



Audit & Risk Committee Agenda

Thursday 08 June 2023, 8.30 am

The meeting will be held in the Manawatū District Council Chambers, 135 Manchester Street, Feilding, and a video recording made available on www.mdc.govt.nz.

www.mdc.govt.nz

MEMBERSHIP

Chairperson

Councillor Stuart Campbell

Deputy Chairperson

Mr John Fowke

Members

Councillor Lara Blackmore

Councillor Grant Hadfield

Councillor Colin McFadzean

Councillor Alison Short

Her Worship the Mayor, Helen Worboys

TERMS OF REFERENCE

Purpose

To check and ensure continuity of business, enhance governance framework, risk management practices and the controls used to monitor Council's achievements.

Responsibilities

Analysing the financial reports in line with the Council's strategic direction and national accounting standards, including the following:

- 1
 - a. long term planning including the financial strategy;
 - b. appropriateness of accounting policies;
 - c. annual report; and
 - d. internal report (monthly and/or quarterly)
- 2 Risk management and the system of internal controls:
 - a. setting the Council's appetite for risk;
 - b. understanding the key risk areas including likelihood and consequences;
 - c. effectiveness of internal controls; and
 - d. fraud risk and procurement risk.
- 3 External audit:
 - a. relationship with auditor;
 - b. understanding scope and engagement;
 - c. review significant audit findings /recommendations; and
 - d. monitor progress on recommendations.
- 4 Internal audit:
 - a. appointment and relationship with internal auditor;
 - b. scope of work; and
 - c. responses to internal audit recommendations.

Delegated Authority

Manawatu District Community Honours Awards – decide on recipients of Community Honours Awards under the Community Honours Scheme.

Quorum

Five members of the committee.



Shayne Harris
Chief Executive

ORDER OF BUSINESS

PAGE

1. MEETING OPENING

2. APOLOGIES

Recommendation

That the apology for Cr Lara Blackmore, who is away on Council business, be received.

3. CONFIRMATION OF MINUTES

6

Recommendation

That the minutes of the Audit & Risk Committee meeting held 09 March be adopted as a true and correct record.

4. DECLARATIONS OF INTEREST

Notification from elected members of:

- 4.1 Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and
- 4.2 Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5. PRESENTATIONS

5.1 **AON NZ PRESENTATION – 8.35 AM**

Presentation by Deana Macdonald and Matthew Wilson.

5.2 **SAFETY AND WELLBEING DEEP DIVE PRESENTATION**

Presentation by Aimee Flanders (Safety and Wellbeing Adviser), Adie Johansen (Community Services Manager – Library), Warrick Taylor (Library Services Leader), and Kirsty Meads (Library Knowledge – Content Leader)

6. NOTIFICATION OF LATE ITEMS

Where an item is not on the agenda for a meeting, that item may be dealt with at that meeting if:

- 6.1 The Committee by resolution so decides; and
- 6.2 The Chairperson explains at the meeting at a time when it is open to the public the reason why the item is not on the agenda, and the reason why the discussion of the item cannot be delayed until a subsequent meeting.

	PAGE
7. OFFICER REPORTS	
7.1 COMMITTEE WORKPLAN UPDATE	x
Report of the General Manager – People and Corporate dated 10 May 2023	
7.2 INTERNAL CONTROLS UPDATE	x
Report of the General Manager – People and Corporate dated 10 May 2023	
7.3 SAFETY AND WELLBEING QUARTERLY REPORT 1 JAN – 31 MAR 2023	x
Report of the General Manager – People and Corporate dated 01 May 2023	
7.4 QUARTERLY PERFORMANCE REPORT TO 31 MARCH 2023	x
Report of the Chief Financial Officer dated 01 May 2023	
7.5 LONG-TERM PLAN ORGANISATIONAL RISK REVIEW	x
Report of the General Manager – People and Corporate dated 16 May 2023	
7.6 AUDIT PLAN 2022-23	x
Report of the Chief Financial Officer dated 30 May 2023	
8. CONSIDERATION OF LATE ITEMS	
9. UPDATE FROM GOVERNANCE HEALTH AND SAFETY REPRESENTATIVE	
Progress update from the Council’s Governance Health and Safety Representative.	
10. NOTIFICATION OF ITEMS FOR RISK REGISTER	
11. NOTIFICATION OF ITEMS FOR NEXT MEETING	
12. PUBLIC EXCLUDED BUSINESS	
COMMITTEE TO RESOLVE:	
That the public be excluded from the following parts of the proceedings of this meeting, namely:	
1. Confirmation of Minutes; 09 March 2023	
2. Key Project Status Report	
3. Information Services Audit Update	
That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(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	Grounds under Section 48(1) for the passing of this resolution
13.1 Confirmation of Minutes; 09 March 2023	s7(2)(h) – commercial activities s7(2)(i) – negotiations s7(2)(j) – improper gain s7(2)(c)(i) – obligation of confidence	s48(1)(a)
14.1 Key Project Status Report	s7(2)(c)(i) – obligation of confidence	s48(1)(a)
14.2 Information Services Audit Update	s7(2)(j) – improper gain	s48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

15. MEETING CLOSURE



MEETING MINUTES	
AUDIT & RISK COMMITTEE	TIME
THURSDAY 09 MARCH 2023	8:30 AM

Minutes of a meeting of the Audit & Risk Committee meeting held on Thursday 09 March 2023, which commenced at 8.30 am in the Manawātū District Council Chambers, 135 Manchester Street, Feilding.

PRESENT: Cr Stuart Campbell Chairperson
Mr John Fowke Independent Member
Cr Lara Blackmore
Cr Grant Hadfield
Cr Colin McFadzean
Cr Alison Short
Mayor Helen Worboys

IN ATTENDANCE: Shayne Harris Chief Executive
Hamish Waugh General Manager – Infrastructure
Frances Smorti General Manager – People and Culture
Lyn Daly General Manager – Community
Cathy Robinson General Manager – Corporate Services
Amanda Calman Chief Financial Officer
Aimee Flanders Safety and Wellbeing Adviser
Ash Garstang Principal Governance Adviser

ARC 22-25/001

MEETING OPENING

ARC 22-25/002

COMMITTEE WORKPLAN 2023

Report of the General Manager – Corporate Services dated 22 February 2023 seeking the Committee’s approval to adopt the Committee Workplan for 2023.

RESOLVED

That the Committee Workplan for 2023 be adopted without amendment.

Moved by: Cr Stuart Campbell

Seconded by: Mayor Helen Worboys

CARRIED

ARC 22-25/003

INTERNAL CONTROLS UPDATE

Report of the General Manager – Corporate Services dated 09 March 2023 for the Committee’s receipt.

RESOLVED

That the Committee receives the Internal Controls Update.

Moved by: Mr John Fowke

MEETING MINUTES	
AUDIT & RISK COMMITTEE	TIME
THURSDAY 09 MARCH 2023	8:30 AM

Seconded by: Cr Grant Hadfield

CARRIED

ARC 22-25/004

QUARTERLY PERFORMANCE REPORT TO 31 DECEMBER 2022

Report of the Chief Financial Officer dated 22 February 2023 for the Committee's receipt.

Cr Alison Short left the meeting at 8.46 am.

Cr Alison Short returned to the meeting at 8.49 am.

RESOLVED

That the Audit and Risk Committee recommend:

- **That the Council receive the Quarterly Performance Report and Treasury Report to 31 December 2022.**

Moved by: Cr Lara Blackmore

Seconded by: Mayor Helen Worboys

CARRIED

ARC 22-25/005

SAFETY AND WELLBEING QUARTERLY REPORT 01 SEP – 31 DEC 2022

Report of the General Manager – People and Culture dated 25 January 2023 for the Committee's receipt.

RESOLVED

That the Audit and Risk Committee receive the Safety and Wellbeing report for quarter two of the 2022-23 year.

Moved by: Cr Grant Hadfield

Seconded by: Mayor Helen Worboys

CARRIED

ARC 22-25/006

UPDATE FROM GOVERNANCE HEALTH AND SAFETY REPRESENTATIVE

Cr Hadfield advised that there was nothing to report and that the last Health and Safety meeting had been postponed.

MEETING MINUTES	
AUDIT & RISK COMMITTEE	TIME
THURSDAY 09 MARCH 2023	8:30 AM

ARC 22-25/007

UPDATE ON PROPOSED RISK WORK PROGRAMME

Cathy Robinson (General Manager – Corporate Services) advised that officers were in contact with PWC to schedule dates for them to facilitate a workshop for elected members.

ARC 22-25/008

NOTIFICATION OF ITEMS FOR RISK REGISTER

1. Ability to source contractors and certain equipment items in the near future.
2. Reduced Government funding, particularly for roading.

It was requested that elected members have visibility of the risk register. The Chief Executive advised that officers have some significant work to complete to bring the risk register up to date with the current Long-Term Plan period, however it will be brought to the next Committee meeting for elected member's familiarity.

ARC 22-25/009

PUBLIC EXCLUDED BUSINESS

RESOLVED

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. **Project Report**
2. **Information Services Audit Overview**
3. **Three Waters Update**

That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(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	Grounds under Section 48(1) for the passing of this resolution
13.1 Project Reporting	s7(2)(h) – commercial activities s(7)(2)(i) – negotiations	s48(1)(a)
13.2 Information Services Audit Overview	s7(2)(j) – improper gain or improper advantage	s48(1)(a)
13.3 Three Waters Update	s7(2)(c)(i) – obligation of confidence	s48(1)(a)



MEETING MINUTES	
AUDIT & RISK COMMITTEE	TIME
THURSDAY 09 MARCH 2023	8:30 AM

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

Moved by: Cr Stuart Campbell

Seconded by: Cr Grant Hadfield

CARRIED

The meeting went into public excluded session at 9.20 am. For items ARC 22-25/010 to ARC 22-25/013 refer to public excluded proceedings. The meeting returned to open session at 10.47 am.

ARC 22-25/014

MEETING CLOSURE

The meeting was declared closed at 10.47 am.



Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: People and Corporate

Date Created: 10 May 2023

Committee Workplan Update

Purpose Te Aronga o te Pūrongo

The Committee Workplan lays out the 2023 reporting schedule for the Committee. The Workplan is updated throughout the year as required, and an update is being provided to this meeting for the Committee's reference.

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

That the Committee Workplan Update be received.

Report prepared by:

Ash Garstang

Governance and Assurance Manager

Approved for submission by:

Frances Smorti

General Manager – People and Corporate

1 Background Ngā Kōrero o Muri

- 1.1 The Committee Workplan for 2023 was adopted by the Committee at its meeting 09 March 2023. It was also agreed that the Workplan (and any updates) would be presented to future Committee meetings for receipt.

2 Updates Ngā Whakahōu

- 2.1 The below updates have been made to the Workplan since it was adopted by the Committee in March 2023:

- **Strategic Risk Update** (under Risk Management):

This has been deferred from the June meeting to the September meeting, as PWC are providing a training session to elected members on 29 June 2023. Strategic risks will form a part of this session and may be updated depending on elected member's views of our strategic priorities for the Long-Term Plan 2024-34.

- **Meet with external auditors to discuss scope of audit for 2023/24** (under External Audit and compliance):

This has been deferred from the June meeting to the September meeting, as it cannot be completed until Audit NZ issue their audit report.

- **Review external audit findings for 2021/22** (under External Audit and compliance):

This has been deferred from the June meeting to the September meeting, as it cannot be completed until Audit NZ issue their audit report.

3 Te Kīwai (o te kete)

- 3.1 There are no known cultural considerations associated with the matters addressed in this report.

4 Attachments Ngā ĀpitiHanga

- Audit and Risk Committee Workplan 2023 (updated)

Audit and Risk Committee

Workplan 2023

Meeting date	March	June	September	December
Governance	Committee Workplan (full)	Committee Workplan (summary)	Committee Workplan (summary)	Committee Workplan (summary)
External Audit and compliance			<p>Review the management representation letter from the CEO/CFO to the external auditors</p> <p>Meet with external auditors to discuss scope of audit for 2023/24 (<i>deferred from June</i>)</p> <p>Review external audit findings for 2021/22 (<i>deferred from June</i>)</p>	<p>Review external audit findings for 2022/23</p> <p>Review Annual Report 2022/23 and release for external audit</p>
Internal Audit	<p>Review of internal audit reports</p> <ul style="list-style-type: none"> • ALGIM web audit • Security Road Map 	<p>Review of internal audit reports</p> <ul style="list-style-type: none"> • CCR Privacy Audit • External IT Penetration Testing 	<p>Review of internal audit reports</p> <ul style="list-style-type: none"> • ALGIM cyber Security compliance report 	Review of internal audit reports
Risk Management	Update on proposed risk work programme	LTP organisational risk review	<p>Review risk appetite as part of LTP (<i>deferred from June</i>)</p> <p>Review risk mitigation plans for significant risks</p> <p>Strategic risk update</p>	Review risk management policy

Internal Controls	<p>Project Reporting</p> <p>Internal Controls Update (1-pager report)</p> <ul style="list-style-type: none"> • Breaches • Policy refresh work programme • Protected disclosures etc 	<p>Project Reporting</p> <p>Internal Controls Update (1-pager report)</p> <ul style="list-style-type: none"> • Breaches • Policy refresh work programme • Protected disclosures etc 	<p>Project Reporting</p> <p>Internal Controls Update (1-pager report)</p> <ul style="list-style-type: none"> • Breaches • Policy refresh work programme • Protected disclosures etc 	<p>Project Reporting</p> <p>Internal Controls Update (1-pager report)</p> <ul style="list-style-type: none"> • Breaches • Policy refresh work programme • Protected disclosures etc
Financial and Performance reporting	<p>Quarterly Performance Report, for December quarter</p> <ul style="list-style-type: none"> • Management Accounts • Compliance with Treasury Mgmt Policy 	<p>Quarterly Performance Report, for March quarter</p> <ul style="list-style-type: none"> • Management Accounts • Compliance with Treasury Mgmt Policy 	<p>Quarterly Performance Report, to review year-end financial statements and accounting policies</p> <ul style="list-style-type: none"> • Management Accounts • Compliance with Treasury Mgmt Policy 	<p>Quarterly Performance Report, for September quarter</p> <ul style="list-style-type: none"> • Management Accounts • Compliance with Treasury Mgmt Policy
Health and Safety Reporting Including Deep Dives	Review Health and Safety Quarterly Report	Review Health and Safety Quarterly Report	Review Health and Safety Quarterly Report	Review Health and Safety Quarterly Report
Insurances			Review renewals	
Legislative Compliance			Review the effectiveness of the system for monitoring legislative compliance	



Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: People and Corporate

Date Created: 10 May 2023

Internal Controls Update

Purpose Te Aronga o te Pūrongo

To provide an update to the Committee on several key internal controls, including cybersecurity breaches, policy reviews, protected disclosures and fraudulent activity.

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

That the Committee receives the Internal Controls Update.

Report prepared by:

Ash Garstang

Governance and Assurance Manager

Approved for submission by:

Frances Smorti

General Manager – People and Corporate

1 Background Ngā Kōrero o Muri

1.1 This report provides a high-level summary of several key internal controls, and any notable breaches of these. The period of reporting for this update is **23 February to 19 May 2023**.

2 Cybersecurity Breaches

2.1 There have been no cybersecurity breaches during this reporting period.

3 Governance Policy Work Programme

3.1 The Council currently has 27 Governance Policies. These policies are subject to review at set intervals, and the below table provides a brief status update of these reviews.

Status of Governance Policies
18 are current, and due for review in 2024 or later.
5 are current, and due for review in the latter half of 2023.
4 are overdue for review.

3.2 The 4 overdue policies are:

- a. Halls Management Policy. This is currently under review.
- b. Development Contributions Policy. Deliberations were considered at the Council meeting 01 June 2023. The Council determined that they would not reconsult on post-consultation changes to the Policy and the updated Policy will be presented to the 15 June 2023 Council meeting for adoption.
- c. Code of Conduct (for elected members). Currently with Her Worship the Mayor and the Chief Executive for review, and following this it will be brought to a future Council meeting for amendment and/or adoption.
- d. Te Kiwai (o te Kete). Will be reviewed alongside the Long-Term Plan 2024-34.

4 Protected Disclosures

4.1 There have been no protected disclosures during this reporting period.

5 Fraudulent Activity

5.1 There has been no reported fraudulent activity during this reporting period.



Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: People and Corporate

Date Created: 1 May 2023

Safety and Wellbeing Quarterly Report 1 Jan – 31 Mar 2023

Purpose Te Aronga o te Pūrongo

The purpose of this report is to update the Audit and Risk Committee on the latest Safety and Wellbeing information relating to the operations of Council.

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

That the Audit and Risk Committee receive the Safety and Wellbeing report for quarter three of the 2022-23 year.

Report prepared by:

Aimee Flanders

Safety and Wellbeing Adviser

Approved for submission by:

Frances Smorti

General Manager – People and Corporate

1 Contribution to Community Well-being and Council’s Community Outcomes Te Tūhono ki ngā Whāinga a te Kaunihera mō te Oranga Hapori me te Whakawhanake Hapori

1.1 Relationship to Council’s strategic priorities (community outcomes):

A place to belong and grow He kāinga e ora pai ai te katoa	
A future planned together He kāinga ka whakamaherea tahitia tōna anamata e te hapori tonu	
An environment to be proud of He kāinga ka rauhītia tōna taiao	
Infrastructure fit for future He kāinga ka tūwhena tonu ōna pūnahahanga, haere ake nei te wā	
A prosperous, resilient economy He kāinga ka tōnui tōna ōhanga	
Value for money and excellence in local government He kāinga ka eke tōna kāwanatanga ā-rohe ki ngā taumata o te kairangi	✓

1.2 Manawatū District Council strives to lead in the Safety and Wellbeing space within the Local Government sector.

2 Te Kīwai (o te kete)

2.1 There are no known cultural considerations associated with the matters addressed in this report. No engagement with Māori is necessary.

Safety and Wellbeing Dashboard

For the period ended 31 March 2023

Lead and Lag Indicators

Indicator	Goal	Current
Notifiable incidents (lag)	0	1
Inductions for new staff	100%	100%
Active contractors pre-qual	100%	99%
H&S engagement score	80%	79%

Significant Incidents:

There has been one significant incident this quarter involving a contractor at the Native Plant Nursery. This resulted in WorkSafe being notified and an investigation being carried out. WorkSafe were satisfied with the handling of the incident and closed the case.

Strategic Activities

2.3 Completed the migration of all Contractors from Jarvis into SiteWise and initiated review of all council contractors to ensure all are pre-qualified.

