



AGENDA



Risk & Assurance Committee



11AM, Thursday 12
October 2023

Council Chambers,
59-61 Huia Street,
Taumarunui





RISK & ASSURANCE COMMITTEE

NOTICE OF MEETING

A MEETING OF THE RISK & ASSURANCE COMMITTEE WILL BE HELD AT THE
COUNCIL CHAMBERS, 59-61 HUIA STREET, TAUMARUNUI
ON THURSDAY, 12 OCTOBER 2023, AT 11AM

Members		
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Chairperson	Philip Jones	(Independent – Appointed by Council)
Mayor	Weston Kirton	
Deputy Mayor	Vivienne Hoeta	
Councillors	Channey Iwikau	
	Lyn Neeson	

Clive Manley
CHIEF EXECUTIVE

Quorum (3)

**THE PUBLIC BUSINESS PART OF THE AGENDA IS LIVE STREAMED TO OUR
FACEBOOK PAGE**

Roles and Powers of Risk & Assurance Committee

Purpose

To ensure that Council has appropriate financial, risk management and internal control systems in place that provide Council with:

- 1 Effective management of potential opportunities and adverse effects;
- 2 An overview of the financial performance of the organisation; and
- 3 Reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting.

Areas of Responsibility

- 1 Risk management and the system of internal controls.
- 2 Reporting – financial and non-financial.
- 3 Maintain an effective relationship with the external auditor.
- 4 Appoint or engage any internal auditor.
- 5 Promote, monitor and review compliance with Council's legal and other obligations.
- 6 Ensure there is good communication between Council, Committees and Management.
- 7 Prepare and implement programmes of work relevant to the purpose of the Committee which are consistent with the Annual and Long Term Planning processes of Council.

Delegations

The Risk & Assurance Committee shall have delegated authority to:

- 1 Approve:
 - (a) Audit engagement letters and letters of undertaking for external and any internal audits.
 - (b) The appointment of any internal auditor within budgetary constraints.
 - (c) Risk management and internal audit programmes.
- 2 Recommend to Council:
 - (a) Adoption, or non-adoption of completed financial and non-financial performance statements.
 - (b) Governance policies associated with Council's financial, accounting, risk management, compliance and ethics programmes and internal control functions.
 - (c) Accounting treatments, changes in generally accepted accounting practice and new accounting and reporting requirements.
- 3 Conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors and, where appropriate, recommend action(s) to Council.

The Chair of the Risk & Assurance Committee shall have delegated authority to:

- 1 Appoint an independent investigator to investigate an allegation of fraud pursuant to Council's Fraud Policy. If possible, this appointment is to be made in consultation with the Chief Executive.
- 2 Approve the letter of engagement for a member co-opted to the Risk & Assurance Committee for the duration of the Committee's consideration of a special topic or topics.

The Committee Chair is the authorised spokesperson for the Committee in all matters where the Committee has authority or a particular interest. Committee members, including the Chair, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the Committee's delegations.

Meeting Frequency: At least quarterly.

Quorum: The quorum at any meeting of the Committee shall be not less than **three members** of the Committee.

Membership: Independent Specialist appointed by Council (Chair), Mayor, Deputy Mayor and two appointed Councillors.

*Please Note: The contents of the Reports attached to this Order Paper have yet to be considered by the Committee, and officer recommendations may be altered or changed by the Committee in the process of making the formal decisions.
This Order Paper may be subject to amendment.*

RISK & ASSURANCE COMMITTEE

ORDER PAPER

A MEETING OF THE RISK & ASSURANCE COMMITTEE WILL BE HELD AT THE
COUNCIL CHAMBERS, 59-61 HUIA STREET, TAUMARUNUI
ON THURSDAY, 12 OCTOBER 2023, AT 11AM

PUBLIC BUSINESS

- 1 Opening Karakia**
- 2 Apologies** (includes leave of absence notification)
- 3 Declarations of Interest**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Committee and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item.
- 4 Notification of Additional Items**

Matters Requiring Urgent Attention as Determined by Resolution of Risk & Assurance Committee

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed. The item(s) may be allowed onto the agenda by resolution of the Risk & Assurance Committee with an explanation as to why they cannot be delayed until a future meeting.

Minor Matters relating to the General Business of Risk & Assurance Committee

Any additions in accordance with Section 46A(7A) may be received and discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Risk & Assurance Committee for further discussion
- 5 Confirmation of Order of Meeting**
- 6 Confirmation of Minutes of Committee Meeting(s)**

The minutes of the previous Risk & Assurance Committee Meeting will be put to the Committee for confirmation.
- 7 Key Issues and Risks**
- 8 People and Safety**

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*Please Note: The contents of the Reports attached to this Order Paper have yet to be considered by the Committee, and officer recommendations may be altered or changed by the Committee in the process of making the formal decisions.
This Order Paper may be subject to amendment.*

9	Bancorp Treasury Services Limited Quarterly Treasury Report to 30 June 2023	24
10	Audit Plan and Proposed Audit Fees for the Year Ended 30 June 2023 to 2025	32
11	Audit New Zealand Management Report to Council for the Year Ended 30 June 2022	105
12	Long Term Plan 2024/34 Progress Report	149
13	Update on Policy Work Streams	151
14	Resolution to Exclude the Public for Consideration of Committee Business (to consider and adopt confidential items)	155

PUBLIC EXCLUDED BUSINESS | KAUPAPA Ā ROTO

*Please Note: The contents of the Reports attached to this Order Paper have yet to be considered by the Committee, and officer recommendations may be altered or changed by the Committee in the process of making the formal decisions.
This Order Paper may be subject to amendment.*

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Confirmation of Minutes of Committee Meeting

Report for: Decision

Author(s): Tasha Paladin

GOVERNANCE MANAGER

Endorsed By: Clive Manley

CHIEF EXECUTIVE



Purpose of Report

- 1.1 The purpose of this report is to present the minutes of the Committee Meeting held on 19 May 2023 and reconvened on 16 June 2023 for confirmation as a true and correct record.

Recommendation(s)

That the Risk & Assurance Committee:

- 1 Confirms the Public Business Minutes of the Risk & Assurance Committee meeting held Friday, 19 May 2023 and reconvened on 16 June 2023 as attached, as a true and correct record

Attachment(s)

- 1 Risk & Assurance Committee Public Business Minutes

RUAPEHU DISTRICT COUNCIL RISK & ASSURANCE COMMITTEE

MINUTES

THE MEETING OF THE RISK & ASSURANCE COMMITTEE
HELD ONLINE ON FRIDAY, 19 MAY 2023, AT 10:06AM
AND RECONVENED ON FRIDAY, 16 JUNE 2023, AT 10AM

PUBLIC BUSINESS

Present | Tuhinga

Chairperson	Philip Jones	(Independent – Appointed by Council)
Mayor	Weston Kirton	
Councillor	Lyn Neeson	

In Attendance | I Tae Mai

Clive Manley	Chief Executive
Fiona Ferrar	Acting Manager, Finance, Strategy & Governance
Natasha Poloai	Executive Manager People, Capability & Safety (part)
Melissa Jackson	Manager Policy & Strategy
Mana Robinson	Financial Accountant
Chris Hankey	Senior Management Accountant
Annette Froggatt	Management Accountant
Tasha Paladin	Governance Manager

External Speakers

Miles O'Connor	Bancorp Treasury	Item
Athol Graham	Audit New Zealand	9
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Absent | Ngaro

Deputy Mayor	Vivienne Hoeta
Councillors	Channey Iwikau

1 Opening Karakia | Karakia Timatanga

Clive Manley

2 Apologies

The Chairperson invited notice from members of apologies, including apologies for lateness and early departure from the meeting.

No apologies were received.

3 Declarations of Interest

No conflicts of interest were declared.

4 Notification of Additional Items

There were no additional items not on the Agenda.

5 Confirmation of Order of Meeting

The order of the meeting was confirmed.

6 Confirmation of Minutes of Committee Meeting**RESOLVED**

Moved: Member Jones

Seconded: Cr Neeson

That the Risk & Assurance Committee:

- 1 *Confirms the Public Business Minutes of the Risk & Assurance Committee meeting held Monday, 27 February 2023 as attached, a true and correct record*

7 Key Issues and Risks

Members were presented with a report outlining top corporate risks and insights on key issues facing the organisation.

Council's Chief Executive advised the two key corporate risks highlighted for further discussion; Poor Value for Money, and Three Waters Funding.

- (a) **Poor Value for Money:** Escalation of cost is an ongoing issue, creating challenges to deliver projects based on two year old budgets. It is a continuing global issue that Council has to be aware of and be able to manage accordingly.
- (b) **Three Waters Funding:** Changes announced by the Government in April present a significant risk for Council's Long Term Plan (LTP). The proposed delay to the implementation of the new entities means Council is required to continue its accelerated programme of works in the Three Waters, which is currently about \$10million per year. With the handover to the new entity potentially being extended to 1 July 2026, Council could be facing an additional \$20million of capital investment, when it is already forecast to exceed its self-imposed debt limit in the next financial year. The Department of Internal Affairs (DIA) is currently working through the effects of changing from four to 10 water

entities and has therefore not engaged with the Council yet.

It was noted that other Government reforms, such as the Resource Management System Reform, had less of an impact on LTP planning, however, the significant level of uncertainty around the various reforms was a basis for concern for the capacity of the sector, pressure on staff involved in constructing the LTP, infrastructure strategy and finances.

Whilst the October General Election may have an additional impact in terms of legislation, it was felt the sector may not have any certainty until February 2024.

RESOLVED

Moved: Mayor Kirton

Seconded: Cr Neeson

That the Risk & Assurance Committee:

1 *Receives the Report **Key Issues and Risks** for information.*

8 People and Safety

Members were presented with a report providing an update on Council's People and Safety Programme as well as the reported incidents of harm and near misses for the last quarter, as reported by Council and contractors' staff.

Council's Executive Manager People, Capability & Safety highlighted the three key pieces of work since the last report to the Committee:

- (a) Contractor Health and Safety audits have commenced
- (b) Planning to develop a formal Wellbeing programme for staff has commenced
- (c) Driver safety and awareness training has been scheduled for May 2023, and will be followed by Defensive Driving training.

The investigation into the recent staff vehicle accident has been completed, and recommendations provided to the relevant Executive Manager. It was noted the key learnings were wider reaching than the incident itself, and highlighted:

- (a) The need to undertake more thorough vehicle inductions
- (b) Not assuming a driver's familiarity with a vehicle especially when the fleet alters over time
- (c) Requiring staff to acknowledge, through formal sign off, the terms and expectations of Council's Vehicle Usage Policy
- (d) Providing holistic support to ensure staff return home safely.

A theme emerging from the Contractor Health and Safety audits was the need to have closer visibility of safety plans in place for contractors. Whilst the work is in its infancy, it is acknowledged Council needs assurance its contractors have Health and Safety plans in place. From initial audits undertaken, officers have identified gaps in relation to recording and reporting basic health and safety incidents, through to equipment and contractors not knowing their own policies. It was noted the level of 'Near Miss' reporting was lower than expected.

RESOLVED

Moved: Cr Neeson

Seconded: Mayor Kirton

That the Risk & Assurance Committee:

1 *Receives the Report **People and Safety Report** for information.*

9 Bancorp Treasury Services Limited Quarterly Treasury Report to 31 March 2023

Members were presented with Bancorp Treasury Services Limited's quarterly treasury report to Council. Council's Acting Executive Manager Finance, Strategy & Governance introduced the report and handed over to Miles O'Connor of Bancorp to provide a presentation and answered Members' questions.

Key points from the economic commentary to 31 March 2023:

- (a) Council has been policy compliant
- (b) The BNZ debt has been migrated to LGFA, resulting in all of Council's debt being LGFA funded
- (c) Cost of funds at 4.51 per cent has increased due to the recent hikes in interest rates however the long-term projected cost of funds is declining

Bancorp is looking to steer Council away from long term funding as it expects rates to fall over the next two years. Currently short term rates are sitting around six per cent, and are higher than longer term rates as noted by the inverted yield curve in the report; this is usually the precursor to interest rates falling and the economy going into a recession.

It was noted Council has not received any advice from the Three Waters National Transition Unit in regard to how it will be settling Council's Three Waters debt which was originally due to transition to the NTU 1 July 2024. Officers advised until such clarity is provided, Council must continue to manage its debt as 'business as usual'. It is believed, though not confirmed, that Entity A is still on target to transition 1 July 24, with the other nine entities following between 1 July 2024 and 1 July 2026.

Legislation prevents Council from suspending its Drinking Water programme of works; whilst it could potentially defer renewal work to reduce borrowing levels, there is a strict regime in place to ensure compliance with required Drinking Water standards.

RESOLVED

Moved: Member Jones

Seconded: Mayor Kirton

That the Risk & Assurance Committee:

- 1 *Receives the Report **Bancorp Treasury Services Limited Quarterly Treasury Report to 31 March 2023.***

Minute Attachment(s)

- 1 *Bancorp Treasury Presentation*

10 Annual Report 2021/22

Council's Acting Executive Manager Finance, Strategy & Governance provided a brief update on the Annual Report 2021/22. There was an expectation the report would be presented to the Risk & Assurance Committee prior to it be adopted by Council at its meeting 24 May 2023. However, Council's new Audit Director, Athol Graham has raised an issue he considers significant.

The loss of key staff in the Finance and Infrastructure areas has led to a decline in the overall knowledge and resourcing for Council's asset capitalisation and completion of the Property, Plant and Equipment note for the Annual Report. Work has started on reviewing Council's work-in-progress to reduce the balance, however it was Audit New Zealand's consideration that in its current state, it would result in a qualified report

The Annual Report 2021/22 has been deferred to Council's June meeting to allow Officers to correct the issues and thereby avoid qualification. Council's Acting Executive Manager Finance, Strategy & Governance expressed her confidence that officers would in position to agree the report outcome with Audit in the following week.

Athol Graham of Audit New Zealand was also in attendance to answer Members' questions. He advised the options were to delay work on the current Audit to work through the matter, or alternatively draw a line in sand with a qualified report in relation to the work-in-progress capitalisation component of report. He highlighted the risks attached to delaying the 2021/22 approval; Audit is focused on the 2023 audit and any time spent on finalising the 2021/22 audit will push the 2022/23 audit timeframe.

Council's position is that it would prefer to resolve the work-in-progress capitalisation now to have clean start for the next audit. Council's Acting Executive Manager Finance & Strategy acknowledged the pressure on the Finance team with a Long-Term Plan and two Annual Reports.

11 Annual Plan 2023/24: Progress Report

Members were presented with a report summarising the progress on the Annual Plan 2023/24. Council's Manager Policy & Strategy spoke to the report and answered Members' questions.

RESOLVED

Moved: Cr Neeson

Seconded: Mayor Kirton

That the Risk & Assurance Committee:

1 *Receives the Report **Annual Plan 2023/24: Progress Report.***

12 Update on Policy Work Streams 2022/23

Members were presented with an update on the Policy Work programme for 2022/23. Council's Manager Policy & Strategy spoke to the report and drew Members' attention to the Risk and Risk Mitigation section of the report. She provided assurance to the committee that she was aware of the issues in respect of workloads and was proactively monitoring the team's wellbeing.

Council's Acting Executive Manager Finance, Strategy & Governance advised members she did not expect any significant changes to the Revenue and Finance Policy, although there was uncertainty around Three Waters and its inclusion in the Infrastructure Strategy. Three Waters is not expected to be included in the finance strategy however, it was noted Council has to be prepared to include. An Elected Member workshop to cover finance strategy is planned for early June 2023, and it is hoped more detail around Three Waters will be available at that stage.

In Council's previous LTP, it committed to address climate change across all parts of the organisation, however, it wants a stronger regional and national approach to developing a climate change policy. Development of the Climate Change Strategy is on hold whilst capability is built within the team; work to develop a emission base line has commenced.

RESOLVED

Moved: Mayor Kirton
 Seconded: Cr Neeson

That the Risk & Assurance Committee:

- 1 *Receives the Report **Update on Policy Work Streams.***

13 Resolution to Exclude the Public for Consideration of Committee Business
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Section 48 of the Local Government Official Information and Meetings Act 1987 gives the Committee the right by resolution to exclude the public from the whole or any part of the proceedings of any meeting only on one or more of the grounds contained within that Section.

RESOLVED

Moved: Member Jones
 Seconded: Cr Neeson

That the Risk & Assurance Committee:

- 1 *Receives the **Report Resolution to Exclude the Public for Consideration of Committee Business;***
- 2 *Excludes the public from the following part(s) of the proceedings of this meeting;*
- 3 *Notes the general subject of the matters to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds for excluding the public, as specified under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:*

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1 Confirmation of Public Excluded Minutes of the Committee Meeting 27 February 2023	For the reasons set out in the Public Business Minutes of the Committee Meeting 27 February 2023	
C2 Confidential Briefing by the Chief Executive	s7(2)(c) To protect information which is subject to an obligation of confidence where the making available of the information would be likely to: prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied; or would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

The Public Business part of the meeting concluded at 11:40PM.

14 Adjournment**RESOLVED**

Moved: Member Jones

Seconded: Cr Neeson

That the Risk & Assurance Committee:

- 1 Hereby adjourns the meeting to the next ordinary meeting of the Risk & Assurance Committee, or to a stated time and place, if earlier than 11 September 2023.*

RUAPEHU DISTRICT COUNCIL RISK & ASSURANCE COMMITTEE

MINUTES

THE RECONVENED MEETING OF THE RISK & ASSURANCE COMMITTEE
HELD ONLINE ON FRIDAY, 16 JUNE 2023, AT 10AM

PUBLIC BUSINESS

Present | Tuhinga

Chairperson	Philip Jones	(Independent – Appointed by Council)
Mayor	Weston Kirton	
Councillor	Lyn Neeson	

In Attendance | I Tae Mai

Clive Manley	Chief Executive
Fiona Ferrar	Acting Manager, Finance, Strategy & Governance
Melissa Jackson	Manager Policy & Strategy
Mana Robinson	Financial Accountant
Chris Hankey	Senior Management Accountant
Annette Froggatt	Management Accountant
Tasha Paladin	Governance Manager

External Speakers

Athol Graham	Audit New Zealand
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**Item
C1**

Absent | Ngaro

Councillor	Channey Iwikau
Deputy Mayor	Vivienne Hoeta

1	Apologies
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The Chairperson invited notice from members of apologies, including apologies for lateness and early departure from the meeting.

