be reported separately, but council are advised that of the say 15 complaints, only 2 were justified.	Investigate where there are opportunities for improvement regarding the recording of multiple calls, that can then link to AF, then the relevant training be provided where necessary. Investigate whether the calls can be categorised in to justified and non-justified in AF. Once the above is done, the process is to be promapped.
5	Compliance and Legislation - Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	Quality assurance, Ongoing training / awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	That decisions issued meets all requirements in accordance with the relevant legislation, policy or bylaws.	Reviewed 4 liquor / health applications to ensure processes were followed, and all the required documentation was received Reviewed the Promapp process for receiving a special licence application	For the one off licence renewal, one special licence application, and 2 food act registrations that were selected for audit, all applications were fully complete. There was one inconsistency between the promapp process and the actual legislation, however it has not increased the risk of incorrectly issuing a licence.	To update the promapp process to reflect the inconsistency.
14	Data and Information - Uncontrolled access to physical and digital records	IF there is uncontrolled or unauthorised access to archives, THEN records / files could go missing, privacy breached, possible legislative breaches.	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	That no-one enters the archives room unless authorised by the IM Specialist.	Spoke to those with access to the Archives Room in the main administration building to ascertain what processes were in place regarding who gets access to the room or the key. Checked whether there was any formal process for access. Checked to see who has tried to gain access to the Archives Room and what they were wanting to access	There are processes for when someone wants to store or look at documents, including the completion of a form for access, and also a Promapp process. There is a process for requesting to store documents in the archives room also. IM Officer ensures all correct documentation is completed before either accessing or storing documents	Change the access / storage request to digital rather than paper based, thus making it easier to keep track of what goes in and out This could be done in a spreadsheet, recording all information in one place

23	Financial - outstanding debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	That all consent revenue is charged during or at the end of each month, and invoices issued immediately afterwards.	18 resource consents that were received in January and February 2021 were reviewed, ensuring invoices were issued, charged as per council's 2020/21 Fees and Charges Schedule, and issued in a timely manner	Of the sample reviewed, 5 invoices were issued at least one month after the decision letter approving the resource consent was issued to the customer. This relates to a specific issue that has since been resolved and current practices are now compliant. One invoice from this period was still unpaid as at 6 August 2021 Fees are not charged upfront upon application, rather they are charged once the consent is issued, which can be some time after the work is completed Applications that are withdrawn / returned do not end up paying any fee, therefore all staff time spent is not recovered from the customer. There is no promapped procedures or any documentation to verify any resource consent processes - this is a risk, and does not enable good practice and continuous improvement A manual spreadsheet is used to monitor resource consent applications, rather than using Authority to its potential. This spreadsheet requires updating, and is therefore difficult for the Environmental Services Director to have oversight of current applications.	Promapp the entire resource consent process, to avoid inconsistent practices and to streamline the process, to ensure invoices are issued in a timely manner. Create a report that can be run from Authority by the Director, Planner or QA Officer to see the status of all consents not completed, and what is still outstanding Look into charging for the resource consent applications upfront rather than waiting until after the decision is released, however this would require a change to the fees and charges in future. Investigate whether withdrawn or declined consents are suitable to have some form of cost recovery.
25	Financial - Procurement contracts	IF procurement contracts entered into are not cost effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	That quotes / tenders are obtained as per council's Procurement Policy.	Selected 3 contracts and their specific procurement processes surrounding each one, checking whether the processes followed council's procurement policy and procedures	In all 3 cases, the correct policies and processes were followed, although 2 of the 3 staff were unaware of the 5% tolerance for local suppliers. While this did not impact the outcome of these 3 samples, staff need to be aware of it. Assets staff have received procurement training however other departments with financial delegations have not	Training to be provided to staff from other departments in the procurement process If a new staff member has financial delegation training could be provided at the commencement of employment General staff awareness required of the 5% tolerance for local suppliers
29	Health, Safety and Wellbeing - Public events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged.	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated. Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff.	Check there are procedures in place at each public event to ensure staff and members of the public are safe from hazards and risks, and all staff are aware of the procedures.	Attended a Prospero market and a Spin Bike fitness class at the pool. Read the Prospero Market - Event and Health and Safety Plan; the TSB Pool Complex - Normal Operating Procedures and Emergency Action Plan documents	The markets have an assembly area in event of an evacuation / emergency Staff member in charge was continually surveying and observing all the stalls and was checking in on the vendors, the public and the entertainer, and was quick to react when there was a slight mishap with the entertainer's speaker At the pool, swimmers share a lane with the spin bike fitness class Pool staff appear adequately trained in health and safety procedures and identifying hazards and risks	Prospero Market - Erect a sign designating the assembly area in the event of an evacuation / emergency. Although this was in the plan it was not obvious to shoppers and stall holders where to go Pool - when spin bike classes are operating in a lane, the whole lane should be closed or blocked off to all swimmers, regardless of how many attending the class, to ensure the safety of all swimmers and staff
32	Health, Safety and Wellbeing - Lone worker	IF a staff member is seriously injured or killed during field inspections / visits, THEN possible health and safety breaches, death or serious injury	Quality assurance, Ongoing training / Awareness of HSE requirements and responsibilities. Better use of council data / knowledge base on dangerous or insanitary sites before staff member deploys to site. Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	To see if the water treatment plant staff and contractors and all pool staff are aware of all HSE requirements, including what to do in the event of an emergency when working alone. Check if there is a register of what staff and / or contractors are on site at any one time.	Spoke with the relevant pool and water treatment staff, discussing their understanding of the various health and safety procedures, including different scenarios where the staff member would work alone and what the action plan was in the event of an emergency Conducted on-site visits to the pool and water treatment plant to check registers are available and accessible to all staff Tested the activation of the Smartrak system to ensure all parties involved know what to do in the case of an emergency	While the documentation was very comprehensive, it did not have any reference to staff working alone The Smartrak remote was not on the employee's person, it was left in the vehicle. They did have their mobile phone, however that is not ideal Need to look at the Smartrak process especially in the situation where none of the key people involved are available when an alarm is activated. While Smartrak is a good system, it does not help in a situation where staff are unable to press and hold the buttons on the remote to activate it e.g a broken hand, or stuck under equipment	Look at installing a buzzer on the door at the water treatment plant, as the plant area can be noisy and the technicians can't always hear when people enter the building Look at electronic sign in for visitors at remote sites, as this can be viewed / audited at any time Ensure staff at remote sites who are regularly in lone worker situations test the smartrak remote on a monthly basis with the H and S Advisor Regular check-ins between staff at remote sites, perhaps a quick call from the staff member off site to see that all is Ok with the staff member on site working alone Ensure all relevant documentation is updated with a "Working Alone" section Review the Smartrak system and its feasibility, strengths and weaknesses and assess if this is the best solution on the market or if there is newer technology that can do more
73	Health, Safety and Wellbeing - Water supply network is contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	All staff that handle chemicals need to be approved handlers which should also ensure that chemicals are labelled and stored correctly.	Visited the water treatment plant and checked the register of who can handle chemicals Ensured the chemicals were labeled and stored correctly	The register was available, together with certificates of staff qualified on the wall in the office There is a visitor sign in and instructions, a site hazard board and a site hazard induction board A chemical register is by the exit door, together with data safety sheets on the walls where chemicals are stored There is a chemical industrial spill kit which has a checklist on the wall, and also a register There is online monitoring of the plant 24/7 for water leaving the plant, and alerts are sent to the duty operator and Plant Technician Team Leader if there are issues	All requirements are adhered to and no recommendations were needed