3.0 Celebrated International Women’s Day including a fundraiser for Camellia House and requested nominations and for a staff member to attend NZ Women’s Leadership Symposium 2023.

3.2 Aimee Flanders attended a Diversity Equity and Inclusion Conference to support the DE&I work being undertaken.

3.5 Financial Wellbeing workshop held to support mental wellbeing in staff.

10.0 The review of the Safety and Wellbeing Strategy is underway and awaiting information from the Safety and Wellbeing Survey to be undertaken in early June.

Audits & Compliance

Site Audits

The following audits were undertaken:

- Almadale Water Treatment Plant
- Campbell Road Bore
- Newbury Road Bore
- MacDonald Heights Water Reservoir
- Awa Street Water Treatment Plant
- Barrow Road Intake
- Makino Aquatic Centre – outdoor pool
- Feilding Library Redevelopment Site (lead out by Site Safe)

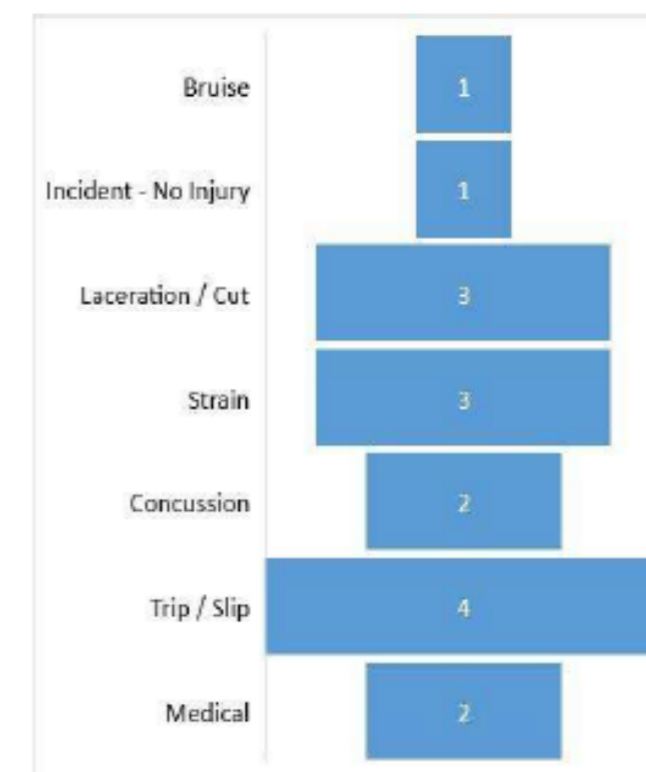
Deep Dive

The upcoming deep dive will be undertaken on the Feilding Library with the site visit on 1 June 2023.

Due Diligence

Cr Hadfield (Governance H&S Champion) is booked to attend Institute of Directors - Advanced Health and Safety Governance later this year.

Injuries This Quarter



Training

- Health and Safety Rep Initial: 1
- Breathing Apparatus: 10
- Certified Chemical Handler: 11
- Confined Space and Gas Detection: 2
- Financial Wellbeing Workshop: 18
- Fire Warden Training: 3
- Safeguarding Children: 1

Events Reported



Wellness & Communication

- Workstation assessments: 6
- Eye Tests: 2
- Random Drug & Alcohol testing: 0
- Pre Employment Drug & Alcohol testing: 3
- GP Health Checks: 1
- Noise Cancelling Headphones: 1



Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: Finance

Date Created: 01 May 2023

Quarterly Performance Report to 31 March 2023

Purpose Te Aronga o te Pūrongo

To provide a summary both financial and non-financial performance against the targets outlined within year two of the 10-year plan (Referred to as Annual Plan 22/23)

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

That the Audit and Risk Committee recommend:

That the Council receive the Quarterly Performance Report and Treasury Report to 31 March 2023.

Report prepared by:
Amy Campbell
Management Accountant

Approved for submission by:
Amanda Calman
Chief Financial Officer

1 Contribution to Community Well-being and Council's Community Outcomes Te Tūhono ki ngā Whāinga a te Kaunihera mō te Oranga Hapori me te Whakawhanake Hapori

1.1 Relationship to Council's strategic priorities (community outcomes):

A place to belong and grow He kāinga e ora pai ai te katoa	
A future planned together He kāinga ka whakamaherea tahitia tōna anamata e te hapori tonu	
An environment to be proud of He kāinga ka rauhītia tōna taiao	
Infrastructure fit for future He kāinga ka tūwhena tonu ōna pūnahahanga, haere ake nei te wā	
A prosperous, resilient economy He kāinga ka tōnui tōna ōhanga	✓
Value for money and excellence in local government He kāinga ka eke tōna kāwanatanga ā-rohe ki ngā taumata o te kairangi	✓

2 Background Ngā Kōrero o Muri

2.1 To provide a summary both financial and non-financial performance against the targets outlined within year two of the 10-year plan (Referred to as Annual Plan 22/23)

2.2 During the year, any adjustments to budget approved with in the delegation's policy by General Managers, Chief Executive or Council, result in the forming of a revised budget, which is outlined next to the Annual Plan within the reports. A summary of these adjustments is also included within the report.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

3.1 The financial result for the 9 months ending 31 March 2023 reflects a surplus of \$2.7M against a budget surplus of \$3.4M. This the result of higher than budget revenue of \$3.1M combined with higher than budget expenditure of \$3.8M. Further information is contained within the report.

3.2 Capital expenditure to date is \$21.2M against a budget of \$42M (behind revised budget by 49%). The Annual plan budget is \$33.7M with a revised budget of \$61M. (after approved carry forwards). Further information is contained within the report.

3.3 Work that is committed but not yet complete is \$12.8M brings the capital spend up to \$34M.

3.4 Levels of service reflect 42 measures that are on track to be met by year end, 25 noted as requiring monitoring and 6 not yet met. Five of the not met measures are within regulatory as a result of low staff numbers, combined with higher volumes.

4 Te Kīwai (o te kete)

4.1 There are no known cultural considerations associated with the matters addressed in this report. No engagement with Māori is necessary.

5 Community Engagement Te Whai Wāhitanga mai o te Hapori

5.1 There is no community engagement required with this report, community engagement was sought and received during the setting of the budget.

6 Operational Implications Te Whai Pānga Atu ki ngā Kaupapa Mahi

6.1 There are not capital or operational implication associated with this report.

7 Financial implications Te Whai Pānga Atu ki ngā Kaupapa Ahumoni

7.1 Any financial implications would be reported separately to Council.

8 Statutory Requirements Ngā Here ā-Ture

8.1 Quarterly governance reports provide an overview of results towards the Annual Report, which will be prepared and audited in accordance with the requirements of the Local Government Act 2002.

9 Delegations Te Mana Whakatau

9.1 The Audit and Risk Committee's Terms of Reference includes the responsibility for financial reporting, including the following:

- long term planning including the financial strategy;
- appropriateness of accounting policies;
- annual report; and
- internal report (monthly and/or quarterly).

10 Conclusion Whakatepenga

10.1 Quarterly reports are a mechanism of transparently reporting against progress towards achieving targets set in the Annual Plan and the Long-Term Plan.

11 Attachments Ngā ĀpitiHanga

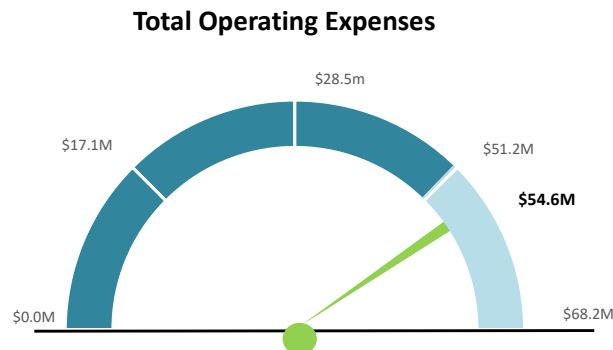
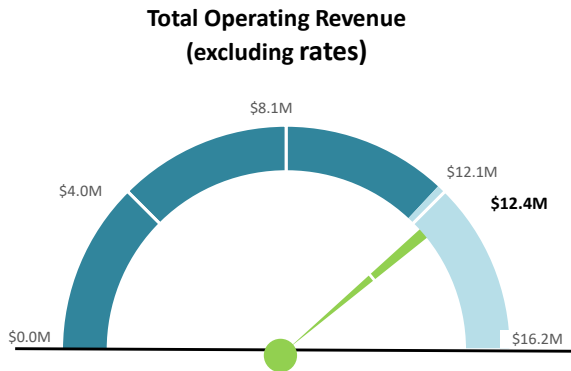
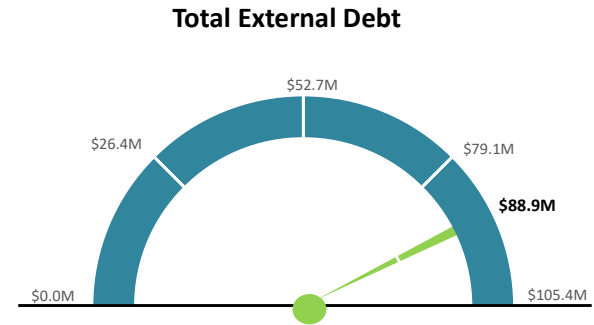
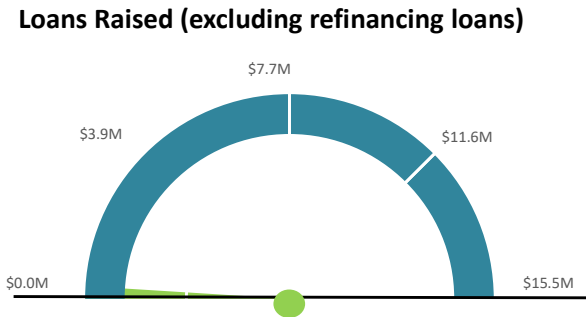
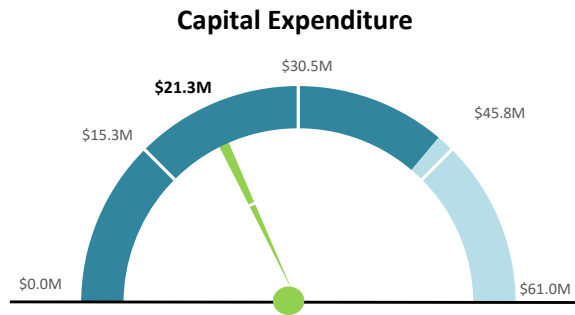
- Quarterly Performance Report to 31 March 2023
- Quarterly Treasury Report to 31 March 2023



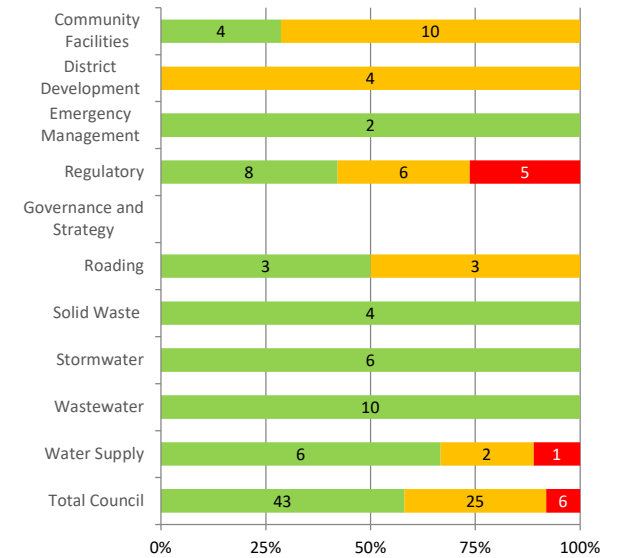
Manawatu District Council
Quarterly Performance Report
March 2023

Key Indicators

For the period ended 31 March 2023



Key Performance Indicators



Key

- Total Budget
- YTD Revised Budget
- Actual - On Track
- Actual - Needs Monitoring
- Actual - Not achieving

Summary

The financial result for the month ending 31 March 2023 reflects a surplus of \$2.7k against a budgeted surplus of \$3.4M. This is the result of higher than budget revenue of \$3.1M combined with higher than budget expenditure of \$3.8M.

The forecast shows a minor deficit against a budgeted surplus of \$3.1k predominately due to the increase in subsidies received offset by higher depreciation as a result of year end revaluations.

Revenue - \$3.1M favourable

Financial revenue is \$266k favourable reflecting a higher amount of interest receivable than budgeted.

Subsidies and Grants are \$4.4M favourable with funding recieved from NZ Defence Force for work carried out as part of Wastewater centralisation, the Department of Internal Affairs for Water Reform projects, and the Ministry of Environment for Ohakea rural water scheme. This is offset by \$586k lower NZTA capital subsidies due to timing of the capital works programme.

Development contributions are \$516k under budget as subdivision applications have slowed considerably.

Key variances in other Other Revenue which result in an overall variance lower than budget of \$1.1M and are outlined in more detail in the activity reports

Forecast revenue is \$2.5M higher than budget largely due to interest receivable on cash invested and the subsidies received.

Operating expenditure - \$3.8M unfavourable

Depreciation is unfavourable by \$3.1M reflecting the increase in asset values for an out of cycle 30 June 2022 infrastructural revaluation.

Finance costs are \$1M unfavourable to budget reflecting higher interest rates incurred. This trend is expected to continue to year end.

Key variances in other Operating expenditure which result in an overall variance lower than budget of \$418k and are outlined in more detail in the activity reports.

Forecast is \$6.1M higher than budget largely due to the impact revaluation has on depreciation, and interest rate increases.

Capital spend

Spend to date is \$21.2M plus commitments of \$13.7M making a total of \$35.2M against a year to date budget of \$42M. and a forecast budget of \$48M. The Annual plan budget is \$33.7M. The increased budget from Annual Plan to the revised budget can be seen in the approved variation report.

Statement of Comprehensive Revenue and Expense

	2023 Actual YTD \$000	2023 Budget YTD \$000	Variance \$000	2023 Revised Budget \$000	2023 Annual Plan \$000	2023 Forecast \$000
Revenue						
Rates revenue	32,318	32,236	82	43,016	43,016	42,964
Financial revenue	437	172	266	229	229	529
Subsidies and grants	14,029	9,604	4,425	12,122	8,692	14,708
Development contributions	1,966	2,482	(516)	3,309	3,502	3,211
Other revenue	8,557	9,630	(1,073)	12,692	11,143	12,468
Other gains/(losses)	(62)	12	(74)	16	16	7
Total revenue	57,245	54,136	3,110	71,384	66,598	73,887
Expenses						
Personnel costs	11,608	11,634	26	15,746	15,745	15,658
Depreciation and amortisation	17,831	14,689	(3,142)	19,542	19,622	23,920
Finance costs	2,508	1,428	(1,080)	1,896	1,896	3,185
Other operating expenses	22,613	23,030	417	31,022	27,598	31,608
Total expenditure	54,560	50,781	(3,779)	68,206	64,861	74,370
Surplus/(deficit) before tax	2,686	3,355	(669)	3,179	1,728	(483)
Income tax expense	-	-	-	-	-	-
Surplus/(deficit) after tax	2,686	3,355	(669)	3,179	1,728	(483)
Other comprehensive revenue & expense						
Gains/(losses) on the revaluation of property, plant and equipment	(459)	0	(459)	28,434	28,434	(459)
Impairment losses on restricted buildings through other comprehensive revenue and expenses	0	0	0	0	0	0
Total other comprehensive revenue and expense	(459)	0	(459)	28,434	28,434	(459)
Total comprehensive revenue and expense	2,226	3,355	(1,128)	31,613	30,162	(943)

Funding Impact Statement (Whole of Council)

	2023	2023		2023	2023
	Actual YTD	Budget YTD	Variance YTD	Revised Budget	Annual Plan
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	11,656	11,284	372	15,005	15,005
Targeted rates	20,939	21,177	(238)	28,236	28,011
Subsidies and grants for operating purposes	3,375	2,514	862	3,762	3,352
Fees and charges	5,571	6,061	(490)	7,843	7,826
Interest and dividends from investments	437	172	266	229	229
Local authorities fuel tax, fines, infringement fees and other receipts	2,986	3,176	(190)	4,325	3,317
Total operating funding	44,965	44,383	581	59,400	57,740
Applications of operating funding					
Payments to staff and suppliers	34,231	34,679	449	46,716	43,343
Finance costs	2,508	1,428	(1,080)	1,896	1,896
Other operating funding applications	0	0	0	0	0
Total applications of operating funding	36,739	36,107	(632)	48,612	45,239
Surplus (deficit) of operating funding	8,226	8,277	(51)	10,788	12,501
Sources of capital funding					
Subsidies and grants for capital expenditure	10,519	6,946	3,573	8,168	5,340
Development and financial contributions	2,101	2,626	(526)	3,502	3,502
Increase (decrease) in debt	0	3,053	(3,053)	17,500	12,211
Gross proceeds from sale of assets	486	0	486	0	0
Lump sum contributions	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0
Total sources of capital funding	13,105	12,625	480	29,170	21,053
Applications of capital funding					
Capital expenditure					
- to meet additional demand	3,852	11,041	7,189	15,410	6,684
- to improve the level of service	6,748	14,689	7,941	20,392	14,704
- to replace existing assets	10,790	18,452	7,663	25,224	12,325
Increase (decrease) in reserves	(59)	(23,281)	(23,222)	(21,068)	(158)
Increase (decrease) of investments	0	0	0	0	0
Total application of capital funding	21,331	20,902	(429)	39,958	33,554
Surplus (deficit) of capital funding	(8,226)	(8,277)	51	(10,788)	(12,501)
Funding balance	0	0	0	0	0

