

**FINANCE/PERFORMANCE
COMMITTEE MEETING**

ORDER PAPER

**THURSDAY, 26 SEPTEMBER 2019,
10.30AM**

**COUNCIL CHAMBER, RANGITĪKEI DISTRICT COUNCIL
46 HIGH STREET, MARTON**

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Chair - Councillor Nigel Belsham
Deputy Chair - Councillor Lynne Sheridan

Membership

Councillors Cath Ash, Dean McManaway, Graeme Platt, Ruth Rainey
and Dave Wilson.

His Worship the Mayor, Andy Watson (ex officio)

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.

Making this place home.





Rangitikei District Council

Finance and Performance Committee Meeting

Agenda – Thursday 26 September 2019 – 10:30 a.m.

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The quorum for the Finance and Performance Committee is 4.

Council's Standing Orders (adopted 3 November 2016) 10.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

1 Welcome

2 Public forum

3 Apologies/Leave of Absence

4 Members' Conflict of Interest

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

5 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, be dealt with as a late item at this meeting.

6 Minutes of Previous Meeting

The minutes from the Finance/Performance Committee meeting held 29 August 2019 are attached.

Recommendation:

That the Minutes of the Finance/Performance Committee meeting held on 29 August 2019 [as amended/without amendment] be taken as read and verified as an accurate and correct record of the meeting.

7 Chair's Report

A report will be tabled at the meeting.

File ref: 3-CT-14-1

Recommendation:

That the 'Chair's Report' to the 26 September 2019 Finance/Performance Committee meeting be received.

8 Progress with strategic issues

Advocacy by His Worship the Mayor (including Ministerial discussions) has continued for unlocking the Māori land-locked land in the north of the District. In response to the direction from Judge Harvey, Council has formally indicated its desire to be an interested party to the proceedings of the Waitangi Tribunal proceedings on landlocked land in the Taihape region. This has been approved.

The Hunterville/Tutaenui rural water pre-feasibility study is complete. An application to the Provincial Growth Fund for a feasibility study was submitted on 3 May 2019.

Progress continues with the proposed new civic/community centres in Bulls and Marton. Tenders for constructing the Bulls centre were considered by Council on 30 August 2018, and a preferred contractor identified for negotiation. At its meeting on 15 November 2018, Council confirmed a contract with W & W Construction (2010) Ltd. Construction has started. Monthly updates are provided to Council.

The value of placemaking initiatives was reinforced to all Community Boards and Community Committees at their meetings in February 2019.

Consideration was given by the Policy/Planning Committee's meeting on 13 July 2017 to services provided by information centres (with a further report to Council's meeting on 27 July 2017).

Two workshop discussions have been held on economic development and District promotion and a potential budget envelope identified. A draft policy on using the legislative provisions for development agreements to incentivise housing and other developments was considered at the Finance/Performance Committee's October meeting and a revised draft considered at meeting in January 2018. A further workshop session was held on 23 August 2018, considering Wellington City Council's policy on rates remission for first home builders. A draft policy was considered by Policy/Planning Committee on 13 September 2018; at its meeting on 25 October 2018, Council approved public consultation for this draft policy; the policy was adopted at Council's meeting on 31 January 2019. Overtures have continued to interest developers in providing new housing on Council's two vacant blocks in Bulls.

Priorities for economic development were one of the key choices in the Consultation Document for the 2018-28 Long Term Plan. The Government's Provincial Growth Fund (announced in February 2018) is a potentially significant mechanism to stimulate development and growth in the Rangitikei. An appointment was made to the Economic Development Advisor role. Monthly updates have been provided to the Committee's meetings since February 2019. A workshop was held on 11 April 2019 to ascertain Elected Members' priority actions for residential growth, business, education and promotion. Following discussion with iwi partners, further work has been done on a strategy, and provided to the Committee's July and *August* 2019 meetings. *Final signoff is deferred to the new triennium.*

A District Plan Change was notified on 22 August 2019 proposing the rezoning of approximately 217 ha of rural land between Wings Line, SH0-1, Makirikiri Road and the Main Trunk Railway to industrial. The associated section 32 analysis showed the potential for increased economic activity and employment opportunities. *Submissions close on 23 September 2019.*

Council submitted to the Horizons Regional Council long-term plan supporting the proposed establishment of a regional facilities fund. However, there were varying responses from other councils so the proposal will not proceed. However, at its meeting on 12 July 2018, the Assets/Infrastructure Committee considered a presentation on the Manawatū-Whanganui Regional Sport Facility Plan and recommended to Council that it consider that plan as a tool

to guide the future planning, development, management and operation of sports facilities in the Rangitikei and wider Manawatū-Whanganui region.