2021 - Agenda - Audit & Risk - September - Information Report - Internal Audit Findings

APPENDIX 1

79	Financial - Bribery and corruption	If elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	Compliance with council's Procurement Policy for conflicts of interest, and council's HR Policy rules are adhered to when offered a gift.	Selected 5 staff members randomly who, in the course of their position, would deal with the public or contractors, or who were recently employed staff.  All 5 staff were asked if they had received any gifts from external parties, and if they were aware of the requirements regarding gifts	3 of the 5 staff selected were aware of the Gift Register and the process regarding acceptance of gifts - 1 heard of it via the internal newsletter item recently, and the remaining staff member was not aware of the register or process at all.	As part of the induction process for new staff members, the existence of a gift register and the process to follow, be included Regular reminders be placed in internal staff newsletters
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**INTERNAL AUDIT PLAN - RISKS TO BE REVIEWED**  
**RISKS FROM COUNCIL'S RISK REGISTER**

D21/11842

	Risk category	Risk subject	Risk description	Risk score raw	Control description	Residual risk score	Why this risk is to be reviewed	What auditor will be looking for	How will it be audited	Role and staff member responsible for activity	Staff member assigned the internal audit
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low	To ensure that there is no situation where a decision relating to a resource consent can be challenged in the future due to council providing incorrect information, or following incorrect processes.	Check that all staff responsible for the issuing of any resource consents for council are fully trained, that decisions are in line with the relevant legislation / policies / bylaws, and that all consent application documentation is of good quality.	<ul style="list-style-type: none"> <li>- Review current documentation processes around the receipt, processing and issuing of resource consents. Ensure they are robust, easy to follow and compliant. How are conflicts of interest dealt with? How are complaints dealt with?</li> <li>- Review three resource consents issued since July 2020.</li> <li>- Is application accompanied by an assessment for environmental effects?</li> <li>- Was written consent obtained from all affected parties?</li> <li>- If notification was required, was it made within 10 working days? And then a decision required within 4 months.</li> <li>- If no notification required, a decision should be made within 20 working days.</li> <li>- If the application was approved with conditions - were those conditions reasonable and necessary as per the district plan?</li> <li>- Were all decisions made at the right delegated level?</li> <li>- Were the fees charged in relation to the resource consent in line with Council's 2020/21 fees and charges schedule?</li> </ul>	Planner, Quality Assurance Officers and Director Environmental Services	Anna Officer
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and received attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	8 High	Quality assurance. Resourcing levels maintained. Regular Policy Schedule review by CEO. Regular review of Bylaws timetable maintained in Content Manager.	3 Moderate	To ensure council is correctly recording and reporting on all Department of Internal Affairs complaints.	That each complaint received by Council for water, wastewater and stormwater issues is recorded correctly, to ensure full compliance with legislation.	Check all waters complaints received over a three month period to ensure full compliance with legislation, and that categories are correct to enable collection and reporting of this data.	Customer Services Team Leader and Services Asset Manager	Christine Craig
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training / awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low	To ensure council is acting legally at all times when issuing licences or decisions.	That decisions issued meets all requirements in accordance with the relevant legislation, policy or bylaws.	<ul style="list-style-type: none"> <li>- Review documented process for issuing alcohol and food licences.</li> <li>- Review two alcohol licences issued since July 2020 to ensure correct procedures were followed.</li> <li>- Review two food licences issued since July 2020 to ensure correct procedures were followed.</li> <li>- Review one licence where the application was received since July 2020 and declined, to ensure correct procedures were followed.</li> </ul>	Environmental Health Manager	Louise Campbell
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records / files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SIDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low	To ensure there is no uncontrolled or unauthorised access to council's archives room.	That no-one enters the archives room unless authorised by the IM Specialist.	<ul style="list-style-type: none"> <li>- Review procedures for accessing Archives room.</li> <li>- Do a check on a 4 week period to see who requests access to the archives room, that the procedures are followed for each, and then document the sample checks carried out.</li> </ul>	IM Specialist	Duncan Trask
23	Financial	Outstanding Debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all moneys on direct debit.	1 Low	To ensure council is invoicing building and resource consent revenue in a timely manner.	That all consent revenue is charged during or at the end of each month, and invoices issued immediately afterwards.	Select a 2 month period and ensure that all consent revenue is recognised during or at the end of each month, and invoices issued immediately afterwards.	Planner, Quality Assurance Officers, Director Environmental Services and Revenue Manager	Tiffany Radich
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low	To ensure that all procurement contracts comply with the relevant policies to make sure that quotes are obtained / tenders received, as relevant, for various contract values.	That quotes / tenders are obtained as per council's Procurement Policy.	Select 3 contracts awarded since July 2020 (one each of >\$250,000, \$100,000-\$250,000, and \$20,000 to \$100,000), to ensure the procurement policy and processes were followed correctly, for either quotes or tender, depending on the respective value of each contract. Check that documentation is on hand to evidence this.	Relevant contract managers	Brendan Coles
29	Health, Safety and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged.	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated. Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff.	2 Moderate	To ensure that for any outside council event that council is holding, consideration has been given as to what will be physically happening and what we are doing to mitigate the risk of that activity.	Check there are procedures in place at each public event to ensure staff and members of the public are safe from hazards and risks, and all staff are aware of the procedures.	Check 2 public events - a Prospero Market and an event at the pool, to ensure that hazards had been appropriately identified, and ensure that health and safety training has been provided to all staff at each location, and that all health and safety procedures were followed.	Community Development staff, Aquatic Services Team Leader	Cynthia Lewis
32	Health, Safety and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections / visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training / Awareness of HSE requirements and responsibilities. Better use of council data / knowledge base on dangerous or insanitary sites before staff member deploys to site. Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate	To ensure that council is acting responsibly regarding staff as follows: a) together with contractors at the water treatment plant, so that council will not be subject to any external investigation and penalties or fines, which could compromise council's ability to continue to provide safe and potable drinking water, and would remain untreated, therefore risking the health and lives of the water users b) at the swimming pool, to make sure that Worksafe and ACC are not required for any external investigations.	To see if the water treatment plant staff and contractors and all pool staff are aware of all HSE requirements, including what to do in the event of an emergency when working alone. Check if there is a register of what staff and / or contractors are on site at any one time.	Review the procedures for ensuring staff are safe while at the water treatment plants and swimming pool are appropriate and adequate. Check that all staff are aware of the procedures when working alone, including the use of the NEC phone system (where applicable), and communicating with peers and supervisor. For the water treatment plant, there must be a return time in place, and Smartrak is the last line of defence so needs to be monitored to ensure that there is a robust protocol in place for this. Document what training has been provided for staff and contractors at the water treatment plant and all pool staff, in relation to health and safety while working alone. Check that there is a register of such persons, held on site at all times, to be completed daily, and available for inspection at any time.	Plant Technician, Services Asset Manager and Aquatic Services Team Leader	Riccardo Goddard
73	Health, Safety and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	8 High	To ensure that the water supply network is maintained to the required drinking water standards, with no likelihood of contamination.	All staff that handle chemicals need to be approved handlers which should also ensure that chemicals are labelled and stored correctly.	Check there is a register that records all council staff who will handle chemicals at the water treatment plant, and their relevant qualifications. Check the procedures for testing the water both untreated at source, and treated water before tap and that the process comply with best practice. Ensure that all chemicals are labelled and stored correctly.	Plant Technician and Services Asset Manager	Julie Erwood