RESOLVED

Moved: Member Jones

Seconded: Cr Neeson

That the Apologies from Councillor Iwikau be accepted.

2	Declarations of Interest
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No conflicts of interest were declared.

3	Resolution to Exclude the Public for Consideration of Committee Business
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Section 48 of the Local Government Official Information and Meetings Act 1987 gives the Committee the right by resolution to exclude the public from the whole or any part of the proceedings of any meeting only on one or more of the grounds contained within that Section.

RESOLVED

Moved: Mayor Kirton

Seconded: Cr Neeson

That the Risk & Assurance Committee:

- 1 *Receives the **Report Resolution to Exclude the Public for Consideration of Committee Business**;*
- 2 *Excludes the public from the following part(s) of the proceedings of this meeting;*
- 3 *Notes the general subject of the matters to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds for excluding the public, as specified under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:*

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1 Annual Report 2021/22	s7(2)(f) To maintain the effective conduct of public affairs through: free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) applies, in the course of their duty; or the protection of such members, officers, employees, and persons from improper pressure or harassment	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

- 4 *Approves that Athol Graham is permitted to remain at this meeting after the public has been excluded because of their knowledge of C1.*

There being no further business, the meeting concluded at 10:41AM.

UNCONFIRMED

KAORE I WHAKAPUMAUTIA

The minutes of this meeting were confirmed at the Committee Meeting held this 12th day of October 2023.

Philip Jones
CHAIRPERSON

ITEMS BROUGHT INTO THE PUBLIC BUSINESS MINUTES

C1 Annual Report 2021/22

Council's Acting Executive Manager Finance, Strategy & Governance provided a brief update on the Annual Report 2021/22. There was an expectation the report would be presented to the Risk & Assurance Committee prior to it be adopted by Council at its meeting 24 May 2023. However, Council's new Audit Director, Athol Graham has raised an issue he considers significant. The item was adjourned to the reconvened meeting.

The purpose of this report is to consider the draft Annual Report for the year ended 30 June 2022 and, subject to any amendments, recommend the report to Council for adoption at its 21 June 2023 Council Meeting. The draft Annual Report 2021/22 for Ruapehu District Council as provided in the attachments has incorporated all changes made from Audit New Zealand (Audit) up until 15 June 2023.

Mr. Graham advised Members the production of the report had experienced delays due to capacity challenges within Audit NZ, compounded by internal changes to staffing within council. Audit New Zealand would be providing an unqualified Audit Opinion on the Annual Report.

Audit's Management Representation Letter to Council will be the standard letter attesting to the accuracy of the financial statements and statement of performance of Council, with two extra paragraphs covering the revaluation of assets, and work in progress. Audit will recommend the timing of asset revaluations is reviewed as any adjustments flow through to depreciation, which is a key consideration for Council's budgets. Audit will also recommend periodic reviews of asset work in progress that have not been completed or capitalised. The Management Letter will also recommend opportunities for payroll controls going forward.

It was noted that whilst it is important to have the Annual Report signed off, there are no legal implications in adopting the report beyond its statutory timeframe of December 2022. Ruapehu District Council is not the only council in this position, but it is not a situation it wishes to repeat. From a reporting perspective, it was recommended a disclosure be included noting the statutory requirement to sign off on the Annual Report in December 2022 was missed and reasons for the delay. The risk of a late adoption, however, is that once one deadline has been missed, it becomes challenging to play catch up due to competing demands for resources.

RESOLVED

Moved: Cr Neeson

Seconded: Mayor Kirton

That the Risk & Assurance Committee:

- 1 *Receives the Report **Annual Report 2021/22**;*
- 2 *Considers the draft Ruapehu District Council Annual Report 2021/22 and recommends the draft Annual Report 2021/22 to Council for adoption and publication pursuant to section 98 of the Local Government Act 2002, with the inclusion of the audit opinion to be received from Audit New Zealand, and any further amendments to be agreed at the Council meeting to be held on 21 June 2023;*
- 3 ***Does** record this resolution in the Public Business Minutes of this meeting; and*
- 4 ***Does** release this report as publicly available information.*

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Key Issues and Risks

Report for: Information

Author(s): Neil Ward

**ACTING EXECUTIVE MANAGER: FINANCE
STRATEGY & GOVERNANCE**

Endorsed By: Clive Manley

CHIEF EXECUTIVE



Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to present to the Risk and Assurance Committee current key issues or risks as well as provide opportunity for Chief Executive insight into topical current issues facing the organisation.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Key Issues and Risks** for information.

Significance and Engagement | Takenga mai

2.1 Significance

This report does not trigger the Significance and Engagement Policy.

Background | Tuhiinga

3.1 TOP CORPORATE RISKS

Indicators	
● Red	There are significant risk or issues likelihood / consequences that require Governance visibility.
● Amber	Visibility of risk or issues that require action and or escalation to/by management.
● Green	Risks and issues are under control and are being managed under Business as Usual (BAU)

Top 10 Corporate Risks		This report	Last report	Comments
1	Injured or unhealthy workers			The investigation of the February staff vehicle incident identified worker fatigue as the cause. Council has subsequently implemented staff vehicle inductions and is monitoring employee wellness.
2	ICT service failures			BAU
3	Failure to deliver on key projects			Ohakune Water Treatment Plant project costs, timelines, and funding certainty all improved since last report. Reputational risk is very real if the project is not delivered under the new agreement.
4	Poor relationships			MBIE has agreed to a variation in funding but reduced funding from \$4million to \$2.3million to be delivered 30 June 2023.
5	People*			Council continues to experience high staff turnover; however Council has managed to make a number of key appointments.
6	Legal non-compliance*			Nothing new to report. Resource consent issues with Wastewater are on-going.
7	Poor service delivery			BAU
8	Poor value for money			Cost pressures through contracts, inflation, and interest rate rises are challenging Management in both Annual Plan and Long Term Plan thinking and planning.
9	Ineffective business improvement			Management has a focus on continuous improvement.
10	Unsuitable assets			Management has replaced seven old vehicles as part of a fleet review to keep assets within Council policies.

*Will be discussed at the Risk and Assurance Committee meeting by the Chief Executive

3.2 Other risks that have been identified:

11	Three Waters funding*			There remains significant uncertainty around the future direction of the 3 Waters and associated funding. The direction will only become known post the general election.
12	Self-imposed debt ceiling			This was exceeded briefly as at 30 June 2023 and also is likely to be exceeded in the latter part of the 2023/24 year.
13	Asset management recording			The team have done a fantastic job on reducing outstanding Work-in-Progress from 21/22 and prior. These changes have been reflected in the 2022/23 annual report and associated note.

Attachment(s) | Ngā āpitihanga

NIL

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023



Subject: People and Safety Report

Report for: Information

Author(s): Natasha Poloai

EXECUTIVE MANAGER: PEOPLE, CAPABILITY & SAFETY

Endorsed By: Clive Manley

CHIEF EXECUTIVE

Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to update the Committee on Council's People and Safety Programme as well as the reported incidents of harm and near misses for the last quarter, as reported by Council and contractors' staff.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **People and Safety Report** for information.

Discussion | He Kōrerorero

2.1 PEOPLE AND SAFETY LEAD / LAG INDICATORS

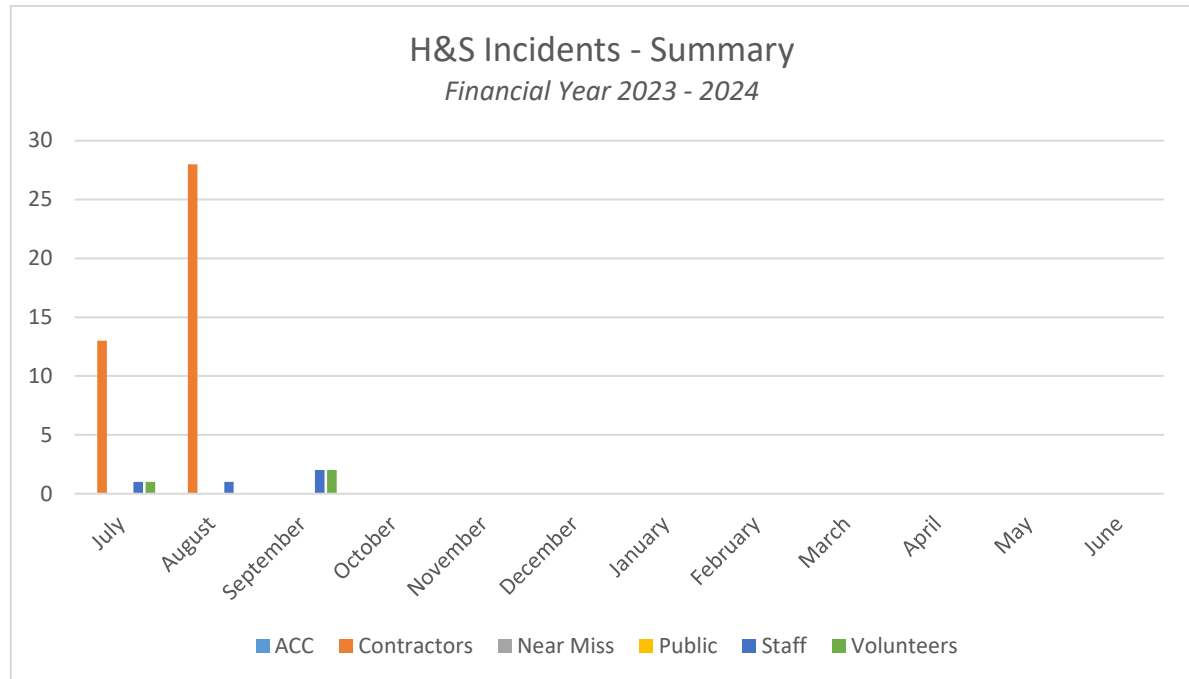
- 2.1.1 The Health and Safety Committee meeting held in August identified overdue Fire and Evacuation Drills for staff across Council offices for immediate action and completion by end of October.
- 2.1.2 Council commenced a programme of work in July comprising formal and informal "Site and Safety Observation Audits" of Council's existing health and safety management with particular focus on Safety and Security, Staff Wellbeing and Contractor Health and Safety Plans. This programme of work is to be undertaken quarterly to provide visibility of risk, training and education insights, areas for improvement and assurance in terms of meeting the Council's obligations under the Health & Safety at Work Act.
- 2.1.3 Driver safety and awareness training completed in May with further training including Defensive Driving scheduled for completion by the end of February 2024.

3.1 Council Incident Reporting to September 2023



- 3.1.1 Site and Safety Observation Audit:** Security and safety audit of worker panic fobs and duress alarms undertaken in July 2023 for all front-facing customer roles within the Council. This audit reiterated worker education and emergency procedures, staff re-education and practical testing of panic fobs and duress alarms.
- 3.1.2 Site and Safety Observation Audit:** Contractor Site Inspection of Enviro Waste place of work was undertaken in August 2023 to validate the existence of the Council's contractor's health and safety plan and to establish processes are in place and working. As an outcome of this inspection, assurance was provided noting areas for improvement of adequate controls and a scheduled follow up in October 2023.
- 3.1.3 Accident Investigation Recommendations:** Vehicle accident resulting in significant damage to Council vehicle. Investigation recommendations now inform proactive changes to Vehicle Induction, ongoing monitoring of staff wellness, hours of work and monitoring of worker fatigue, and further education of driver responsibilities in terms of speeding.
- 3.1.4 Lone Worker Devices** have been purchased as an additional safety tool and mechanism available for Lone Worker staff. Training and socialising of the device will be completed by November 2023.

3.2 Health and Safety Incidents Summary to September 2023



4.1 Staff Turnover Year on Year (2022 to 2023)

1 July 2021 to 30 June 2022	29 per cent
1 July 2022 to 30 June 2023	32 per cent

Next Actions | Ngā mahinga e whai ake nei

- 5.1 Develop 'on boarding process' for Contractor Agreements and provide training to line / budget managers. Scheduled for completed by November 2023.

Attachment(s) | Ngā āpitihanga

NIL

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Bancorp Treasury Services Limited Quarterly Treasury Report to June 2023

Report for: Information

Author(s): Neil Ward

ACTING MANAGER: FINANCE, STRATEGY & GOVERNANCE

Endorsed By: Clive Manley

CHIEF EXECUTIVE



Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to provide members with the Bancorp Treasury Services Limited's Quarterly Treasury Report to 30 June 2023.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Bancorp Treasury Services Limited Quarterly Treasury Report to 30 June 2023** for information.

Significance and Engagement | Takenga mai

2.1 Significance

This report does not trigger the Significance and Engagement Policy.

Background | Tuhinga

- 3.1 Bancorp Treasury Services Limited is Council's advisor on Treasury matters and it performs a quarterly report to Council on its debt, which as at 30 June 2023 totalled \$54.9 Million.
- 3.2 Miles O'Connor is Council's Nominated advisor and will be in attendance by Zoom at this meeting to present his report and answer Members' questions.

Discussion | He Kōrerorero

- 4.1 Council's current total debt is \$54.9 Million, of which \$49.9m is held with the Local Government Funding Agency (LGFA) and \$5m has been drawn on the BNZ through the short-term liquidity facility.
- 4.2 Council's cost of funds as at 30 June 2023 was 5.07 per cent, up from 4.51 per cent at the end of the March 2023 quarter.

Attachment(s) | Ngā āpitihanga

- 1 Bancorp Quarterly Treasury Report 30 June 2023



Quarterly Treasury Report

30 June 2023



BANCORP

BANCORP TREASURY SERVICES LIMITED



Global (for the June 2023 quarter)

Stubbornly high core inflation, tight labour markets, and wage inflation continue to impact the developed economies, which has seen several central banks continue to hike. Some, like the Reserve Bank of Australia ("RBA") and the Bank of Canada ("BoC"), return to hiking after having earlier paused during the quarter.

At its June meeting, the US Federal Reserve ("Fed") paused its hiking cycle for the first time since March 2022, with the Fed Funds range at 5.00%-5.25%. However, this stalling will likely be consigned to the history books as the 'pointless pause' given that Fed Chair, Jerome Powell emphasised in his semi-annual testimony to Congress that *"the process of getting inflation down to 2% has a long way to go (as) the labour market remains very tight"*. He also reminded markets that *"we don't see rate cuts any time soon. The FOMC broadly feels it will be appropriate to raise rates again this year, and perhaps two more times,"* to support the FOMC's dot plot forecasts.

The benchmark US 10-year bond yield touched a quarterly low of 3.26% in early April but climbed in the second half of May up to 3.83% as the debt ceiling fiasco played out. There was a brief respite from the selling until yields began another up-move in response to concerns that inflation would remain high for a longer than expected period and that this would have to be met with further increase in the Fed Funds rate. By the end of June, the yield had reached 3.88%.

While the European Central Bank ("ECB") met expectations, raising the deposit rate by 25bps to 3.50% at its June meeting, the risks remain firmly skewed towards higher rates for longer after ECB President Christine Lagarde announced *"inflation is expected to remain too high for too long. The ECB has more ground to cover. Barring a material change to our baseline, it is very likely that we will continue to increase rates at our next policy meeting in July."* Interestingly, there is increasing evidence of splits within the ECB after Germany's Isabel Schnabel, a member of the bank's Executive Board and noted hawk announced, *"it is better to overdo it [with rate hikes] than to fall short,"* while French Governor François Villeroy, a dove, called for calm emphasising *"we are guided by data, not forecasts."*

The June RBA Board meeting minutes confirmed that the risks have shifted to the upside when it comes to achieving the inflation target. The arguments favouring the two policy options of a pause or a 25bps rate increase were largely familiar: the slowing in activity and uncertain duration of policy lags versus the current strength of domestic inflation indicators, particularly the stickiness of services inflation.

Inflation in Australia came out better than expected after the May monthly release saw headline inflation fall to 0.0% from 0.3% in April. On an annual basis, inflation came in at 5.6%, a 13-month low, lower than last month's 6.8% and forecasts of 6.1%. Unfortunately, the 'core' print wasn't so encouraging, coming in at 6.4% on the year, while the trimmed mean eased to 6.1% from April's 6.7%.

New Zealand (for the June 2023 quarter)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 March 2023	4.75%	5.24%	5.03%	4.72%	4.40%	4.31%	4.27%
30 June 2023	5.50%	5.70%	5.47%	5.09%	4.69%	4.55%	4.50%
Change	+1.25%	+0.46%	+0.44%	+0.37%	+0.29%	+0.24%	+0.23%

New Zealand entered a recession after March quarter GDP contracted -0.1%. This combined with the December quarter's -0.7% (revised lower from -0.6%), means the domestic economy contracted -0.8% over the six months to 31 March. In annual terms, the economy grew 2.2%, although it was lower than the 2.6% forecast. While many will 'blame' Cyclone Gabrielle for the poor March quarter result, the main areas of weakness in the data were services, transport, manufacturing, and education, suggesting the wider economy is in a more precarious state than previously forecast.

Since the Reserve Bank of New Zealand's ("RBNZ") 25bps rate hike to 5.50% in May, domestic interest rate moves have been subject to the inputs and influences of international movements. This has seen the swap curve firm 23bps-46bps higher, with the larger increases occurring at the short end of the yield curve. Looking ahead, the RBNZ could now be on-hold until its November meeting, given that Governor Orr's comments at the May *Monetary Policy Statement* ("MPS") suggest that the RBNZ is unlikely to change its economic outlook by the 12 July meeting. While the General Election (on 14 October) will likely result in the RBNZ maintaining the status quo as, generally speaking, central bankers don't want to be seen to be placing undue influence on political events. The major upcoming data releases will be June quarter CPI (19 July), unemployment (2 August), retail sales (23 August), the Treasury's Economic and Fiscal Update 2023 (12 September), and June quarter GDP (21 September). Beyond the RBNZ meeting and data releases, the focus from financial markets will be on the depth and duration of the domestic recession and corporate performance and forecasts.