Statement of Financial Position

YTD Actuals 2021/22		YTD Actuals 2022/23
	<u>Assets</u>	
	Current Assets	
12,065,931	Cash and Cash Equivalents	11,705,154
8,326,981	Receivables and Accruals	6,041,931
393,978	Inventory on Hand	473,112
415,788	Other Financial Assets - Current	418,549
4,233,832	Non-current Assets for Sale	4,834,000
<u>25,436,510</u>	Total Current Assets	<u>23,472,745</u>
	Non-current Assets	
809,214,586	Property, Plant and Equipment	1,032,950,622
31,649	Intangible Assets	22,860
5,944,937	Other Financial Assets - Term	5,727,763
<u>815,191,172</u>	Total Non-current Assets	<u>1,038,701,245</u>
<u>840,627,682</u>	Total Assets	<u>1,062,173,991</u>
	<u>Liabilities</u>	
	Current Liabilities	
8,197,746	Accounts Payable and Accruals	8,719,732
133,550	Provisions - Current Portion	42,981
871,975	Employee Entitlements	1,502,429
18,500,000	Borrowing - Current Position	18,500,000
<u>27,703,271</u>	Total Current Liabilities	<u>28,765,142</u>
	Non-current Liabilities	
2,071,881	Provisions - Term Portion	1,497,267
69,764,844	Borrowings - Term Portion	70,288,879
<u>71,836,725</u>	Total Non-current Liabilities	<u>71,786,146</u>
<u>99,539,996</u>	Total Liabilities	<u>100,551,288</u>
	<u>Equity</u>	
477,610,960	Retained Earnings	491,101,758
251,168,024	Other Reserves	467,835,247
12,308,702	Current Earnings	2,685,697
<u>741,087,686</u>	Total Equity	<u>961,622,702</u>
<u>840,627,682</u>	Total Liabilities and Equity	<u>1,062,173,991</u>

Cash and Cash Equivalents is comprised of the following:

Kiwibank On call and Term deposit	24,606	0%
ASB On call	520	0%
BNZ On call	4,658,250	40%
ANZ	7,000,768	60%
Westpac On call	18,875	0%
Float	2,135	0%
	<u>11,705,154</u>	

Activity Summary

	Revenue			Expenditure			Net Surplus/(Deficit)			Full Year Net Surplus/(Deficit)		
	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	AP Budget 2022/23	Total Budget	Forecast Total
Community Facilities												
Libraries and Archives	2,580,690	1,334,564	1,246,126	1,451,464	1,481,387	29,923	1,129,226	(146,823)	1,276,049	0	(168,014)	(188,014)
Halls and Recreation Complexes	657,855	612,429	45,426	939,556	916,240	(23,316)	(281,701)	(303,811)	22,110	(308,514)	(403,007)	(556,851)
Makino Aquatic Centre	1,949,823	1,998,111	(48,288)	2,204,368	1,966,823	(237,545)	(254,545)	31,288	(285,833)	(20,000)	(20,001)	(170,506)
Parks, Reserves & Sportsgrounds	3,188,111	3,226,370	(38,259)	2,988,827	3,170,238	181,411	199,284	56,132	143,152	168,595	(33,243)	36,078
Cemeteries	257,469	267,174	(9,705)	254,256	267,391	13,135	3,213	(217)	3,430	0	(2)	(13,290)
Public Conveniences	346,297	321,561	24,736	356,407	324,439	(31,968)	(10,110)	(2,878)	(7,232)	0	(3)	(2,203)
Property	316,665	365,549	(48,884)	680,591	484,419	(196,172)	(363,926)	(118,870)	(245,056)	(69,722)	(134,705)	(294,454)
Total Community Facilities	9,296,910	8,125,758	1,171,152	8,875,468	8,610,937	(264,531)	421,441	(485,179)	906,620	(229,641)	(758,975)	(1,189,240)

Libraries and Archives

Favourable to budget by \$1.28M. Revenue is higher than budget by \$1.2M predominantly from capital grants received from the DIA, Lotteries Commission and NZ Libraries largely to fund the construction of the new community centre. Expenditure is \$30k lower than budget, with favourable variances in advertising, power and subscriptions.

Forecast unfavourable by \$20k due to depreciation. There are also additional personnel costs however these are offset by funding received from New Zealand Libraries.

Halls and Recreation Complexes

Favourable to budget by \$22k. Revenue is \$45k favourable with costs being recovered for work undertaken for the Civic Centre Trust. Expenditure is \$23k higher than budget predominately due to higher depreciation as a result of significant increases in property values from the 2021/22 asset revaluation, partially offset by lower spend on consultants.

Forecast is unfavourable to budget by \$154k due to increased depreciation costs resulting from the land and buildings revaluation.

Makino Aquatic Centre

Unfavourable to budget by \$286k. Revenue is \$48k lower than budget predominantly due to lower income from swimming lessons and school admission fees. Expenditure is \$237k over budget due to higher gas costs and an increase in insurance premiums.

Forecast is unfavourable to budget by \$150k due to increased depreciation costs resulting from revaluation and high gas costs.

Parks, Reserves & Sports Grounds

Favourable to budget by \$143k. Expenditure is \$181k under budget, with many operational projects yet to begin for the year and lower than budgeted maintenance costs.

Forecast is favourable to budget by \$69k with increased depreciation costs resulting from the land and buildings revaluation being offset by lower spend on operational projects.

Cemeteries

Favourable to budget by \$3k. Revenue is lower than budget as a result of lower interment fees, this is offset by lower interment costs. There are additional minor favourable variances in expenditure.

Forecast is unfavourable to budget by \$13k due to increased depreciation costs resulting from the land and buildings revaluation.

Public Conveniences

Unfavourable by \$7k. Expenditure is \$31k higher than budget mostly due to additional maintenance requirements.

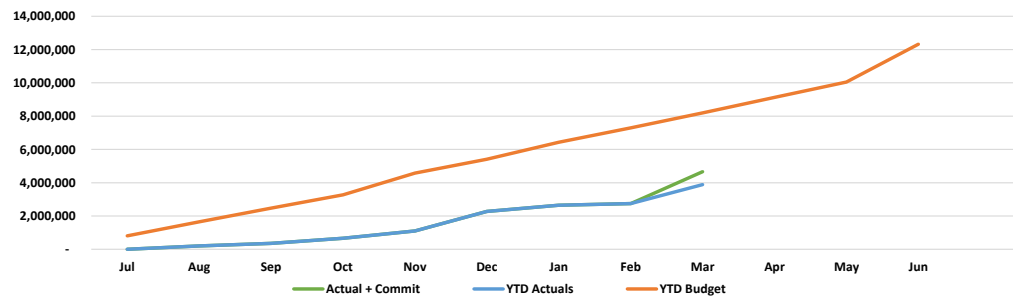
Forecast is unfavourable to budget by \$2k due to increased depreciation costs resulting from revaluation.

Property

Unfavourable to budget by \$245k. Expenditure is higher than budget due to \$130k higher interest costs and \$120k higher depreciation as a result of the land and buildings revaluation.

Forecast is unfavourable to budget by \$159k due to increased depreciation costs resulting from revaluation.

Capital Expenditure 2022/23



Overall capital spend is \$3.9M with an additional \$775k in commitments - totalling \$4.7M year to date.

The total revised budget is \$12.3M against an Annual Plan budget of \$9.4M reflecting the carry forwards from 2021/22

Further information is available in the capital expenditure report.

Activity Summary

	Revenue			Expenditure			Net Surplus/(Deficit)			Full Year Net Surplus/(Deficit)		
	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	AP Budget 2022/23	Total Budget	Forecast Total
Regulatory												
Animal Control	695,361	653,622	41,739	522,384	551,008	28,624	172,977	102,614	70,363	0	0	(5,266)
Building Control	2,514,307	2,417,826	96,481	2,272,491	2,426,830	154,339	241,816	(9,004)	250,820	0	2	(4,684)
Environmental Health	206,383	213,696	(7,314)	169,819	213,687	43,868	36,563	9	36,554	0	(1)	(37,064)
Alcohol Licensing	150,676	114,258	36,418	111,385	114,157	2,772	39,291	101	39,190	0	(2)	1,372
District Consents Planning	1,002,027	1,217,979	(215,952)	972,407	1,217,952	245,545	29,620	27	29,593	0	1	(114,968)
Total Regulatory	4,568,753	4,617,381	(48,628)	4,048,486	4,523,634	475,148	520,267	93,747	426,520	0	0	(160,610)

Animal Control

Favourable to budget by \$70k. Revenue is \$42k higher than budget due to increased income predominately coming from infringement fees. Expenditure is under budget due to a lower negotiated contract price.

Forecast to be \$6k unfavourable with additional infrigment and registration fees being offset by lower than budgeted Pound fees.

Building Control

Favourable to budget by \$250k. Revenue is \$96k higher than budget due to higher inspection fees, LIM applications and CCC Fees. Expenditure is lower by \$154k due to lower contract payments as a result of vacancy on the building team and lower staff time charges to consent processing.

Forecast to be unfavourable by \$5k with an increase in inspection fees being partially offset by lower building consents, and a range of minor increases in expenditure.

Environmental Health

Favourable to budget by \$37k. Revenue and expenditure is behind budget due to the shared shared service arrangement with Rangitikei not being done at this time and while recruitment is ongoing.

Forecast reflects minor changes due to offsetting the drop in revenue with less staff time charges.

Alcohol Licensing

Favourable to budget by \$39k with a range of minor favourable variances in revenue and expenditure.

Forecast relects minor favourable variances in expenditure.

District Consents Planning

Favourable to budget by \$30k. Revenue is lower than budget by \$216k mostly due fewer than expected subdivision fees, offset by a lower spend on consultants.

Forecast unfavourable by \$115k as a result of lower consent fees partially offset by lower expenditure on consultants and legal fees.

Activity Summary - Infrastructure

	Revenue			Expenditure			Net Surplus/(Deficit)			Full Year Net Surplus/(Deficit)		
	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	AP Budget 2022/23	Total Budget	Forecast Total
Infrastructure												
Roading	12,896,730	13,209,666	(312,936)	16,594,477	12,715,199	(3,879,278)	(3,697,747)	494,467	(4,192,214)	1,035,856	499,224	(2,617,665)
Solid Waste	3,334,871	3,352,167	(17,296)	2,784,392	3,394,032	609,640	550,480	(41,865)	592,345	73,722	(47,615)	(59,414)
Stormwater and Drainage	1,832,109	2,106,139	(274,030)	1,607,939	1,728,042	120,103	224,169	378,097	(153,928)	580,027	521,829	262,739
Water Supply	6,741,198	3,924,330	2,816,868	4,354,540	4,519,817	165,277	2,386,659	(595,487)	2,982,146	(660,240)	(733,763)	1,644,450
Wastewater	9,382,226	9,802,655	(420,429)	6,257,477	6,403,601	146,124	3,124,749	3,399,054	(274,305)	439,160	3,517,913	2,804,976
Nursery	149,582	146,409	3,173	141,307	219,916	78,609	8,275	(73,507)	81,782	0	1	(153,044)
Total Infrastructure	34,336,716	32,541,366	1,795,350	31,740,132	28,980,607	(2,759,525)	2,596,584	3,560,759	(964,175)	1,468,526	3,757,589	2,035,086

Roading Unfavourable to budget by \$4.2M. Revenue is \$290k unfavourable to budget due lower capital subsidises as there has been a focus on the remedial emergency works which is operational, and in assessing the impacts of weather events. Expenditure is \$3.9M unfavourable predominately due to higher depreciation costs of \$2.3M reflecting the increase incurred from recent revaluations, combined with higher maintenance costs incurred earlier than expected in response to the weather events.

Forecast is \$3.1M unfavourable to budget due to increased depreciation costs resulting from revaluation. Further forecast changes to come after extent of cyclone Gabrielle costs are confirmed.

Solid Waste Favourable to budget by \$592k. Revenue is \$17k unfavourable resulting from \$234k in subsidies received from Ministry for the Environment offset by lower transfer station gate takings and blue bag sales. Expenditure is \$609k favourable resulting from low contract payments and disposal costs due to lower tonnage collected and processed. Revenue has not been impacted by lower tonnages due to being funded via targeted rates.

Forecast is \$12k unfavourable due to a combination of minor adjustments.

Stormwater and Drainage Unfavourable to budget by \$154k. Revenue is \$274k unfavourable due to lower development contributions. Total expenditure is \$120k favourable with lower operational project expenditures however this is expected to be just a timing issue.

Forecast is \$259k unfavourable to budget due to increased depreciation costs resulting from revaluation and lower development contributions.

Water Supply Favourable to budget by \$3M. Revenue is \$2.8M favourable due to two capital contributions from Crown Infrastructure Partners Limited for \$1.2M in relation to Three Waters Reform and \$1.57M from Ministry of Environment in relation to Ohakea. Expenditure is \$165k favourable with lower total expenditure across chemicals and electricity.

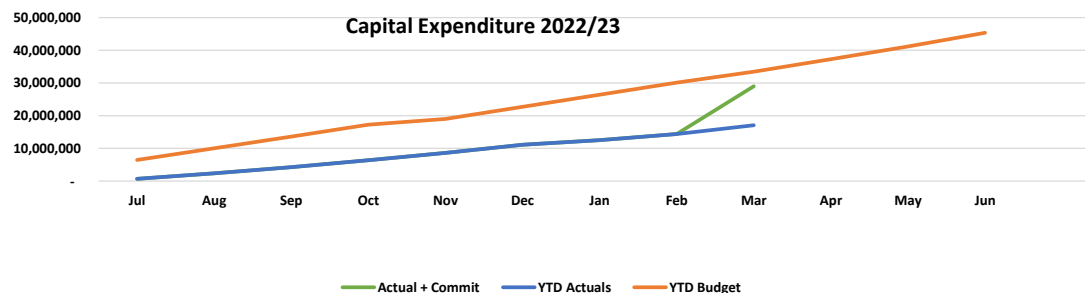
Forecast is \$2.4M favourable to budget due to adjustment for capital contributions received less increased depreciation costs resulting from revaluation.

Wastewater Unfavourable to budget by \$274k. Revenue is \$420k unfavourable due to lower than budgeted trade waste charges. Expenditure is \$146k favourable. Depreciation costs are \$500k more than budgeted due to the increase in revaluations, this variance will continue. There is an offset from the Feilding Wastewater Infiltration Investigation which is yet to be started along with insurance and a range of minor costs. A \$2.9M capital subsidy from NZ Defence Force was received in September, this subsidy is for the extension of the Wastewater Centralisation project to include the Ohakea Base and this will fund the additional capex required.

Forecast is \$713k unfavourable to budget. This is due to increased depreciation costs resulting from revaluation, a boiler issue which has increased gas costs and lower development contributions.

**The nursery is located within the wastewater budget however is currently being reported as a separate entity.*

Nursery Favourable to budget by \$82k. Revenue is \$3K favourable to budget. Expenditure is \$78k favourable to budget predominately due to movement in inventory value resulting from increased plant production for upcoming projects. Forecast to be unfavourable to budget by \$152k as although there are firm external commitments to grow plants the sales are invoiced next financial year, also Tararua District Council and Property & Parks plant sales are yet to be confirmed.



Overall capital spend is \$17.1M plus commitments \$11.9M making \$29M for year to date.

The total revised budget spend is \$45M against an Annual Plan budget of \$21.8k reflecting carry forwards from 21/22 financial year.

Further information is available in the capital expenditure report.

Activity Summary

	Revenue			Expenditure			Net Surplus/(Deficit)			Full Year Net Surplus/(Deficit)		
	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	Year to Date Actuals	Year to Date Budget	Variance	AP Budget 2022/23	Total Budget	Forecast Total
Other Activities												
District Development	3,465,938	3,421,398	44,540	3,433,986	3,701,949	267,963	31,951	(280,551)	312,502	209,691	(160,020)	89,980
Emergency Management	256,293	239,331	16,962	235,275	236,636	1,361	21,019	2,695	18,324	0	(1)	17,426
Governance Team	2,740,585	2,637,539	103,046	2,605,495	2,655,024	49,529	135,091	(17,485)	152,576	0	205	(14,006)

District Development

Favourable to budget by \$313k with delays in the progression of the district plan.

Forecast \$250k favourable with lower spend of the district plan project expected to continue.

Emergency Management

Favourable by \$18k. Revenue is favourable due to cost recoveries from NEMA for training. Expenditure is unfavourable by \$1k this is due to staff time spent on weather events offset by lower salary costs due to a position vacancy.

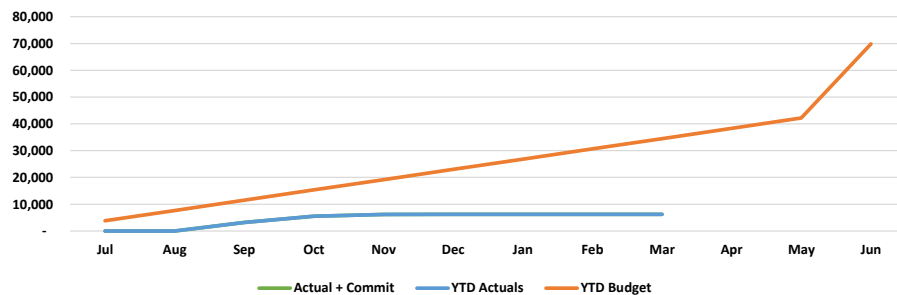
Forecast to be favourable by \$17k due to a position vacancy that has now been recruited.

Governance

Favourable to budget by \$152k. Revenue favourable by \$103k partly due to recovery of costs for strategic public leaders masterclass and a gain on sale of a vehicle. Expenditure favourable predominately due to low uptake of EQP grant applications - of the 12 applications received only three have been completed, and the election costs were lower than expected.

Forecast to be unfavourable by \$14k mostly due to the additional councillor and training of new councillors.

Capital Expenditure 2022/23



Overall capital spend is \$6k for the year to date.

The total revised budget spend is \$70k against an Annual Plan budget of \$0.

Further information is available in the capital expenditure report.

Capital Expenditure Report
For the period ended 31 March 2023

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Community Facilities										
Cemeteries										
Feilding Cemetery New Works	New LOS	23	25	(2)	5	28	83	78	83	Lowering device received. Project on track for completion.
Kimbolton Cemetery New Works	New LOS	0	20	(20)	0	0	20	20	0	Awaiting on contractor availability.
Rangiwahia Cemetery New Works	New LOS	0	5	(5)	0	0	7	7	0	Project on hold.
Feilding Cemetery Renewals	Renewal	0	32	(32)	0	0	32	32	0	Road reseal to be complete.
Halcombe Cemetery Monument	New LOS	0	8	(8)	0	0	10	10	0	Working with contractor to develop monument
Districtwide Cemetery Renewals	Renewal	4	6	(2)	0	4	15	15	15	Minor renewals undertaken as needed.
District Libraries										
Library Collection Purchases	Renewal	46	108	(62)	8	54	134	91	134	The collection is being concentrated on for the remainder of the financial year.
Library Major Dev New	New LOS	2,031	3,908	(1,877)	353	2,383	5,210	5,210	5,210	Library building work progressing well. At present the project is on track.
Library Major Dev Renewal	Renewal	19	789	(770)	0	19	1,052	1,052	1,052	Library building work progressing well. At present the project is on track.
Library Renewals	Renewal	1	23	(21)	0	1	40	0	40	Furniture renewal still waiting for quotes.
Library Asset Purchases	New LOS	3	6	(2)	2	5	6	0	6	Spending on portable filtration system for temporary library facility came in under budget (discounts received for the units). Will use the remainder for fans to combat the heat.
Makino Aquatic Centre										
Makino Pool 5yr Maintenance Closure	Renewal	148	498	(350)	44	192	498	508	508	Makino Centre planned maintenance happened in November 2022. Work will continue throughout the remainder of the financial year.
Makino Pool 5yr Maintenance Closure	Renewal	33	34	(1)	0	33	42	0	32	Makino Centre planned maintenance happened in November 2022. Work will continue throughout the remainder of the financial year.
Halls and Recreation Complexes										
Himatangi Beach Renewals	Renewal	0	0	0	0	0	11	11	11	
Hall Renewals	Renewal	0	2	(2)	0	0	2	2	2	Minor renewals made as needed.
Renewals - Halcombe Hall	Renewal	84	66	18	0	84	94	94	84	Hall reroof complete.
High Profile Hall Renewals	Renewal	32	21	11	0	32	94	94	94	Works are happening on Himatangi, Colyton and Apiti halls as per condition assessment needs.
Little Theatre Remediation	Renewal	7	204	(197)	152	159	272	0	160	Architect has completed design work. The construction component of project is due to start in May 2023. Contract is signed with construction company.