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APPENDIX 2

79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate	To ensure council has procedures in place to deal with and report on conflicts of interest and gifts received by staff.	Compliance with council's Procurement Policy for conflicts of interest, and council's HR Policy rules are adhered to when offered a gift.	Review the gift register to ensure that all gifts are treated correctly on receipt or offer of a gift, as per Council's Human Resources Policy. Pick 5 random Council staff and ask them what the procedures are if they receive a gift from someone in connection with their work and document their answers, and compare to Council policy.	All staff	Sara Flight
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# INFORMATION REPORT



F19/13/04 – D21/31471

**To:** Audit and Risk Committee  
**From:** Director – Corporate Services  
**Date:** 21 September 2021  
**Subject:** Tax Audit – June 2021

## Recommendations

1. THAT the report be received.
2. THAT the Committee reviews the final tax audit report provided by PWC and accepts the recommendations and actions to address these.

## Recommended Reason

The tax audit was requested by the Committee to investigate the risk of tax discrepancies for all relevant taxes paid by Council.

\_\_\_\_\_/\_\_\_\_\_  
Moved/Seconded

## 1. Purpose of Report

- 1.1 To present the findings of the tax audit carried out by PWC in June 2021.

## 2. Executive Summary

- 2.1 The tax audit did not identify any medium to major discrepancies. A minor discrepancy was identified in relation to the calculation of Fringe Benefit Tax (FBT) on motor vehicles, which will be corrected and adjusted for in the September 2021 quarterly FBT return. The tax discrepancy was \$330.16.
- 2.2 The auditor did identify that some processes could be improved to avoid the risk of a tax discrepancy in the future, and better process mapping, improvement of tax documentation including forms, improvement of system setup, and better record keeping would also reduce this risk.
- 2.3 Taken from the Executive Summary of PWC's report "*Overall, we consider that Council has a high level of indirect tax compliance. The risk areas often seen at other organisations and targeted by Inland Revenue in investigations do not appear to be risks for Council. We commend Council on its commitment to meeting its indirect tax compliance obligations and ensuring it is managing its tax risks appropriately.*" (Note: indirect tax in this context means all other relevant taxes excluding income tax, as Council is exempt from income tax).

**3. Local Government Act 2002**

Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future"			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
<b>Social</b>	<b>Economic</b>	<b>Environmental</b>	<b>Cultural</b>
	✓		

3.1 Economic wellbeing relevance – ensuring a high level of tax compliance avoids the risk of financial penalties and enforcement action.

**4. Background**

4.1 The Committee requested that Council staff look at options for undertaking a tax audit or review at the October 2020 meeting. It was explained by the Chair that due to the complexity of tax legislation and the cost of getting it wrong, it would be worthwhile looking into an independent expert tax auditor. A quote was obtained early in 2021, and the audit commenced in June 2021.

4.2 Only one quote was obtained, from PWC, as they are considered the expert advisors for local government taxes and advise many councils on tax compliance. It was decided that PWC would be in the best position to conduct an efficient audit while providing beneficial advice to take on board for future compliance.

**5. Information Summary**

5.1 Refer to the final tax audit report, attached.

**6. Strategic Alignment**

**6.1 Direction**

Not applicable.

**6.2 Annual Plan and Long Term Plan**

Not applicable.

**6.3 District Plan**

Not applicable.

**6.4 Legal Implications**

Legal issues in terms of compliance with tax legislation were reviewed. One minor FBT adjustment is required.

**6.5 Policy Implications**

Not applicable.



Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

# Stratford District Council

Indirect tax compliance evaluation

August 2021

Strictly private and confidential





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Tiffany Radich  
Director Corporate Services  
Stratford District Council  
PO Box 320  
Stratford 4352

26 August 2021

**Indirect tax compliance evaluation**

Dear Tiffany

We report on Stratford District Council's (Council) indirect tax compliance.

This report has been prepared for the purpose of providing an assessment of Council's indirect tax compliance and should not be relied upon for any other purpose.

This report is strictly confidential, unless described in the contract or as expressly agreed by us in writing. We accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else without our permission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'm macdonald', is placed over a faint rectangular stamp.

Rick B  
Manager A handwritten signature in blue ink, appearing to read 'Rick Bower', is placed over a faint rectangular stamp.

This document is a tax advice document and should be kept confidential. It is not required to be disclosed to Inland Revenue. Inland Revenue can request disclosure of "tax contextual information".

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# Abbreviations

AP	Accounts Payable
CEA	Collective Employment Agreement
ERA	Employment Relations Act 2000
FBT	Fringe Benefit Tax
IEA	Individual Employment Agreement
PAYE	Pay-As-You-Earn Tax
PwC	PricewaterhouseCoopers
WHT	Withholding Tax

# 1 Executive summary

This report summarises the core findings of the areas covered by this tax compliance evaluation where we consider there to be scope for further improvement, and/or where we consider Council would benefit from some additional information.

The findings contained within the report were discussed with Tiffany Radich and Christine Craig at our exit meeting on 14 July 2021. Overall, we consider that Council has a high level of indirect tax compliance. The risk areas often seen at other organisations and targeted by Inland Revenue in investigations do not appear to be risks for Council. We commend Council on its commitment to meeting its indirect tax compliance obligations and ensuring it is managing its tax risks appropriately.

Notwithstanding this high level of compliance by Council, there is one area which we would still encourage Council focus on. This principal risk area is the calculation of PAYE on an employees' final pay that includes annual leave on termination. Annual leave on termination is classified as a 'lump sum payment/extra pay' and is taxed differently to 'ordinary' pay. This will likely have resulted in Council under taxing employee's final pay that included annual leave on termination. However, we note that any shortfall of prior PAYE is likely to be immaterial and would be 'corrected as part of an employee's end of year auto assessment from Inland Revenue; although employees may be disgruntled about receiving a tax assessment for any underpaid tax.

## Action plan

We include, as **Appendices One, Two and Three**, an action plan for Council to implement/record its decisions on all of the various matters raised in this report. Please note that certain more minor matters identified during the review can also be found in that appendix.

While a one-day evaluation cannot be expected to exactly replicate an Inland Revenue investigation, Council should reflect positively on having taken the proactive step of instigating this evaluation and obtaining a clear, independent view of those areas that it should address to facilitate tax compliance.

## 2 Scope of evaluation

The scope of our targeted indirect tax compliance evaluation was set out in our proposal 29 April 2021. Briefly, the aim of the evaluation was to provide the Director Corporate Services with an overall assessment of Council's indirect tax compliance in respect of targeted areas of risk as set out in our proposal, and involved:

- Identifying any material instances of non-compliance, drawing on our experience in undertaking indirect compliance evaluations;
- Ensuring that Council's current policies and procedures facilitate indirect tax compliance; and
- Enabling Council to demonstrate to Inland Revenue that it has taken reasonable care in managing its taxation affairs.