By the end of June, the markets were assigning a 28% chance that the OCR would climb to 5.75% by the end of the year and that the first cut would be in the middle of 2024, with the OCR at 4.50%-4.75% by October 2024. This is in contrast to the RBNZ which sees the OCR remaining at its current level until late 2024.

Even though the RBNZ has signalled an end to its hiking cycle, movements in New Zealand swap rates have been driven by movements in international yield curves until the cutting cycle begins. As an example, the recent rally in local swap rates has seen the 5-year swap rate break out of its prior 4.25%-4.50% range and rally to close the quarter at 4.69%, driven by the recent rally in US treasury yields, which saw the 10-year Treasury bond break out of its recent 3.30%-3.60% range to finish the quarter at 3.88%.

Internationally, investors will be monitoring the ratings agencies for any hints of a possible NZ sovereign rating downgrade, while the performance of the NZD and NZ interest rates will be largely dependent upon international inputs, especially international equity volatility, as liquidity drains ahead of the northern hemisphere summer.

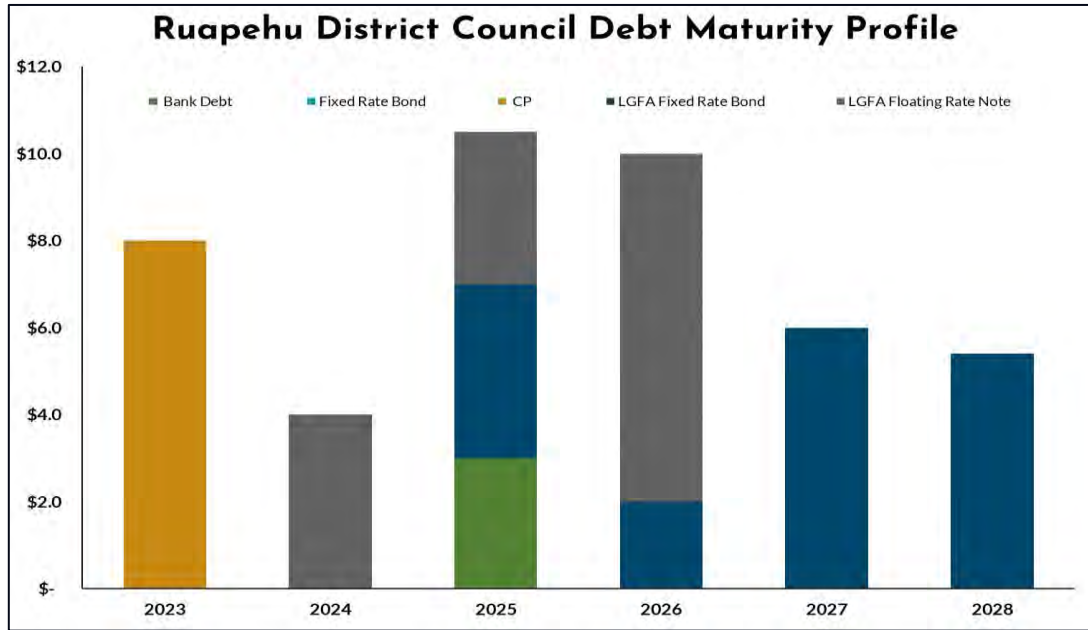


Liquidity and Funding

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Attachment | Ngā āpitihanga

4



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Debt

\$54.9m

External Council Drawn Debt

Core LGFA

\$49.9m

Funds Drawn from LGFA

Liquidity

\$9.40m

Undrawn bank facility + cash in bank

Liquidity Ratio

118.8%

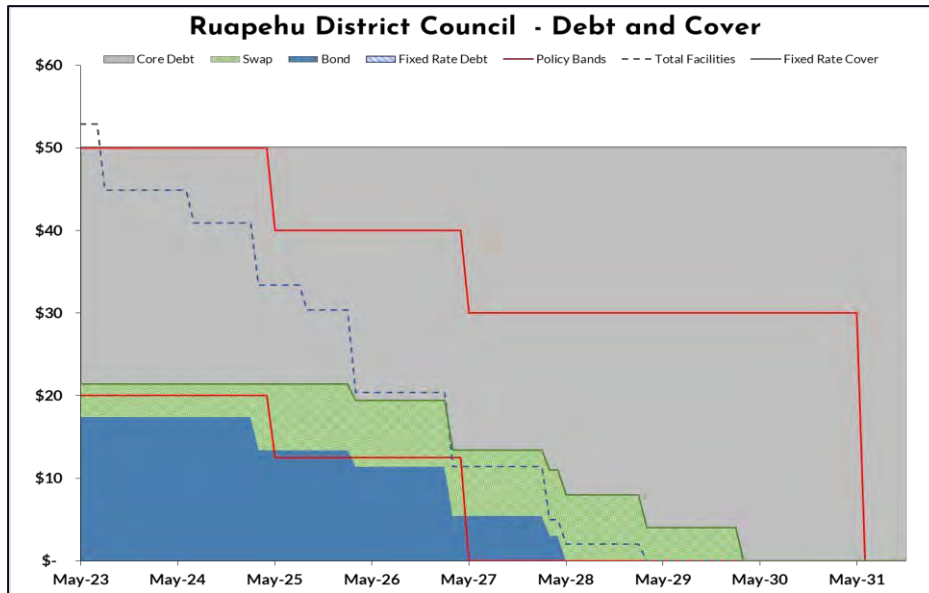
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds

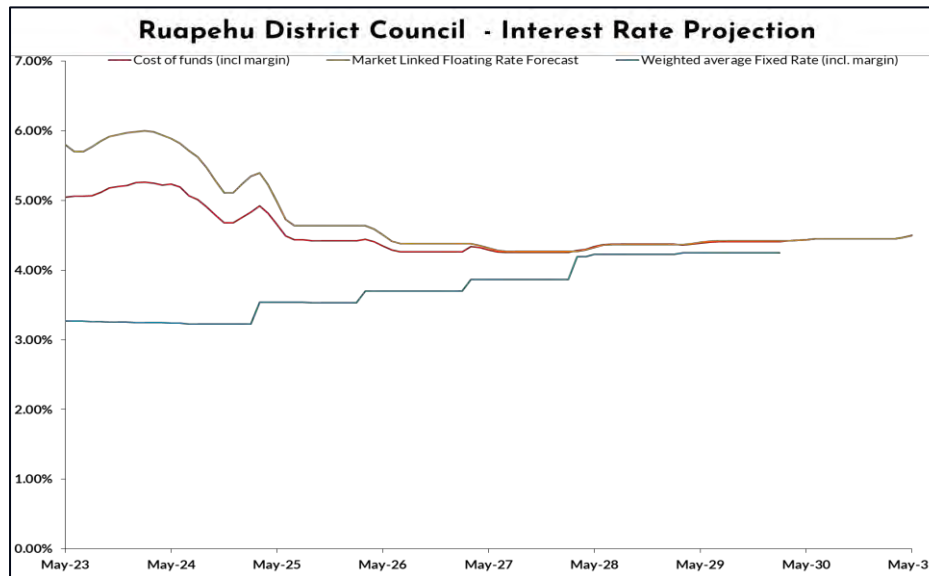
5.07%



Interest Rate Risk Management



Current % of Debt Fixed	42.8%
Current % of Debt Floating	57.2%
Value of Fixed Rate (m)	\$21.4
Weighted Average Cost of Fixed Rate Instruments	3.16%
Value of Forward Starting Cover	\$8.0
Value of Floating Rate (m)	\$28.6
Current Floating Rate	5.70%
All Up Weighted Average Cost of Funds	5.07%
Total Facilities In Place	\$54.9



Fixed Rate Hedging Bands

	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	25%	80%	Compliant
4 - 8 years	0%	60%	Compliant

LGFA Borrowing Rates

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Attachment | Ngā āpitihanga

6

Listed below are the credit spreads and applicable interest rates as at the end of June for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Ruapehu DC could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	5.89%	N/A
6 month CP	0.20%	6.04%	N/A
April 2024	0.46%	6.15%	6.28%
April 2025	0.49%	6.18%	5.98%
April 2026	0.55%	6.24%	5.67%
April 2027	0.70%	6.39%	5.57%
May 2028	0.82%	6.51%	5.52%
April 2029	0.91%	6.60%	5.54%
May 2030	0.96%	6.65%	5.52%
May 2031	1.02%	6.71%	5.56%
April 2033	1.10%	6.79%	5.61%
May 2035	1.18%	6.87%	5.75%
April 2037	1.20%	6.89%	5.81%



As at 30 June 2023, RDC had \$49.9 million of core debt, all of which is sourced from the LGFA using Commercial Paper, FRNs, and FRBs. WDC also has a bank facility with Bank of New Zealand for \$3 million that matures in September 2025. Details of WDC's drawn debt as at 30 June is as follows:

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	24-Aug-23	6.03%	N/A	\$8,000,000
LGFA FRN	29-Jul-24	6.35%	0.79%	\$4,000,000
LGFA FRB	20-Mar-25	2.79%	N/A	\$4,000,000
LGFA FRN	20-Mar-25	5.72%	0.59%	\$3,500,000
LGFA FRN	20-Mar-26	5.79%	0.66%	\$3,000,000
LGFA FRN	20-Mar-26	5.74%	0.61%	\$5,000,000
LGFA FRB	20-Mar-26	5.67%	N/A	\$2,000,000
LGFA FRB	20-Mar-27	2.60%	N/A	\$2,000,000
LGFA FRB	20-Mar-27	1.97%	N/A	\$2,000,000
LGFA FRB	20-Mar-27	5.15%	N/A	\$2,000,000
LGFA FRN	20-Mar-27	5.98%	0.78%	\$3,000,000
LGFA FRB	20-Mar-28	2.18%	N/A	\$2,400,000
LGFA FRB	20-Mar-28	4.09%	N/A	\$3,000,000
LGFA FRN	20-Mar-28	6.04%	0.84%	\$4,000,000
LGFA FRN	20-Mar-29	6.52%	0.91%	\$2,000,000

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Audit Plan and Proposed Audit Fees for the Year Ended 30 June 2023 to 2025

Report for: Information

Author(s): Mana Robinson

FINANCIAL ACCOUNTANT

Endorsed By: Neil Ward

ACTING MANAGER: FINANCE, STRATEGY & GOVERNANCE



Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to inform the Risk & Assurance Committee on the Audit engagement and arrangements for the financial years ending 30 June 2023, 2024 and 2025.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Audit Plan and Proposed Audit Fees for the Year Ended 30 June 2023 to 2025** for information.

Significance and Engagement | Takenga mai

2.1 Significance

This report does not trigger the Significance and Engagement Policy.

Background | Tuhinga

- 3.1 The Auditor-General has appointed Clarence Susan to carry out the audit of Ruapehu District Council's financial statements and performance information, as required by the Office of the Auditor-General (OAG) under sections 14, 32 and 33 of the Public Audit Act 2001, for the three financial years ending 30 June 2023, 2024, and 2025.
- 3.2 The Audit Engagement letter outlines the terms of the audit engagement and the nature, and limitations of the annual audit; and the respective responsibilities of the Council and Audit NZ.
- 3.3 The Audit proposal letter outlines the statutory basis for the audit, the entities covered, key members of the audit team, proposed hours and audit fees for the years ending 30 June 2023 to 2025.
- 3.4 The Audit Plan sets out in more detail the audit process, audit risks and issues and areas of focus for audit along with the audit timetable for the year ending 30 June 2023.
- 3.5 The Debenture Trust Deed engagement letter outlines the limited assurance engagement of Councils compliance with obligations in the Trust Deed.

Discussion | He Kōrerorero

4.1 AUDIT ENGAGEMENT LETTER

4.2 The Audit Engagement letter from July 2023 sets out the terms of the audit engagement for the 30 June 2023 to 30 June 2025 financial years, including the nature and limitations of the annual audit. In addition, it outlines the respective responsibilities of Council and the appointed auditor for the financial statements and the performance information.

4.3 The objectives of the annual audit are to provide an independent opinion on Council's financial statements and performance information and to report on other matters that come to Audits attention as part of the annual audit (typically those matters relate to issues of financial management and accountability).

5.1 PROPOSED AUDIT FEES LETTER

5.2 The Proposed Audit Fees letter outlines the proposed fees for the audits of the three financial years ending 30 June 2023 to 2025. It also covers the entities being audited and how many hours are expected to be spent on the audit.

5.3 The proposed audit fee for the year ended 30 June 2023 is \$263,458 which is an 8.5 per cent increase from the prior financial years actual audit fee of \$242,674.

5.4 The proposed audit fee for the year ended 30 June 2024 is \$283,298 which is a 7.5 per cent increase from the proposed 30 June 2023 financial year audit fee.

5.5 The proposed audit fee for the year ended 30 June 2025 is \$304,566 which is a 7.5 per cent increase from the proposed 30 June 2024 financial year audit fee.

5.6 The reasons for these fee increases are outlined in the audit proposal letter in points 5.1 and 5.2 and relate mainly to additional audit base hours required to complete a quality audit.

6.1 AUDIT PLAN

6.2 The Audit Plan outlines audit risks and issues, the audit process, reporting protocols, audit logistics and what is expected from both Council and Audit New Zealand staff to ensure a successful audit process.

7.1 DEBENTURE TRUST DEED AUDIT ENGAGEMENT LETTER

7.2 The Debenture Trust Deed engagement letter outlines audits limited assurance report engagement with respect to Councils compliance with certain obligations in the Trust Deed.

Attachment(s) | Ngā āpitihanga

- 1 Audit Engagement Letter for years ending 2023 to 2025
- 2 Audit Proposal for years ending 30 June 2023 to 2025
- 3 Audit Plan for year ended 30 June 2023
- 4 Debenture Trust Deed Audit engagement letter for year ending 30 June 2023

12 July 2023

Weston Kirton
Mayor
Ruapehu District Council
Private Bag 1001
Taumarunui 3946

Level 4, 127 Alexandra Street
PO Box 256, Hamilton 3240
Ph 04 496 3099

Dear Weston

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 Ruapehu District Council (the District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2025.

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 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 Ruapehu 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.

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 the 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;

- 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 the 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 the District Council:

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

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

- the funding impact statement of the 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 OR annual plan;
- the statement about capital expenditure for each group of activities of the District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan OR annual plan; and
- the funding impact statement for each group of activities of the 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 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 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 District Council have carried out their activities;
- consider laws and regulations relevant to the audit;

- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the 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 the 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 the 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 report that will be sent to the council. This report 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 reports to the District Council from time to time. We will inform the council of any other reports 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.

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



Clarence Susan
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:

Name:

Title:

Weston Kirton

Mayor

Date:

28.8.23.

Appendix 1: Respective specific responsibilities of the council (the governing body) and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards. 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. 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.	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: • present fairly, in all material respects: ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; and • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. We are also responsible for forming an independent opinion on whether the performance information: • presents fairly, in all material respects, the performance for the financial year, including: ◦ the performance achievements as compared with the intended levels of service for the financial year; and ◦ the 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: • the funding impact statement of the 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 OR annual plan]¹;

¹ Auditor needs to select the appropriate basis for comparison – Long-term plan or annual plan.

Responsibilities of the council	Responsibility of the Appointed Auditor
	- the statement about capital expenditure for each group of activities of the District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the [Long-term plan OR annual plan]; and - the funding impact statement for each group of activities of the 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 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. 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. 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.

Responsibilities of the council	Responsibility of the Appointed Auditor
	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. An audit also involves evaluating: • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that: • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information; • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries. 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.

Responsibilities of the council	Responsibility of the Appointed Auditor
	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.
Responsibilities for the accounting records	
You are responsible for maintaining accounting and other records that: • correctly record and explain the transactions of the District Council; • enable you to monitor the resources, activities, and entities under your control; • enable the District Council's financial position to be determined with reasonable accuracy at any time; • 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 • are in keeping with the requirements of the Commissioner of Inland Revenue.	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. 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.
Responsibilities for accounting and internal control systems	
You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the 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.	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. 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.

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for preventing and detecting fraud and error	
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 the District Council) supported by written policies and procedures. 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. 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 the District Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.	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: • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud. 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. 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.
Responsibilities for compliance with laws and regulations	
You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the District Council are complied with. Such systems, policies, and procedures should be documented.	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: • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance;

Responsibilities of the council	Responsibility of the Appointed Auditor
	the impact of non-compliance for the addressee of the audit report. 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. 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.
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
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. The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.	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 the District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them. 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. 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.

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for conflicts of interest and related parties	
You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. 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.	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.
Responsibilities for publishing the audited financial statements on a website	
You are responsible for the electronic presentation of the financial statements and performance information on the 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. 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.	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.

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 3: Respective responsibilities when using Audit New Zealand's client portal tool

Audit New Zealand has engaged Audit Dashboard Incorporated to provide a client portal, AuditDashboard.

AuditDashboard is a secure online tool that will make it easier for files to be shared between Audit New Zealand and the District Council and for your people to work with us. We will request and receive files from your organisation through AuditDashboard.

For more information, please refer to: <https://auditnz.parliament.nz/working-with-your-auditor/portal/>.

Your organisation's obligations when using AuditDashboard

AuditDashboard implements industry standard encryption and security controls to keep your organisation's data safe. However, each user of AuditDashboard is responsible for ensuring these controls can operate. Your organisation is responsible for your users' use of AuditDashboard.

Upon registering, each user will be required to read and accept individual Terms of Use. These are aligned with your organisation's obligations in this letter. The Terms of Use can be viewed at auditnz.auditdashboard.com/Account/Terms.