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
<i>Parks, Reserves and Sports Grounds</i>										
Pharazyn Park Growth	Growth	6	0	6	0	6	682	682	682	Park development on hold
Rimu Park Growth	Growth	20	453	(433)	0	20	760	184	760	Land purchase is complete. Development of detention ponds etc. in progress.
Feilding Walkway Growth	Growth	845	680	165	3	848	907	0	907	Land purchase is complete with Mr Bayley and title issued
AF-KP New Works	New LOS	0	134	(134)	0	0	179	125	179	Flood protection works are being investigated by consultant through the AFKP trust. Signage works are also progressing with the trust.
Districtwide Reserve New Works	New LOS	7	0	7	0	7	11	11	11	Pohangina Domain fencing upgrade.
Feilding Reserve New Works	New LOS	21	37	(16)	12	32	80	73	80	Mt Stewart reserve landscaping underway.
Himatangi Beach New Works	New LOS	17	72	(55)	25	42	102	22	102	Improvements to Himatangi beach entrance road design complete. Remaining budget for dune consent works, ongoing.
Johnston Park New Works	New LOS	0	60	(60)	0	0	60	60	60	Irrigation installation project on hold, pending Manfield development
Kowhai Park New Work	New LOS	19	15	5	0	19	19	0	19	Swings installed at Kowhai park, project complete
Makino Precinct New Works	New LOS	0	0	0	0	0	52	52	0	On hold until 2023/24.
Mt Lees New Works	New LOS	88	355	(267)	0	88	452	208	452	Signage has been constructed and awaiting on contractors for installation. Project progressing.
Sanson Res New Works	New LOS	56	54	2	0	56	56	56	56	Project completed
Timona Park New Works	New LOS	1	0	1	0	1	0	0	0	Minor new works.
Victoria Park New Works	New LOS	0	0	0	0	0	284	284	0	Project no longer needed.
Sanson Reserve New Works	Renewal	0	7	(7)	0	0	9	9	0	Planning underway.
Himatangi Beach Renewal Work	Renewal	34	21	13	0	34	28	28	28	Himatangi Domain & playground redevelopment work complete.
Makino Park Playground and Skate	New LOS	0	60	(60)	0	0	79	0	0	On hold until 2023/24.
Apiti Valley Reserve Renewals	Renewal	5	17	(12)	0	5	23	0	23	Minor renewals as required.
Districtwide Res Renewals	Renewal	14	26	(11)	16	30	34	34	34	Minor renewals as required.
Feilding CBD Renewals	Renewal	0	28	(28)	0	0	37	0	0	On hold until CBD Development begins.
Himatangi Beach Res Renew	Renewal	93	34	58	0	93	90	57	93	Himatangi Domain & playground redevelopment complete.
Kowhai Park Renewals	Renewal	15	67	(53)	81	95	233	143	233	Project underway, PO raised.
Districtwide Reserve Renewals	Renewal	0	27	(27)	0	0	36	0	0	On hold until 2023/24.
Mt Lees Renewals	Renewal	12	115	(103)	1	12	153	56	153	Scoping of works to be carried out at Mt Lees Homestead is underway, working with Fire engineer to establish safety access points and exits.

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Property										
Property Feilding Depot	New LOS	0	0	0	0	0	107	107	0	0 On hold until 2023/24.
South Street Development	New LOS	4	59	(55)	42	46	78	0	78	Costs for South Street development. A single site is still available for sale.
Property Renew Projects	Renewal	46	79	(33)	0	46	105	74	105	Majority of works completed
Public Conveniences										
Insurance Repairs	Renewal	28	40	(12)	0	28	40	0	30	Repairs to Kowhai Park Cricket rooms and public toilets.
Total Community Facilities		3,761	8,193	(4,431)	743	4,504	12,323	9,480	11,527	
Administration Building										
Administration Building - Renewals	Renewal	2	5	(3)	0	2	7	0	7	Minor renewals.
Administration Building - New Works	New LOS	200	1,457	(1,257)	31	231	1,457	1,057	231	Design works are underway for the Admin building.
Total Administration Building		202	1,462	(1,257)	31	231	1,464	1,057	231	
Emergency Management										
CDEM New Asset Purchases	New LOS	1	3	(2)	0	1	4	0	4	Costs associated with CDEM radio repeater.
Emergency Management Renewals	Renewal	0	32	(32)	0	0	42	0	42	Awaiting for technical rigger to install aerial on North Range Road site to make this site live.
EOC Building	New LOS	5	0	5	0	5	24	599	24	WSP quoted \$25,000 to carry out Geotech works. This has now been reduced to under \$5K as they have historic reports /soil samples to work with from the MAC/Skatepark and Library. Soil testing works will have been carried out by end of next quarter. The construction of an EOC building and accompanying garage will no longer go ahead. Project has been defered due to buget restraints and will be included as a project in the next LTP.
Total Emergency Management		6	34	(28)	0	6	70	599	70	

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Roading										
Sub Unsealed Road Metalling	Renewal	221	241	(20)	100	322	322	249	322	Programme currently underway.
Sub Sealed Road Resurfacing	Renewal	2,241	1,785	456	83	2,325	2,380	2,182	2,380	The sealing programme is complete. AC surfacing has commenced.
Sub Roding Footpath Renewal	Renewal	40	70	(30)	0	40	93	51	93	The footpath renewal programme has been delayed by inclement weather.
Subsidised Bridge Renewals	Renewal	603	745	(142)	403	1,006	992	424	992	New Rules from NZTA. Half of this budget will not be used. This job is temporarily being used for additional expenditure related to Cyclone Gabrielle.
Sub Cycle Facilities	New LOS	242	556	(314)	566	808	741	0	741	
Roding Growth	Growth	956	2,454	(1,498)	2,325	3,281	3,306	2,192	3,306	Works for Precinct 5 (Turners Road) underway
Sub Drainage Renewals	Renewal	325	499	(174)	228	553	660	474	660	The drainage renewal programme has been delayed by inclement weather
Sub Structures Renewals	Renewal	352	389	(37)	155	507	519	445	519	This budget is for structural component replacements. Programme 73% complete.
Sub Traffic Services Renewal	Renewal	158	291	(133)	19	177	393	378	393	Road marking and signage. Programme 50% complete.
Sub Pavement Rehabilitation	Renewal	823	736	87	34	857	982	967	982	Reid's Line East complete, Kimbolton/Coulters Int and Taonui Rd / Valley Rd Int programmed for April.
2021-21 LCLR Programme Budget	New LOS	0	220	(220)	304	304	294	511	294	Kawakawa RTB. Construction due to be complete end of June.
324 Road Improvements	New LOS	620	991	(371)	250	870	1,321	595	1,321	Halcombe Rd Sealwidening complete, Rongotea Rd Seal Widening 75% complete. Cemetery Rd and Mangamako Improvement Designs complete.
341 Low Cost - Low Risk Prgm	New LOS	207	281	(73)	94	302	377	318	377	Various Safety Barriers
341 Road to Zero	New LOS	459	749	(290)	493	952	998	735	998	Safer Journeys for schools; electronic signage
357 Resilience Improvements	New LOS	14	35	(21)	0	14	47	47	47	Various bridges: scour protection
451 Walking Facilities	New LOS	243	187	56	36	279	272	143	272	New Footpaths: Rongotea and Himitangi complete
452 Cycling Facilities	New LOS	58	635	(577)	0	58	847	845	847	Waka Kotahi has approved the use of this budget for the Te Araroa Trail Construction. Programme delayed by severe weather.
Non Subsidised Roding Renewal	Renewal	0	112	(112)	0	0	149	101	149	
Non Sub Road Works	New LOS	131	216	(84)	160	292	288	0	288	Aorangi Marae. Completion due in April. Unforseen geotechnical issues.
Te Araroa Trail Construction	Renewal	0	184	(184)	0	0	245	0	245	Waka Kotahi will subsidise the Te Araroa Trail construction therefore this budget is surplus.
Non Sub Mitigation Sealing	Renewal	0	13	(13)	0	0	18	18	18	
NZTA New Surplus	New LOS	95	0	95	0	95	0	0	0	
Total Roding		7,790	11,390	(3,600)	5,252	13,042	15,244	10,674	15,244	

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Solid Waste										
Purchase of New Recycling Bins	New LOS	56	93	(38)	0	56	107	23	107	Purchasing will be done as required.
Recycling Inventory	New LOS	10	(4)	14	0	10	(5)	(5)	(5)	Inventory in/out as required.
Est Mobile Recycling Centres	New LOS	12	16	(3)	0	12	21	0	12	Renewal of containers underway, further refurbishment to be completed possibly in next financial year. Carry forward to be requested of unspent budget.
Himatangi RTS	New LOS	0	13	(13)	0	0	17	0	0	Project to be scoped, carry forward to be requested.
Resource Recovery Centre	New LOS	27	78	(50)	2	29	103	0	103	Second weighbridge underway.
Kaimatarau RTS Improvements	New LOS	0	9	(9)	10	10	13	1	13	Clean up of site after closure.
Total Solid Waste		106	196	(90)	2	108	244	18	231	
Stormwater										
Stormwater - District Wide New	New LOS	472	503	(31)	90	562	700	293	500	Rongotea stage 1 stormwater project complete, with remainder of works to be tied into centralisation project. Remaining budget carry forward to be requested.
Stormwater Growth Feilding	Growth	1,200	5,085	(3,885)	130	1,330	6,401	2,123	1,100	Works are underway in Precinct 4 (Road 1A & 4B) and Precinct 5 Turners Rd. Root Street stormwater design is complete and planning underway for new contract. Remaining budget carry forward to be requested.
Turners Road Extension	Growth	35	160	(124)	378	414	420	0	420	Works underway for Turners Road project, stage 1 estimated completion date June 2023.
Turners Road New Works	New LOS	244	156	88	4	248	250	0	250	Works underway for Turners Road project, stage 1 estimated completion date June 2023.
Stormwater New Connections	New LOS	0	12	(12)	0	0	16	16	16	New connections have been completed as required.
Stormwater New Work Feilding	New LOS	43	211	(168)	29	72	279	266	200	Woodland Grove practically complete. Remaining budget carry forward to be requested.
Unplanned Renewals Feilding	Renewal	65	68	(3)	5	70	97	62	97	Asset analysis underway and reactive works to be completed as required by reticulation team.
Stormwater Land Acquisition	New LOS	0	0	0	0	0	0	0	0	
Stormwater Flooding New Works	New LOS	68	313	(244)	193	261	500	0	150	Glasgow Terrace design complete, easement approved, contract negotiations underway. Remaining budget carry forward to be requested.
Total Stormwater		2,128	6,508	(4,380)	829	2,957	8,662	2,760	2,733	

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Wastewater										
Wastewater Centralisation	Renewal	3,798	3,808	(10)	3,319	7,118	7,676	1,464	7,000	Sanson pump station, including intermediate pump stations are underway, completion date August 2023. Rongotea pipework is 99% complete. Carry forward to be requested for unspent budget.
Feilding Wastewater - New Work	New LOS	10	9	1	0	10	12	0	10	Non return valves completed.
Feilding WWTP Asset Renewal	Renewal	132	492	(360)	75	207	617	884	617	Pumps 1 & 2 replacement underway, due for completion in June 2023.
Feilding WW Retic Renewals	Renewal	54	136	(81)	10	64	216	192	216	Asset analysis completed and reactive works completed as required by reticulation team.
Feilding WWTP Upgrade	New LOS	452	942	(491)	470	922	1,252	772	1,000	Wetland project earthworks and outlet are complete, design underway for inlet works. Planting commencing in May 2023.
Feilding Wastewater Growth	Growth	386	596	(210)	143	529	800	714	600	Works are underway in Precinct 4 (Road 1A & 4B) and Precinct 5 Turners Rd. Remaining budget carry forward to be requested.
Turners Road Extension	Growth	147	343	(196)	302	449	457	0	457	Works underway for Turners Road project, stage 1 estimated completion date June 2023.
Feilding WWTP - Irrigation	New LOS	22	346	(323)	0	22	469	300	200	Zone 4 planting completed. Infill planting and wetland planting to commence. Carry forward to be requested for completion of wetland planting.
Rongotea WWTP Renewals	Renewal	0	8	(8)	0	0	11	5	0	Asset analysis completed, work to begin next FY
Himatangi WW Asset Replacement	Renewal	0	16	(16)	0	0	21	11	0	Asset analysis completed, work to begin next FY
Desludging Oxidation Ponds	Renewal	0	5	(5)	0	0	7	0	0	Asset analysis completed, work to begin next FY
District WWPS Telemetry	New LOS	49	74	(25)	52	101	99	0	104	Full upgrade Trent St Rongotea, to be completed by June 2023.
Wastewater New Connections	New LOS	38	44	(5)	0	38	59	59	59	New connections completed as required.
Unplanned Renewals -Villages	Renewal	0	0	0	0	0	0	0	0	Reactive work completed as required.
Kimbolton WWTP Renewals	Renewal	4	0	4	1	5	11	1	11	
Feilding WWTP Nursery New Work	New LOS	30	30	(0)	0	30	30	0	30	All work complete.
Total Wastewater		5,123	6,848	(1,725)	4,373	9,496	11,736	4,402	10,304	

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Water Supply										
Feilding WTP Renewals	Renewal	1,050	3,381	(2,331)	471	1,521	4,645	1,187	2,200	Feilding water resilience works. Feilding exploratory bore complete, commencing construction of production bore, to be completed September 2023. Remaining budget carry forward to be requested.
Feilding WS Reticulation Renew	Renewal	90	94	(4)	12	102	158	158	158	Asset analysis complete and reactive works completed as required by reticulation team.
Feilding Water Supply Growth	Growth	246	1,046	(800)	152	398	1,378	974	500	Works are underway in Precinct 4 (Road 1A & 4B). Remaining budget carry forward to be requested.
Turners Road Extension	Growth	12	225	(213)	232	245	300	0	300	Works underway for Turners Road project, stage 1 estimated completion date June 2023.
Water Supply New Connections	New LOS	6	18	(11)	0	6	23	23	23	New connections completed as required.
Feilding Water Pressure Zones	New LOS	1	225	(224)	2	3	300	466	50	Fraser Drive project concept design complete. Carry forward to be requested for balance of budget.
District Wide Improvements	New LOS	22	87	(66)	0	22	116	85	40	Ranfurly booster pump investigation underway. Carry forward to be requested for physical works of booster pump.
Feilding Reticulation Improvements	New LOS	0	0	0	0	0	0	521	0	Investigations underway as part of the Feilding water strategy.
Himatangi Water Asset Renewals	Renewal	0	7	(7)	0	0	9	9	0	Asset analysis completed, work to begin next FY.
Himatangi Water Supply New	New LOS	(0)	0	(0)	0	(0)	0	106	0	
WS Unplanned Renewals-Villages	Renewal	11	13	(2)	0	11	17	17	11	Asset analysis completed, work to begin next FY.
Stanway/Halcombe RWS Renewals	Renewal	8	157	(149)	21	29	209	40	209	Intake pump replacement underway.
Waituna West RWS Renewals	Renewal	3	9	(6)	0	3	12	12	3	Asset analysis completed, work to begin next FY.
Stanway/Halcombe RWS	Renewal	0	18	(18)	0	0	24	14	0	Asset analysis completed, work to begin next FY.
Stanway/Halcombe WTP New Works	New LOS	120	494	(374)	307	427	703	213	703	Project to relocate chlorine treatment to Makino Road is underway.
Ohakea RWS New Works	New LOS	21	218	(197)	27	48	798	0	798	Project nearing completion.
Ohakea RWS - Source/Treatment	New LOS	305	304	0	31	336	304	0	304	Project nearing completion.
Ohakea RWS - Network	New LOS	2	143	(141)	168	170	174	0	174	Project nearing completion.
Ohakea RWS - Connections	New LOS	1	54	(53)	9	10	54	0	54	Project nearing completion.
Ohakea RWS - Variations	New LOS	54	0	54	0	54	0	0	0	Project nearing completion.
Waituna West New Works	New LOS	0	16	(16)	0	0	21	21	0	Waiting on new bore pump requirements, will be tied into Vinegar Hill project, carry forward to be requested.
Vinegar Hill RWS New Works	New LOS	24	0	24	37	61	100	0	61	Consultant work underway. Carry forward to be request for continuation of project.
Vested Asset Water Supplies	New LOS	0	80	(80)	0	0	106	106	106	
Total Water Supply		1,975	6,589	(4,613)	1,469	3,444	9,453	3,954	5,695	