The initial on-site evaluation was undertaken on 14 July 2021. The approach taken for the evaluation was to interview key staff (as outlined in **Appendix Five**) and examine certain key documentation, together with the tax treatment applied to a variety of transactions undertaken by Council. The documents selected and employees interviewed were selected due to their relevance to the current areas of tax on which we are aware the Inland Revenue is focusing upon and our experience gained of the problematic issues that can arise.

As agreed, the culmination of the evaluation is the following report, providing an overview of Council's compliance with existing tax legislation, our recommendations for policy and process improvements, where appropriate, and our comments on tax opportunities/risks identified.

We would like to convey our appreciation of the assistance and open co-operation provided by Council's personnel throughout the course of the evaluation.



# Appendix One - Summary of findings

## PAYE/WHT




- Key**
- High risk/immediate action required
  - Medium risk/attention recommended in the medium term
  - Low risk/for your information only
  - ✓ Tax opportunity/action required




Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Extra pay – annual leave cash up, redundancy payment and retiring gratuity</b>	Council makes payments in relation to annual leave cash up, redundancy and retirement as required and correctly taxes these payments as extra pay.	No action required.		●
<b>Extra pay – bonus and back pay</b>	<p>The bonus and backpay pay codes are currently set up as 'ordinary pay'.</p> <p>Bonus and back pay are classified as 'lump sum/extra pay' and are taxed slightly different to ordinary pay.</p> <p>On this basis, Council would have likely under-returned PAYE on payments of annual leave on termination. Importantly, we note that any shortfall of any prior PAYE is likely to be immaterial and would be 'washed up' as part of the employee's end of year assessment from Inland Revenue.</p>	We recommend updating the bonus and backpay pay codes allowance type to B – Bonus, rather than A – Allowance.	The bonus and backpay pay codes have been updated in Authority.	●




Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Non-taxable pay codes</b>	<p>The only pay codes that are currently set up as non-taxable are:</p> <ul style="list-style-type: none"> <li>• Communications – Elected Members</li> <li>• Compensatory Sum – ERA 2000</li> <li>• Mileage</li> <li>• Unit allowance</li> </ul> <p>The first three allowances are correctly set up as non-taxable payments.</p> <p>It was not apparent whether the Unit allowance was being used and if so, under what circumstances.</p>	<p>No action is required in relation to the first two allowances.</p> <p>Regarding the mileage allowance, Council should ensure that it continues to monitor whether the Tier 1 mileage limit is breached, and if so, ensure it can apply the Tier 2 rates. We would also note that Council mileage pay code rate is currently \$0.72 per km. The current Inland Revenue approved mileage rates allow for reimbursements at a rate of up to \$0.79 for the first 3,500 kms, or more depending on approach Council takes.</p> <p>Regarding the Unit Allowance, if this ceases to be used, we recommend removing this or making it inactive so it is not inadvertently used.</p>	<p>The \$0.72 per KM was on an old form, however all mileage reimbursements are paid at the updated IRD approved mileage rate. Old forms have been destroyed but there may be a few lingering around, will keep an eye out.</p> <p>Unit Allowance has been removed from the system as never used.</p>	●
<b>Final pay – annual leave on termination</b>	<p>We identified Council is taxing annual leave on termination as ‘ordinary pay’ rather than ‘extra pay’.</p> <p>On this basis, Council would have likely under-returned PAYE on payments of annual leave on termination. Importantly, we note that any shortfall of any prior PAYE is likely to be immaterial and would be ‘washed up’ as part of the employee’s end of year assessment from Inland Revenue.</p>	<p>We recommend an Annual Leave on Termination pay code is created and set up and an extra pay/lump sum payment.</p> <p>Whilst there is no requirement to amend the historical position, it is important the code is correctly set up as employees can be unhappy if they receive a tax assessment for under-deductions of tax on pay.</p>	<p>A new Annual Leave on Termination code has been set up in Authority.</p>	●

Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<p><b>Section 123 payments - ERA</b></p>	<p>Although out of scope for this review, Council has made a number of recent tax-free payments to employees under the ERA 2000. We understand these payments have been reviewed by Audit NZ as part of the end of financial year audit.</p> <p>Section 123 payments are always a particular focus area for Inland Revenue as they have a very high threshold for what they consider can be paid tax-free. In <b>Appendix Four</b> we set out the four factors that (in Inland Revenue's view) must be present for a section 123 payment to be considered genuine.</p>	<p>A detailed review of the s123 payments made by Council was outside the scope for this one-day review. However, we recommend Council consider reviewing recent section 123 payments against the criteria outlined in <b>Appendix Four</b>. In our experience Inland Revenue has a higher threshold on what they consider a genuine section 123 payments compared to auditors and lawyers.</p>	<p>The Chief Executive and Corporate Accountant (or a professional expert in employment dispute payments) will review these ERA payments against the four criteria in Appendix Four and ensure they have been met and there is documented evidence of that before accepting such payments be treated as non-taxable.</p>	<p style="text-align: right;">●</p>
<p><b>Withholding tax</b></p>	<p>Honorarium payments are correctly being subject to withholding tax.</p> <p>No other payments currently have withholding tax deducted.</p>	<p>We recommend Council finance team are upskilled to ensure they can identify if other payments may be subject to withholding tax.</p>	<p>The Corporate Accountant regularly attends the PwC Local Government Tax training sessions. Finance team will establish internal guidance around determining what payments are liable for withholding tax.</p>	<p style="text-align: right;">●</p>

## Appendix Two - Summary of findings GST





Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Process</b>	<p>The Corporate Accountant runs two separate GST reports to ensure the GST accounts balance with any variances investigated.</p> <p>Routine spot checks are conducted on invoices entered into the system</p>	No actions required.		
<b>Procedural documentation</b>	<p>Council currently does not have their GST process documented; however it is one of the finance processes to be Pro Mapped.</p> <p>Once the GST process has been Pro Mapped by the Corporate Accountant, it is intended to be 'tested' on another member of the finance team to review the completeness of the Pro Mapping.</p>	Once this has been Pro Mapped, and tested with another team member, there should be no further action required.	Will be pro-mapped by September 2021.	
<b>GST filing frequency</b>	<p>Council currently files two-monthly GST returns. The threshold to file two-monthly GST returns is for below \$24 million in taxable sales in a 12-month period.</p> <p>For the year ending 30 June 2021, Council has taxable supplies of more than \$24 million and therefore technically should be filing GST returns on a monthly basis.</p> <p>However, we understand Council received one-off Provincial Growth Funding in the 2021 year which has caused this one-off increase in taxable supplies.</p>	We recommend Council monitor its annual taxable sales to ensure it meets the requirements to continue filing two-monthly GST returns.	Acknowledged that this was a one-off, rather than a continuing trend, but will monitor in future.	

Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>GST zero rated supplies</b>	<p>Council correctly declares petrol taxes as zero-rated supplies in the GST return. However, zero-rated property sales are currently not included as zero-rated supplies.</p> <p>Although disclosing zero-rated sales does not impact Council's net GST payable/receivable, Inland Revenue places a high degree of importance on disclosing such information.</p>	We recommend Council includes any zero-rated property sales and any other zero-rated sales in GST returns going forward.	Acknowledged, and will do so going forward.	
<b>GST apportionment</b>	<p>As Council makes exempt supplies (pensioner housing and rates penalties), Council correctly makes an annual GST apportionment adjustment to account for GST on overheads that relate to exempt supplies.</p> <p>Council calculate the adjustment using a historical TaxTeam workpaper.</p>	Council should ensure that the methodology outlined in the TaxTeam workpaper remains valid each year when undertaking the wash-up calculation and setting the adjustment for the next financial year	Noted, will review the TaxTeam workpaper to ensure it remains valid each year.	
<b>Property transactions</b>	<p>Council has purchased/sold a few properties over recent years.</p> <p>The GST treatment of property transactions is an area many local authorities find challenging. Based on our sample review Council has been applying the correct GST treatment for the property transactions. However, we noted in a couple of sale and purchase agreements, Schedule 1 was missing information / or was incomplete.</p> <p>We did not review the GST treatment of the land purchase of 33 sub-division sections as we understand this purchase was reviewed by the Audit NZ tax team as part of Council's year-end financial audit.</p>	<p>Property transactions are important for Council's to get correct as a single transaction can have significant GST implications.</p> <p>We recommend Council's finance team continue to be involved at the beginning of property transactions to proactively consider the GST treatment and ensure Schedule 1 of the sale and purchase agreement is correctly completed as this is essential in supporting the GST treatment.</p>	Assets team will be notified to ensure that all property transactions are reviewed by Finance before signing the sale and purchase agreement.	


Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Rates on Council owned properties</b>	<p>Council returns GST on all rates charged on Council owned properties and claims GST on rates paid for its properties.</p> <p>The arrangement constitutes a 'self-supply' and GST should not be returned or claimed.</p> <p>However, the net effect of claiming and returning GST is nil.</p>	No action required.		
<b>Rates in advance</b>	<p>Council's finance system includes the movement of the rates in advance account in the system driven GST report.</p> <p>Time of supply for GST purposes is triggered at the earlier of payment or raising an invoice, therefore Council is correctly accounting for GST where payment is received before a rates invoice is issued.</p>	<p>Since this adjustment is system driven, Council should 'sense check' the automated adjustment is consistent with what they would expect the rates in advance adjustment to be to ensure GST is not being returned twice e.g. on prepayment and raising the rates invoice.</p>	<p>This is reviewed at least every second year to ensure any system changes/updates have not impacted on GST on rates in advance (and avoid paying GST on both rates invoiced, and rates received in advance).</p>	
<b>Financial and development contributions</b>	<p>Council receives cash only financial contributions which are correctly treated as being subject to GST. Council does not receive development contributions.</p> <p>We note some councils will receive land and/or cash and/or services in settlement of development or financial contributions. These can complicate matters, particularly given that any settlement by way of land could be treated as zero-rated for GST purposes when received from a GST registered person.</p>	<p>Whilst we did not identify any instances where development and/or financial contributions were 'paid' via land or services, Council should be mindful that in the event this occurs, the GST implications will require separate consideration.</p>	<p>Director – Corporate Services to discuss with Director – Environmental Services and make a plan going forward.</p>	

## Appendix Three - Summary of findings FBT

Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Process</b>	<p>The only fringe benefit Council currently provides is the full private use of the Mayors' vehicle.</p> <p>The Corporate Accountant emails the Mayor at the end of each quarter to determine if there were any days the vehicle was not available for private use and prepares the FBT return accordingly.</p>	<p>We recommend in the quarterly email that the Corporate Accountant sends to the Mayor to outline examples of when the motor vehicle exemption days may apply e.g. out of town travel for more than 24 hours, vehicle at the mechanics etc.</p>	<p>Acknowledged, Corporate Accountant will add examples /reminder to next quarterly email to the Mayor.</p>	●
<b>Procedural documentation</b>	<p>Due to only returning FBT on the Mayors' vehicle, Council currently does not have any procedural documentation in relation to the FBT return process.</p>	<p>If Council decides to provide other fringe benefits in the future, we recommend procedural documentation is prepared to ensure any member of the finance team can accurately prepare the FBT return.</p>	<p>Acknowledged. Will pro-map the process by October 2021.</p>	●
<b>FBT calculation</b>	<p>Council calculate FBT using the single rate method.</p> <p>With the recent FBT rate changes from 1 April 2021, Council considered using an alternative rate but decided to continue using the single rate as the increase in FBT rate to 63.93% (from 49.25%) did not result in a material increase in FBT payable.</p> <p>However, when reviewing the FBT return for the quarter ended 30 June 2021, FBT was incorrectly calculated at 49%.</p>	<p>We agree the additional time and resources to change to an alternative calculation method may likely outweigh any FBT savings, compared to the single rate method.</p> <p>We recommend Council include an adjustment in the FBT return for the quarter ending 30 September 2021 to account for the shortfall in FBT in the June quarter FBT return.</p>	<p>Will adjust in the September 2021 quarterly FBT return.</p>	●

Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Motor vehicles – work-related vehicles</b>	<p>The work-related vehicles portion of Council's fleet is made up of utes and SUVs that have been permanently modified (e.g. the rear seats have been removed).</p> <p>These vehicles are only permitted to be used for business purposes and home-to-work travel. As such, FBT is not returned on these vehicles.</p>	No action required.		
<b>Motor vehicles - Private use restriction letter</b>	Council is thorough in issuing letters to restrict employee's private use of a motor vehicle.	No action required.		
<b>Motor vehicles – pool vehicles</b>	<p>Pool vehicles are kept on Council premises and are intended to be used for business purposes only.</p> <p>On rare occasions a pool vehicle may be taken home the night before an early flight the following day.</p>	<p>Where pool vehicles are taken home the night before a flight, this day is technically subject to FBT as the employee is receiving a private benefit i.e. travel from home to work.</p> <p>We recommend Council track days where a pool vehicle is taken home the night before a flight and account for FBT on this day.</p>	Looking into establishing an IT solution for staff to be able to note they are taking vehicle home overnight at the time of booking the vehicle.	
<b>Discounted pool tickets</b>	<p>Council is considering providing employees with discounted pool tickets.</p> <p>The discounted pool tickets should not be subject to FBT as the on-premise exemption will apply as the pools are owned and operated by Council.</p>	No action required.		



Area of focus	Our observation	Our recommendation	Action taken by Entity	Priority
<b>Staff gifts</b>	<p>FBT rules allow unclassified benefits (gifts, vouchers, flowers etc) to be provided tax-free so long as they are under the de minimis threshold of \$300 per employee per quarter and up to a maximum of \$22,500 in total for all employees over the previous four quarters.</p> <p>Gifts over the individual de-minimis threshold of \$300 are included in the FBT return on an ad hoc basis. However, there is no formal process for tracking these gifts provided to staff e.g. the Corporate Accountant is aware when long term employees are leaving.</p> <p>Although Council is not tracking the four-quarter rolling de minimis threshold of \$22,500, Council is comfortable they are well below this threshold.</p>	<p>We recommend Council continue to be vigilant for any gifts provided to staff to ensure any over \$300 are included in the relevant FBT return.</p> <p>One option would be to ensure all staff gifts are coded to a single general ledger code and this code is reviewed each quarter as part of the FBT return process. An alternative would be to implement an employee staff gifts register.</p> <p>Inland Revenue would expect to see unclassified benefits tracked and the de minimis exemption then being applied. Even though Council may well be under the de minimis threshold, the lack of tracking the unclassified benefits creates a risk of protracted discussions and work should Inland Revenue audit Council.</p>	<p>There is currently a separate GL code for staff gifts, which is used to track expenditure.</p>	

## Appendix Four – Hurt and Humiliation payments

Inland Revenue has expressed its view that the following four factors must be present for a tax-free payment made under section 123(1)(c)(i) of the ERA to be considered genuine.