We expect you to ensure that AuditDashboard users in your organisation know that they must only access AuditDashboard using devices that have been approved for work purposes by your organisation. By using approved devices in conjunction with complying with your organisation's own policy on computer use, users are more likely to comply with the Terms of Use that each user must agree to.

We expect your organisation to provide an environment that supports AuditDashboard users in your organisation to:

- use a secure network with firewall protection;
- use a modern, up-to-date browser, and an operating system that features integrated anti-virus and anti-malware software;
- use their own unique user account each time they access AuditDashboard, and comply with the password security measures in the Terms of Use;
- take the same precautions when using AuditDashboard as they would with other secure online transactions, such as ecommerce and banking;
- logout of AuditDashboard, lock their system and secure their computer when left unattended; and
- not misuse AuditDashboard.

Your organisation must inform Audit New Zealand if a user leaves, or if a change in circumstances (for example, a change in role) means that a user should no longer have access to AuditDashboard. Once we have been informed, we will remove access for that user.

Your organisation must inform Audit New Zealand of any information that should be restricted so it can only be viewed by specified users, such as payroll data.

Your organisation must notify Audit New Zealand immediately of any unauthorised use of an AuditDashboard account or in the event that a user's account details are compromised.

We expect your organisation to maintain the confidentiality and integrity of the content and technology of AuditDashboard to at least the same level of care required by your organisation in respect of its own confidential information, but in no event using less than a reasonable standard of care.

Your obligations when your agent uses AuditDashboard

Your organisation might engage an agent ("your agent") to perform some financial functions, for example, an external accountant to prepare your organisation's financial statements. In such circumstances, your agent might hold files, on behalf of your organisation, that are relevant to your organisation's audit.

If your organisation requests Audit New Zealand to add your agent as an AuditDashboard user, your organisation is wholly responsible for your agent's use of AuditDashboard. Accordingly, your organisation must ensure that your agent:

- is aware of your organisation's obligations to Audit New Zealand;
- is aware that they must agree to and abide by the Terms of Use that apply to AuditDashboard users;
- is required to be subject to a computer use policy, and work in a secure environment, that enables them to comply with the Terms of Use; and
- agrees to notify your organisation immediately of any unauthorised use of an AuditDashboard account.

Our responsibilities

We are responsible for the security of the data provided by you to us for the purpose of an audit engagement.

We are responsible for obtaining assurance that AuditDashboard is secure for the classification and sensitivity of data that is involved. When we engaged AuditDashboard, we considered risk, security, privacy, functionality and business requirements. These are all fundamental requirements for information governance and assurance².

² NZ Information Security Manual v3 – section 4.1.11 & 4.1.12

Audit New Zealand does not guarantee the availability of AuditDashboard. We reserve the right to withdraw AuditDashboard at our discretion. Where possible, we will notify your organisation in advance.

If our contract with AuditDashboard is terminated, AuditDashboard will delete your organisation's data, except if you request its return, or such data is required by Audit New Zealand to perform the audit engagement.

745 Cameron Road, Tauranga
PO Box 621, Tauranga 3144

2 August 2023

Weston Kirton
Mayor
Ruapehu District Council
Private Bag 1001
Taumarunui 3946

Ref: EN/LCA/03-0032- H617

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Tēnā koe Weston

Proposal to conduct the audit of Ruapehu District Council on behalf of the Auditor-General for the 2023, 2024 and 2025 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of Ruapehu District Council for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2023, 2024 and 2025.

The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2023, 2024 and 2025;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge (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.

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

The audit of Ruapehu District Council 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. However, your Council and I can reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

The Public Audit Act 2001 requires the Auditor-General to make sure that audit fees are “reasonable”, for the auditors and for each of the entities audited. Parliament has indicated that it expects the cost of annual audits under the Act (which includes an OAG Audit Standards and Quality Support charge) to be funded by public entities.

Over recent years, audit fees for many public entities have not kept pace with the real costs of the audit for a range of reasons, including the effect of new accounting and auditing standards and the changing scale and complexity of many public entities' activities. A general concern about low fees impacting on auditors' ability to maintain consistent audit quality has also been raised by regulatory bodies here in New Zealand and overseas.

Low fees are unsustainable and need to be rectified. The Auditor-General has decided to allow fee increases to a level that reflects the real time and cost of the audit. The size of increases will vary depending on the reasonableness of the current fee paid by each entity and any changes that have occurred since the last fees were agreed. We acknowledge that in many instances significant increases will be required, and in those instances, we are open to discuss how to phase in the increases in a manner that is fair for both parties.

Our fees will take account of the nature and extent of the audit requirements for each Council. The audit hours in this proposal reflect the time required to complete a high-quality public sector audit efficiently.

The fees are based on charge-out rates that will ensure we can maintain the capacity needed to complete your audits. The global and local auditor shortage is having a continuing impact and has resulted in significant salary inflation. The current economic uncertainty and general inflation have also contributed to charge out rates increasing significantly.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

The Office of the Auditor-General will be monitoring the outcome of the negotiations to ensure that fees are reasonable.

Councils can take actions to ensure the efficiency of their audit. This includes being well prepared for audit, ensuring complex judgement issues are addressed early, regularly communicating with your auditor about any changes that might impact your reporting or the audit, having tidy systems and controls, and ensuring that relevant people are available to assist the auditors as they carry out their audit work. I welcome further discussion with you on opportunities for reducing the time and costs of your audit.

3 Entities covered by this proposal

This proposal covers the audit of the Ruapehu District Council and the Group.

A separate Engagement Letter and fee proposal will be provided for the Debenture Trust Deed audit and the audit of the Long-Term Plan.

4 Key members of the audit team

Appointed Auditor	Clarence Susan
Audit Manager	Kay Oloro
Information Systems Director	Ferdinand Dasigao

5 Estimated audit hours

We estimate that the following hours will be required to carry out a quality public sector audit for your Council efficiently. We have also included some information to help you understand how this compares with budgeted and actual data from the previous financial year:

Audit team member	2022 budget	2022 actual *	2021 actual	2023	2024	2025
Appointed Auditor	89	114	81	110	110	110
Audit Manager	113	98	94	125	125	125
Other CA qualified staff	260	1,324	629	360	360	360
Non-CA qualified staff	400	324	391	504	504	504

Audit team member	2022 budget	2022 actual *	2021 actual	2023	2024	2025
Other specialists:	35	27	33	51	51	51
• Sector specialist support • Information Systems • Tax						
Total audit hours	897	1,887	1,227	1,150	1,150	1,150

***Note** - actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

The main difference between the last two years was the unexpected extra audit work around property, plant and equipment fair value assessments and revaluations. The composition of the audit team also changed in the 2022 year due to staff movements; this was also a contributing factor.

Since the audit fee was last agreed, there also continued to be increased professional requirements, audit quality expectations and changes in auditing standards that have resulted in more audit work being required with a different staff mix (more senior audit hours).

It is also clear from our analysis of actual hours incurred in prior audits, that the hours agreed was not sufficient to conduct a quality audit. This resulted in unsustainable cost write-offs. There has been a reset in audit fees and hours across audit service providers and audit sectors as they have not kept pace with the audit requirements to conduct a quality audit in a sustainable way.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period <i>budgeted</i> hours	2023	2024	2025
<i>Re-set of audit hours and changes within Council</i> We need to re-set audit hours to ensure they are sufficient to complete a quality audit. This is brought about the increased professional requirements and quality expectations in performing an audit. Increased audit efforts, especially as it relates to areas of estimation and judgement due to the introduction of ISA (NZ) 540 (revised), has been significant. This includes the audit of asset valuations. The reset of base hours is to reflect an increase in hours and change in staff mix as more senior staff are also involved in the work around areas of judgement and estimation. The base hours also did not keep pace with the requirements to perform a quality audit, which is clearly not sustainable and required an adjustment (required significant investment and write off in hours previously). Changes within your Council, or in its environment - such as changes in group structure, Council growth, additional material performance measures and additional work on material measures, new systems, other matters changing the risk profile or complexity, which have resulted in a change to the size or complexity of the audit. <i>Changes to applicable accounting or financial reporting standards</i> PBE FRS 48 <i>Service Performance Reporting</i> replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the Council, it is for the year ended 30 June 2023. This will result in additional audit work as we will need to review compliance with this standard;	253	0	0

Reasons for increased or decreased audit hours compared to previous period <i>budgeted</i> hours	2023	2024	2025
- PBE IPSAS 41 - PBE IPSAS 41: <i>Financial Instruments</i> is effective for periods beginning on, or after 1 January 2022. Council has not early adopted this standard, there are several differences that we will need to be considered this year resulting in additional audit work; and - ISA (NZ) 315 - ISA (NZ) 315 (Revised 2019), <i>Identifying and Assessing the Risks of Material Misstatement</i>, is effective for the audit of your financial statements for the first time this year. There will be additional work required on your audit compared to previous years. This includes Information Systems Specialists' involvement.			
Total increase in audit hours because of the above reasons	253	0	0

5.2 Other matters that may impact the scope of the audit and actual audit hours

There are several emerging reporting and auditing challenges in the sector that will potentially require additional audit effort and cost over the next three years. At this point the impact of these on your Council is unknown, so we have not included any allowance in our audit hours or fees. They include:

- the impact of extreme weather events;
- the impact of implementation of new legislation, including that relating to three waters reform, and/or Resource Management Act reforms;
- the impact of any climate reporting requirements, or Greenhouse Gas (GHG) performance measures;
- CCO performance measures related to climate change or GHG that are material to a group;
- out of cycle, additional revaluations, including as a result of continued movements in property values and infrastructure construction costs;
- the impact of significant future growth of your Council, including significant changes within your Council's group structure; and/or
- significant changes in the number of material measures, for example, new water loss measures.

Where costs related to these issues cannot be absorbed within the agreed fee, we will inform management and seek additional fee recoveries through our normal processes.

6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2022 budget \$	2022 actual \$	2021 actual \$	2023 \$	2024 \$	2025 \$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	162,262	339,055	204,838	235,586	254,442	274,681
OAG Audit Standards and Quality Support charge	15,312	15,312	14,151	21,872	22,856	23,885
Total audit fee (excluding disbursements)	177,574	354,367	218,989	257,458	277,298	298,566
Costs absorbed by Audit New Zealand	0	(111,793)	(54,886)			
Total audit fee (excluding disbursements after phase discount)	177,574	242,574	164,103	257,458	277,298	298,566
Estimated disbursements	12,500	100	3,036	6,000	6,000	6,000
Total billable audit fees and charges	190,074	242,674	167,139	263,458	283,298	304,566
GST	28,511	36,401	25,071	39,519	42,495	45,685
Total (including GST)	218,585	279,075	192,210	302,977	325,793	350,251

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 charge. 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.

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased audit fees compared to previous period <i>budgeted</i> fees	2023	2024	2025
Changes as per the factors noted in table 5.1, including a change in staff mix and predicted charge out rate movements	73,324	18,856	20,239
Total increase in audit fees	73,324	18,856	20,239

7 Agrees audit fees

After discussions with management, our proposed fees for the next three audits are amended as follows (fee increases are now phased over the three years):

Structure of audit fees	2023	2024	2025
	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	235,586	254,442	274,681
OAG Audit Standards and Quality Support charge	21,872	22,856	23,885
Total audit fee (excluding disbursements)	257,458	277,298	298,566
Costs absorbed by Audit New Zealand	(44,369)	(27,727)	0
Total audit fee (excluding disbursements after phase discount)	213,089	249,568	298,566
Estimated disbursements	6,000	6,000	6,000
Total billable audit fees and charges	219,089	255,568	304,566
GST	32,863	38,335	45,685
Total (including GST)	251,952	293,903	350,251

We have agreed with management to have an open book discussion at the end of the 2023 audit, to discuss areas where further efficiencies can be gained and applied to future audits.

8 Assumptions relating to our audit fee

You are responsible for the production of Ruapehu District Council's 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;
- where there are technical issues or significant uncertainty, you will bring these to our attention as soon as practical and provide us with technical advice the entity has received;
- your staff will provide us with an appropriate level of assistance;
- all estimates, judgements and critical decisions made by management should be the content of a formal assessment and subjected to appropriate levels of quality review;
- 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 (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements (set out in the audit plan) that change the scope of, timing of, or disbursements related to, this audit.

If the scope changes and/or the amount of work we do increases, we will discuss this with you and potentially seek additional fees from you. The Office of the Auditor-General will be monitoring these recoveries to ensure that they are reasonable.

9 What the OAG Audit Standards and Quality Support charge provides

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

The OAG Audit Standards and Quality Support charge 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 charge 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.

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



Clarence Susan
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the three financial years as stated above.

Full name:	<u>Weston Kirton</u>	Position:	<u>Mayor</u>
Authorised signature:	<u></u>	Date:	<u></u>
Entity name:	<u>Ruapehu District Council</u>		

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send a copy to: Clarence Susan
confirmationsnorthen@auditnz.parliament.nz

Audit plan

Ruapehu District Council

For the year ended 30 June 2023

Audit plan

I am pleased to present our audit plan for the audit of Ruapehu District Council (the Council) for the year ended 30 June 2023. The purpose of this audit plan is to discuss:

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The contents of this plan is based on our knowledge of the District Council and discussions with management. 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.

Nāku noa, nā



Clarence Susan
Appointed Auditor
11 July 2023

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. 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 reporting to you.

Audit risk/issue	Our audit response
The risk of management override of internal controls	
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.	Our audit response to this risk includes: • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Fair value assessment of property, plant and equipment (non-revaluation year)	
For those assets that the District Council is not planning to revalue, the District Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant, a revaluation may be necessary. We understand that the District Council will perform a fair value assessment over its three waters assets as at 30 June 2023. An assessment should: • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. Alternatively, the District Council could engage valuers to assist in preparing a fair value assessment.	We will review the reasonableness of the District Council's assessment including the appropriateness of the assumptions used in the assessment. If the movement of the assets individually or in combination with other asset classes is significant the District Council may need to complete a revaluation. In certain circumstances it may be acceptable to make an adjustment based on the desktop revaluation.

Audit risk/issue	Our audit response
Valuation of operational, infrastructure and restricted property, plant and equipment held at fair value	
The District Council revalues its operational, infrastructure and restricted assets held at fair value whenever there is expected to be a material movement in the fair value of these assets. Because of the recent inflationary environment most councils have been revaluing more frequently. We understand that the District Council will revalue land and buildings, as well as roading assets as at 30 June 2023. The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data, and the appropriateness of underlying assumptions. Because of the large value of the assets held by the District Council, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.	We will: - review the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the valuation basis) have been met; - audit the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework; - review the reasonableness of the data and key assumptions used; and - assess the presentation and disclosure of information related to the valuation in the financial statements.
Asset impairment considerations	
In accordance with PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset. Assets are required to be assessed for indicators of impairment on an annual basis. Irrespective of whether there are any indications of impairment, intangible assets not yet available for use (that is, work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually. Work-in-progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the life of the project. The District Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner.	We will: - review the impairment assessment; - evaluate the reasonableness of the significant assumptions; - evaluate how management has addressed estimation uncertainty; and - re-perform calculations made by management.

Audit risk/issue	Our audit response
This will ensure that depreciation expense on these assets is recognised and accounted for appropriately. The District Council will need to complete the necessary assessment of impairment of assets (as above). In addition, intangible assets not yet available for use (i.e. work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.	
Water services reform programme	
The Three waters reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector. The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed. The Bill to enable the transfer of three waters-related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity. The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements. The District Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.	We will review the District Council's disclosures to ensure they accurately reflect the significance and uncertainty of the Reforms on the District Council. Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader's attention to the District Council's disclosure about the Reform.

Audit risk/issue	Our audit response
Drinking water quality performance measures	
Providing safe drinking water is a core function of the council and reporting how the District Council has performed in respect of this function in the annual report is important performance information. The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022. Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in the District Council's annual report. There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the District Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that the District Council is able to support the performance results that they report.	We will work with the District Council to agree what performance information and measures would be appropriate and audit the results reported against the agreed measures.
New accounting standard - First-time adoption of PBE IPSAS 41 <i>Financial Instruments</i>	
PBE IPSAS 41: <i>Financial Instruments</i> is effective for periods beginning on, or after 1 January 2022. Earlier application was permitted however the Council did not early adopt the standard. The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. This standard replaces both PBE IPSAS 29 and PBE IFRS 9. PBE IPSAS 41 is based on PBE IFRS 9, and has been amended to include additional PBE guidance relevant to the New Zealand context.	Our audit response to this risk includes: Reviewing that the updated accounting policies, presentation and disclosure in the financial statements is in accordance with the requirements of the standard.

Audit risk/issue	Our audit response
As the Council is transitioning from PBE IPSAS 29, the transition may result in a number of significant changes. The main changes introduced by PBE IPSAS 41 are that the standard: • Introduces a new classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa. • Applies a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. • Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance and removal of the 80-125% effectiveness "bright line" test. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. Entities that adopt PBE IPSAS 41 have a choice of either adopting the new hedging model of PBE IPSAS 41 or continuing to apply the hedging model of PBE IPSAS 29. • There are also new disclosure requirements as the standards setters believe additional information on risks such as credit risk are increasingly important to users of the financial statements. The District Council will need to prepare an analysis of the classification of its financial instruments in terms of the standards and determine the necessary accounting and disclosure adjustments required.	

Audit risk/issue	Our audit response
The Council will need to update its accounting policies and disclosures in the financial statements to reflect the adoption of the new standard. The 2021 Local authorities model financial statements reflect the early adoption of this standard and provide illustrative disclosures.	
New accounting standard - Adoption of PBE FRS 48 Service Performance Reporting	
PBE FRS 48 <i>Service Performance Reporting</i> replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the Council, it is for the year ended 30 June 2023. The objective of the standard is “to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report”. PBE FRS-48 requires an appropriate and meaningful mix of performance measures and/or descriptions, including, where appropriate, measures of both the goods and services provided and of what has been achieved in the Council’s areas of responsibility. In addition, PBE FRS 48 imposes additional disclosure obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Further if the District Council changes what it reports as service performance information compared to the previous year, then PBE FRS 48 requires the District Council to explain the nature of the changes and their effect.	We will review Council’s compliance with the new standard. We are providing a PBE FRS 48 <i>Service Performance Reporting</i> checklist to the Council to perform a self-review.