In March 2018, Chorus advised an accelerated timetable for the roll-out of fibre in Rātana/Whangaehu, Marton, Mangaweka, Hunterville, Taihape and Bulls, to be completed by June 2022. At the Digital Local Government Partnership Launch on 15 August 2018, the Minister for Government Digital Services indicated that the rollout of rural broadband would be completed by the end of 2021.

Rates modelling is part of the new financial modelling software which has been used as the basis of preparing the financial statements for the 2018-28 Long Term Plan and for the 2019/20 Annual Plan.

The review of the revenue and financing policy is complete and included in the draft Long term Plan – analysis of all expenditure activities was undertaken in Council workshops.

Impact of forestry on roading has been considered in the roading asset management plan and in developing the Traffic and Parking Bylaw.

The Independent Assessment Board released its report on the Council's operations under the Local Government Excellence Programme. Actions to effect the suggested improvements are in progress. A report was included in the agenda for the Committee's November 2018 meeting. The next assessment is scheduled for late March 2020.

MW LASS collaboration has been used to provide insurance cover for below-ground infrastructure assets from 1 July 2017.

Staff are continuing to manage the Rangitikei.com website.

9 Results of interim audit

The report to the Council on the Interim audit of Rangitikei District Council for the year ending 30 June 2019 is attached.

Recommendation:

That the 'Report to the Council on the Interim audit of Rangitikei District Council for the year ending 30 June 2019' to the Finance/Performance Committee meeting 26 September 2019 be received.

10 Progress with 2018/19 Annual Report

A verbal update will be provided at the meeting.

11 Infrastructure Shared Services – quarterly report, April – June 2019

A report will be tabled at the meeting.

Recommendation:

That the 'Infrastructure Shared Services – quarterly report, April – June 2019' to the 26 September 2019 Finance/Performance Committee meeting be received.

12 Economic Development Project and Activity Report - September 2019

A report will be tabled at the meeting.

File ref: 4-ED-1-NGHS

Recommendation:

That the 'Economic Development Project and Activity Report - September 2019' to the 26 September 2019 Finance/Performance Committee meeting be received.

13 Questions raised at previous meeting

There were no questions raised at the previous meeting.

14 Late Items

As agreed at item 6.

15 Future Items for the Agenda

Grant funding and utilisation of the website* (November)

16 Next Meeting

(This is the last meeting for the triennium)

17 Meeting Closed

Attachment 1

Rangitīkei District Council



Finance and Performance Committee Meeting

Minutes – Thursday 29 August 2019 – 9:30 a.m.

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Present: Cr Nigel Belsham
Cr Lynne Sheridan
Cr Cath Ash
Cr Dean McManaway
Cr Graeme Platt
Cr Ruth Rainey
Cr David Wilson
His Worship the Mayor, Andy Watson

Also Present: Cr Angus Gordon
Cr Jane Dunn

In attendance: Mr Ross McNeil, Chief Executive
Ms Jo Devine, Group Manager – Finance & Business Support
Mr Arno Benadie, Principal Advisor – Infrastructure
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr Blair Jamieson, Strategy and Community Planning Manager
Ms Gioia Damosso, Strategic Advisor – Economic Development

Tabled documents: Item 11 – Provisional Statement of Service Performance
Item 14 – Draft Economic Development Strategy

1 Welcome

The Chair welcomed everyone to the meeting at 9:33am

2 Council Prayer

Cr McManaway read the Council Prayer.

3 Public forum

Nil

4 Apologies/Leave of Absence

Nil

5 Members' Conflict of Interest

Members were reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

There were no conflicts declared.