- **The existence of a personal grievance**

To be genuine compensation for hurt or humiliation suffered, there must first be evidence of a personal grievance being raised by the employee. What constitutes 'evidence' is not prescribed, but we would ordinarily expect an employer to have a written grievance from the employee or records of the conversation where an employee claimed they had a grievance.

- **Fair and reasonable**

The employee must have a genuine personal grievance that justifies a compensatory payment. The question that must be answered is whether the actions of the employer were fair and reasonable. If the employer acted in a fair and reasonable way; for example, the performance management of the employee (in terms of section 103A of the ERA), there would have been no "unjustified dismissal" or "unjustified actions" on the part of the employer, and there would be no genuine personal grievance (in terms of sections 103 of the ERA).

- **Quantum**

Inland Revenue will look at whether the quantum of the payment is appropriate to the personal grievance and 'suffering' of the individual. Inland Revenue will consider this in light of court awarded amounts and will want to be satisfied that the hurt and humiliation payment is in addition to, and not substitute for, other statutory entitlements due to the employee.

- **Documentation**

Inland Revenue will consider whether sufficient evidence of hurt or humiliation exists to substantiate a genuine payment under section 123(1)(c)(i) of the ERA. This is typically where we see the hurt and humiliation payments challenged by Inland Revenue (i.e. there is not enough evidence on file to prove that a payment is genuine).

The reason Inland Revenue thinks the treatment of these payments is important, is due to the impact on KiwiSaver, social assistance etc., if the payment is supposed to be taxable. We note that Inland Revenue is now insisting that a payment incorrectly treated as tax free must not only be grossed up for tax, but also employee and employer KiwiSaver contributions and reassessed on the individual employee's employment income record. This in turn has the potential for further, likely negative, interactions with the employee/former employee.

## Appendix Five - Key personnel

Person	Title
Tiffany Radich	Director Corporate Services
Christine Craig	Corporate Accountant

# INFORMATION REPORT



F19/13/04 – D21/31696

**To:** Audit and Risk Committee  
**From:** Director- Assets  
**Date:** 21 September 2021  
**Subject:** Water Supply – Heavy Metals Monitoring Update

## Recommendations

1. THAT the report be received.

## Recommended Reason

The Audit and Risk Committee has a responsibility to monitor Council's management of risk, of which Council's practice of heavy metals monitoring in drinking water supplies is one.

\_\_\_\_\_/\_\_\_\_\_  
Moved/Seconded

## 1. Purpose of Report

- 1.1 The purpose of this report is to provide the Audit and Risk Committee with information on Council's practices around the monitoring of heavy metals in the district's water supplies.
- 1.2 The intent is to provide confidence both to the Council and our water customers that the quality of water consumed in the district complies with industry standards.

## 2. Executive Summary

- 2.1 This report provides an update on the monitoring undertaken on Council's raw and reticulated water supplies, since the last report presented to Council in March 2021.
- 2.2 The testing commenced on the back of the Dunedin lead contamination incident that occurred early this year.
- 2.3 The Council is responsible for ensuring that public health outcomes supported, and the requirements of the Health Act 1956 are met, including regular monitoring of heavy metals in our drinking water supplies.

### 3. Local Government Act 2002

Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future"			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

3.1 Good risk management and regular monitoring supports the Council's social, economic, environmental and cultural outcomes.

### 4. Background

- 4.1 Heavy metals, which include lead, arsenic, cadmium, nickel, mercury, chromium, cobalt, zinc and selenium are highly toxic, even in minor quantities. When ingested, they bind strongly to human tissues and are not easily excreted by the human body.
- 4.2 The Council sources its drinking water supplies from the Pātea River and Konini Stream (Stratford); Te Popo Stream (Midhirst) and from a bore (Toko). Apart from lead quantities occurring in the raw water, the primary source for lead in most drinking water sources is the piping used within a distribution system and storage facilities either for raw or treated drinking water.
- 4.3 It is the Council's responsibility to regularly monitor the concentration of heavy metals in its drinking water supplies to the community. Section 69U(1) of the Health Act 1956 requires that every drinking-water supplier, being the Council, must take reasonable steps to:
- contribute to the protection from contamination of each source of raw water from which that drinking-water supplier takes raw water; and
  - protect from contamination all raw water used by that drinking-water supplier.
- 4.4 Given the lead contamination incident in the Dunedin district where high levels of lead were recorded in the drinking water supplies, Council commenced a testing regime to monitor heavy metals in the 3 water supplies in order to maintain good water quality, provide confidence to its customers and support public health outcomes.
- 4.5 It has now undertaken the test over a period of 6 months and presents the result of this testing in this report.

### 5. Information Summary

- 5.1 Council Officers currently carry out sampling and testing for heavy metals in the 3 water supplies (Stratford, Midhirst and Toko) every 2 years.
- 5.2 Due to the Dunedin lead contamination event that occurred in February 2021, Council Officers commenced a more intensive testing regime for heavy metals in our raw and reticulated water supplies. The purpose was to confirm the quality of water and provide confidence to our consumers.

- 5.3 Testing commenced in February for 3 months and then in June 2021 (for Toko). Only Toko was sampled in June as it was the only plant that actually had any changes from the original testing results. While Toko had a change, slightly above detectable limits, between the raw water and filtered water, the increase was minimal and still well below the maximum acceptable limits.
- 5.4 Following the results which show sample results are well below the acceptable limits, Council Officers have now ended the intensive sampling and testing regime. Sampling and testing will now be undertaken annually, unless expressly required by legislation or by our Drinking Water Assessors (DWA).
- 5.5 Appendix 1 provides the maximum acceptable limits for heavy metals in drinking water; Appendices 2-5 provide the result of testing which show we are well below the maximum limits.

## 6. Strategic Alignment

### 6.1 Direction

This report relates to local public service, provides information on the quality of Council's 3x raw and reticulated water supplies and supports the Community Outcome of Sustainable Environment.

### 6.2 Annual Plan and Long Term Plan

This report is consistent with the requirements of the Health Act 1956 and our Water Safety Plans which support our Annual and Long Term Plan outcomes.

### 6.3 District Plan

There is no direct relationship with the District Plan.

### 6.4 Legal Implications

There are no legal implications.

### 6.5 Policy Implications

The report is consistent with Council policies relating to service delivery.