		Actuals YTD \$000	Budget YTD \$000	Variance YTD \$000	Commitments \$000	Commitments & Actual YTD \$000	Full Year Revised Budget \$000	Annual Plan \$000	Year End Forecast \$000	Notes/Comments
Support Services and Other										
Motor Vehicle Renewals	Renewal	170	500	(330)	43	213	923	442	442	Two SUV's, two utes, one side by side, and a trailer have been delivered, with another ute approved for ordering. The 3waters vehicle replacement programme is on hold. Supply and delivery remains an issue so it is unlikely that the budget will be spent by year end and a carry forward request to FY2024 is likely.
Council Chamber Sound System	Renewal	22	17	5	0	22	23	0	22	Project complete.
Computer Hardware Renewals	Renewal	19	310	(292)	93	111	414	179	414	Laptop renewals are underway. The replacement options for the phone hardware system is in review stage. Delivery and supply issues remain for all IT hardware. A carry forward request to FY2024 is likely.
Software Replacement Renewals	Renewal	(72)	103	(175)	0	(72)	205	61	(16)	Credit amount is to transfer project costs for cloud based software renewals now treated as SAAS (software as a service) operations. The budget included \$100k for ozone replacement investigations which has been deferred.
Other IM New Projects	New LOS	6	20	(14)	13	19	26	26	35	Higher than anticipated cost for the Urban Arial Imagery project, which will be completed in April.
IT - Capital New Jobs	New LOS	43	17	25	2	45	21	6	50	Costs reflect additional requirements for new staffing roles, council chambers cameras, and video conferencing equipment.
IT Hardware Storage-CCTV-RAM	New LOS	0	0	0	0	0	125			New storage required to meet increasing demands for CCTV footage, cyber attacks, and current capacity limit.
Call Centre Autex Panelling	New LOS	0	6	(6)	0	0	7	7	0	The project is no longer required.
General Renewals	Renewal	4	38	(33)	0	4	50	26	50	Spend to date is to replace desks with standing desks as part of the commitment to an ergonomic environment.
General New Assets	New LOS	6	17	(12)	0	6	23	23	23	Spend to date is for new standing desks and chairs as part of the commitment to an ergonomic environment.
Total Support Services and Other		196	1,028	(831)	151	347	1,818	771	1,020	
TOTAL CAPITAL EXPENDITURE		21,287	42,256	(20,968)	12,860	34,147	61,025	33,715	47,062	

Accounts Receivable and Rating

Outstanding Rates

Accounts Receivable (Rates)	YTD Prior Year 31/03/2022 \$000	YTD Current 31/03/2023 \$000
Current Year's Rates Outstanding (incl Penalties)	829	1,033
Total Rates invoiced to date (incl GST)	30,843	36481
Outstanding rates as a % of total rates levied	2.69%	
Prior Year's Rates Outstanding	230	245
Outstanding at Beginning of Year	890	908
% Prior Years Arrears Outstanding	26%	27%
Rate Received in Advance	(1,344)	(1,542)
Total Rates Outstanding	(285)	(264)

Prior Year Rate Details

Rates Arrears (\$000)

Reconciliation Date	Arrears as at 1 July 2022	Collection Current Month	Collection to date	% of arrears collected YTD	Arrears Outstanding	% of arrears collected in prior years
31-Mar-23	908	143	662	73%	245	74.14%

Sundry Receivables (Non Rates)

Accounts Receivable (Sundry) Aging (\$000)	Current	30 day	60 day	90 day	Total
	1280	45	117	189	1630
% of Total	78.52%	2.74%	7.16%	11.59%	100.00%
Analysis					
90 day debt (incl top 10) managed by MDC (\$000)				133	70.37%
Managed by DMC (\$000)				56	29.63%

Approved Variation to Annual Plan

These items consolidate to form the variance between Annual Plan and Revised Budget.

Annual Plan Net Surplus/(Deficit) 1,728,000 Surplus

Revenue Adjustments

Revenue from on-charged projects	GM Approval	472,000
Three waters transition funding	CE Approval	99,000
Staffing changes	CE Approval	35,000
Add funding for MAC holiday programme	GM Approval	18,000
Future Leaders Programme	Correction	126,000
NZTA Emergency Works Funding		410,200
NZDF Funding for Centralisation		3,281,000
MFE funding for second weighbridge		70,000
Funding for Freedom Camping Campaign		54,000

Total Revenue Adjustments 4,565,200 Revenue

Operational Expenditure Adjustments

Council Approval

Carry Forwards	1,612,000
Roading Emergency Works	789,000

Total additional council approved expenditure 2,401,000

Executive Approvals

Covid Rapid Antigen Tests	CE	10,000
Costs for on-charged projects	GM	472,000
Three waters transition expenditure	CE	99,000
Staffing Changes	CE	61,000
MAC holiday programme	GM	18,000
Freedom Camping Campaign		54,000

Total additional CE approved expenditure 714,000

Revised Budget Net Surplus/(Deficit) 3,178,200 surplus

Annual Plan Capital Budget

33,713,000

Council Approval

Carry forwards	26,298,000
Deferred Capital Projects	(2,699,000)
Wastewater Centralisation NZDF	3,281,000

Executive approved items

Repairs to Kowhai Park Toilets	40,000
Library Air Purification Filter	5,000
Recycling Bin Clips	51,000
Vinegar Hill Rural Water Scheme	100,000
Shadehouse for Nursery	30,000
Second Weighbridge (MFE funded)	70,000
IT additional CCTV server and additional server RAM	75,000
IT Data Storage Protection	50,000
Kimbolton UV Filter	11,000

Total movements to capital budget 27,312,000

Revised Capital Budget 61,025,000

Levels of Service

Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	Comments
Cemeteries						
Percentage of responses to our residents perception survey that are satisfied with the maintenance of cemeteries	95%	91%	In Progress	In Progress	Target Met	Current results of the resident's survey have satisfaction with Cemeteries at 97%.
Monitoring the number of complaints about late or inadequate interment services	No complaints about late or inadequate interment services	0	In Progress	In Progress	In Progress	No complaints about late or inadequate interment services have been received for the second quarter.
District Libraries						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Monitoring the number of issues per capita per annum.	6	8.96	In Progress	In Progress	In Progress	By the end of the third quarter we achieved 7.28 issues per capita and are on track to meet target by year end. We are also on track to exceed the usual target of 8 issues per capita. Physical borrowing is still down due to the smaller collection directly accessible to the public in the temporary space but the level is remaining steady with a modest increase on last quarter. Digital borrowing remains strong and averaged 19% of book and magazine issues this quarter.
Monitoring the number of online transactions and users of Wi-Fi and internet	60,000	53,901	In Progress	In Progress	In Progress	By the end of the third quarter we are sitting at 13,072 logins to library e-resources and apps (including digital learning apps and heritage platforms). Manawatū District Libraries app and Wi-Fi and computer usage per annum. Wifi and computer use are down on regular levels due to the smaller facility the library currently occupies.
Monitoring the number of participants attending programmes, exhibitions, classes and events per annum	22,000	9,592	In Progress	In Progress	In Progress	By the end of the third quarter we had a total of 10,437 participants attending programmes, classes, exhibitions, events, digital learning programmes or social interaction groups. The target for this year was set as if the library had re-opened with a target of 22,000 this year.
Halls and Recreation Complexes						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Number of in-use Council-owned halls and recreational complexes that are compliant with current building warrant of fitness requirements and FENZ evacuation procedures	100%	100%	In Progress	Target Met	Target Met	All council halls and recreation facilities are compliant with current Building Warrant of fitness requirements, and FENZ evacuation procedures for the third quarter.
Makino Aquatic Centre						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Pool safe accreditation	Accredited	Target Met	Target Met	Target Met	Target Met	We currently have our Poolsafe award, which will remain valid until April 2023. The Poolsafe accreditation renewal process is currently underway, and our site visit assessment will take place in February 2023.
Participants in water activities and learning to swim programmes	51,000	37,839	In Progress	In Progress	In Progress	From 1 July 2022- 31 March 2023 there have been a total of 33,947 participants in water activities and learning to swim programmes. Note: From Feb 2023 squad service is now delivered by local Clubs.
Percentage of customers satisfied overall with their experience at the complex	90%	96.5%	In Progress	In Progress	In Progress	The Annual Customer Satisfaction Survey will be carried out in Q4
Number of general admissions (swimmers and spectators)	65,000	59,152	In Progress	In Progress	In Progress	From 1 July- 31 March 2023 there have been a total of 54,556 general admissions (swimmers) and spectators.

Parks, Reserves and Sportsgrounds						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Percentage of survey participants satisfied with Council's parks, reserves and sportsgrounds	90%	95%	In Progress	Target Met	Target Met	Current results of the resident's survey have satisfaction at 94%.
Monitoring the number of health and safety incidents or injuries reported that occurred due to inadequate or poor maintenance in our parks, reserves and sports grounds	0	0	In Progress	In Progress	In Progress	We have not received any reports of health and safety incidents due to inadequate or poor maintenance in our parks and sports grounds for the second quarter.
Property						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Council-owned buildings and properties are compliant with the relevant safety regulations	100%	100%	In Progress	Target Met	Target Met	All Council owned buildings and properties are compliant with the relevant safety regulations for the second quarter.
Public Conveniences						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Monitoring the number of complaints we receive about inadequate maintenance and poor cleaning of our toilets	< 8	1 (Target <6)	In Progress	In Progress	In Progress	There were three complaints about inadequate maintenance or poor cleaning of our toilets in the third quarter
Animal Control						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Urgent requests about dog attacks/wandering stock responded to or caller contacted within 15 minutes of Council receiving the request (Priority 1)	90%	96%	Target Met	Target Met	Target Met	There were 111 incidents reported between 1 July 2022 - 31 March 2023. 105 were responded to within the target timeframe = 95%
Notification of roaming dogs responded to or caller contacted the next working business day of Council receiving the request (Priority 2)	90%	100%	Target Met	Target Met	Target Met	There were 152 incidents reported between 1 July 2022 - 31 March 2023. 149 were responded to within the target timeframe = 98%
Routine animal control issues responded to or caller contacted the next working business day of Council receiving notification (Priority 3)	90%	91%	Target Met	Target Met	Target Met	There were 613 incidents reported between 1 July 2022 - 31 March 2023. 596 were responded to within the target timeframe = 97%
Building Control						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Number of the district's commercial and public buildings holding a current compliance schedule that are audited every 3 years	100%	73.40%	Target Not Met	Target Not Met	Target Not Met	There are 392 compliance schedules within our district. 392 have had an inspection done within 3 years = 85% This is due to a continued vacancy in the team and reliance on a contractor and support for the building control team who are under time pressures and also under resourced. The building control team is undergoing a review for delivery of this service.
Complaints relating to our building control service are responded to within specified timeframes	90%	91%	Target Met	Target Not Met	Target Met	92 complaints/requests for service were received between 1 July 2022 - 31 March 2023. 83 were responded to within the target timeframes = 90%
Number of residential swimming pools that are inspected every 3 years to ensure compliance with the Building Act	90%	99%	Target Met	Target Met	Target Met	There are 349 pools within the district. 343 have been inspected within the 3 year anniversary date = 98%
Number of building consent applications and code compliance certificates processed and approved within 20 working days	95%	77%	Target Not Met	Target Not Met	Target Not Met	523 building consents have been issued between 1 July 2022 - 31 March 2023. 90 were not issued within the 20 day timeframe = 89% 505 CCCs were issued between 1 July 2022 - 31 March 2023. 20 were not issued within the 20 day timeframe = 96%
Number of fixed fee (small works) building consent applications are processed and approved within 10 working days	95%	80%	Target Not Met	Target Not Met	Target Not Met	167 fast track consents were issued between 1 July 2022 - 31 March 2023. 24 were not issued within the 10 day timeframe = 87%

Compliance and Monitoring						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Food premises are verified as per legislative requirements under the Food Regulations 2015.	100%	100%	In Progress	In Progress	In Progress	There are 144 food premises registered in the Manawatu District, of which 76 require verification within this reporting period. Of those 12 have been verified. This is due to only having an EHO employed from late December 2022 to March 2023. We are currently advertising to fill the EHO vacancy again and have obtained temporary coverage to start next week (12th April) to assist in clearing verifications for this reporting period
Requests for service related to incidents that endanger public health that are responded to within 24 hours of notification.	85%	94%	Target Not Met	Target Met	Target Met	19 complaints were received for this reporting period, of those 18 were responded to within 24hrs. a result of 95%
Urban noise complaints that are responded to within one hour of notification	85%	94%	Target Met	Target Met	Target Met	213 complaints of excessive noise were received for the reporting period July 2022 to March 2023. Of those 210 were responded to within 1 hour. a result of 98.5%
Requests for service related to incidents that do not endanger public health that are responded to within 48 hours of notification	85%	97%	Target Met	Target Met	Target Met	A total of 192 complaints were received for the period July 2022 to March 2023. 188 were responded to within 48hrs, a total of 98%
Number of licensed premises that are inspected annually to ensure compliance with the conditions of their license and to work with those who do not comply to bring them up to compliance.	95%	100%	In Progress	In Progress	In Progress	For the period 1 July 2022 to 31 March 2023, 23 out of 53 premises have been inspected (43%) to ensure compliance with the conditions of their licence.
Consents Planning						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Number of applications for permitted boundary activities under the Resource Management Act are processed in accordance with the statutory timeframes	100%	89%	Target Met	Target Met	Target Not Met	There have been 23 permitted boundary activity consents issued for the reporting period. Of these all 22 were processed within 10 working days. a total of 95%
Number of non-notified resource consents completed within statutory timeframes	90%	49%	Target Met	Target Not Met	Target Not Met	There were 248 non notified consents issued over this period, of these 219 were issued within the required timeframes. A total of 88%
Number of notified and limited notified resource consents (not requiring a hearing) completed within statutory timeframes	90%	100%	In Progress	In Progress	In Progress	There have been no notified or limited notified consents issued over this period.
Number of limited notified resource consents (with hearing) completed within statutory timeframes	90%	100%	In Progress	In Progress	In Progress	There have been no notified or limited notified consents that required a hearing over this period.
The number of Resource Consent applications for resource consents returned to applicant as incomplete (under section 88 of the RMA)for: Permitted boundary activities Resource Consents	Number Recorded	6	In Progress	In Progress	In Progress	There have been no permitted boundary activities returned as incomplete for this reporting period
The number of applications for which a request for further information has been made. (under section 92 of the RMA)	Number Recorded	141	In Progress	In Progress	In Progress	For the reporting period of July 2022 to March 2023 a total of 103 consents were returned for further information under the RMA 1991.
Governance and Strategy						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
The number of breaches in rates limits od debt levels as set in the Financial Strategy	0	0	Target Met	Target Met	Target Met	Zero breaches of rating or debt levels

District Development						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Percentage of targets CEDA has achieved under the relevant Statement of intent	80%	82.20%	In Progress	In Progress	In Progress	
Percentage of Results Based Accountability targets achieved under Priority Services contract	80%	80%	In Progress	In Progress	In Progress	The six-monthly reports to 31 December 2022 from organisations who have a Results Based Accountability priority services contract with Council are not due until 28 February. These organisations will be presenting to the 25 May 2023 District Development Committee.
Creative Communities Scheme projects administered by Council	Number Recorded	14 projects approved	In Progress	In Progress	In Progress	There were no funding allocations made in the second quarter. The next funding round for Creative Communities closes 31 March 2023.
Percentage of survey participants who feel a sense of connection with others in their neighbourhood/community	Baseline set 2021/22	71%	In Progress	In Progress	In Progress	No survey results were available to report in the second quarter.
Emergency Management						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
% of Incident Management Team personnel trained to at least intermediate level of the Integrated Training Framework	75%	80%	Target Met	Target Met	Target Met	90% of Incident Management team trained to ITF Intermediate level.
% of survey participants who were satisfied with information and advice provided by Council in relation to an emergency event	Set in 2021/22	48%	Target Met	Target Met	In Progress	No emergency events meeting the threshold in the reporting period.
Roading						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	Lower than the previous financial year, measured on a per capita basis	0.00070	In Progress	In Progress	In Progress	To the end of the 3rd Quarter there have been 16 crashes reported that have resulted in 4 fatalities and 18 serious injuries
The average quality of ride on a sealed local road network, measured by Smooth Travel Exposure (STE) index ratings (percentage of assessed network length where roughness is under the relevant threshold)	90%	98%	In Progress	In Progress	In Progress	The STE data will be reported at the end of Quarter 4
A percentage of the sealed local road network that is resurfaced	5%	5.6%	In Progress	In Progress	Target Met	To date the reseal programme is 100% complete. On completion 7% of the local road network will have been resurfaced.
The percentage of footpaths within the district that fall within the level of service or service standard for the condition of footpaths that is set out in Council's Activity Management Plan	95% of the districts footpaths are within acceptable defect levels (condition rating 1 – 4)	99.70%	Target Met	Target Met	Target Met	The 2020 Footpath Rating survey resulted in 99.7% being acceptable.
For urgent requests for service, Council's will respond within three hours of the request being lodged.	90%	90.70%	Target Met	Target Met	Target Met	For the period 1 July - 31 March 2023, 152 urgent service requests were received. 143 were responded to within 3 hours. This equates to 94.1%
For non-urgent requests for service the contractor will include the repairs in the 3 month rolling programme or as instructed by Council's Roading Team.	90%	89.20%	Target Met	Target Met	Target Met	For the period 1 July - 31 March 2023, 837 non-urgent service requests were received. 677 were responded to within 3 months and a further 131 are still within the 3-month timeframe. This equates to 96.5%

Solid Waste						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Rural residents have convenient council refuse bag drop-off points close to their homes.	90% of rural residents have a refuse bag drop-off points close to their home	94%	Target Met	Target Met	Target Met	Present collection route meets success measurement
Mobile recycling centres are conveniently located within 5km of identified village centres.	100%	100%	Target Met	Target Met	Target Met	All stations in place. Halcombe MRC presently not accepting glass. The Kaimatarau Transfer Station closed on 25 March. This was leased land which was sold and the new owners are building a residence on this site. The rural residents still have the option of the Rongotea MRC and the Feilding Transfer Station for General Waste
Funding provided for waste education programmes that promote reduce and reuse.	100% achievement of confirmed participants in the Council-supported waste education programmes	YES	Target Met	Target Met	Target Met	20 Kindergarten/Preschools & Primary Schools are participating in the Enviroschools programme.
Number of complaints received by Council about its performance of its solid waste services.	<100 complaints received per 100,000 annual collections	55.75	Target Met	Target Met	Target Met	Quarter 3 = 21 complaints regarding Waste Services. RDI Report = 7551 collections which equates to 21.39 complaints per 100,000 collections. Q1, Q2 and Q3 = 107 complaints regarding waste services. RDI report = 7551 collections with all quarters combined equating to 27.25 complaints per 100 collections
Stormwater						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
The number of flooding events in the district	0	4	Target Not Met	Target Met	Target Not Met	Quarter 1 = 0 flooding events. Quarter 2 = 0 flooding events. Quarter 3 = 1 flooding event February 2023. YTD = 1 flooding event. (A flooding event is defined as an overflow of the urban stormwater system that enters a habitable floor)
The number of habitable floors per 1000 properties affected by flooding per flooding event that occurred in the district	<10	4.78	Target Met	Target Met	Target Met	Quarter 1 = 0 complaints. Quarter 2 = 0 complaints. Quarter 3 = 3 complaints YTD = 3 complaints. RDI report = 8479 connections. This equates to 0.35 complaints per 1000 connections. YTD = 0.35 complaints per 1000 connections.
Abatement notices received by Council in relation to resource consents. (measured per scheme)	<2	0	In Progress	Target Met	Target Met	No abatement notices received.
Compliance with the Council's resource consents for discharge from its stormwater system measured by the number of: <ul style="list-style-type: none"> • Infringement notices • Enforcement orders, and • Convictions received by Council in relation those resource consents (per scheme).	0	0	In Progress	Target Met	Target Met	No enforcement action has occurred
The median response times to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site	<2 hours	7.35 hours	Target Not Met	Target Met	Target Not Met	Quarter 1 = 0 flooding events. Quarter 2 = 0 flooding events. Quarter 3 = 2.65 median response hours (These times were taken as the time the customer was contacted back after calling to advise of flooding to a habitable floor) YTD = 2.65 median response hours.
The number of complaints received by Council about the performance of its stormwater system. (Expressed per 1,000 properties connected to Council's stormwater system).	<20	33.33	Target Met	Target Met	Target Met	Quarter 3 = 10 complaints. RDI report = 8479 connections. This equates to 1.18 complaints per 1000 connections. YTD = 29 complaints. RDI report = 8479. This equates to 3.42 complaints per 1000 connections