6 Confirmation of order of business

The order of business was confirmed, item 11 was moved to follow item 9.

7 Minutes of Previous Meeting

The minutes from the Finance/Performance Committee meeting held 25 July 2019 are attached.

Resolved minute number	19/FPE/041	File Ref
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That the Minutes of the Finance/Performance Committee meeting held on 25 July 2019 as amended be taken as read and verified as an accurate and correct record of the meeting.

Cr Ash/Cr Wilson. Carried

8 Chair's Report

The Chair provided a verbal update to the Committee noting that Council is in a strong financial position.

9 Progress with strategic issues

The Committee noted the commentary in the agenda.

10 Financial Highlights and Commentary – July 2019

Ms Devine spoke to the presentation.

It was noted the increases would be due to the works that have been done. The depreciation amounts will be higher than anticipated due to these value increases and these will be discussed in detail likely in late October.

Resolved minute number **19/FPE/042** **File Ref**

That the memorandum 'Financial Highlights and Commentary – July 2019' to the 29 August 2019 Finance/Performance Committee meeting be received.

Cr Ash/His Worship the Mayor. Carried

11 Statement of Service Performance

Mr Hodder highlighted section in the provisional statement.

- Footpaths – His Worship the Mayor noted that these areas could have the standards varied at the Long Term Plan planning stage.
- Road safety – Mr Hodder noted that this is a mandatory measure (prescribed by Internal Affairs) and the results are very largely out of Council's control.
- Wastewater discharge compliance – Immediate action was taken at Taihape; the pump station was working as designed.
- Timeliness of processing building consents and resource consents – Introduction of e-consenting is part of the Information Services Strategic Plan now under development

Resolved minute number **19/FPE/043** **File Ref**

That the 'draft full-year Statement of Service Performance' to the 29 August 2019 Finance/Performance Committee meeting be received.

Cr Wilson/His Worship the Mayor. Carried

Cr Dunn arrived 10.10am.

12 Questions raised at previous meeting

There were no questions raised at the previous meeting.

13 Economic Development Project and Activity Report - August 2019

Ms Damosso spoke to the report.

Ms Damosso clarified that there had been discussions about securing collaboration among hemp producers.

Resolved minute number **19/FPE/044** **File Ref** **4-ED-1-NGHS**

That the 'Economic Development Project and Activity Report - August 2019' to the 29 August 2019 Finance/Performance Committee meeting be received.

Cr Ash/Cr Sheridan. Carried

14 Economic Development Strategy

The draft document was presented to the Committee.

Resolved minute number **19/FPE/045** **File Ref**

That the draft 'Economic Development Strategy' to the 29 August 2019 Finance/Performance Committee meeting be received.

Cr Ash/Cr McManaway. Carried

15 Late Items

As agreed at item 6.

16 Future Items for the Agenda

Consenting processes

Information Services Strategic Plan update

Grant funding and utilisation of the website* (November)

17 Next Meeting

26 September 2019, 10.30 am.

(This will be the last meeting for the triennium)

18 Meeting Closed

10:38am

Confirmed/Chair: _____

Confirmed/Chief Executive: _____

Date:

Unconfirmed

Attachment 2

Report to the Council on the Interim audit of

Rangitikei District Council

For the year ended 30 June 2019

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Key messages

We have completed our interim audit for the year ended 30 June 2019. This report sets out our findings from the interim audit.

Summary

We performed an assessment of the District Council's control environment. In performing this assessment, we considered both the design effectiveness and operational effectiveness of internal control.

Overall we have assessed the control environment as "effective". This means, based on the work we performed, the District Council has adequate internal controls in place that will either prevent or detect material misstatements in its financial statements and statement of service performance. For further detail refer to section 2 of this report.

We have made recommendations for improvement within section 3 and 4 of this report.

Thank you

We would like to thank management and staff for their assistance during the Interim Audit.