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 (as the governing body), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does 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 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 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.

Group audit



The group comprises:

- Ruapehu District Council
- Visit Ruapehu Limited

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. We have determined that the District Council parent is a significant component of the group.

Significant component	Work to be performed
Ruapehu District Council	This will be audited by the same Appointed Auditor using the Audit New Zealand audit team. The audit work on this component will be a full financial statement and performance report audit relating to classes of transactions and account balances.

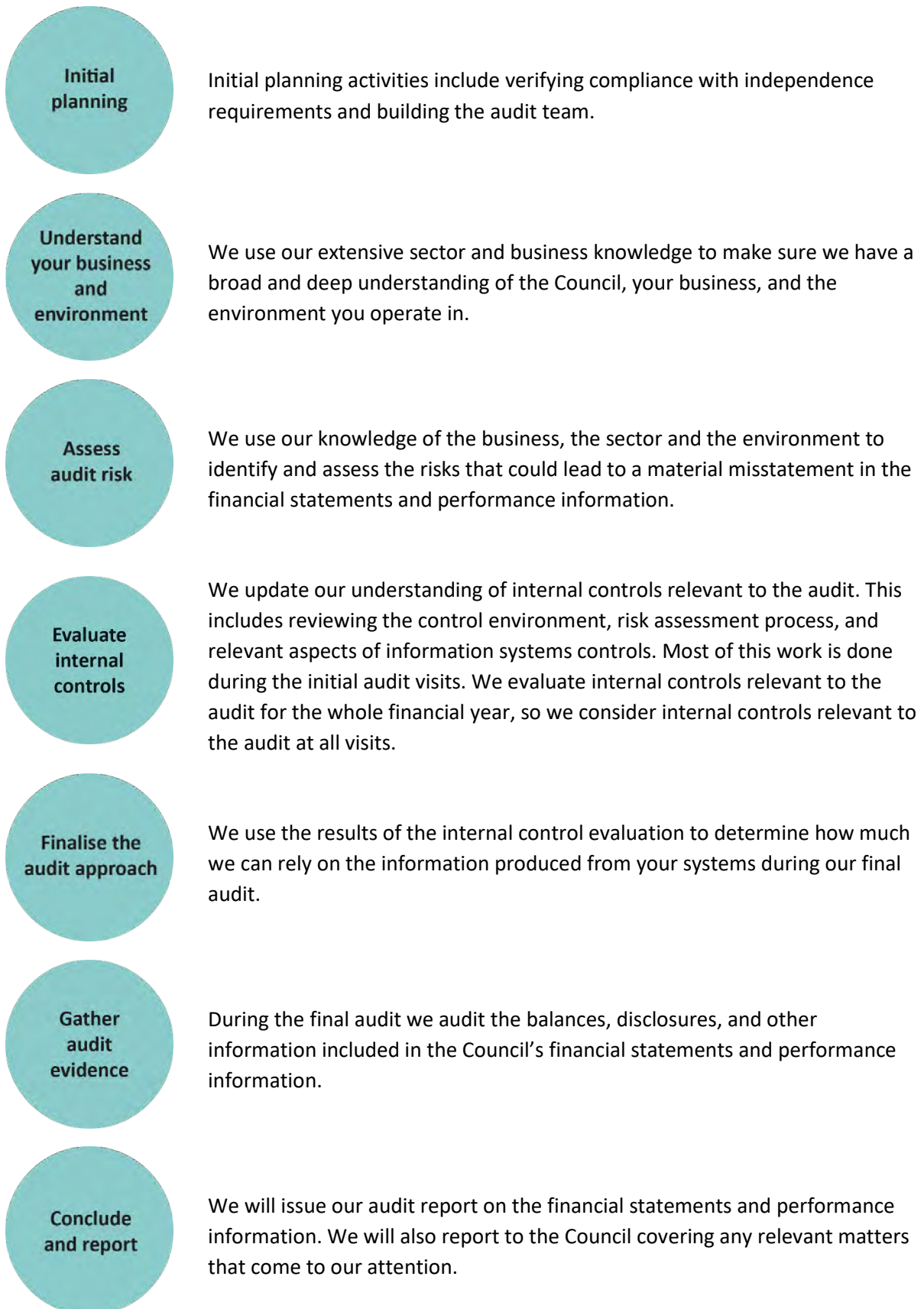
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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



New auditing standard

ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the IT applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

Prioritising higher risk work to ensure an efficient year-end processes

To ensure the year-end annual report and audit thereof are efficient, Council should prioritise their work to ensure higher risk areas and those that involve significant management judgment are planned to be ready for auditing as soon as possible. Timelines for this information should be agreed with us early. Delays in providing this information to us could impact our ability to resolve technical issues late in the audit process.

Examples of areas that typically involve management and auditor judgment include, and should be resolved early include:

- valuation of investment properties;
- fair value assessments and revaluations of property, plant and equipment held at fair value;
- impairment assessments for property, plant and equipment;
- provision estimates; and
- financial assets or liabilities held at fair value.

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 group materiality** for the financial statements at \$46,963,000 based on 2022/23 budgeted total property, plant and equipment. 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.

Overall group materiality	\$46.963 million
Specific group materiality	\$1.15 million
Group clearly trivial threshold	\$57,500
Overall parent materiality	\$46.5 million
Specific parent materiality	\$1.05 million
Parent clearly trivial threshold	\$52,500

For this audit we have set a lower, **specific group materiality** of \$1.15 million for all items not related to the fair value of property, plant and equipment.

We have set **overall parent materiality** for the financial statements at \$46.5 million based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$1.05 million for all items not related to the fair value of property, plant and equipment, based on budgeted total expenditure.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to 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 other than those that are **clearly trivial**. We consider misstatements of less than \$52,500 to be clearly trivial for the **parent** financial statements 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.

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.

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.

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 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
Water supply measures	
The extent to which the local authority's drinking water supply complies with: - a part 4 of the drinking-water standards (bacteria compliance criteria), and - b part 5 of the drinking water standards (protozoal compliance criteria).	No materiality set as the water supply either complies or does not comply.
The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).	5% of reported result.
The total number of complaints received by the local authority about any of the following: - a drinking water clarity; - b drinking water taste; - c drinking water odour; - d drinking water pressure or flow; - e continuity of supply; and - f the local authority's response to any of these issues, expressed per 1000 connections to the local authority's networked reticulation system.	5% of reported result.
Wastewater measures	
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: - a abatement notices; - b infringement notices; - c enforcement orders; and - d enforcement orders and successful prosecutions received by the territorial authority in relation to those resource consents.	5% of reported result.
The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	8% of reported result.
Stormwater measures	
Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: - a abatement notices; - b infringement notices; - c enforcement orders; and - d convictions, received by the territorial authority in relation to those resource consents.	8% of reported result.

Material measure	Materiality
Road performance measures	
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.	5% of reported result.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8% of reported result.
Sustainable environment measures	
Percentage of building consent applications processed in accordance with statutory timeframes.	8% of reported result.
Percentage of non-notified resource consents processed within statutory timeframes.	8% of reported result.

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 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 Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the 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 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's audit committee throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

Reports to the Council



We will provide a draft of all reports to management 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 the Council.

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:

Clarence Susan	Appointed Auditor
Kay Oloro	Audit Manager
Jitesh Myanger	Audit Supervisor
Ferdinand Dasigao	Information Systems and Assurance Manager

Timetable



Our proposed timetable is:

Interim audit begins	26 June 2023
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	21 August 2023
Final audit begins	11 September 2023
Final financial statements available, incorporating all the amendments agreed to between us	13 October 2023
Verbal audit clearance given	19 October 2023
Annual report available, including any Chair and Chief Executive's overview or reports	23 October 2023
Audit opinion issued	25 October 2023
Draft report to the Council issued	Before the next audit committee

AuditDashboard

In 2021 and 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfill requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring information as part of the audit.

Working remotely

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To enable audit work to be completed off-site and fully obtain the benefits detailed above, you will need to ensure that you can provide supporting documents electronically.

During the previous audit, we were able to perform the majority of our audit work remotely. Based on our experience we found that Ruapehu District Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2023 audit. This will include our continued use of AuditDashboard to manage our information requests.

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.

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

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30 August 2023

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The Board Members
Trustees Executors Limited
PO Box 3222
Wellington 6140

Tēnā koutou Councillors and Trustees Executors Limited Board Members

Confirmation of Engagement – Limited Assurance Report in respect of Ruapehu District Council's Debenture Trust Deed

The purpose of this letter is to confirm our understanding of our respective responsibilities arising from your request to provide a report under clause 10.2(g) of the Debenture Trust Deed between Trustees Executors Limited, (the Trustee) and Ruapehu District Council (the Council) dated 3 July 2018 (the Trust Deed).

The purpose of this letter is to confirm the terms of our Limited Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

Scope of the engagement

The Auditor-General is the auditor of the Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of the Council.

The objective of the audit of the annual financial statements and performance information, which is the subject of a separate letter of engagement with the Council dated 12 July 2023, (attached as Appendix A), is to report our opinion on those annual financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the annual financial statements and performance information, we are not responsible for:

- the preparation of the annual financial statements and performance information of the Council;
- any Reporting Certificate(s) issued to the Trustee by the Council;
- the Council's compliance with the Trust Deed; or
- the obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee's execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Ruapehu District Council are not designed to assess whether the Ruapehu District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Ruapehu District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2(g) of the Trust Deed based on information obtained as a by product of the audit of the annual financial statements and performance information of Ruapehu District Council for the year ending 30 June 2023.

For the purpose of providing our Report, (other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed"), we will not perform any further procedures beyond those required to complete the audit of the annual financial statements and performance information of Ruapehu District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time Ruapehu District Council's Reporting Certificate for the year ended 30 June 2023 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2(g) of the Trust Deed must be viewed in that context.

Scope of the Council's responsibilities

Ruapehu District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Ruapehu District Council and our audit opinion, to the Trustee under clause 10.2(a) of the Trust Deed.

Ruapehu District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2(d) of the Trust Deed. Ruapehu District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Ruapehu District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 6.9 of the Trust Deed.

Ruapehu District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Ruapehu District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Scope of the Trustee's responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of the Report and the audited annual financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited annual financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Scope of the Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we will perform and the evidence we will obtain. We will conduct our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that will be performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that will be obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

We will report to you on the following specific matters under clause 10.2(g) of the Trust Deed:

- From our perusal of the Reporting Certificate dated 30 June 2023 given on behalf of the Council pursuant to clause 10.2(d) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

In meeting this responsibility, we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2023 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Whether in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the annual financial statements and performance information of the Council.

- As at the end of the financial year, from the audit procedures performed as part of the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

- Whether the Council 's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 6.9.

We will not audit the Register for the year ended 30 June 2023. Our procedures will be limited to asking the Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2023:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

Inherent limitations

We will report to you as accountants, not lawyers. Accordingly, we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement will not be performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed will be undertaken on a test basis (that is, we will not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion will be formed on the above basis.

Restricted use

Our Report will be addressed to the Council and the Trustee. This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 10.2(g) of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

Our Report is not to be copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

Independence and quality control

We will comply with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Timetable

Our work will be completed concurrently with the audit of the annual financial statements and performance information. We will complete our Report as soon as possible once the Council has signed the annual financial statements and performance information and provided us with the Reporting Certificate given on behalf of the Council pursuant to clause 10.2(g) of the Trust Deed.

Fees

The fee will be payable by the Council for this Limited Assurance Engagement. The total fee is estimated to be \$7,600.

Supporting documentation required

In order to complete this engagement, we will need access certain information and documentation that council should have in its files supporting its reporting certificate. Please refer to Appendix C for details of the information and documentation we will need.

Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Nāku noa, nā



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Council acceptance

The Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Signed



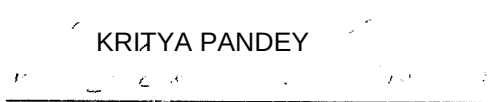
Weston Kirton
Mayor

Trustee acceptance

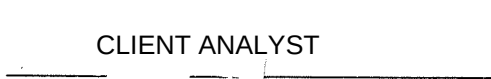
Trust Executors Limited as Trustee for the Ruapehu District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Trust Executors Limited has entered into this letter of engagement in its capacity as Trustee of the Ruapehu District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of the Council available to it from time to time in that capacity.


 (Signature)


 KRITYA PANDEY

(Name)


 CLIENT ANALYST

(Position)/

Appendix A: Engagement Letter – audit of the annual financial statements and performance information



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

12 July 2023

Weston Kirtin
Mayor
Ruapehu District Council
Private Bag 1001
Taumanunui 3946

Level 4, 127 Alexandre Street
PO Box 256, Hamilton 3240
Ph 04 496 3093

Dear Weston

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 Ruapehu District Council (the District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2023 to 30 June 2025.

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 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 Ruapehu 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.

5-Business (and) of the Controller and Auditor General | www.auditnz.parliament.nz

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 the 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;

- 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 the 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 the District Council:

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

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

- the funding impact statement of the 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 OR annual plan;
- the statement about capital expenditure for each group of activities of the District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan OR annual plan; and
- the funding impact statement for each group of activities of the 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 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 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 District Council have carried out their activities;
- consider laws and regulations relevant to the audit;

- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the 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 the 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 the 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 report that will be sent to the council. This report 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 reports to the District Council from time to time. We will inform the council of any other reports 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.

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



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

Dear Kuba -

Date:

Date: 25.8.23

Title: Mayor

Appendix B: Indicative Report

LIMITED Independent Assurance Report

To Ruapehu District Council and to Trustees Executors Limited in respect of Ruapehu District Council's Debenture Trust Deed for the year ended 30 June 2023

The Auditor-General is the auditor of Ruapehu District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Athol Graham, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clauses 10.2(g) of the Debenture Trust Deed dated 3 July 2018 (the Trust Deed), for the year ended 30 June 2023.

Councillors' responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to the Trustees Executors Limited (Trustee) under clause 10.2(a) of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2(d) of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 6.9 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"². This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this limited assurance engagement is to report on certain matters stated in clause 10.2(g) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2023.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2023 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.(g) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.(g) of the Trust Deed is to:

² Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

- From our perusal of the Reporting Certificate dated 28 July 2023 given on behalf of the Council pursuant to clause 10.2(d)(i) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility, we agreed the total amount of all categories of Stock in the Reporting Certificate dated 28 July 2023 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 6.9.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking the Council for a copy of the audit report about the Register.

- Report as at 30 June 202:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

Inherent limitations

We report to you as accountants, not lawyers. Accordingly, we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Restricted use

This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 10.2(g) of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

Limited Assurance Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated [insert date] pursuant to clause 10.2(g) are materially incorrect (Reporting Certificate dated [insert date] is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.

- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on [date] and our conclusion is expressed as at that date.

The Register and Stock

The Council has provided us with a copy of the audit report about the Register(s). Please refer to appendix two for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2023 the following balances are given:

- Total stock of \$xxxx
- This is comprised of:
- Security stock of \$xxxx
 - Bearer stock of \$xxxx
 - Other stock of \$xxxx
 - Security stock (Local Government Funding Agency stock) of \$xxxx

Based on the work described in this Report, as at 30 June 2023 the following balances are given:

- Total Principal Money owing and secured under the stock of \$xxxx
- This is comprised of:
- Security stock of \$xxxx
 - Bearer Stock of \$xxxx
 - Other stock of \$xxxx
 - Security stock (Local Government Funding Agency stock) of \$xxxx

The Total Principal Money owing does not include derivative contracts held by the Council that are secured by Security Stock.

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2023 the Council had x,xxx,xxxk units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2023 is as follows:

x,xxx,xxxk	Units of Security Stock on issue associated with the guarantee
xx,xxxk	Accrued interest
(xxx,xxx)k	Treasury Stock ³ held by the Local Government Funding Agency
xx,xxxk	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
x,xxx,xxxk	Total borrowings of the Local Government Funding Agency at 30 June 2023

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement we performed the annual audit of the Council's annual financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, Audit New Zealand

³ Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Appendix 1:

Copy of the reporting certificate dated [insert date]

[Insert copy of reporting certificate]

Appendix 2:

Copy of the audit report about the Register

[Insert copy of audit report about the Register]

Appendix C: Supporting documentation required

We will need access to the following information and documentation from council's records supporting the reporting certificate:

- A copy of the debenture trust deed.
- The signed reporting certificate for the debenture trust deed for 30 June 2023.
- The LGFA floating nominal amount confirmation as at 30 June 2023.
- Copies of all security stock certificates, including all security stock recorded on the register as 1 cent/1 unit security stocks.
- A security stock listing, indicating who the holders of each security stock are.
- Debt terms sheets for all debenture stock outstanding.
- Written confirmation that all stock that was due to be repaid during the financial was in fact repaid.
- Written confirmation that any interest due for payment on the stock was in fact paid.

Please note that items requested above may not represent all of the information that we need, and additional requests for information and documentation may follow during the course of the engagement depending on the circumstances.

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Audit New Zealand Management Report to Council for the Year Ended 30 June 2022

Report for: Information

Author(s): Neil Ward

**ACTING EXECUTIVE MANAGER: FINANCE,
STRATEGY & GOVERNANCE**

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CHIEF EXECUTIVE



Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to provide the Committee with Audit New Zealand's management report for the year ended 30 June 2022.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Audit New Zealand Management Report to Council for the year ended 30 June 2022** for information.

Significance and Engagement | Takenga mai

2.1 Significance

This report does not trigger the Significance and Engagement Policy.