Victoria Araba  
**Director – Assets**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date: 13 September 2021**

**Appendices:**

- Appendix 1 – Maximum Acceptable Limits for Heavy Metals
- Appendix 2 – Heavy Metals Monitoring Results - February 2021
- Appendix 3 – Heavy Metals Monitoring Results - March 2021
- Appendix 4 – Heavy Metals Monitoring Results - April 2021
- Appendix 5 – Heavy Metals Monitoring Results - June 2021

## APPENDIX 1

## Maximum Acceptable Limits for Heavy Metals

			WHO* Guidelines		NZDWS **	
			MAV***	GV****	MAV***	GV****
<b>Total hardness (TH)</b>	Hard_gm3 CaCO <sub>3</sub>	g/m <sup>3</sup> as CaCO <sub>3</sub>	-	200	None	200
<b>Aluminium</b>	Al	g/m <sup>3</sup>	-	0.1	None	0.1
<b>Antimony</b>	Sb	g/m <sup>3</sup>	0.02	-	0.02	None
<b>Arsenic</b>	As	g/m <sup>3</sup>	0.01	-	0.01	None
<b>Barium</b>	Ba	g/m <sup>3</sup>	0.7	-	0.7	None
<b>Beryllium</b>	Be	g/m <sup>3</sup>	NA	-	None	None
<b>Boron</b>	B	g/m <sup>3</sup>	1.4	-	1.4	None
<b>Cadmium</b>	Cd	g/m <sup>3</sup>	0.004	-	0.004	None
<b>Calcium</b>	Ca	g/m <sup>3</sup>	Component of TH	-	Component of TH	Component of TH
<b>Chromium</b>	Cr	g/m <sup>3</sup>	0.05	-	0.05	None
<b>Copper</b>	Cu	g/m <sup>3</sup>	2	-	2	1
<b>Iron</b>	Fe	g/m <sup>3</sup>	0.2	-	None	0.2
<b>Lead</b>	Pb	g/m <sup>3</sup>	0.01	-	0.01	None
<b>Lithium</b>	Li	g/m <sup>3</sup>	NA	-	1 *****	None
<b>Magnesium</b>	Mg	g/m <sup>3</sup>	Component of TH	-	Component of TH	Component of TH
<b>Manganese</b>	Mn	g/m <sup>3</sup>	0.4	-	0.4	0.04 (staining) 0.10 (taste)
<b>Molybdenum</b>	Mo	g/m <sup>3</sup>	0.07	-	0.07	None
<b>Nickel</b>	Ni	g/m <sup>3</sup>	0.08	-	0.08	None
<b>Potassium</b>	K	g/m <sup>3</sup>	as Hardness	-	None	None
<b>Selenium</b>	Se	g/m <sup>3</sup>	0.01	-	0.01	None
<b>Silver</b>	Ag	g/m <sup>3</sup>	NA	-	0.1*****	None
<b>Sodium</b>	Na	g/m <sup>3</sup>	as Hardness	-	None	200
<b>Tin</b>	Sn	g/m <sup>3</sup>	NA	-	None	None
<b>Uranium</b>	U	g/m <sup>3</sup>	0.02	-	0.02*****	None
<b>Zinc</b>	Zn	g/m <sup>3</sup>	-	1.5	None	1.5

\*World Health Organisation;

\*\*New Zealand Drinking Water Standards;

\*\*\*WHO Maximum Acceptable Value;

\*\*\*\*WHO Guidelines Value,

\*\*\*\*\*Provisional MAV, due to analytical difficulties, retained by NZDWS either from WHO guidelines or developed by NZDWS.

**Notes:**

- Where WHO Guideline values are based on 60 kg bodyweight, the DWSNZ uses 70 kg bodyweight. See the datasheets for calculations (WHO 2004).



## APPENDIX 2



## Water Quality Report

NAME: **Stratford District Council**

ADDRESS: PO Box 320, Stratford

Contact:

Sample Type: **Raw and treated potable water**

Date / Time Sampled: **12.02.21** Date Received: 12.02.21

Date Reported: 23.02.21

Site: **Stratford**

TESTS	Units	Stratford raw	Stratford final	Midhirst raw	Midhirst final	Toko raw	Toko final
Sample time:	hrs	1000	0950	1050	1100	0915	0918
Lab No:		W90724	W90725	W90726	W90727	W90728	W90729
Total Arsenic	g/m <sup>3</sup>	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011
Total Cadmium	g/m <sup>3</sup>	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053
Total Chromium	g/m <sup>3</sup>	< 0.00053	< 0.00053	0.00063	< 0.00053	0.00059	< 0.00053
Total Copper	g/m <sup>3</sup>	0.00198	< 0.00053	0.0164	0.0115	0.0076	0.00189
Total Lead	g/m <sup>3</sup>	0.00034	< 0.00011	0.0039	0.00064	0.00074	0.00013
Total Nickel	g/m <sup>3</sup>	< 0.00053	< 0.00053	0.0143	< 0.00053	< 0.00053	< 0.00053
Total Zinc	g/m <sup>3</sup>	0.0028	< 0.0011	0.049	0.0104	0.0108	0.0089

**Comments:**

- Sample collected by Client and analysed as received at the laboratory.
- This report must not be reproduced, except in full, without the written consent of the signatory.
- Date of laboratory activity is between date received and date reported unless indicated otherwise.
- All analyses presented in this report have been carried out by a subcontracted laboratory in accordance with USEPA 200.8 / APHA 3125 B - Standard Methods for the Examination of Water and Wastewater 23<sup>rd</sup> Edn.

Checked by :

(Laboratory Manager)

&lt;End of Report&gt;

03/1

**Industrial Chemistry Services Ltd** - PO Box 345 - 27 Miranda Street - Stratford - New Zealand  
Phone (06) 765 5976 / Fax (06) 765 5935

## APPENDIX 3



## Water Quality Report

NAME: **Stratford District Council**

ADDRESS: PO Box 320, Stratford

Contact:

Sample Type: **Raw and treated potable water**

Date / Time Sampled: **22.03.21** Date Received: 22.03.21

Date Reported: 29.03.21

Site: **Stratford**

TESTS	Units	Stratford raw	Stratford final	Midhirst raw	Midhirst final	Toko raw	Toko final
Sample time:	hrs	1100	1100	0900	0900	1000	1000
Lab No:		W91435	W91436	W91433	W91434	W91431	W91432
Total Arsenic	g/m <sup>3</sup>	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011
Total Cadmium	g/m <sup>3</sup>	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053
Total Chromium	g/m <sup>3</sup>	< 0.00053	< 0.00053	< 0.00053	< 0.00053	< 0.00053	< 0.00053
Total Copper	g/m <sup>3</sup>	0.00105	< 0.00053	0.0066	0.0075	0.0056	0.27
Total Lead	g/m <sup>3</sup>	0.00014	< 0.00011	0.00128	0.00024	0.00092	0.00166
Total Nickel	g/m <sup>3</sup>	< 0.00053	< 0.00053	< 0.00053	< 0.00053	< 0.00053	0.0027
Total Zinc	g/m <sup>3</sup>	0.0016	< 0.0011	0.0174	0.045	0.0134	0.25

**Comments:**

- Sample collected by Client and analysed as received at the laboratory.
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- All analyses presented in this report have been carried out by a subcontracted laboratory in accordance with USEPA 200.8 / APHA 3125 B - Standard Methods for the Examination of Water and Wastewater 23<sup>rd</sup> Edn.