Wastewater						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
Number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections.	< 6	0.24	Target Met	Target Met	Target Met	Quarter 1 = 0 dry weather overflows. Quarter 2 = 1 dry weather overflow. Quarter 3 = 0 dry weather overflows. YTD = 1 dry weather overflow. RDI report = 8389 connections. This equates to 0.12 overflows per 1000 connections.
Abatement notices received by Council in relation to resource consents. (measured per scheme)	<2	0	In Progress	Target Met	Target Met	No Abatement notices received.
Compliance with the Council's resource consents for discharge from its stormwater system measured by the number of: • Infringement notices • Enforcement orders, and • Convictions received by Council in relation those resource consents (per scheme).	0	0	In Progress	Target Met	Target Met	No enforcement action has been received.
Median response time to sewage overflows resulting from blockage or other faults in the Council's sewerage system (urgent)	< 2 hours	0.72 hrs	Target Met	Target Met	Target Met	Quarter 1 = 0. Quarter 2 = 0.52 median response hours. Quarter 3 = 0. YTD = 0.52 median response hours.
Median response time to sewage overflows resulting from blockage or other faults in the Council's sewerage system (non-urgent).	< 5 Days	1.53 hrs	Target Met	Target Met	Target Met	Quarter 1 = 24 median response hours. Quarter 2 = 12.36 median response hours. Quarter 3 = 0.68 median response hours. YTD = 1.38 median response hours.
Median response time (combined)	< 5 Days	1.35 hours	Target Met	Target Met	Target Met	Quarter 1 = 24 median response hours. Quarter 2 = 0.72 median response hours. Quarter 3 = 0.68 median response hours. YTD = 1.11 median response hours.
Median resolution time to sewage overflows resulting from blockage or other faults in the Council's sewerage system (from the time Council received notification to the time service personnel confirm resolution of the blockage or other fault) (urgent)	< 5 hours	12.43 hours	Target Met	Target Met	Target Met	Quarter 1 = 0. Quarter 2 = 3.52 median resolution hours. Quarter 3 = 0. YTD = 3.52 median resolution hours.
Median resolution time to sewage overflows resulting from blockage or other fault in the Council's sewerage system (from the time Council received notification to the time service personnel confirm resolution of the blockage or other fault) (non-urgent).	< 10 Days	4.18 hours	Target Met	Target Met	Target Met	Quarter 1 = 24 median resolution hours. Quarter 2 = 15.14 median resolution hours. Quarter 3 = 2.93 median resolution hours. YTD = 4.33 median resolution hours.
Median resolution time (combined)	< 10 Days	4.02 hours	Target Met	Target Met	Target Met	Quarter 1 = 24 median response hours. Quarter 2 = 6.28 median resolution hours. Quarter 3 = 2.93 median resolution hours. YTD = 4.33 median resolution hours.
The total number of complaints received by Council about the following: • Sewerage odour • Sewerage system faults • Sewerage system blockages • Council's response to issues with its sewerage system Expressed per 1,000 connections to the council sewerage system.	< 20 complaints in total per 1,000 connections per annum	6.75	Target Met	Target Met	Target Met	Quarter 3 = 8 total complaints. RDI report = 8389 connections. This equates to 0.95 complaints per 1000 connections. odour = 0, system blockages = 8, system fault = 0, councils response = 0. YTD = 22 total complaints. RDI report = 8389 connections. This equates to 2.62 complaints per 1000 connections. Odour = 3, system blockage = 17, system faults = 2, councils response = 0.

Water Supply						
Measure	Target for 2023	Prior Year Result	Result Q1	Result Q2	Result Q3	
No Public health risk with substantiated positive E-coli detected in the water supply	100%	100%	In Progress	Target Met	Target Met	100% compliance with part 4 of the drinking water standards has been achieved. As of 1 January 2023 compliance is based on the Water Assurance Rules. Due to Chlorine Contact time within the Feilding scheme 100% compliance will not be achieved Access to Stanway Halcombe has been limited in the last three months. This is likely to have implications for bacteria compliance due to coms failure at the site.
New Zealand Drinking Water Standard Compliance Criteria for protozoa are met, with the exception of the Stanway-Halcombe Rural Water Supply	100%	100%	In Progress	Target Met	Target Met	With the exception of Stanway Halcombe 100% Compliance with part 3 of the standards has been achieved. As of 1 January 2023 compliance is based on the Water Assurance Rules. Protozoa compliance in the next quarter is at risk due to sanitary bore requirements. Upgrades to Stanway Halcombe have been delayed due to ongoing consultation with local land owners. Limited access to the current site is likely to compromise future compliance.
Percentage of real water loss from Council's networked reticulation system. This will be calculated for each water supply scheme using Method 1 - Water Balance as per the Department of Internal Affairs guidelines	< 35%	22%	In Progress	In Progress	In Progress	On track. 12 months of data are required to complete this assessment.
Attendance time for urgent call-outs: from the time the Council receives notification to the time that service personnel reach the site	2 hours	0.73 hours	Target Met	Target Not Met	Target Met	Quarter 1 = 2.78 median resolution hours. Quarter 2 = 13.28 median resolution hours. Quarter 3 = 2.25 median resolution hours. YTD = 3.22 median resolution hours.
Resolution time of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm that the water supply has been reinstated.	9 hours	1.52 hours	Target Met	Target Met	Target Met	Quarter 1 = 2.78 median resolution hours. Quarter 2 = 13.28 median resolution hours. Quarter 3 = 2.25 median resolution hours. YTD = 3.22 median resolution hours.
Attendance time for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site	5 working days	24 hours	Target Met	Target Met	Target Met	Quarter 1 = 24 median response hours. Quarter 2 = 24 median response hours. Quarter 3 = 24 median response hours. YTD = 24 median response hours
Resolution time for non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	A further 5 working days	24 hours	Target Met	Target Met	Target Met	Quarter 1 = 24 median resolution hours. Quarter 2 = 24 median resolution hours. Quarter 3 = 24 median resolution hours. YTD = 24 median resolution hours.
Monitoring the total number of complaints (per 1,000 connections) received by Council about any of the following: <ul style="list-style-type: none"> • Drinking water clarity • Drinking water taste • Drinking water odour • Drinking water pressure or flow • Continuity of supply • The local authority's response to any of these issues 	<20	7.35	Target Met	Target Met	Target Met	Quarter 3 = 33 total complaints. RDI report = 7908 connections. This equates to 4.17 complaints per 1000 connections. clarity = 19, taste = 3, odour = 2, pressure/flow = 7, continuity of supply = 2, councils response = 0. YTD = 57 total complaints. RDI report = 7908 connections. This equates to 7.21 complaints per 1000 connections. clarity 26, taste = 4, odour = 2, pressure/flow = 15, continuity of supply = 10, councils response = 0.
The average consumption of drinking water per day, per resident within Council's authority area	300 litres/person/day for domestic supply only	142 litres/person/day for domestic supply only	In Progress	In Progress	In Progress	On track. 12 months of data required to complete this assessment



Quarterly Treasury Report

31 March 2023

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP

BANCORP TREASURY SERVICES LIMITED



Economic Commentary

Global

The confidence that permeated financial markets at the start of the year has well and truly dissipated with the collapse of Silicon Valley Bank (“SVB”) in the US, and the forced merger of Credit Suisse with UBS. This has moved the market’s focus from higher interest rates which are aimed at fighting inflation, to concerns about financial contagion and recession. Expectations around the quantum of rate hikes still required, and the scale and timing of the subsequent cutting cycle, have changed dramatically. This has seen the US 10-year yield retest support around the 3.30% area after testing the 4.10% area at the start of March. In early March, the Overnight Index Swap (“OIS”) curve was implying a cash rate peak in the US of 5.50% to 5.75% by June, with the first rate cut in early 2024. This was circa 0.50% higher than the peak priced in late January. However, by the end of March, the OIS curve was implying no more hikes in the US with the first cut of 0.25% by September and a rate of 3.75% to 4.00% by March 2024.

As was widely expected, despite the volatility in the banking sector, the Fed increased its cash rate target range to 4.75%-5.00% in late March. However, the dot plot (forward projections from committee members) saw a slightly lower peak of 5.10% that was implied from its November 2022 update. US Federal Reserve (“Fed”) Chairman Jerome Powell expressed confidence in the US banking system but did note that the recent turbulence in the banking sector could lead to a tightening of credit and this would in turn, tighten monetary settings. As outlined above, markets saw the statement as ‘dovish’ and priced in aggressive rate cuts over the next 12-months, despite Powell making it clear that rate cuts in 2023 were not the Fed’s current base case scenario.

The recent banking sector issues has highlighted that that a sole focus on getting inflation under control through higher interest rates could have unintended consequences on financial system stability. This is because banks around the globe have significant unrealised losses on the ‘risk free’ (if held to maturity) liquidity held via Government bonds. As the SVB collapse demonstrated, if there is a run on a bank, the forced selling of these bonds will crystallise these mark-to-market losses and, as in SVB’s case, wipe out its equity.

While central banks had made it clear they are prepared to risk a recession to get, in their view, the more serious evil of imbedded inflation under control, markets are guessing that they will be much less sanguine around the risk of financial market contagion. This is causing almost unprecedented volatility in short-term interest rate markets. The US 2-year bond yield traded in a 1.20% range over a few weeks and the OIS curve changed by more than 1.0%. The US10-year bond yield was a little quieter, albeit trading both ends of a 0.50% range a number of times.



Economic Commentary

New Zealand

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Dec 2022	4.25%	4.82%	5.38%	5.13%	4.86%	4.80%	4.80%
31 March 2023	4.75%	5.24%	5.03%	4.72%	4.40%	4.31%	4.27%
Change	+0.50%	+0.42%	-0.35%	-0.41%	-0.46%	-0.49%	-0.53%

During the March quarter, two important data releases highlighted the fragility of the New Zealand economy. Firstly, GDP data for the December 2022 quarter (released at the end of March) came in as a real outlier. GDP plummeted to -0.6% against market forecasts at -0.2%, and the RBNZ's projection of +0.7%. Annual GDP eased from 6.4% to 2.2%. If the negative print for the December 2022 is followed by another negative number in the March quarter (which many are predicting), then the country is officially in recession, something the Reserve Bank of New Zealand ("RBNZ") has signaled as being necessary to quell inflation.

Secondly, the current account deficit widened by NZD9.46 billion to a record NZD33.8 billion in the December 2022 quarter, this represents 8.9% of GDP. This exceeded the 7.8% deficit recorded during the global financial crisis in 2008. This saw S&P Global Ratings warn NZ's 'AAA' rating could come under pressure as the current account deficit *"is at an extremely high level at the moment. It is much wider than we were expecting it to be."* The current account gives an indication of whether an economy is 'living within its means and the wide deficit suggests New Zealand has not been. Encouragingly though, the outlook is for the deficit to narrow as domestic demand softens and international tourism and the education sectors continue to recover.

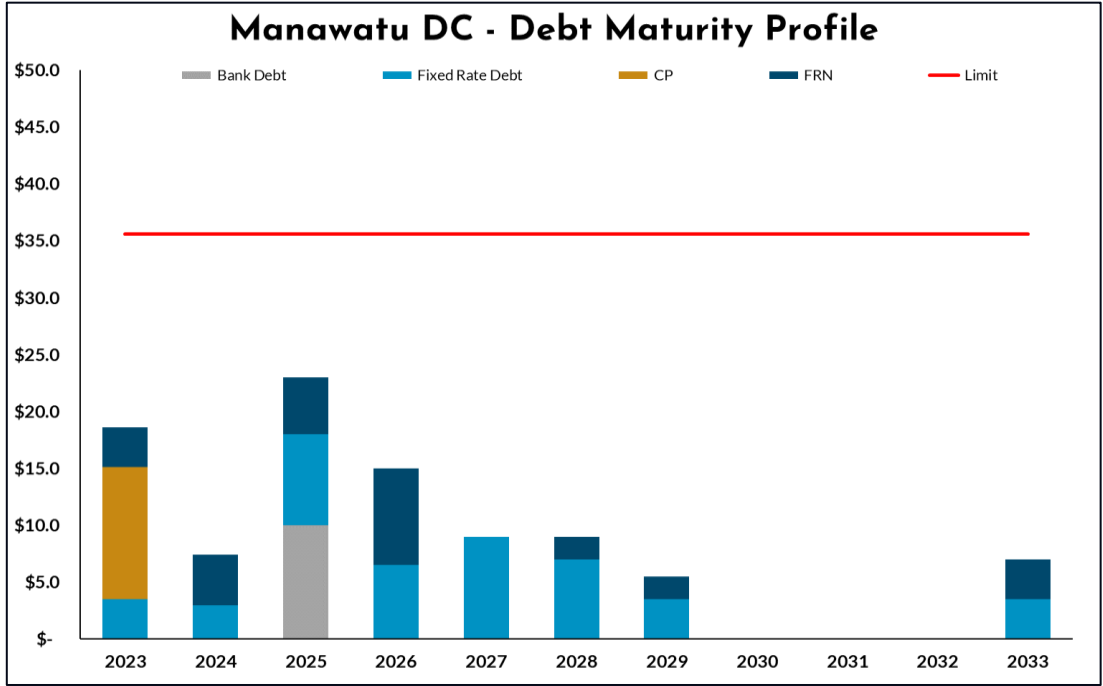
In late February in the Monetary Policy Statement ("MPS") the RBNZ raised the Official Cash Rate ("OCR") by 50 basis points to 4.75% and left the projected peak unchanged at 5.50%. The RBNZ stated that the decision about the extent of the increase was whether it should be 50 or 75 basis points and not 25 or 50 basis points. Obviously the RBNZ is still worried about inflation, stating in the MPS that *"higher interest rates are still needed to meet our inflation and employment objectives, to the same extent as in the November Statement."*

Interest rates had a very volatile quarter, driven largely by swings in offshore markets. The 2- and 10-year swap rates reached lows of 4.65% and 4.02% respectively in early February, then climbed to 5.56% and 4.79% respectively by early March as markets refocused on inflation and the need for central banks to tighten monetary policy to quell inflation. However, by the end of the March the 2-year rate was at 5.03% and the 10 year at 4.27% as inflation worries subsided a little and more importantly the banking crisis in the US and Europe lead to a pattern of risk aversion trading where investors sought the safety of the bond markets.

Market pricing for the OCR also reacted to the global banking woes. In early March, markets were pricing the OCR to be at 5.49% in August 2023 and then to fall to 5.06% by July 2024. By the end of March, pricing was at 5.20% for August 2023 and 4.54% for July 2024. This compares with the RBNZ's forecasts of the OCR peaking at 5.50% in December 2023 and to be only down to 5.4% by September 2024. In the past, the RBNZ have made it very clear that its priority is to get the inflation rate down, even if it pushes the country into recession. The outlook may become a little clearer on 5 April when the RBNZ delivers the Monetary Policy Review with markets looking for a sign that the shock GDP print and the recent global events may soften the RBNZ's stance.