Background | Tuhinga

- 3.1 This final report was issued in October 2023, and reports on Audit findings from the 2021/22 Annual Report. The report shows six new recommendations, 19 open recommendations from prior periods, and 13 implemented or closed recommendations.
- 3.3 The 2021/22 Audit was a challenging audit for both the Audit New Zealand audit team and Council staff.

Discussion | He Kōrerorero

4.1 ACTIONS ARISING FROM AUDIT NEW ZEALAND MANAGEMENT REPORT.

4.1.1 There are a total of 25 open recommendations (six new).

4.1.2 These have been colour coded according to urgency, by Audit New Zealand. There is one red (urgent), 21 orange (necessary), and three yellow (beneficial). Managements response to these recommendations are found in the **attached report**. (see attachment 1)

Next Actions | Ngā mahinga e whai ake nei

5.1 Progress on actions will be updated at Risk and Assurance Committee meetings.

Attachment(s) | Ngā āpitihanga

1 Audit New Zealand Management Report for the year ended 30 June 2023

Report to the Council on the audit of

Ruapehu District Council

For the year ended 30 June 2022

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Key messages

We have completed the audit for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit opinion

We issued a non-standard unmodified audit opinion dated 21 June 2023. Without modifying our audit opinion, we included an emphasis of matter paragraph to draw attention to the uncertainty over the water services reform programme.

Matters identified during the audit

In carrying out our audit, we identified the following matters that we wish to bring to your attention:

Revaluation of assets

In 2021/22 financial period, the District Council revalued:

- roading assets as at 1 July 2021 and 30 June 2022;
- land and buildings as at 1 July 2021; and
- Three waters assets (water, wastewater, and stormwater) as at 1 July 2021.

As part of the valuation process, we engaged with the valuers, reviewed management's assumptions and reviewed the valuation reports. We concluded that the valuation adopted was supportable, the movements were consistent with our expectations and did not differ materially to the fair value at the reporting date, 30 June 2022. We are satisfied that the valuations were appropriately accounted for and disclosed in the financial statements.

Three waters reform

The proposed three waters reform is expected to result in structural changes to how water supply and wastewater assets are owned and managed in the local government sector (with a potential for stormwater assets to be included). Subsequent to year end, legislation passed in December 2022 has established four publicly owned water services entities to carry out responsibilities for the delivery of three water services and related assets and liabilities to the water services entities, is currently before parliament.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026.

On 16 June 2023, the Water Services Entities Amendment Bill was introduced to Parliament to increase the number of water services entities and change their establishment dates. Until the Bill is passed, the establishment date remains 1 July 2024, or earlier by Order in Council, as per the Water Services Entities Act 2022.

For the financial statements of 30 June 2022, the District Council continues to recognise its three waters assets. There has been no adjustment in the financial statements to reflect the expected future transfer of assets to the new water entity.

The District Council has included disclosure in Note 33 Events after balance date in the financial statements about the impact of the water services reform programme. We reviewed the disclosures included in the financial statements and included an emphasis of matter paragraph in the audit report in this regard.

Internal controls

We have identified some areas where the control environment can be improved. We have included details of our findings and recommendations in Section 4 and Appendix 1 of the report. These recommendations are a by-product of the scope of our audit work and there may be other aspects of the control environment that need to be improved.

Prior year recommendations

We have also followed up on the status of issues outstanding from previous audits. These matters are outlined in Appendix 1 of the report. There are a number of prior year recommendations that remain open and are yet to be addressed. We recommend the District Council develop a timeline to resolve these outstanding issues as soon as possible.

Thank you

This was a challenging audit and we would like to thank the District Council, management and staff for your patience in working with us and for the assistance received during the audit.



Athol Graham
Appointed Auditor
5 October 2023

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference
Necessary	
Perform all valuations at 30 June rather than 1 July.	3.2
Perform a regular impairment assessment of the work-in-progress (WIP) balance.	3.5.2
Ensure that the enabling account expiry is applied consistently on all non-staff log on accounts.	4.2.1
Implement an IS (Information System) roadmap for IS and a formal IS governance processes.	4.2.2

Recommendation	Reference
We recommend that the District Council require bank issued documents as supporting documents for changes to bank account information. We also recommend that the payroll system ensures the operation of controls over masterfile changes occur and that this is evidenced.	4.4.1
Implement the following for capital commitments: - The District Council should consider a proper documentation system to monitor all signed contracts including contract variations and extensions; - monitor and report progress of these contracts on a regular basis; and - separate the capex and opex portions of all future contracts so these can be properly monitored.	5.1

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	13	3	17
Implemented or closed	1	10	4	15
Total	2	23	7	32

2 Our audit report

2.1 We issued a non-standard unmodified audit report



We issued a non-standard unmodified audit report on 21 June 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our audit opinion, our audit report includes an emphasis of matter paragraph to draw the attention of readers to the disclosures in the financial statements relating to effect of the Three waters Reform. Refer to Section 3.7 for further details.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Other expenses - impairment of RAL loan	1				\$423k
Other financial assets - RAL term-loan - Gondola		(\$423k)			
PPE - Land and Buildings	2	\$4,294k			
PPE - Three waters		\$11,404k			
Equity - revaluation reserve - Land and Buildings, and Three waters				\$15,698k	
PPE - Roothing and bridges		(\$2,437k)			
Equity - revaluation reserve - Roothing and bridges				(\$2,437k)	
Total parent		\$12,838k	\$0	\$13,261k	\$423k

Explanation of uncorrected misstatements

- 1 The District Council entered into an unsecured loan to Ruapehu Alpine Lifts (RAL) in 2018. RAL went into voluntary administration in October 2022. Officers from PwC are appointed as voluntary administrators. RAL continues to trade operations with the intention of opening for the 2023 winter season. On 20 June 2023, RAL went into liquidation. The District Council did not impair the loan. It appears unlikely that the full amount will be recovered.
- 2 The District Council used valuation reports for Three waters assets and land and building as at 1 July 2021 as the basis for the 30 June annual report. Council received a 1 July 2022 valuation (one day after the balance date) and should have updated the fair values in the annual report.

In the case of roading and bridges, the District Council used the valuation report dated 30 June 2022. However, the balance recorded in the accounts is incorrectly overstated by \$2,437k.

2.3 Uncorrected disclosure deficiencies

We identified the following financial disclosure misstatement during the audit that was not corrected. We are satisfied that this misstatement is not material and does not affect the audit opinion we issued:

Detail of disclosure deficiency	Management's explanation for not correcting
<i>Items Under Construction not capitalised</i> The District Council reviewed its Items Under Construction balance as at 30 June 2022. The review identified \$784,000 that should have been capitalised at 30 June 2022. To correct this, the amount of \$784,000 should have been reclassified out of Items Under Construction in Note 17 of the financial statements and into other asset class lines within the note.	Due to the extended timeframe of the annual audit, when this item was brought up at a late stage the decision was made not to reclassify as it was deemed immaterial.

2.4 Uncorrected performance reporting misstatements

There were no significant misstatements or disclosure deficiencies relating to performance reporting that were identified during the audit that remain uncorrected.

2.5 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided an initial listing of information we required to management through the Audit Dashboard in July 2022.

Due to the impact of Covid-19 in prior year, the audit was deferred to 2023. We provided a complete listing of information we required through the Audit Dashboard in February 2023. This included the dates we required the information to be provided to us.

We had to pause our audit work for a month in March 2023 as requested by the District Council. We understand that staffing was limited and could not handle all the audit requirements at the same time as demands from other parts of the business.

Assistance from staff, together with appropriate supporting work papers, ensured our audit process could be carried out. Regular meetings with the Finance team also contributed to effective communication and up-to-date knowledge of key matters arising.

However, we highlight areas of improvement for management to consider:

- The draft financial statements and performance reporting were received on November 2022. However, when we started reviewing the first draft, we noted that the draft was incomplete, and a quality assurance review had not been completely performed. Some significant notes (for example, property, plant and equipment, commitments and remuneration disclosure) were not updated. This caused some inefficiencies in auditing the numbers and disclosures. This also meant we had to review multiple versions of the Annual Report.
- During the audit of the performance reporting, we identified several improvements that could have been done on the quality of the performance reporting reflected in the annual report. We recommend that a quality review process be undertaken on the performance reporting prior to submission for audit. Management should ensure:
 - responsibilities for performance reporting throughout the year and for the annual report are clear and adequately resourced;
 - the performance reporting is complete and has been through a quality review;
 - performance about water loss is included. For details, refer to Section 5.2;
 - comparative information agrees to prior year audited signed annual report;
 - targets agree to the LTP;

- achievement is reported for each measure and that it is clearly indicated if measures are achieved or not achieved;
 - narrations are clear, provide additional clarity and relate to the measure being expanded on; and
 - for each measure reported which is based on information gathered through a survey, ensure that all details regarding the survey is included in the narrative such as confidence levels and response rate.
- As a result of the control deficiencies (refer to Section 4.4 and its sub-sections) noted over payroll, we changed our approach to fully substantive testing which resulted in additional audit work being performed.
 - The initial draft of the financial statements did not include any impairment of work-in-progress (WIP) assets. We had to perform a high-level analysis of the WIP assets listing and recommended to the District Council to perform an impairment review. This was eventually done by the District Council who subsequently expensed \$1.01 million. Refer to Section 4.5 for details.
 - There was an error in the capital commitments disclosure and delays in obtaining supporting documentation for us to complete our testing until the final week of the audit. Refer to Section 5.1 for details.
 - There was a significant error in the way the roading valuation was initially accounted for. We confirmed that this was due to the valuation movement being recorded based on replacement costs instead of depreciated replacement costs.

There are also opportunities to invest in the annual report project to enhance the quality of the report and help improve the timeliness of the audit.

- approaching the annual report compilation as a project which include risks and mitigations, quality and technical reviews;
- consulting, where appropriate, with the audit team on technical issues;
- use the Audit and Risk Committee (ARC) to recommend and monitor controls over the annual report preparation and related risks;
- discuss risks and issues with the audit team and engaging experts early to help mitigate risks; and
- review the auditor's audit plan and agree with them and the ARC how the risks identified by the auditor will be resolved.

3 Matters raised in the Audit Plan



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

3.1 The risk of management override of internal controls

There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is 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.

Professional auditing standards require us to consider fraud risks in all audits we perform, including the risk of management override of control.

We carried out substantive procedures, including reviews of journal entries, accounting estimates, and significant transactions that are outside the normal course of business. We also incorporated an element of unpredictability in our audit testing through random sampling. Our testing found no issues of concern.

3.2 Revaluation of assets - revaluation year

The District Council periodically revalues its infrastructure assets, land, and buildings. PBE IPSAS 17 *Property, plant and equipment*, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

This year the District Council revalued:

- roading assets as at 1 July 2021 and 30 June 2022;
- land and buildings as at 1 July 2021; and
- Three waters assets (water, wastewater, and stormwater) as at 1 July 2021.

To gain assurance over the valuation of property, plant, and equipment we:

- Assessed the external valuer's expertise and objectivity, and obtained representations from the valuers that the valuations were conducted in accordance with accepted professional valuation standards.
- Reviewed the valuation reports and made enquiries with the valuers to obtain an understanding of the valuation methodologies used.
- Assessed whether the valuation movements were reasonable and consistent with our expectations.

- Assessed the reliability of source data and the reasonableness of assumptions used. This included reviewing the basis of unit rates against recent contract information and other sources such as indices to ensure these were soundly based on current costs.

We are satisfied the valuations are correctly accounted for in the District Council's financial statements.

In addition to the valuations above, the District Council also commissioned valuation reports for land and buildings and the three waters assets as at 1 July 2022. These valuations were not booked back into the 30 June 2022 annual report. However, because this was one day after balance date, we considered whether these valuations indicated a material movement in the assets as at 30 June 2022.

While we were satisfied that there was no indication of a material movement, we recommend that the District Council revalue assets at 30 June rather than 1 July. This is because the completion of valuations at 1 July can result in a risk that assets are not recorded at fair value at 30 June. If this were likely it could result in delays to the audit or evidence of material differences between the asset's fair value and carrying value. We have seen a number of instances where this has been the case across the sector in recent years.

We also recommend that, from time to time, the District Council revisit the experts they use to support the asset valuations and reassess their objectivity and experience across the sector. This will be particularly important in relation to the three waters assets that may transfer under the three waters reform.

Management comment

Agreed. Future revaluations will be performed as at 30 June. For the 2022-23 year there was little time to reassess the process by which we have selected valuers, but this will be addressed for the 2023-24 year.

3.3 Software as an Accounting Service (SaaS)

In April 2021, the IFRS Interpretations Committee (IFRIC), a committee supporting for-profit entities reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) should be accounted for. The International Public Sector Accounting Standards Board has not issued similar guidance, however, in the absence of a PBE standard specifically dealing with such costs, the IFRIC decision is considered relevant to the accounting for intangible assets of the District Council.

Management reviewed the current arrangements and identified several arrangements with total cost of \$0.63 million that meet the definition of a software as a service and had been expensed.

We considered the District Council's accounting assessment of SaaS and associated disclosures in the annual report. We assessed that the disclosure included in *Note 18 Intangible Assets* to the financial statements about SaaS was appropriate.

3.4 Work in progress

The District Council increased its work in progress (WIP) additions programme by 57% in 2021/22 compared to the previous year with approximately \$25.27 million additions to property, plant and equipment during the year.

We reviewed Council's assumption and judgements used by management to record costs as either capital or operational in nature. We also tested a sample of asset additions to ensure they were capitalised at the right time and the depreciation rates and useful lives used were reasonable.

When reviewing the WIP balance we noticed a material amount of WIP that was more than two years old. We asked management to complete a formal impairment assessment of the WIP that had not been capitalised. As a result of this assessment the District Council subsequently expensed \$1.01 million which was determined to be impaired.

Recommendation

We recommend the District Council perform a regular impairment assessment of the WIP balance. Ideally this would be completed prior to the preparation of the annual report.

Management comment

Agreed. Substantial work was completed for the 22-23 year and this will be regularly reviewed during the year in future.

4 Assessment of internal control



The District 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 reviewed 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.

4.1 Control environment

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

We 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 District Council and management to establish and maintain effective management procedures and internal controls.

4.2 Information technology general controls review

We have updated our understanding of the information technology (IT) control environment for the purpose of our audit. We have summarised below our recommendations from that work.

4.2.1 Enabling account expiry on log-on accounts of non-RDC staff

The IT Manager provides prior approval on access by non-staff or contractors. A maximum of one year is set to any third-party accounts. In our testing, we confirmed that account expiry is not consistently applied when provisioning log on accounts for third parties/contractors or non-RDC staff.

Recommendation

We recommend that enabling account expiry is consistently applied to all non-staff log on accounts.

Management comment

Agree with the recommendation.

4.2.2 IT Governance

We confirmed that the District Council established an Information System (IS) strategy and IS governance group. However, we are not able to verify any approved IS roadmap or formalised governance processes for aligning, prioritising, selecting, monitoring and reviewing new system implementations against the District Council's IS strategy and goals.

The lack of formalised IS governance processes can lead to ad-hoc decision-making and investment benefits not being fully realised.

Recommendation

We recommend that the District Council implement an IS roadmap and a formalised IS governance process.

Management comment

RDC has an established ISGG (Information Systems Governance Group) that has been in place since April 2019. This was a direct result of recommendations made by Audit at the time. This forum provides the mechanism and framework for aligning, prioritising, and selecting IT projects for Council. Core focus for 2023/2024 is to review existing ISGG terms of reference to help inform updates to the IT Road Map.

4.3 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. Our review identified areas where we believe improvements can be made to internal controls and these are detailed below and in Appendix 1.

4.4 Payroll controls

Our review of the District Council's payroll system identified control deficiencies despite a prior year recommendation that had been addressed previously. As a result, we were unable to rely on the payroll controls. Our recommendations are detailed below.

4.4.1 Payroll masterfile changes

We noted from our testing that the District Council allows new employees to provide their bank account numbers through email or handwritten on a form. This increases the risk that the incorrect bank account is used either mistakenly or intentionally. There is also no way for the bank account to be verified to a credible source document such as a bank statement.

We were also unable to verify that masterfile changes had been approved by the Executive Manager for People, Capability and Safety. Although access to the payroll system is limited to the payroll staff, we cannot confirm if there is an independent review as the Executive Manager for People, Capability and Safety has access to change and approve Masterfile changes.

Recommendation

We recommend that the District Council require bank issued documents as supporting documents for changes to bank account information.

We also recommend that the payroll system ensures the operation of controls over Masterfile changes occur and that this is evidenced.

Management comment

Verification for changes to bank account details has been changed to ensure this control is implemented and monitored at regular intervals.

Masterfile changes are verified by the Executive Manager, People Capability and Safety. This activity is commenced independently by one of either two other staff within the payroll team to ensure it is independent and, Masterfile is subsequently verified again independently as outlined above.

5 Other matters



The following matters requiring attention and action of the District Council were noted during the audit:

5.1 Capital commitments

The disclosure on capital commitments in the initial draft of the financial statements was not able to be supported by complete and proper documentation.

In our testing, we identified the following issues:

- There is no central repository of information which monitors all signed contracts with actual spend against contracted amounts plus any signed contract variations.
- There are some items with limited or no supporting documents. We reviewed some of the corroborating documents such as invoice statements but some of these don't match to the contracts.
- There are some contracts which only have a single amount which cover both capital expenditures (capex) and operational expenses (opex). The capital commitment portion can't be easily extracted from the contracts.

We provided our recommendations to the District Council on the possible and practical solutions as this section affected our audit completion. The District Council followed our recommendations and provided the updated disclosure in the financial accounts as at 30 June 2022. We did not identify any material issues with Capital commitments.

However, we believe that the issues above may happen again in the next financial period as there were no permanent solutions implemented.

Recommendation

- The District Council should consider a proper documentation system to monitor all signed contracts including contract variations and extensions. These are related to our recommendations on procurement and contract management. Please refer to Appendix 1 for details. The District Council may also refer to Sections 9 and 10 for guidance on procurement.
- The District Council should monitor, and report of all capex-related contracts on a regular basis.