Chris Webby
Appointed Auditor
16 August 2019

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Changes to financial delegations</p> <p>The District Council review all financial delegations set up within the system to ensure these are correct.</p> <p>Going forward each quarter there is an independent review of any changes made to the financial delegations with the District Council's FMIS.</p>	3.1	Necessary
<p>Sensitive Expenditure policy to be updated</p> <p>The District Council consider incorporating further guidance into their next update of its sensitive expenditure policies and staff handbook.</p>	3.2.1	Necessary

Recommendation	Reference	Priority
<p>Sensitive Expenditure – one up approval</p> <p>The District Council enforces a one up approval for sensitive expenditure items. Retrospective approval should be sought if the one up approval can't be given at the time of payment.</p>	3.2.2	Necessary
<p>Improving Creditor Masterfile review process</p> <p>The District Council phone to confirm new creditors or changes to a creditors bank account number to ensure they are valid.</p>	3.3	Necessary
<p>Bribery and Corruption policy</p> <p>The District Council consider the following:</p> <ul style="list-style-type: none"> • Develop an overarching bribery and corruption policy that links to related policies and procedures. • Update the related policies/procedure to ensure their scope clearly includes bribery and corruption. 	4.1	Beneficial

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open/ In Progress		9	2	11
Implemented or closed		1	1	2
Matters that will be followed up during our final audit visit		6		6
Total		16	3	19

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

The controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

We have raised areas of improvement in section 3.

3 Findings arising as a result of our interim audit

3.1 Changes to financial delegations

There is currently no review of new or amended financial delegations entered into the District Council's financial management information system (FMIS).

A key control for the District Council's expenditure system is that only employees with the appropriate financial delegation can approve a purchase order. There is a risk that unauthorised changes have been made to the financial delegations which could mean that employees are approving expenditure that they should not have financial delegation for.

We recommend the District Council review all financial delegations set up within the system to ensure these are correct.

We also recommend that going forward each quarter there is an independent review back to supporting documentation of any changes made to the financial delegations with the District Council's FMIS.

Management comment

The Council is currently reviewing the processes supporting the financial delegation system, the above recommendations will be considered as part of this review.

3.2 Sensitive expenditure

3.2.1 Sensitive expenditure policies

We have reviewed the District Council's sensitive expenditure procedures and policies covering travel, meals and accommodation, gifts, donations, use of the District Council's assets, entertainment and hospitality against the Office of Auditor-General's (OAG) published good practice "Controlling sensitive expenditure: Guidelines for public entities".

In performing our review we noted some areas where guidance could be further strengthened or updated to reflect current good practice. Some of the key areas where guidance could be improved include:

- Clarifying that all sensitive expenditure is required to be approved by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure, wherever possible. The approval process including where retrospective approval may be required should be clear.
- Updating the motor vehicle policy for current good practice.
- Developing clear Koha and Gift guidelines.

We have provided a comprehensive list to management of areas where the current policies can be strengthened to reflect good practice. However, the District Council should also take into consideration the types of sensitive expenditure they are incurring to ensure that any updates are fit for purposes and practical. We would also note that the staff hand book may also need to be updated to ensure consistency between the staff handbook and the sensitive expenditure policies.

We recommend the District Council consider incorporating further guidance into their next update of its sensitive expenditure policies and staff handbook.

Management Comment

The sensitive expenditure policy has been updated and this is currently going through an approval process.

3.2.2 Sensitive Expenditure approval

As part of our testing of sensitive expenditure items we identified instances where the sensitive expenditure incurred was not approved on a one-up-basis. This is not in line with good practice as this can create a perception that the approver may feel forced to approve a more senior person's expenditure.

We are aware that there are situations where sensitive expenditure items need to be paid prior to one up approval being obtained. In these situations we would expect retrospective approval to occur. This could happen through a Council sub-committee if the expenditure is incurred by the Chief-Executive or Mayor.

In the case of international travel, approval is generally approved in a District Council meeting and formally documented. In these situations we would also expect retrospective approval of the actual costs incurred especially if these have exceeded an agreed budget.

Sensitive expenditure has received a significant amount of media coverage in the past year which reinforces the importance of the District Council being satisfied not only with the approval processes but also with the appropriateness of the expenditure incurred and the quantum. Some good practice we have seen from other entities is that those charged with governance have received a monthly report (either directly or through a sub-committee) which lists the expenditure incurred by senior management and the total spend year-to-date of sensitive expenditure items like travel and entertainment.