Liquidity and Funding



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
\$89.0
 External Council Drawn Debt

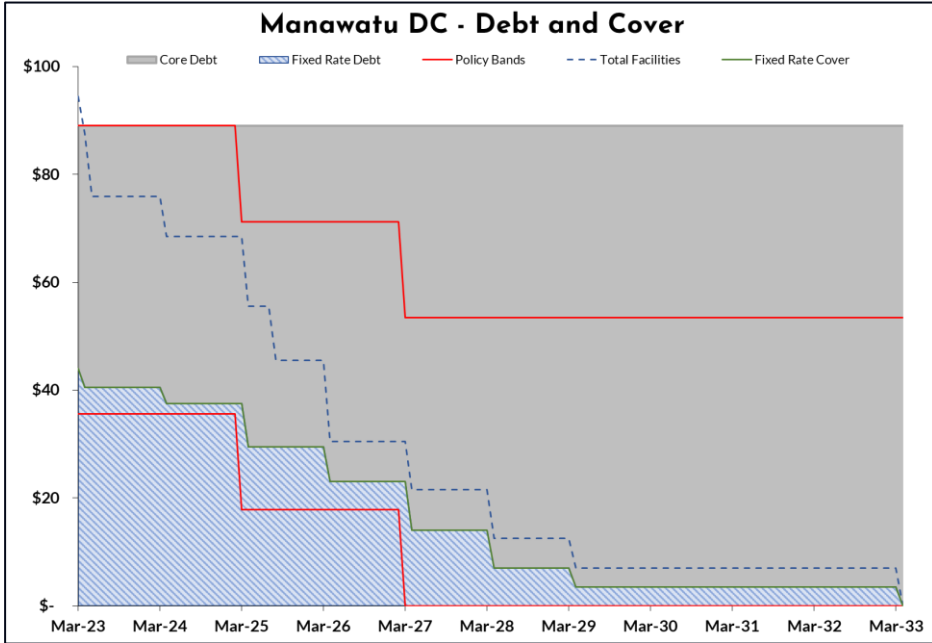
LGFA Debt
\$89.0m
 Funds Drawn from LGFA

Headroom = cash in bank, term deposits and fixed rate bonds
\$17.0m

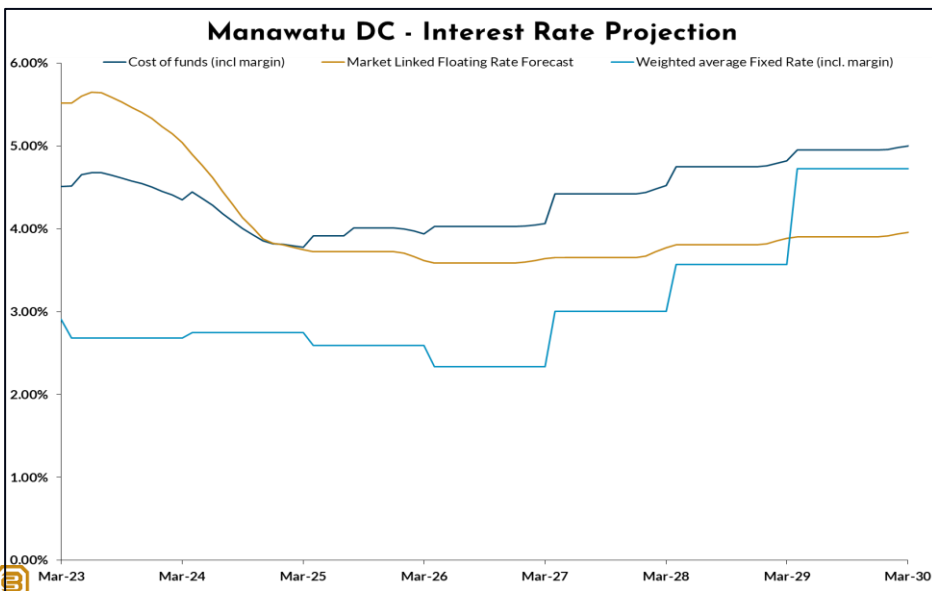
Liquidity Ratio
119.1%
 Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 31 March
4.21%

Interest Rate Risk Management



Current % of Debt Fixed	49.4%
Current % of Debt Floating	50.56%
Value of Fixed Rate (m)	\$44.0
Weighted Average Cost of Fixed Rate Instruments	2.91%
Value of Floating Rate (m)	\$45.0
Current Floating Rate	5.52%
Current Floating Rate (incl margin)	6.07%
All Up Weighted Average Cost of Funds	4.21%
Total Facilities In Place	\$99.0
Facility Headroom	\$10.0



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	25%	80%	Compliant
4 - 13 years	0%	60%	Compliant

LGFA Borrowing Rates

As at 31 March

Listed below are the credit spreads and applicable interest rates as at 31 March for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Manawatu District Council could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	5.37%	N/A
6 month CP	0.20%	5.53%	N/A
April 2024	0.50%	5.67%	5.73%
April 2025	0.58%	5.75%	5.46%
April 2026	0.68%	5.85%	5.26%
April 2027	0.76%	5.93%	5.18%
May 2028	0.82%	5.99%	5.20%
April 2029	0.92%	6.09%	5.26%
May 2031	0.97%	6.14%	5.28%
April 2033	1.07%	6.24%	5.35%
May 2035	1.12%	6.29%	5.49%
April 2037	1.13%	6.30%	5.55%



Disclaimer

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Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: People and Corporate

Date Created: 16 May 2023

Long-term Plan Organisational Risk Review

Purpose Te Aronga o te Pūrongo

To present to the Audit and Risk Committee the risk register for the 2024-34 Long-term Plan Project and to discuss those mitigation measures that are being employed to manage the key risks that could impact on the Manawātū District Council (MDC) achieving its project objectives.

To provide an opportunity for the Audit and Risk Committee to:

- identify any risks or issues for the Long-term Plan 2024-34 Project that have not yet been included in the Risk and Issue Register for the Long-term Plan 2024-34 (Annex A); and
- to comment on the effectiveness of proposed internal controls and mitigation measures to address those risks or issues identified in the Risk and Issue Register for the Long-term Plan 2024-34 (Annex A).

Note - Any recommendations of the Audit and Risk Committee will be reported back to the core project team for the Long-term Plan for action.

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

1. That the Audit and Risk Committee receives the report of the General Manager – People and Corporate titled “Long-term Plan Organisational Risk Review,” and the attachments as follows:
 - Annex A - Risk and Issue Register for the Long-term Plan 2024-34; and
 - Annex B - Council's Risk Matrix.
2. That the recommendations of the Audit and Risk Committee with respect to any additional issues or risks relevant to the Long-term Plan 2024-34 Project and/or proposed internal controls and mitigation measures be documented for action by the Long-term Plan Project Manager, with progress reported at the next meeting of the Audit and Risk Committee.

Report prepared by:
Lisa Thomas
Senior Policy Adviser

Approved for submission by:
Frances Smorti
General Manager - People and Corporate

1 Contribution to Community Well-being and Council's Community Outcomes Te Tūhono ki ngā Whāinga a te Kaunihera mō te Oranga Hapori me te Whakawhanake Hapori

1.1 Relationship to Council's strategic priorities (community outcomes):

A place to belong and grow He kāinga e ora pai ai te katoa	✓
A future planned together He kāinga ka whakamaherea tahitia tōna anamata e te hapori tonu	✓
An environment to be proud of He kāinga ka rauhitia tōna taiao	✓
Infrastructure fit for future He kāinga ka tūwhena tonu ōna pūnahanga, haere ake nei te wā	✓
A prosperous, resilient economy He kāinga ka tōnui tōna ōhanga	✓
Value for money and excellence in local government He kāinga ka eke tōna kāwanatanga ā-rohe ki ngā taumata o te kairangi	✓

1.2 The identification and management of risk is a core responsibility of local authorities and part of best practice for project management. Good project management is essential for a successful Long-term Plan. This report therefore relates to Council's strategic priority of "value for money and excellence in local government."

2 Background Ngā Kōrero o Muri

2.1 The project delivery objectives for the Long-term Plan 2024-34 are:

The LTP is adopted on time, within budget, with an unqualified Audit opinion

- *Undertake a strategic direction setting process to determine the vision and community outcomes*

- *Undertake community engagement and communication to support the development of the LTP*
- *Ensure the LTP contains all required elements as set out in Schedule 10, Part 1 of Local Government Act 2022*

- 2.2 The core project team for the 2024-34 Long-term Plan has developed a risk and issues register for this project (Annex A). This register is based on the Risk Assessment Framework that was adopted by the Audit and Risk Committee in August 2017 (Annex B). This matrix classifies the likelihood and consequences of risks that could impact on the achievement of the project's objectives.
- 2.3 This risk matrix classifies risks according to their severity from "Extreme" to "Low," as illustrated in Annex B. This report focusses on those risks classified as "Extreme" or "High" on the risk and issues register, as those risks pose the greatest threat to the achievement of the project objectives.
- 2.4 A discussion of the key risks and issues from the register is a regular item on the agenda for the core project team meetings for the 2024-34 Long-term Plan project.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

- 3.1 Of the 22 risks identified on the Risk and Issue Register for the Long-term Plan 2024-34, six have a risk severity classification of "High." These risks and their proposed internal controls and mitigation measures are outlined below.

1. Impact of changing central government policy priorities, for example, climate change, three waters reforms, review of freshwater management in NZ, local government funding and financing review

This proposed risk treatment makes the Executive Leadership Team (and the Chief Executive in particular) responsible for keeping the Project Manager and Project Sponsor informed of any changes in central government direction that could impact on project delivery. Council will also follow the advice of Taituarā when developing forecasting assumptions and when considering how central government policy and reforms impact on the LTP project.

2. High number of staff changes since the last Long-term Plan

There are new staff in many key Long-term Plan project roles, including the Project Sponsor, Project Manager, Project Coordinator, Engagement and Communications Manager, and other members and contributors to the core LTP project team. The team proposes to address risks associated with lack of knowledge and experience through greater levels of engagement and support by the Executive Leadership Team. Continuity of existing project team members and processes will be relied on where possible.

3. High workloads due to current vacancies (particularly in the Strategy Team)

Current vacancies and high workloads have the potential to impact on the timeframes for key project deliverables. This risk is to be mitigated through:

- regular reporting on progress by the project team to the Executive Leadership Team;
- General Managers assisting activity managers with prioritisation of workload; and
- active recruitment of new staff to fill current vacancies.

4. Civil Defence Emergencies

Civil Defence Emergencies have the potential to impact the project through the redirection of staff to the Emergency Operations Centre and reprioritisation of priorities. While this risk must be accepted, the effects of a Civil Defence Emergency on the project can be mitigated through careful planning and management by activity managers and the redirection of other staff to fill resourcing gaps.

5. Council's relationship with iwi/hapū/Māori

The state of Council's current relationships with iwi/hapū/Māori has the potential to impact on our ability to effectively engage on LTP matters. This risk is also identified as the only "issue" in the Risks and Issues Register. Council's Kaitohu Aporei - Māori (Principal Advisor - Māori) and General Manager – People and Corporate led a discussion with elected members at the 18 May Council meeting on Council's relation to Council's relationship with Iwi-Māori. As Council is already committed to improving relationships with Iwi-Māori at the corporate level, additional actions to address this issue through the Long-term Plan project are not recommended at this time.

6. Annual Report and Interim Audit impact on staff time

The risk is that the audit of the Annual Report occurs concurrently with the audit of the Long-term Plan, creating resourcing challenges, particularly for financial officers. The proposed mitigation for this risk is early and regular engagement with Audit New Zealand. Commitment to mutually agreed deadlines for audit-related deliverables is key.

- 3.2 The proposed mitigations are considered by the core LTP project team and the Executive Leadership Team to sufficiently address the high severity risks identified. The core LTP project team will regularly review the Risk and Issue Register at team meetings.
- 3.3 Any risks (new or emerging) that have the potential to impact on key project deliverables or the objectives of the project will be communicated to the Audit and Risk Committee through the Key Project Status Reports for the Long-term Plan, or through a separate report to the Audit and Risk Committee.

Options

- 3.4 The options available to the Audit and Risk Committee are as follows:
 1. Confirm the risks identified in the Risk and Issue Register for the Long-term Plan 2024-34 and the proposed risk treatments (Annex A).
 2. Propose changes to the Risk and Issue Register for the Long-term Plan 2024-34 such as by identifying additional risks that should be included in the register, or proposing alternative treatments to address identified risks.

3.5 If no changes are recommended to the Risk and Issue Register for the Long-term Plan 2024-34 Project (Option 1), the LTP project team will continue to monitor risks through regular team meetings, with updates made as required.

3.6 If changes are recommended (Option 2), these changes will be incorporated by the LTP Project Manager, and progress reported at the next Audit and Risk Committee meeting.

4 Te Kīwai (o te kete)

4.1 Te Kīwai is the engagement process which guides Council's practice and ensures the onus to engage and include Māori is shared between Council and all partners. In this manner, we progress both the articles and principles of Te Tiriti o Waitangi by maintaining the balance between Kawanatanga (Governance) of the Council and Tino Rangatiratanga (Sovereignty) of whānau, hapū, and iwi Māori.

4.2 There are no known cultural considerations associated with the matters addressed in this report. No engagement with Māori is necessary.

5 Community Engagement Te Whai Wāhitanga mai o te Hapori

5.1 There is no community engagement associated with this report.

6 Operational Implications Te Whai Pānga Atu ki ngā Kaupapa Mahi

6.1 There are no operational implications associated with this report. The identification and treatment of risks is a best-practice requirement for the Long-term Plan project.

7 Financial implications Te Whai Pānga Atu ki ngā Kaupapa Ahumoni

7.1 There are no financial implications arising from this report.

8 Statutory Requirements Ngā Here ā-Ture

8.1 There are no statutory requirements associated with this report.

9 Delegations Te Mana Whakatau

9.1 The Audit and Risk Committee's Terms of Reference establishes the purpose of the Committee to "check and ensure continuity of business, enhance governance framework, risk management practices and the controls used to monitor Council's achievements.

9.2 The responsibilities of the committee for considering risk management and the system of internal controls include:

- Setting the Council's appetite for risk;
- Understanding the key risk areas including likelihood and consequences;
- Effectiveness of internal controls; and
- Fraud risk and procurement risk.

9.3 The Committee has the delegated authority to act on all matters within its Terms of Reference. The Audit and Risk Committee does not have delegated authority for decision-making, therefore recommendations are made to Council for adoption.

10 Conclusion Whakatepenga

10.1 This Risk and Issue Register for the Long-term Plan 2024-34 has been prepared by the LTP core project team (Annex A). This register identifies risks and issues that have the potential to impact on Council's ability to achieve project objectives for the Long-term Plan project. This register identifies and classifies risks according to risk probability/likelihood and impact, in accordance with the Risk Assessment Framework that was adopted by the Audit and Risk Committee in August 2017 (Annex B).

10.2 A total of 22 risks have been identified for the Long-term Plan 2024-34 project to date. This report focusses on the six risks that have a risk severity classification of "high." Paragraph 3.1 of this report outlines the proposed mitigations for these high severity risks.

10.3 Any proposed changes to the Risk and Issue Register by the Audit and Risk Committee at this meeting will be noted for action by the LTP Project Manager. Progress on these actions will be reported back to the Audit and Risk Committee at their next meeting.

11 Attachments Ngā Āpitihanga

- Annex A – Risk and Issue Register for the Long-term Plan 2024-34
- Annex B – Council's Risk Matrix

Risk Cause Description	Risk Event Description	Risk Consequence Description	Risk Owner	Risk Category	Date Risk First Reported	Risk Probability/Likelihood	Risk Impact	Risk Severity	Risk Severity Name	Risk Treatment Option	Risk Treatment Description	Risk Review Date	Risk Status
The impact of changing central government policy priorities, for example, climate change, three waters review, review of freshwater management in NZ, local government funding and financing review	Central government direction through legislation impact local government duties/obligations, reprioritisation of spending	Requiring a shift of focus from staff, re-consideration of forecasting assumptions and differing views from elected members. These changes could impact on the timeline for the LTP project and resourcing.	Executive Team	Political	13/02/2023	4	4	↓ 16	HIGH	Accept	ELT and the Chief Executive to keep the Project Manager and Project Sponsor informed of and changes in central government direction that could impact on project delivery. Council to follow the advice of Taituarā when developing forecasting assumptions and when considering how central government policy and reforms impact on the LTP project.	29/03/2023	Open (still might happen and still has to be managed)
High number of staff changes since the last Long-term Plan	New staff in key LTP project roles (Sponsor, Manager, Coordinator, project team members and other contributors)	Lack of knowledge and experience with Council's key projects	Executive Team	Resourcing	13/02/2023	4	4	↓ 16	HIGH	Mitigate	High level of engagement and support from Executive Team. Continuity of existing project team members and processes where possible.	29/03/2023	Open (still might happen and still has to be managed)
High workloads due to current vacancies (particularly in the Strategy team)	Delays on inputs to the project, deliverables are not completed on time	Delay in key project deliverables	Executive Team	Project Management	13/02/2023	2	8	↓ 16	HIGH	Mitigate	Keep ELT abreast of progress with key deliverables, and feedback from project team. GMs to help Activity Managers prioritise. Active recruitment to fill current vacancies.	29/03/2023	Open (still might happen and still has to be managed)
Civil Defence Emergency	Reprioritisation of BAU. Impact on staff resourcing from emergency events.	Staff time redirected to EOC, project delays	Executive Team	Resourcing	13/02/2023	4	4	↓ 16	HIGH	Accept	Activity Managers to keep teams up to date with process and requirements so that others can fill in if needed.	29/03/2023	Open (still might happen and still has to be managed)
Council's relationship with iwi/hapū/Māori relationships	Inadequate or ineffective engagement with iwi/hapū/Māori	Reinforce existing reservations from iwi/hapū/Māori about Council	Executive Team	Comms and Engagement - External	13/02/2023	4	4	↓ 16	HIGH	Mitigate	Early discussion with Te Kotui Reo about the level of involvement they would like to have. Proactive discussion with Jerald (Frances).	29/03/2023	Open (still might happen and still has to be managed)
Annual Report and Interim Audit impact on staff time	Audit of Annual Report occurring concurrently with Long-term Plan project	Resourcing challenges resulting in difficulty meeting Long-term Plan deadlines	Executive Team	Audit	13/02/2023	4	4	↓ 16	HIGH	Mitigate	Early and regular engagement with Audit. Mutually agreed deadlines for Audit-related deliverables.	29/03/2023	Closed (has passed or has been successfully mitigated)
Delays in finalising budgets	Delays from Finance team	Other work can't proceed until budgets are finalised	Amanda Calman	Project Management	13/02/2023	3	4	→ 12	GUARDED	Mitigate	Maintain regular communication between Project Manager and CFO on budget work tasks.	29/03/2023	Open (still might happen and still has to be managed)
Delays getting material to Audit NZ	Not meeting audit reporting schedules	Lose prioritisation with Audit NZ as they commence other work, resulting in delays	Project Manager	Audit	13/02/2023	3	4	→ 12	GUARDED	Mitigate	Early and regular engagement with Audit. Mutually agreed deadlines for Audit-related deliverables.	29/03/2023	Open (still might happen and still has to be managed)
Receiving an unacceptable/qualified audit	Receiving an audit that requires the draft LTP to undergo significant changes	Unable to adopt the LTP on time, and/or BAU work having to be re-prioritised to allow staff to meet audit requirements	Project Manager	Audit	13/02/2023	3	4	→ 12	GUARDED	Mitigate	Early and regular engagement with Audit. Understanding of their expectations around quality and process.	29/03/2023	Open (still might happen and still has to be managed)
Audit NZ Delays	Audit NZ being unable to complete their audit in time	Delays to Council being able to adopt the LTP, and/or less time to respond to Audit NZ recommendations	Project Manager	Audit	13/02/2023	3	4	→ 12	GUARDED	Accept	Early and regular engagement with Audit. Understanding of the factors that may result in Audit NZ experiencing delays and what contingencies will be followed should this happen	29/03/2023	Open (still might happen and still has to be managed)
Central Government elections result in a change in government	Repeal or significant change to three waters as a result of a change in government	Change to approach around three waters, including key assumptions, timeline for transition, draft budgets. Resourcing implications associated with re-working of key documents.	Executive Team	Political	23/05/2023	3	4	→ 12	GUARDED	Accept	Project Plan to include extra time during the period Oct 2023 to Feb 2024 to account for this uncertainty. Council to follow the advice of Taituarā when planning for three waters through this LTP.	29/03/2023	Open (still might happen and still has to be managed)
Transition to Three Waters	Uncertainty in 3-Waters Delivery planning. Uncertain transition timeframe	Increased demands on staff time redirected to three waters changes, project delays.	Executive Team	Resourcing	13/02/2023	4	2	→ 8	GUARDED	Accept	Careful and proactive monitoring of situation and resourcing requirements. Allowing time and resource in the timeline, particularly during the period Oct 2023 to Feb 2024 for re-working of assumptions, asset management plans, strategies and budgets. Reliance on guidance from Taituarā.	29/03/2023	Open (still might happen and still has to be managed)
Consultation on other Council Projects	Consultation Fatigue and/or confusion	Community become disengaged with Council Consultation	Rhi Galpin	Comms and Engagement - External	13/02/2023	4	2	→ 8	GUARDED	Mitigate	Careful coordination of all project consultation timing and messaging	29/03/2023	Open (still might happen and still has to be managed)
Unclear external messaging	Key messages to the community are missed by the media	Reduction in community confidence in Council	Rhi Galpin	Comms and Engagement - External	13/02/2023	1	8	→ 8	GUARDED	Mitigate	Proactive comms plan. Timely public release of key messages	29/03/2023	Open (still might happen and still has to be managed)
New Staff in Community and Corporate Groups	Onboarding will take time, new to our processes. New staff may be new to Local Government so lack institutional knowledge	Gaps in knowledge may slow down processes	Executive Team	Resourcing	13/02/2023	4	2	→ 8	GUARDED	Accept	Conscious inclusion and upskilling for relevant new staff.	29/03/2023	Open (still might happen and still has to be managed)
Inability to complete projects due to three waters reforms	If the three waters reforms go as planned, projects (or aspects of it) that were	Reduction in community confidence/trust in Council	Executive Team	Political	13/02/2023	4	2	→ 8	GUARDED	Accept	Proactive comms plan. Clear communication of key messages.	29/03/2023	Open (still might happen and still has to be managed)
Early engagement feedback undervalued or that pre-engagement feedback on priorities and aspirations does not align or conflicts with the priorities and aspirations of elected members	Elected Members undervalue or disagree with early engagement feedback	Community may feel unheard and could potentially strain the relationship between Council and the community. The community may not support the vision and community outcomes included in the draft LTP and Consultation Document, meaning that decisions made by elected members may not align with the priorities or aspirations of those that provided pre-engagement feedback.	Executive Team	Political	13/02/2023	2	4	→ 8	GUARDED	Mitigate	Early engagement to run in parallel with Council's vision and community aspirations setting. Elected members to be kept informed of the results of early engagement.	29/03/2023	Open (still might happen and still has to be managed)
Community engagement	Low level of engagement from community	Council does not get sufficient feedback on proposed activities	Rhi Galpin	Comms and Engagement - External	13/02/2023	3	2	→ 6	MODERATE	Mitigate	Careful coordination of all project consultation timing and messaging	29/03/2023	Open (still might happen and still has to be managed)