- The District Council should separate the capex and opex portions of all future contracts so these can be properly monitored.

Management comment

Agreed.

5.2 Performance reporting - water loss measure

The initial draft of the performance reporting did not include the actual result for the measure ***Percentage of real water loss from the networked reticulation system***, using minimum night flow (MNF) analysis (water loss measure). This is a mandatory performance measure that the District Council is required to report.

The last time that the District Council commissioned a reported and included the actual result for the water loss measure for the Taumarunui urban area only was in 2019/20. The following year or in 2020/21, the District Council disclosed that the water loss was not assessed and re-presented instead the results from 2019/20.

The District Council commissioned a technical expert to prepare the actual results of the water loss measure and included these in the updated performance reporting.

Recommendation

The District Council should plan to report against this performance measure each year and may need to include this in their annual report project plan.

Management comment

Comment noted and is planned to be completed at the end of each year.

6 Public sector audit



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

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

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

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

We reviewed our recommendations on **Credit card transactions**, **Fraud policy**, and **Sensitive expenditure policy** provided to the District Council in the 2020/21 period. All of them remain outstanding. Please refer to Appendix 1 for details.

7 Group audit



The group comprises:

- Ruapehu District Council - parent;
- RDC Holdings Limited - a 100% owned subsidiary (non-trading); and
- Visit Ruapehu Limited - a 100% owned subsidiary.

We have not identified any of the following during our audit for the year ended 30 June 2022:

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

7.1 Visit Ruapehu Limited - designation as for-profit

We identified that the Visit Ruapehu Limited accounts have been prepared as a for-profit entity, whereas the majority of its income is from the District Council. Furthermore, when the company was established in 2019, there was a plan to make an application to be a registered charity. As of December 2022, this was yet to be completed.

Our recommendation is included in Appendix 1 of this report.

8 Looking ahead



During 2023 there are new accounting standards that will be applicable to the District Council. These include PBE FRS 48: *Service Performance Reporting* and PBE IPSAS 41: *Financial Instruments*.

The District Council will need to assess the impact of these standards on the performance reporting and financial statements and ensure that the standards are appropriately applied.

8.1 PBE FRS 48: *Service performance reporting*

The *PBE FRS 48 Service Performance Reporting* Standard establishes requirements for service performance reporting by Tier 1 public benefit entities. The standard is applicable for periods beginning on or after 1 January 2022, that is, for the financial year ended 30 June 2023.

The District Council will need to consider the impact of the standard on the performance reporting in the annual report for the year ended 30 June 2023 and the LTP.

8.2 PBE IPSAS 41: *Financial Instruments*

The District Council will be transitioning from PBE IPSAS 29. PBE IPSAS 41 *Financial Instruments* replaces PBE IPSAS 29 *Financial Instruments*.

The main changes under the standard relevant to the District Council are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost; and
- a new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

The District Council will need to consider the impact of the standard and prepare a formal assessment. This standard will also need to be considered in preparing the LTP.

9 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
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications. Link: Setting and administering fees and levies for cost recovery: Good practice guide
Managing conflicts of interest involving council employees	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees
Covid-19 implications for financial reporting and audit in the public sector	
Audit New Zealand Executive Director Steve Walker and Head of Accounting Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.	On our website under good practice. Link: Covid-19 page Link: Webinar
Model financial statements	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • colour, contents pages and subheadings to assist the reader in navigating the financial statements.	Link: Model Financial Statements

Description	Where to find it
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 good practice Link: Tax Matters
Client substantiation file	
When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively. We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.	On our website under good practice. Link: Client Substantiation File
Sensitive expenditure	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: Sensitive expenditure
Conflicts of interest	
The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have. The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz. These can all be used as training resources for your own employees.	On the Office of the Auditor-General's website under 2019 publications. Link: Conflicts of interest

Description	Where to find it
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the OAG's website under 2019 publications. Link: Severance payments
Good practice	
The OAG's website contains a range of good practice guidance. This includes resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice
Procurement	
The OAG are continuing their multi-year work programme on procurement. They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened. Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.	On the OAG's website under publications. Links: Strategic suppliers: Understanding and managing the risks of service disruption Getting the best from panels of suppliers Local government procurement

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Implementation of controls over performance reporting		
We recommended the District Council assigns accountability of the oversight of performance reporting to a specific staff member. Detailed reviews and reconciliations should be performed over data sources ensuring the accuracy of reporting.	2019/20	We confirmed the District Council has not assigned accountability of the oversight of performance reporting to a specific staff member and although performance is monitored against key performance indicators on a monthly basis, on detailed reviews and reconciliations are often not being performed over data sources until year-end. In the 2021/22 financial period, the financial accountant who was in-charge of preparing the financial accounts was also involved with the preparation of the statement of service performance (SSP). We continue to recommend that Council assigns accountability of the oversight of performance reporting to a specific staff member and improves the frequency and detail of reviews over performance. In progress Management comment <i>Accountability of the oversight of performance reporting has been assigned to the Manager Policy and Strategy, who will work on improving the frequency and detail of reviews over performance.</i>

Recommendation	First raised	Status
Necessary		
Disaster recovery plan and business continuity plan		
We recommended the organisational business continuity and IT disaster recovery plans be documented and tested.	2012/13	The District Council is still in the process of addressing these recommendations. Open Management comment <i>Council purchased the IT Incident Management System in 2023 from SAM for compliance.</i> <i>The DR Site has been instated and tested. DR recovery plan was provided to Ruapehu District Council on the 19 May 2021.</i>
Project management		
We recommended the District Council formally documents and adopts an approach/methodology for managing projects. We also recommended the District Council implements a more structured programme of post implementation review by using a formal issues and lessons log for individual projects. We also recommended the District Council implements a higher level of independent quality assurance reviews by experienced, independent experts for significant projects.	2013/14	The District Council engaged Morrison Low to provide a project Management framework. This was released on August 2022 and rolled out to the organisation. We noted that the framework has been developed as a tool to help manage all Council-led projects. The framework also includes a formal project closure and handover report as part of the project completion phase. The Council confirms that the Manager of the Project Management Office (PMO) is responsible for the implementation of this framework including the quality assurance reviews of significant projects. In progress Management comment <i>Council now has a Project Management Framework, developed by Morrison Low, which has been implemented during the past financial year. The Project Management Office has been established to monitor compliance and give guidance where required.</i>

Recommendation	First raised	Status
		<i>The Project Management Procedure has been adjusted to reflect the new Framework. The adaptation aligns RDC with the desired outcome of streamlining all projects into a single process adapted for their complexity. Included in the Framework is the pre and post project life management to allow communication of lessons learnt throughout RDC.</i>
Conflicts of interest policy and maintenance of register		
We recommended a conflicts of interest policy are created for staff members based on the OAG guidelines. Proper training and communication of the policy will be just as important as adopting the policy itself. It will also be beneficial to perform searches of the Companies Register and Charities Register for each person to ensure the completeness.	2013/14	We note progress in this area, with a conflict of interest policy being created during the year. The remainder of our recommendation remains open. Open/In progress Management comment <i>The Governance Manager is currently preparing a Conflicts of Interest Policy for our Elected Members.</i> <i>Council has a Conflicts of Interest Policy, which was due for review in December 2022. This policy sits within the remit of the Executive Manager People, Capability and Safety, and is scheduled for review this financial year.</i> <i>The review will include the creation of a complementary process where training and communication in relation to the policy will be provided along with the creation and maintenance of a Conflicts of Interest Register.</i>

Recommendation	First raised	Status
Deferral of capital expenditure		
We recommended the District Council carefully considers and monitors the impact of deferred capital works and maintains a watching brief for any reductions in the levels of service provided to the community.	2013/14	Although the District Council attained a significant increase in its capital works programmes in 2021/22, we identified an underspend of \$21.70 million in key areas on water supply, roading, and wastewater. Open Management comment <i>This is an ongoing issue. There has been a full review done of the capital works programme for 22-23 prior to recommending budgets to be carried forward to 23-24. The expectation is that the budget for year 1 of the LTP will be established after considering what will actually be completed in 23-24.</i>
Sensitive expenditure - compliance and monitoring		
We recommended the District Council ensures expenses incurred on corporate credit cards are in accordance with the sensitive expenditure policy and have adequate supporting documentation. We further recommended periodic reviews be performed over areas of sensitive expenditure to ensure expenditure incurred is reasonable and in line with policy. The findings of these reviews should be reported to senior management and the Audit and Risk Committee.	2018/19	We continue to recommend periodic reviews be performed over areas of sensitive expenditure to ensure expenditure incurred is reasonable and in line with policy. The findings of these reviews should be reported to senior management and the Audit and Risk Committee. In progress Management comment <i>The Manager Policy and Strategy is currently reviewing Council's Sensitive Expenditure Policy. Part of this review process will involve the creation of a process to address the comments around ensuring expenses incurred on corporate credit cards are in accordance with the Sensitive Expenditure Policy, and periodic reviews of other areas of sensitive expenditure and reporting of findings to Council's Audit and Assurance Committee.</i>

Recommendation	First raised	Status
Contract renewals		
We recommended that the contract register is monitored and maintained on an ongoing basis to ensure that contracts for expenditure are current and valid.	2018/19	We continue to recommend that the contract register is monitored and maintained on an ongoing basis to ensure that contracts for expenditure are current and valid. We tested several contracts and confirmed that the actual spend were all within the approved amount per contract. In progress Management comment <i>RDC has a Contracts Register which Managers along with Council's Administration Team keep the information updated, and link through to controls provided by procurement approval via RDC's Tenders Committee.</i>
Incompleteness of interest register		
We recommended that all Councillors and senior staff disclose their interests in the interest register. If interests require a mitigation, we also recommend these be clearly documented in the register.	2018/19	We still identified undisclosed interests during our current year audit. Open Management comment <i>As mentioned above, the review of Council's Conflicts of Interest Policy will include the creation of a complementary process that will include the creation and maintenance of a Conflicts of Interest Register.</i>

Recommendation	First raised	Status
Asset management		
We recommended that the District Council: - implements controls to mitigate the risk arising from manual data input being required for AssetFinda, VAMS and RAMM to interface with Council's FMIS (such as review of manual data input into the system); - implements recommendations made by valuers regarding improvement of the reliability asset data; and - reviews the appropriateness of future asset forecasts/capital programmes as there have been significant carryforwards in recent years.	2020/21	The District Council confirmed that our recommendations remain outstanding. Open Management comment <i>The capital programme will have a full review through the LTP process.</i> <i>Additional controls to assess the manual data input to other systems is still to be implemented.</i>
Procurement		
We recommended that the District Council: - adopts an annual procurement plan; - establishes procurement led by a Centre of Excellence/dedicated team, with oversight and co-ordination of staff with devolved procurement responsibility; - uses external expertise to supplement existing expertise in specialised areas; - fills staff roles to ensure sufficient capacity in procurement; - implements an information system which: - records key data on procurement activity/spend; - interfaces or is integrated with the financial system and allows spend analysis; - identifies future procurement activity;	2020/21	The District Council confirmed that our recommendations remain outstanding. Open Management comment <i>While all of these recommendations have not been implemented, we have made significant improvements in the procurement process.</i> <i>The procurement strategy has been renewed and shared/agreed with Waka Kotahi.</i> <i>The programme management office does a full review on procurement for all projects.</i> <i>Progress has been made on storing documents appropriately. This will be improved once we have implemented officer 365 in September 2023.</i>

Recommendation	First raised	Status
• has data available to inform a medium-term approach to procurement planning, for example, annual procurement plans or similar; • ensures documentation to support all procurement activity is stored electronically and is easily accessible; and • ensures data and documentation supporting procurement is accurate and up to date.		
Credit card transactions		
We recommend appropriate training is provided to all holders of corporate credit cards to ensure transactions are in line with policy and OAG good practice. We recommend management completes a review of all corporate credit card issued to ensure all corporate credit cards are required and justified.	2020/21	We confirmed from the District Council that the training to all holders remain outstanding. From our testing of sensitive expenditure relating to credit card charges, we confirmed that there is a justified reason for credit cards to be issued to the current holders based on their roles and functions in the District Council. In progress Management comment <i>The Finance Team intend to undertake annual training with corporate credit card holders to ensure transactions are in line with policy and OAG good practice.</i>

Recommendation	First raised	Status
Fraud policy		
We recommended that the fraud policy be updated to incorporate the following OAG good practice: • highlights how incidents of fraud and corruption will be treated under the District Council's disciplinary process; • warns of the specific high penalties that people can face if they are convicted of fraud or corruption offences under the Crimes Act 1961 or the Secret Commissions Act 1910; • provides a brief explanation (with examples) of the difference between the District Council's fraud policy and other policies to enable staff to distinguish fraud and corruption from code of conduct and privacy breaches; • includes information on the three particular conditions often associated with fraud and corruption - incentives, opportunities, and attitudes - which may help employees detect possible fraud and/or corruption; • makes clear that all employees must co-operate with any investigation into suspected fraud or corruption; • references all other related policies Council has and provide links to other useful resources • details the system for undertaking regular reviews of transactions, activities, or locations that may be susceptible to fraud; and • clearly states that all instances of suspected or actual fraud must be advised to the District Council's auditors.	2020/21	We confirmed that our recommendations remain outstanding from our review of the fraud policy. In progress Management comment <i>The Manager Policy and Strategy is currently reviewing this policy. The policy was discussed with senior staff and line managers at Council's Operations and Strategy meeting on Thursday 3 August 2023. The intention is that the draft of the reviewed policy will be provided to senior staff and line managers to provide feedback on at the next Operations and Strategy meeting on Thursday 5 October. That feedback will then be incorporated into the policy, the policy will then be presented to Council's Audit and Assurance Committee and then Council for adoption.</i>

Recommendation	First raised	Status
Sensitive Expenditure Policy recommendations		
We recommended that the fraud policy be updated to incorporate the following OAG good practice: • makes clear what types of expenditure are and are not permitted; • outlines clear approval processes that are specific about who approves what, including arrangements for when the usual approver is unavailable; • clarifies that when sensitive expenditure is incurred in a group there should be separate claims for each person whenever possible, or where a claim relates to more than one person (for example joint travel), it should be made by the most senior person and list the other individuals to whom the expenditure relates; • states that claims relating to sensitive expenditure need to be in English or Te Reo Māori, or independently translated before payment; • states that claims for sensitive expenditure that required a business case and budget before the expenditure was authorised, an explanation should be provided for any incurred expenditure that is more than the agreed budget; • clarifies that internet purchases using credit cards need to reflect good security practice, such as purchasing only from reputable companies known to the public organisation;	2020/21	We confirmed that our recommendations remain outstanding from our review of the Sensitive Expenditure policy. In progress Management comment <i>The Manager Policy and Strategy is currently reviewing this policy. The policy was discussed with senior staff and line managers at Council's Operations and Strategy meeting on Thursday 3 August 2023. The intention is that the draft of the reviewed policy will be provided to senior staff and line managers to provide feedback on at the next Operations and Strategy meeting on Thursday 5 October. That feedback will then be incorporated into the policy, the policy will then be presented to Council's Audit and Assurance Committee and then Council for adoption.</i>

Recommendation	First raised	Status
- states the entity should have travel policies and procedures that require initial consideration of technology-enabled solutions as opposed to travel in person; - identifies what, if any, private use of an organisation's asset is acceptable, including the level of use and the circumstances under which costs will be recovered. Generally, costs of private use should be recovered, unless it is impractical or uneconomic to separately identify those costs; and - notes that receiving cash gifts is unacceptable in any circumstances.		
Visit Ruapehu Limited - designation as for profit		
We recommend that Visit Ruapehu Limited considers whether its accounts are prepared as a not-for-profit entity in future years.	2020/21	We confirmed that this remains outstanding. Open Management comment <i>This is still to be addressed</i>
Beneficial		
Consideration of valuers' recommendations to improve valuation results and confidence in data		
We recommended the District Council considers the recommendations made by the valuers to improve the reliability of its data and therefore the accuracy of future valuation results.	2017/18	The 2022 valuation report for Three waters confirmed that there are still some outstanding items (refer to page 10 of the report). From our discussion with the valuer for Roding and Bridges, there are still some remaining recommendations in the valuation report (refer to page 13 of the report). In progress Management comment <i>These recommendations are still to be reviewed which will now happen for the June 2024 valuations.</i>

Recommendation	First raised	Status
Reconciliations		
We recommended that monthly general ledger reconciliations be prepared and independently reviewed in a timely manner.	2018/19	We noted instances where reconciliations including creditors were not prepared and reviewed in a timely manner. Open
Fraud, corruption and protected Disclosures Policy improvements		
We recommended the District Council considers our recommendations and incorporates these in the final version of the Fraud Corruption and Protected Disclosures Policy where applicable.	2019/20	The District Council has not yet addressed this recommendation. In progress Management comment <i>The Manager Policy and Strategy is currently reviewing this policy. The policy was discussed with senior staff and line managers at Council's Operations and Strategy meeting on Thursday 3 August 2023. The intention is that the draft of the reviewed policy will be provided to senior staff and line managers to provide feedback on at the next Operations and Strategy meeting on Thursday 5 October. That feedback will then be incorporated into the policy, the policy will then be presented to Council's Audit and Assurance Committee and then Council for adoption.</i>

Implemented or closed recommendations

Recommendation	First raised	Status
Urgent		
One-up approval for manual journals		
We recommend that procedures and processes are implemented to ensure one-up approval occurs for all journals. The strongest level of control would be the implementation of a system control to ensure this happens before a journal is posted in the system. We also recommend all journals and workpapers to support the journals posted are kept on file.	2020/21	Our testing confirmed that there was one-up approval of journals and these were supported by appropriate documents and workpapers. Closed
Necessary		
Breaches in Key Treasury Management indicators - borrowings		
We recommended review of the appropriateness of the Key Treasury Management indicator targets and the calculations used to report against the indicators. If the targets are deemed appropriate, management should implement systems to ensure compliance with the Treasury Policy and report breaches appropriately.	2020/21	The LGFA guidance on risk management states that the District Council should comply with its own internal borrowing policies and the LGFA financial covenant. Actual results indicate that the District Council are within the LGFA financial covenant limits. However, its own Key Treasury Management indicator targets show that the actual results for interest/operating revenue ratio and the net debt/operating revenue were not within the acceptable range. Closed