Checked by :

(Laboratory Manager)

&lt;End of Report&gt;

03/1

**Industrial Chemistry Services Ltd** - PO Box 345 - 27 Miranda Street - Stratford - New Zealand  
Phone (06) 765 5976 / Fax (06) 765 5935

## APPENDIX 4



## Water Quality Report

NAME: **Stratford District Council**

ADDRESS: PO Box 320, Stratford

Contact:

Sample Type: **Raw and treated potable water**

Date / Time Sampled: **07.04.21** Date Received: 07.04.21

Date Reported: 15.04.21

Site: **Stratford**

TESTS	Units	Toko raw	Toko final
Sample time:	hrs	1143	1140
Lab No:		W91669	W91670
Total Arsenic	g/m <sup>3</sup>	< 0.0011	< 0.0011
Total Cadmium	g/m <sup>3</sup>	< 0.000053	< 0.000053
Total Chromium	g/m <sup>3</sup>	< 0.00053	< 0.00053
Total Copper	g/m <sup>3</sup>	0.00176	0.0128
Total Lead	g/m <sup>3</sup>	0.00033	0.00081
Total Nickel	g/m <sup>3</sup>	< 0.00053	< 0.00053
Total Zinc	g/m <sup>3</sup>	0.0068	0.0161

**Comments:**

- Sample collected by Client and analysed as received at the laboratory.
- This report must not be reproduced, except in full, without the written consent of the signatory.
- Date of laboratory activity is between date received and date reported unless indicated otherwise.
- All analyses presented in this report have been carried out by a subcontracted laboratory in accordance with USEPA 200.8 / APHA 3125 B - Standard Methods for the Examination of Water and Wastewater 23<sup>rd</sup> Edn.

Checked by :

(Laboratory Manager)

&lt;End of Report&gt;

03/1

**Industrial Chemistry Services Ltd** - PO Box 345 - 27 Miranda Street - Stratford - New Zealand  
Phone (06) 765 5976 / Fax (06) 765 5935



Stratford District Council  
PO Box 320  
Miranda Street  
STRATFORD  
Attention:

Eurofins ELS Limited

## Analytical Report

## APPENDIX 5

Report Number: 21/21955  
Issue: 1  
11 June 2021

Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-01 Notes: Raw Water	Midhirst	MID001MI	02/06/2021 11:05	03/06/2021 07:00	MJM 002062
Test	Result	Units	Test Date	Signatory	
<b>DWS-Metals Drinking Water - Metals Only</b>					
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6004 Barium - Acid Soluble	0.011	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6007 Boron - Acid Soluble	< 0.03	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6013 Copper - Acid Soluble	0.0023	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6021 Manganese - Acid Soluble	0.0089	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6024 Nickel - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-02 Notes: Final Water	Midhirst	MID001MI	02/06/2021 11:07	03/06/2021 07:00	MJM 002062
Test	Result	Units	Test Date	Signatory	
<b>DWS-Metals Drinking Water - Metals Only</b>					
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6004 Barium - Acid Soluble	0.012	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6007 Boron - Acid Soluble	< 0.03	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6013 Copper - Acid Soluble	0.0006	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6021 Manganese - Acid Soluble	0.0034	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6024 Nickel - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-03 Notes: Raw Water	Toko	TOK004TO	02/06/2021 11:40	03/06/2021 07:00	MJM 002062
Test	Result	Units	Test Date	Signatory	
<b>DWS-Metals Drinking Water - Metals Only</b>					
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6004 Barium - Acid Soluble	0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6007 Boron - Acid Soluble	0.07	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6013 Copper - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6021 Manganese - Acid Soluble	0.0185	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6024 Nickel - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	



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**APPENDIX 5**

Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-03 Notes: Raw Water	Toko	TOK004TO	02/06/2021 11:40	03/06/2021 07:00	MJM 002062
Test	Result	Units	Test Date	Signatory	
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP	

Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-04 Notes: Final Water	Toko	TOK004TO	02/06/2021 11:45	03/06/2021 07:00	MJM 002062

Test	Result	Units	Test Date	Signatory
<b>DWS-Metals Drinking Water - Metals Only</b>				
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6004 Barium - Acid Soluble	0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6007 Boron - Acid Soluble	0.07	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6013 Copper - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6021 Manganese - Acid Soluble	0.0509	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6024 Nickel - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP

Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-05 Notes: Raw Water	Stratford	STR001ST	02/06/2021 12:05	03/06/2021 07:00	MJM 002062

Test	Result	Units	Test Date	Signatory
<b>DWS-Metals Drinking Water - Metals Only</b>				
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6004 Barium - Acid Soluble	0.014	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6007 Boron - Acid Soluble	< 0.03	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6013 Copper - Acid Soluble	0.0014	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6021 Manganese - Acid Soluble	0.0144	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6024 Nickel - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP

Sample	Site	Map Ref.	Date Sampled	Date Received	Order No.
21/21955-06 Notes: Final Water	Stratford	STR001ST	02/06/2021 12:10	03/06/2021 07:00	MJM 002062

Test	Result	Units	Test Date	Signatory
<b>DWS-Metals Drinking Water - Metals Only</b>				
6002 Antimony - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6003 Arsenic - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6004 Barium - Acid Soluble	0.015	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6007 Boron - Acid Soluble	< 0.03	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6008 Cadmium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6011 Chromium - Acid Soluble	< 0.001	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6013 Copper - Acid Soluble	0.0013	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6018 Lead - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6021 Manganese - Acid Soluble	0.0523	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6022 Mercury - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6023 Molybdenum - Acid Soluble	< 0.0005	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6024 Nickel - Acid Soluble	0.0024	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6028 Selenium - Acid Soluble	< 0.002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP
6047 Uranium - Acid Soluble	< 0.0002	g/m <sup>3</sup>	08/06/2021	Sharon van Soest KTP

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## APPENDIX 5

Sampled by customer using ELS approved containers.

All samples analysed as we receive them. Delivery was within the correct time and temperature conditions.

### Test Methodology:

Test	Methodology	Detection Limit
Antimony - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.001 g/m <sup>3</sup>
Arsenic - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.001 g/m <sup>3</sup>
Barium - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.002 g/m <sup>3</sup>
Boron - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.03 g/m <sup>3</sup>
Cadmium - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0002 g/m <sup>3</sup>
Chromium - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.001 g/m <sup>3</sup>
Copper - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Lead - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Manganese - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Mercury - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Molybdenum - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Nickel - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0005 g/m <sup>3</sup>
Selenium - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.002 g/m <sup>3</sup>
Uranium - Acid Soluble	ICP-MS following APHA Online Edition method 3125 (modified).	0.0002 g/m <sup>3</sup>

Unless otherwise stated, all tests are performed in Wellington.

The laboratory is not responsible for the information provided by the customer which can affect the validity of the results, for example: sampling information such as date/time, field data etc.

"<" means that no analyte was found in the sample at the level of detection shown. Detection limits are based on a clean matrix and may vary according to individual sample.

For liquid samples g/m<sup>3</sup> is the equivalent to mg/L and ppm, solid samples are reported as mg/kg which is equivalent to ppm.

Samples will be retained for a period of time, in suitable conditions appropriate to the analyses requested.

This laboratory is accredited by International Accreditation New Zealand and its reports are recognised in all countries affiliated to the International Laboratory Accreditation Co-operation Mutual Recognition Arrangement (ILAC-MRA). The tests reported have been performed in accordance with our terms of accreditation, with the exception of tests marked "not an accredited test", which are outside the scope of this laboratory's accreditation.

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