Delay in the completion of the Asset Management Plans, or poor quality of plans	Delays on inputs to the project, deliverables are not completed on time	Project delays as the quality and timely completion of these plans is a dependency for the Infrastructure and Financial strategies.	Executive Team	Resourcing	13/02/2023	3	2	🔻 6	MODERATE	Mitigate	Regular reporting on progress of the Asset and Activity Management Plans to the core project team by the Infrastructure and Community representatives at team meetings. Engaging additional resource if required.	29/03/2023	Open (still might happen and still has to be managed)
COVID-19	Impact on staff resourcing from a surge in COVID-19 cases	Delays in work due to limited staff resources, and/or loss of expertise for specific tasks	Executive Team	Resourcing	13/02/2023	3	2	🔻 6	MODERATE	Mitigate	Careful management of staff to ensure that staff are equipped to take over critical work streams should the primary staff member be unavailable	29/03/2023	Open (still might happen and still has to be managed)
New Elected Members	New elected members unfamiliar with LG/planning processes	Learning a new process/project while also learning about local government.	Project Manager	Political	13/02/2023	3	2	🔻 6	MODERATE	Mitigate	Carefully planned and timed workshops with Elected Members	29/03/2023	Closed (has passed or has been successfully mitigated)
Jarvis Upgrade	Interruptions to Jarvis processes	Delay in key project deliverables	Executive Team	Organisational support	13/02/2023	1	2	🔼 2	LOW	Mitigate	Jarvis team will provide support to users as required.	29/03/2023	Closed (has passed or has been successfully mitigated)

Risk matrix

		IMPACT				
LIKELIHOOD		Minor (1) Temporary disruption or limited impact on ability to deliver the activity. Very few lives affected.	Moderate (2) Moderate impact on ability to deliver activity. Few lives are effected.	Major (4) Major impact on ability to deliver activity or to standard required. Some lives affected.	Severe (8) Serious or long-term impact on ability to deliver activity or deliver to the standard required. Many lives are affected.	Worst Case (16) Impact on delivery of activity is severely compromised or may not occur at all. High % of community affected.
	Almost Certain (5) Is expected to occur in most circumstances	Guarded	Moderate	High	Extreme	Extreme
	Likely (4) Will probably occur in most circumstances	Guarded	Moderate	High	Extreme	Extreme
	Possible (3) Might occur at some time	Guarded	Guarded	Moderate	High	Extreme
	Unlikely (2) Could occur at some time	Low	Guarded	Moderate	High	High
	Rare (1) May only occur in exceptional circumstances	Low	Low	Guarded	Moderate	High

Audit and Risk Committee

Meeting of 08 June 2023

Business Unit: Finance

Date Created: 30 May 2023

Audit Plan 2022-23

Purpose Te Aronga o te Pūrongo

For Audit and Risk Committee to receive the Draft Audit Plan for 2023.

Significance of Decision Te Hira o te Whakataunga

The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Recommendations Ngā Tūtohinga

That the Audit and Risk Committee receive the attached Draft Audit Plan 2022-23 from Audit NZ.

That the Audit and Risk Committee note the concerns of officers that no Audit Fee proposal has been received for audit relating to the year ending 30 June 2023.

Note that the Audit Engagement letter is required to be signed by the Mayor and subsequently the Audit Plan 2022-23 will be finalised.

Report prepared by:
Amanda Calman
Chief Financial Officer

Approved for submission by:
Amanda Calman
Chief Financial Officer

1 Contribution to Community Well-being and Council’s Community Outcomes Te Tūhono ki ngā Whāinga a te Kaunihera mō te Oranga Hapori me te Whakawhanake Hapori

1.1 Relationship to Council’s strategic priorities (community outcomes):

A place to belong and grow He kāinga e ora pai ai te katoa	✓
A future planned together He kāinga ka whakamaherea tahitia tōna anamata e te hapori tonu	✓
An environment to be proud of He kāinga ka rauhītia tōna taiao	
Infrastructure fit for future He kāinga ka tūwhena tonu ōna pūnahanga, haere ake nei te wā	
A prosperous, resilient economy He kāinga ka tōnui tōna ōhanga	
Value for money and excellence in local government He kāinga ka eke tōna kāwanatanga ā-rohe ki ngā taumata o te kairangi	✓

2 Background Ngā Kōrero o Muri

- 2.1 The audit aim is to improve the performance of, and the public’s trust in, the public sector. Their role as auditor is to give an independent opinion on the financial statements and performance information. They also recommend improvements to the internal controls relevant to the audit
- 2.2 The audits are performed annually, and are usually performed in two parts: The interim audit (started on 15 May 2023) and the final audit scheduled 18 September-23 October 2023.
- 2.3 The adoption of the Annual Report for 30 June 2023 requires the audit and an audit opinion to be issued by 31 October 2023.
- 2.4 The previous two years audits have not been completed within the statutory timeframes due to a combination of staffing shortages in Audit and some delays in revaluation information.
- 2.5 The audit in relation to 30 June 2022 was recently adopted by Council but not audit report has been received yet.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

- 3.1 The current legislation does not allow for any other auditor to be used by Manawatu District Council for this audit.
- 3.2 Other audits are performed during the year using a range of auditors but these are referred to as ‘internal audits’ as they are selected and initiated by Council, and are often the result of recommendations from the annual audit performed by Audit NZ and the subsequent audit report.

4 Te Kīwai (o te kete)

- 4.1 Te Kīwai is the engagement process which guides Council's practice and ensures the onus to engage and include Māori is shared between Council and all partners. In this manner, we progress both the articles and principles of Te Tiriti o Waitangi by maintaining the balance between Kawanatanga (Governance) of the Council and Tino Rangatiratanga (Sovereignty) of whānau, hapū, and iwi Māori.

5 Community Engagement Te Whai Wāhitanga mai o te Hapori

- 5.1 No community engagement is required

6 Operational Implications Te Whai Pānga Atu ki ngā Kaupapa Mahi

- 6.1 The annual audit is a significant part of the functions of Council and is done within existing resources within Council.
- 6.2 The agreeing to the draft Audit Plan 22-23 will allow Audit NZ to issue the final Audit plan and the Annual Audit to commence as planned.

7 Financial implications Te Whai Pānga Atu ki ngā Kaupapa Ahumoni

- 7.1 No fee proposal has been received from Audit NZ as at 30 May 2023, however the work associated with auditing the financial year ending 30 June 2023 has already commenced with the interim audit.
- 7.2 The most recent proposed audit fee was a August 2023 and covered the financial years ending:
- 7.2.1 30 June 2021 \$162,864 plus estimated disbursements of \$8000 (excl GST)
- 7.2.2 30 June 2022 \$177,521 plus estimated disbursements of \$10,000 (excl GST)
- 7.3 Officers have expressed concern to Audit NZ at lack of fee agreement.
- 7.4 The budget for Audit fees for 30 June 2023 is \$162,111, no costs have been incurred to date, the shortfall in the external audit budget can be funded from the unused budget of internal audit fees.

8 Statutory Requirements Ngā Here ā-Ture

- 8.1 Council is statutorily required to use Audit NZ as the external auditor.

9 Delegations Te Mana Whakatau

- 9.1 The responsibilities of the Audit and Risk Committee include:
- a. relationship with auditor;
 - b. understanding scope and engagement;
 - c. review significant audit findings /recommendations; and
 - d. monitor progress on recommendations.

10 Attachments Ngā Āpitihanga

- MDC Audit Plan 2022-23
- MDC Audit Engagement Letter 2022-23

Audit plan

Manawatu District Council

For the year ending 30 June 2023

Audit plan

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

Audit risks and issues	2
Group audit	8
Our audit process.....	9
Reporting protocols	17
Audit logistics	18
Expectations.....	20

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

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

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

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

Nāku noa, nā

Debbie Perera
Appointed Auditor
DRAFT – 19 May 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.

Audit risk/issue	Our audit response
Building and resource consents	
<p>The audit opinion for the 30 June 2022 Annual Report was qualified in relation to the following measures:</p> <ul style="list-style-type: none"> • A performance measure on the percentage of building consent applications and code of compliance certificates that are processed and approved within the statutory 20 working days. • A performance measure on the percentage of applications for resource consent under the Resource Management Act which are processed in accordance with the statutory timeframes for non-notified consents. <p>This arose from the different systems used by the Council to record information for these measures not interfacing accurately.</p>	<p>We will review the work that the Council has done to ensure that the systems issues noted in the 30 June 2022 year have been addressed. We will review the reported results to see if they are complete and accurate.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>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.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • 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.

Audit risk/issue	Our audit response
Revaluation of Infrastructural assets held at fair value	
<p>The District Council revalues its infrastructure assets held at fair value every year and its land and buildings every three years or whenever there is expected to be a material movement in the fair value of these assets.</p> <p>Due to the judgemental nature of the revaluation there is a risk of bias or error in the assumptions and inputs used. Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of infrastructure assets.</p> <p>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 group, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • 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.
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the Council is not planning to revalue, the Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>We will review the reasonableness of Council's assessment including the appropriateness of the assumptions used in the assessment.</p> <p>If the movement of the assets individually or in combination with other asset classes is significant the Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on the desktop revaluation.</p>

Audit risk/issue	Our audit response
Asset impairment considerations	
<p>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.</p> <p>Assets are required to be assessed for indicators of impairment on an annual basis.</p> <p>Irrespective of whether there are any indications of impairment, 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.</p> <p>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 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. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the impairment assessment; • evaluate the reasonableness of the significant assumptions; • evaluate how management has addressed estimation uncertainty; and • reperform calculations made by management.
New accounting standard - Adoption of PBE FRS 48 <i>Service Performance Reporting</i>	
<p>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 ending 30 June 2023.</p> <p>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</p>	<p>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.</p>

Audit risk/issue	Our audit response
<p>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.</p> <p>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.</p>	
Three waters reform	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>We will review the Council's disclosures to ensure they accurately reflect the significance and uncertainty of the Reforms on Council.</p> <p>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 Council's disclosure about the Reform.</p>

Audit risk/issue	Our audit response
<p>passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The 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.</p>	
Drinking water quality performance measures	
<p>Providing safe drinking water is a core function of the council and reporting how Council has performed in respect of this function in the annual report is important performance information.</p> <p>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.</p> <p>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 Council’s annual report.</p> <p>There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the 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 Council is able to support the performance results that they report.</p>	<p>We will work with Council to agree what performance information and measures would be appropriate and audit the results reported against the agreed measures.</p>

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

Fraud risk

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

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

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

- Manawatu Community Trust
- Feilding Civic Centre
- Awahuri Forest/ Kitchener Park Trust; and
- Heartland Contractors Ltd (dormant)

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

Significant component	Work to be performed
Manawatu Community Trust	<p>This will be audited by the same Appointed Auditor using an Audit New Zealand audit team.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> • Fair value of property, plant and equipment • Risk of management override <p>More information on these audit risks can be found in the Audit Risks and Issues section above.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

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

Initial planning

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

Understand your business and environment

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

Assess audit risk

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

Evaluate internal controls

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

Finalise the audit approach

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

Gather audit evidence

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

Conclude and report

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

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;
- 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 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 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 \$77,730,000 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 group materiality to the fair value of property, plant and equipment.

For this audit we have set a lower, **specific group materiality** of \$1,600,000 for all items not related to the fair value of property, plant and equipment.

Overall group materiality	\$96,310,000
Specific group materiality	\$1,600,000
Group clearly trivial threshold	\$80,000
Overall parent materiality	\$93,900,000
Specific parent materiality	\$1,550,000
Parent clearly trivial threshold	\$77,500

We have set **overall parent materiality** for the financial statements at \$37,400,000 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 \$1,550,000 for all items not related to the fair value of property, plant and equipment.

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 Council other than those that are **clearly trivial**. We consider misstatements of less than \$80,000 to be clearly trivial for the **group** financial statements and misstatements of less \$77,500 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. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

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

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

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the District 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 Manawatu District Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

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

Material measure	Materiality (% of the reported result)
Water	
Safety of drinking water 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).	0% as the result is either right or wrong
Drinking water supply - Fault response times Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response time measured: - resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	5%

Material measure	Materiality (% of the reported result)
<p>Drinking water - customer satisfaction</p> <p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> (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 <p>expressed per 1000 connections to the local authority's networked reticulation system.</p>	8%
Wastewater	
<p>Discharge compliance/ management of environmental impacts</p> <p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, <p>received by the territorial authority in relation to those resource consents.</p>	5%
<p>Faults are responded to and resolved in a timely manner</p> <p>Where the TA attends to sewerage overflows resulting from a blockage or other fault in the TA's sewerage system, the following median response time measured:</p> <ul style="list-style-type: none"> - resolution time: from the time that the TA receives notification to the time that service personnel confirm resolution of the blockage or other fault. 	8%
<p>Wastewater - customer satisfaction</p> <p>The total number of complaints received by the TA about any of the following:</p> <ul style="list-style-type: none"> (a) sewage odour (b) sewerage system faults (c) sewerage system blockages, and (d) the TA's response to issues with its sewerage system, <p>expressed per 1000 connections to the TA's sewerage system.</p>	8%

Material measure	Materiality (% of the reported result)
Transport	
Road condition The average quality of ride on sealed local road network, measured by smooth travel exposure.	8%
Road safety The change from the previous year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	8%
Building and resource consents	
Percentage of building consent applications and code compliance certificates processed and approved – 20 working days.	5%
Percentage of non-notified applications for resource consent under the RMA processed in accordance with the statutory timeframes.	5%

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 Manawatu District Council or by one or more of its members, office holders, or employees;
and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



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

Reports to Council



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

Debbie Perera	Appointed Auditor
Megan Wassilieff	Audit Manager
Josephine Anthony	Audit Supervisor
Ferdinand Dasigao	Manager, Information Systems Audit and Assurance

Timetable



Our proposed timetable is:

Interim audit begins	15 May 20233
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	11 September 2023
Final audit begins	18 Septmeber 2023
Final financial statements available, incorporating all the amendments agreed to between us	To be agreed
Verbal audit clearance given	To be agreed
Annual report available, including any Chair and Chief Executive’s overview or reports	To be agreed
Audit opinion issued	By 31 October 2023
Draft report to Council issued	17 November 2023

AuditDashboard

In 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was worked well. The Council staff provided us with most of the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase of the audit to proceed more efficiently and reduced the level of interruption to council staff.

We will again use AuditDashboard for transferring files 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 some of our audit work at remotely. Based on our experience we found that Manawatu 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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PO Box 149
Palmerston North 4440
Phone: 04 496 3099



19 May 2023

31 Amesbury Street
PO Box 149, Palmerston North 4440

Helen Worboys
Mayor
Manawatu District Council
Private Bag 10001
Feilding 4743

Dear Helen

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 Manawatu District Council (District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of 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 Manawatu 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;
- 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 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 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 and/or annual plan; and
- the statement about capital expenditure for each group of activities of District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan and/or annual plan; and
- the funding impact statement for each group of activities of 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 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 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



Debbie Perera
Appointed Auditor
On behalf of the Auditor-General

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

Signature: _____

Date: _____

Name: Helen Worboys

Title: Mayor

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	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ○ the financial position; and ○ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ○ 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. • complies with generally accepted accounting practice in New Zealand. <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> • the funding impact statement of 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 and/or annual plan; and

Responsibilities of the council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> • the statement about capital expenditure for each group of activities of District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan and/or annual plan; and • the funding impact statement for each group of activities of 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. <p>We are also required to report on whether District Council has:</p> <ul style="list-style-type: none"> • 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. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • 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. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • 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;

Responsibilities of the council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> • 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. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of District Council; • enable you to monitor the resources, activities, and entities under your control; • enable 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. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

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

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

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.