Recommendation	First raised	Status
Contract management		
We recommended the District Council adopts a single, organisation-wide contract management policy that formalises the District Council's processes. It should be supported by comprehensive procedures, guidelines, and standardised templates. We also recommended that the District Council's contracts register should also be improved to be more appropriate to the size and complexity of the District Council. A fully functional contract management system should be considered.	2013/14	The District Council's Tenders Group adopted a Procurement and Contract Management Guide on 17 May 2021. This guide provides procedures and guidance for staff. The District Council uses the Contracts Register report wherein the Managers along with the District Council's Administration Team keep the information updated, and link through to controls provided by procurement approval through the District Council's Tenders Committee. Closed
Formalise cyclical review of Network login accounts		
We recommended the District Council completes a formal review and tidy up of Active Directory Network logins. We also recommended that redundant accounts be deleted. We also recommended that a process for formalised, cyclical reviews be established.	2016/17	We noted that the stale account reports are reviewed on a regular basis. Closed
Central register for IT contractors		
We recommended the District Council maintains a central register of contractors and consultants and that IT is advised of those who should no longer have access to systems. Periodic reviews should be performed to confirm that these contractors still require access.	2019/20	This is part of the stale account review performed on a regular basis. Closed
Creditor masterfile changes		
We recommended all creditor masterfile reviews are evidenced by a signature of the reviewer. These reviews should be detailed, and include a review of every change made against the supporting documentation for each change to ensure changes to the masterfile are genuine and accurate.	2020/21	We have not identified any issue in our testing of creditor Masterfile changes. Closed

Recommendation	First raised	Status
Missing pay period from payroll system		
We recommended that controls are implemented to ensure all electronic audit trails are retained for all pay periods to ensure the system is complete and accurate.	2020/21	We have not identified any issue relating to the electronic payroll record from the audit work performed. Closed
Capital spend exceeding approved contract values		
We recommended the District Council improves monitoring of total contract spend versus total budgeted spend and ensures that variations to contracts are implemented where actual spend is going to exceed the original amount approved via the contract. These variations should be approved by the District Council where the variation results in the total contract sum exceeding the amount the District Council has already approved.	2020/21	We have not identified any issue in our testing of the contracts' budgeted spend and actual spend. Closed
Ageing of debtors		
We recommended management implements a process to ensure debtors are aged correctly. This should ideally be an automated process.	2020/21	We have not identified any issue relating to debtors ageing. Closed
Traffic counts not completed in line with contractual obligations		
We recommended that management ensures that the traffic count programme is reinstated.	2020/21	We have followed up on this recommendation and confirmed that the appropriate number of traffic counts were done. Closed
Depreciation of assets		
We recommend the District Council reviews policy rates and also how depreciation rates/useful lives are entered into the system to ensure that depreciation is reflective of the estimates provided by the valuer.	2020/21	We have not identified any issue relating to the testing of depreciation of assets. Closed

Recommendation	First raised	Status
Beneficial		
Lack of approval for some day works		
This recommendation is related to the material SSP measure on Water supply - resolution of urgent callouts. We recommended that District Council approval should be given for all day-works, prior to works being completed. This will ensure that expenditure is appropriate and is aligned with the District Council's long-term maintenance plans. Alternatively, Council may consider adopting a self-approval limit to allow the contractor to complete works up to a certain threshold without prior approval. If a self-approval limit is implemented, we recommend that the District Council request monthly reporting from its contractor detailing the number of jobs self-approved and the nature of the works completed.	2015/16	We reviewed again the system involved in this performance measure. We confirmed that there is a process involved from assigning a repair work to a contractor up to review of the summary job sheet before a billing can be paid. Closed
Lack of controls around ".AFI" file exported between Ozone and BNZ internet banking		
We recommended that access to the shared network drive is limited to "read-only" so that employees are unable to edit the import files created.	2016/17	We reviewed again the expenditure system. There is a data integrity check on the .AFI file once its imported to the BNZ banking portal. The .AFI files are kept in the shared drive but access is restricted to the Finance staff. Closed

Recommendation	First raised	Status
Financial reporting and prudence disclosures		
We recommended that the financial reporting and prudence disclosures are updated in future annual plans, to ensure they are consistent with the form prescribed in Schedule 4 of the Local Government (Financial Reporting and Prudence) Regulations 2014. The District Council has included the benchmarks table in the prescribed form; however, the disclosure has not been titled in accordance with the Regulations and does not include the required notes that provide information of the purpose/definition of each benchmark.	2016/17	We have not identified any issue from our review of the District Council's compliance with the 2022 Local Government (Financial Reporting and Prudence) Regulations 2014. Closed
Segregation of duties - journals system		
We recommended that access to create journals is disabled for the two individuals with approval access to minimise the risk of self-approval.	2017/18	We have not identified any issues relating to the walkthrough and testing of journals. Closed

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the District Council of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the .
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	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: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board. In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's Debenture Trust Deed. These engagements are compatible with those independence requirements.
Fees	The audit fee for the year is \$177,574, as detailed in our Audit Proposal Letter. Other fee charged in the period is \$7,000, for Debenture Trust deed.
Other relationships	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. We are not aware of any situations 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.

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Update Report: Long Term Plan 2024-2034

Report for: Information

Author(s): Melissa Jackson

MANAGER: POLICY & STRATEGY

Endorsed By: Neil Ward

ACTING MANAGER: FINANCE, STRATEGY & GOVERNANCE



Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to update the Risk and Assurance Committee (the Committee) on the progress of the Long-Term Plan 2024-2034 (the LTP).

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Progress Report: Long Term Plan 2024-2034** for information.

Significance and Engagement | Takenga mai

- 2.1 This report is informational only and does not trigger the Significance and Engagement Policy.

Background | Tuhinga

- 3.1 The Council is required by the Local Government Act 2002 (LGA) to prepare and adopt a Long Term Plan (LTP) every three years.
- 3.2 The LTP outlines Council's plans including major projects, levels of service and forecast budgets for the next ten years. The current LTP is the 2021-2031 Long Term Plan. The next LTP, which Council is currently developing, is the 2024-2034 Long Term Plan.
- 3.3 A Project Control Group (PCG) was established at the beginning of this year and meets on a bi-weekly basis to ensure the LTP is progressing according to the agreed timeline.
- 3.4 Overall, the development of the LTP is progressing well. Since the election of the new Council in October 2022, a number of workshops have been and are being held with Elected Members to discuss the core business of Council, its focus, wellbeings and goals, to decide the strategic direction Elected Members would like to focus on, and to discuss and provide direction on the different pieces of the LTP jigsaw.

Discussion | He Kōrerorero

- 4.1 **RISKS AND RISK MITIGATION**
- 4.2 The Office of the Auditor General (OAG) recommends that likely risks that relate to the development and adoption of the LTP are identified throughout the project.

- 4.3 This report provides the Committee with an overview of the risks that have been identified in relation to the delivery of the LTP. These risks are being actively managed by the PCG, which is made up of four members of the Executive Leadership Team and the Manager Policy & Strategy, who is project managing the LTP project.

- (a) Capability and capacity of Council Officers, and resources available within Council to undertake the work required to produce the LTP, alongside business as usual.

Likelihood	Impact Rating: Financial	Impact Rating: Reputational / Stakeholder	Risk Rating
Possible	Major	Moderate	High

There are no current staff vacancies that would prevent the Council from developing the LTP. This risk is continually monitored by the PCG. Contractors have been engaged where appropriate for some aspects of the development of the LTP.

- (b) Capacity of Council Officers to undertake a full and accurate review of Asset Management Plans (AMPs).

Likelihood	Impact Rating: Financial	Impact Rating: Reputational / Stakeholder	Risk Rating
Possible	Major	Moderate	High

Council has engaged the services of contractors to prepare two of its Asset Management Plans (AMP) to mitigate this risk. Morrison Low is preparing the Community Property, Recreation and Facilities AMP and GHD is preparing the Land Transport AMP. The Department of Internal Affairs is carrying out the review of Council's Three Waters AMPs with support and information provided by Council Officers.

- (c) The availability and capacity of auditors to complete the audit review, hot review, and audit report.

Likelihood	Impact Rating: Financial	Impact Rating: Reputational / Stakeholder	Risk Rating
Possible	Major	Moderate	High

The Committee will recall the issues Council had in respect of the audit of its 2021/22 Annual Report. Audit New Zealand is aware of the timeframes required for the audit of an LTP. Council's audit dates and hot review dates have been booked. The PCG will continue to monitor this risk and any areas of risk identified in respect of the audit of the LTP will be reported to the Committee.

- (d) The repeal of the Affordable Water Reforms

Likelihood	Impact Rating: Financial	Impact Rating: Reputational / Stakeholder	Risk Rating
Possible	Major	Moderate	High

The uncertainty in relation to the 2023 General Election and the Three Waters space due to the announcement from the National Party that if it wins the election, it intends to repeal the Three Waters legislation. The PCG will continue to monitor this risk.

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023



Subject: Update on Policy Work Streams

Report for: Information

Author(s): Melissa Jackson

MANAGER: POLICY & STRATEGY

Endorsed By: Neil Ward

ACTING MANAGER: FINANCE, STRATEGY & GOVERNANCE

Purpose of Report | Te take mō te pūrongo

- 1.1 The purpose of this report is to update the Risk and Assurance Committee (the Committee) on the progress of the Policy Team's work programme.

Recommendation(s) | Ngā tūtohunga

That the Risk & Assurance Committee:

- 1 Receives the Report **Update on Policy Work Streams** for information.

Significance and Engagement | Takenga mai

- 2.1 This report is informational only and does not trigger the Significance and Engagement Policy.

Background | Tuhiinga

- 3.1 A report updating the Committee on the Policy Team's work programme was last tabled at the Committee's meeting on 19 May 2023.
- 3.2 This report provides the Committee with an update on the progress of the Policy Team's work programme since that meeting.

Discussion | He Kōrerorero

4.1 COMPLETED SUBMISSIONS JUNE TO OCTOBER 2023

1	A Redesigned NZ ETS Permanent Forest Category
2	A review of the New Zealand Emissions Trading Scheme

4.2 COMPLETED POLICY WORK JUNE TO OCTOBER 2023

1	Long Term Plan 2024-34 Environmental Scan
2	Backflow Prevention Policy 2023
3	Review and dissolution of the Stormwater Management Policy
4	Annual Plan 2023-24
5	Fees and Charges 2023-24
6	Update and creation of various ProMapp processes
7	Rating Newsletter 2023-24
8	Exemption of CCOs from the statutory reporting regime report
9	Elected Members Remuneration and Expenses 2023-24 report
10	Feedback and Complaint Policy 2023
11	Dangerous and Insanitary Buildings Policy 2023
12	Community Consultation – Interim Speed Management Plan
13	Community Consultation – Smokefree & Vapefree Policy 2023
14	Community Pre-Engagement – Long Term Plan 2024-34

4.3 POLICY WORK UNDERWAY

Project		Notes
1	Long Term Plan 2024-34	Underway. Pre-Engagement completed. Running according to schedule.
2	Fees and Charges 2024-25	Underway. Aligned with LTP process.
3	LTP: Planning Assumptions	Draft complete. Update post-election.
4	LTP: Growth Assumptions	Draft complete.
5	LTP: Direction Setting – Wellbeing Framework	Draft complete. ELT approved. To be adopted at October Council meeting.
6	LTP: Revenue & Financing Policy	Underway. Workshop has been held.
7	LTP: Infrastructure Strategy	Underway. Consultant has prepared draft.
8	LTP: Financial Strategy	Underway. Consultant has prepared draft.
9	LTP: LOS Review	Underway.
10	LTP: KPI Review	Underway.
11	Procurement Policy	Underway.
12	Development Contributions Policy	Underway.
13	Māori Freehold Land Rates Remissions Policy	Underway. Aligned with LTP process.
14	Asset Management Policy	Underway. Aligned with LTP process.
15	Annual Report 2022-23	Underway. Currently being audited.
16	Report to Council on Levels of Service Survey results	Completed. To be tabled with Council when LOS & KPI discussion occurs.
17	Waste Management & Minimisation Plan	Underway. Workshop has been held. Aligned with LTP process.

18	Interim Speed Management Plan	Community consultation completed. Hearing Scheduled. Deliberations November. Adoption December.
19	Smokefree & Vapefree Policy	Community consultation completed. Hearings Scheduled. Deliberations November. Adoption December.
20	Review of the Sensitive Expenditure Policy	Underway.
21	Review of the Fraud, Corruption and Protected Disclosures Policy	Underway.

4.4 POLICY WORK CURRENTLY ON HOLD

Project		Notes
1	Risk Management Policy	Review when we get a new Risk Manager.
2	Land Transport Bylaw	Review due 2024. Un-consolidate this bylaw. On hold due to resourcing constraints.
3	Land Transport Policy	Aligned with Bylaw review. On hold due to resourcing constraints.
4	Use of Council Chamber (Taumarunui) by Outside Organisations	Deferred until mid-2024 due to resourcing constraints.
5	Business Friendly Policy	On hold. Likely to be combined with future Customer Service Charter. Await the appointment of the new Executive Manager Regulatory & Customer Services to discuss.
6	Graffiti Strategy	Desktop review complete. Likely need to disband this strategy. Pick up again once resourcing constraints resolved.
7	Elected Members Remuneration and Expenses Policy	Deferred until mid-2024 due to resourcing constraints.
8	Significance and Engagement Policy	Not legislatively required to review. Deferred until mid-2024 due to resourcing constraints.
9	Appointment of Directors to Council Organisations Policy	Review largely complete. Pick up again once resourcing constraints resolved.
10	Legal Compliance Policy	Desktop review complete. Likely need to disband this policy. Pick up again once resourcing constraints resolved.

4.4 FUTURE POLICY WORK

Project		Notes
1	Solid Waste Bylaw	Develop after adoption of the new Waste Minimisation and Management Plan in 2024.
2	Road Naming Policy	New project. To be started.
3	Leases Policy	New project. To be started.
4	Climate Change Strategy	New project.
5	Dark Sky Strategy	New project.

4.5 STAFFING

- 4.5.1 The Policy Team's Senior Policy Analyst has moved on to a role within Central Government. Recruitment to fill this vacancy has been unsuccessful and will be recommenced in the near future.
- 4.5.2 The team currently consists of the Team Manager and a Policy Analyst who is in the final semester of completing a Social Policy degree. The team administrator for the Finance, Strategy and Governance Group is also managed by the Policy Team Manager.
- 4.5.3 A new role has been created within the Policy Team for a Climate Change Advisor. Recruitment to fill this role has been unsuccessful and will recommence in the new year.

4.6 WORKLOAD

- 4.6.1 A lack of visibility of workload in the past and a lack of resources has resulted in a large backlog of work. This has been compounded by recruitment challenges and the volume of work required in relation to the Long Term Plan.
- 4.6.2 A significant amount of work has been put on hold due to resourcing constraints. This is a risk to the organisation; however, the priority is the delivery of the Long Term Plan so other work must be deferred until the recruitment challenges have been overcome.

4.7 RISKS AND RISK MITIGATION

- 4.7.1 The primary risk that exists in respect of the policy and strategy area of Council's business is staff burnout. The bulk of the team's work is currently being undertaken by the team manager, which includes project management of the 2024-34 Long Term Plan, managing two staff members, and various other responsibilities.
- 4.7.2 This risk is being mitigated by regular discussions between the Acting Executive Manager Finance, Strategy and Governance and the Manager Policy and Strategy. Support is being provided by other teams within Council where possible e.g., assistance with September's Engagement Month.
- 4.7.3 This risk will not be completely mitigated until the team's vacancies are able to be filled. In the meantime, to alleviate some pressure, some of the work in relation to the Long Term Plan is being completed by contractors.

Attachment(s) Ngā āpitihanga

NIL

Report to: Risk & Assurance Committee

Meeting Date: 12 October 2023

Subject: Resolution to Exclude the Public for Consideration of Committee Business

Report for: Decision

Author(s): Tasha Paladin

GOVERNANCE MANAGER

Endorsed By: Clive Manley

CHIEF EXECUTIVE



Purpose of Report

- 1.1 In accordance with section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act (or sections 6, 7 or 9 of the Official Information Act 1982, as the case may be) the Committee has the right by resolution to exclude the public from the whole or any part of the proceedings of any meeting on one or more of the grounds contained within that Section.

Recommendation(s)

That the Risk & Assurance Committee:

- 1 Receives the Report **Resolution to Exclude the Public for Consideration of Committee Business**;
- 2 Excludes the public from the following part(s) of the proceedings of this meeting;
- 3 Notes the general subject of the matters to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds for excluding the public, as specified under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1 Confirmation of Public Excluded Minutes of the Risk & Assurance Committee Meeting 19 May 2023	For the reasons set out in the Public Business Minutes of the Risk & Assurance Committee Meeting 19 May 2023 and reconvened on 16 June 2023.	
C2 Annual Report 2022/23	s7(2)(c) To protect information which is subject to an obligation of confidence where the making available of the information would be likely to: prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied; or would be likely otherwise to damage the public interest. The final document will be released in the Public Business of the Council Meeting 25 October 2023.	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7
C3 Legislative Compliance Risk	s7(2)(a) To protect the privacy of natural persons, including that of deceased natural person	

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C4 Confidential Briefing by the Chief Executive	s7(2)(c) To protect information which is subject to an obligation of confidence where the making available of the information would be likely to: prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied; or would be likely otherwise to damage the public interest.	