We recommend the District Council enforces a one up approval for sensitive expenditure items. Retrospective approval should be sought if the one up approval can't be given at the time of payment.

Management Comment

This has been included in the revised sensitive expenditure policy which is currently going through an approval process.

3.3 Improving Creditor Masterfile review process

On other audits we have seen an increase in third parties trying to get entities to add new fraudulent creditors or make changes to existing creditors bank account numbers. The lengths these third parties are going to are getting more and more sophisticated every day for example, altering invoices or bank deposit slips. This requires entities to be even more vigilant when setting up new creditors or making changes to existing creditors.

As part of the audit we reviewed the District Council's controls around ensuring changes to the creditors Masterfile are appropriate. We identified that the District Council performs checks on new creditors and changes to existing creditors bank accounts. Checks performed include reviewing details back to invoices or bank deposit slips. At no stage does the District Council ring the creditor directly to confirm the details per the invoice or bank deposit slips are correct.

We had previously recommended that any changes to the creditors Masterfile should be independently reviewed. We are very pleased to see this has been implemented since April.

We recommend that the District Council phone to confirm new creditors or changes to a creditor's bank account number to ensure they are valid.

Management Comment

As noted above an independent review process has been implemented. In addition to this the Council is currently considering an efficient and effective means of confirming new creditors or changes to a creditor's bank account.

4 Other

4.1 Bribery and Corruption policy

Parliament's Finance and Expenditure Committee has expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.

As part of its response to the Committee, the Office of the Auditor-General asked auditors to undertake some work for all public entities to better understand the controls in place in public entities to reduce the risk of wrongdoing, particularly bribery and corruption.

We obtained an understanding of the controls in place to reduce the risk of wrongdoing in the District Council, particularly bribery and corruption. From our review we identified that the District Council has components of good practice in its existing policies, processes and procedures.

Areas where the District Council could strengthen its existing practice is by looking at developing an overarching bribery and corruption policy that clearly explains what bribery and corruption is which links to existing policies such as the code of conduct, fraud policy and procurement policies which outline the behaviour expected of staff and the procedures and processes to follow where issues are identified. The linked policies could also be further strengthened by specifically including bribery and corruption within their scope as part of the next scheduled update.

There are examples of public sector entities with such a policy in place (including another local district council) so these could provide a good base on which the District Council could develop its own policy.

We recommend the District Council:

- Develop an overarching bribery and corruption policy that links to related policies and procedures.
- Update the related policies/procedure to ensure their scope clearly includes bribery and corruption.

Management Comment

A draft anti-bribery and corruption policy has been developed and this is currently going through an approval process.

5 Useful publications



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

Description	Where to find it
Client updates	
<p>In March 2019, we hosted a series of client updates. The theme was “Our high performing and accountable public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p> <p>Relevant sessions for the District Council include:</p> <ul style="list-style-type: none"> • A high performing and accountable public sector. • Economic outlook. • He Puna Hao Pātiki: 2018 Investment Statement, Investment for Wellbeing. • Procurement. • Annual reports and Stakeholder expectations. • Valuing your audit and risk committee. • Accounting technical update. 	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>

Tax matters	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under publications and resources. Link: Tax Matters
Data in the public sector	
The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover: <ul style="list-style-type: none"> • functional leadership; • building capability and capacity; • collaboration; and • security. 	On the OAG’s website under publications. Link: Data in the public sector
Matters arising from the 2017/18 audits	
The OAG has published a report on the results of the 2017/2018 audits for the sector. These included: <ul style="list-style-type: none"> • Matters arising from our audits of the 2018-28 long-term plans. • Long-term plans: Our audits of councils’ consultation documents. There were also a number of inquiries/reports which may also be of interest including: <ul style="list-style-type: none"> • Inquiry into procurement of work by Westland District Council at Franz Josef. • Introducing our work about procurement 	On the OAG’s website under publications. Link: Recent publications
Audit Committees	
The OAG has released various best practice information on Audit Committees.	On the OAG’s website under “Our Work – Audit Committee Resources”. Link: Audit Committee Resources
Infrastructure as a Service	
The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.	On the OAG’s website under publications. Link: Infrastructure as a Service

Appendix 1: Status of previous recommendations

Open and in progress recommendations

Recommendation	First raised	Status
Necessary		
High Annual Leave Balances		
Implement regular reviews of annual leave balances of all staff to ensure the liability and associated risks are minimised by implementing leave plans for staff with high leave balances.	2017/18	<p>Open</p> <p>While an annual leave review process had not been implemented at our interim visit, the District Council management are in the process of implementing this. It is planned that regular annual leave reports will be run and reviewed by the Group Manager Finance and Business Support. Staff with high leave balances will be followed up to put leave plans in place.</p> <p>We will follow up this issue at our final audit.</p>
Capital Work in progress		
<p>Review the capital WIP balance to:</p> <ul style="list-style-type: none"> clearly identify projects included in the balance; and perform an impairment assessment over the outstanding WIP balance at year-end; and ensure projects are capitalised on a timely basis once they are ready for use. 	Prior to 17/18J	<p>Open</p> <p>There is no change in this issue since progress reported in the 17/18 final management report.</p> <p>We will follow up as part of the final audit.</p>
Inconsistent procedures for adding and removing users from systems		
Procedures for amending and removing access should be formalised and all council staff be made aware of their responsibilities for advising IT about staff leaving.	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>

Recommendation	First raised	Status
Process for removing Manawatu District Council staff from the Council's IT systems when they leave		
<p>We continue to recommend that a review and improvement to procedures for adding, reviewing and removing external users access be done to ensure security of councils systems and data.</p>	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>
Virus and Patch Management		
<p>IT need to develop monitoring and reporting on the status of patching and anti-virus updates across the District Council's IT to ensure they remain up to date.</p>	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>
No Regular Testing of Business Continuity and IT Disaster Recovery Plans		
<p>We continue to recommend that Business Continuity and IT Disaster Recovery plans be finalised.</p> <p>As part of the project to implement new IT infrastructure we recommend that testing of failover to the new secondary datacentre be performed and the IT DR plan be finalised.</p>	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>
IS Policies are not up to date		
<p>We recommend that the new IS policies be finalised and communicated to all staff and contractors. The staff handbook needs to be updated to match the new IS policies.</p>	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>
Reviews of MagiQ users access levels		
<p>The review of users access levels in MagiQ needs to be finalised to ensure access to change critical District Council data is limited to approved personnel.</p>	Prior to 17/18J	<p>To be followed up at final</p> <p>Our ISAA audit team have not yet completed the ISAA audit.</p> <p>We will update the status of this issue in our final management report.</p>
Monthly capital work in progress reconciliations		
<p>Implement a monthly reconciliation of capital work in progress.</p>	Prior to 17/18J	<p>In Progress</p> <p>No change in the way RDC performs this process.</p>

Recommendation	First raised	Status
		<p>The monthly financial report to the Finance/ Performance Committee includes a Statement of Capital Works specifying (for each relevant General Ledger code) the year-to-date actuals, the year-to date budget, and the full year budget.</p> <p>Monthly project reporting to the Assets/Infrastructure Committee (which typically shows % completion) will be expanded to include, in each instance, the project budget, the amount committed and the amount spent.</p>
Carry forward of capital expenditure		
<p>Continue to reduce the amount of capital expenditure carried forward to the next financial year.</p>	Prior to 17/18J	<p>In Progress</p> <p>The District Council approves any carry forward proposals. A consultation document for 2019/20 has been published by the District Council to consult with the public regarding some of these carry forward projects.</p>
Review of Procurement Practice		
<p>As part of our 2016 audit we completed a review of the joint procurement process undertaken by Manawatu District Council, Horowhenua District Council, and the Council. Our summarised recommendations are detailed below:</p> <ul style="list-style-type: none"> • Conflict of interest declarations to be signed off by the appropriate authority at the time that they are signed off by the person completing the declaration. • Declarations to be regularly updated, both actively and at key stages of the procurement process. • Declarations to be completed by those with the ability to influence the decision of the evaluation team, regardless of whether or not these individuals have decision making power. 	Prior to 17/18J	<p>In Progress</p> <p>There is no change in this issue since progress reported in the 17/18 final management report.</p> <p>We will follow up as part of the final audit.</p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> • A business case be prepared for all procurements of significant value and risk. • A procurement strategy or plan should specify the roles and responsibilities of those involved in the process. This includes those sitting on the evaluation team and any advisors to the process. • Consider risks during the procurement planning stage. These risks relate to the procurement process rather than the contract. • While the procurement strategy identified the broad scope of the procurement, we would expect to see more specificity around timing and quality of what was being procured. 		
Succession Planning		
<p>There are some District Council staff members who have a vast amount of sector knowledge. The District Council needs to ensure that there are succession plans in place for when these staff members leave so that the operations of the District Council will not be effected. There is a risk that once staff members leave, there will no longer be this knowledge base within the District Council.</p>	<p>Prior to 17/18J</p>	<p>In Progress</p> <p>Progress is being made, but not yet fully resolved.</p> <p>The District Council has a mechanism called PROMAP which can help mitigate this risk by capturing job processes and instructions on how to do these.</p> <p>Group managers have been asked to identify top priority processes and to enter it in PROMAPP.</p> <p>The Chief Executive has reiterated that priority needs to be given to work on ProMapp and tracks progress of processes documented in PROMAPP at each corporate management meeting.</p> <p>We will follow up progress as part of our final audit.</p>

Recommendation	First raised	Status
Beneficial		
Conflict of Interest Policy		
<p>There is no organisation wide conflict of interest policy in place for Council Staff.</p> <p>While the staff handbook briefly mentions conflicts of interest, it is not robust.</p> <p>We expect Council to have a conflict of interest policy in place containing:</p> <ul style="list-style-type: none"> • The principles that should guide decision making about Conflicts of Interest, including integrity, honesty, transparency, openness, independence, good faith, fairness, and impartiality. • Comprehensive guidance on what may constitute a Conflict of Interest. • Examples of circumstances in which there may be a perceived, actual, or potential interest. • Differences between pecuniary and non-pecuniary interests and when these may arise. • Broad range of options for avoiding or mitigating any Conflicts of Interest that may arise. • What gifts or hospitality may be acceptable and the process which applies to disclosure. 	Prior to 17/18J	<p>In Progress</p> <p>A draft Conflict of Interest updated policy is in its final stages of approval/ review as at April 2019.</p> <p>We will follow up progress as part of our final audit.</p>

Recommendation	First raised	Status
Update to staff handbook		
<p>The staff handbook could be improved by including the following specific matters:</p> <ul style="list-style-type: none"> • Prohibition (or disclosure) of any significant financial interests in customers, suppliers or competitors. • Prohibition or disclosure of the receipt of gifts, loans or other special privileges from customers, suppliers or competitors. • Prohibition of the payment of bribes and certain types of rebates or other forms of compensation to induce sales or obtain favourable contract terms. • Prohibition of the use of the Council's funds to reimburse employees or others for expenditures that would violate the entity's policies. • Prohibition of unrecorded cash funds. 	Prior to 17/18J	<p>In Progress</p> <p>This is expected to be resolved as part of the staff handbook update.</p> <p>We will follow up progress as part of our final audit.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Beneficial		
Review Changes to Water Billing Input		
Formalise the current review processes with by evidencing the independent review of the water billing and meter reading spot checks by way of signature and date.	2017/18	<p>Closed</p> <p>A review process has now been implemented, starting from the January billing cycle in 2019. A reasonableness check is performed, and a check of all entries that have been manually updated is performed. The independent review of this report is signed and dated.</p>
Necessary		
Creditors Masterfile Maintenance review		
Independently review the Creditors Masterfile Maintenance report back to supporting documentation by a staff member that has no edit-access.	Prior to 17/18	<p>Closed</p> <p>The staff member who reviews the Creditors' Masterfile Maintenance report no longer has "edit" access from April 2019.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements and performance information does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit and the limited assurance engagement related to the District Council’s debenture trust deed, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$121,732 (disbursements and GST exclusive), as detailed in our Audit Proposal Letter dated 13 June 2017.</p> <p>Other fees charged of \$4,000 relate to assurance engagement related to the 2018 Debenture Trust Deed.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>

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