

**Report to the Council  
on the audit of**

**Manawatu District Council**

For the year ended 30 June 2023

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## Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

### **Audit opinion**

We have issued a non-standard audit opinion dated 30 October 2023. Please refer to section 2.1 for details on the opinion that was issued.

### **Matters identified during the audit**

We are pleased to note that the delivery by the Council of the draft annual report and the supporting workpapers was much improved from the prior year and this assisted greatly in ensuring that the audit could be completed by the statutory deadline which had moved back to 31 October for the current year.

We are also pleased to note that there is only one new significant issue raised during the year relating to the system for ensuring that vested assets and the associated revenue is recorded into the financial systems in a timely and accurate manner. Also, five of the prior year recommendations have been cleared in the current year.

### **Thank you**

We would like to thank the Council, management and staff for the assistance received during the audit.



Debbie Perera  
Appointed Auditor  
10 December 2023

# 1 Recommendations



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

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

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p><b>Vested assets</b></p> <ul style="list-style-type: none"> <li>Ensure timely communication of information between the Infrastructural and Roading Departments and the Finance Team</li> <li>Implement a shared system accessible to both departments for tracking project status, allowing the identification of key milestones for vesting assets to the council.</li> <li>Request the Schedule of Assets from Developers, even if it itemises costs, as this will aid in assessing the reasonableness of variances and ensuring that costs are accurately represented given the fair value recording</li> </ul>	4.1	Necessary

## 1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	6		7
Implemented or closed		4	1	5
<b>Total</b>	<b>1</b>	<b>10</b>	<b>1</b>	<b>12</b>

## 2 Our audit report

### 2.1 We issued a modified audit report



We issued a non-standard audit report on 30 October 2023.

We issued an unmodified opinion over the financial statements. This means we were satisfied that the financial statements present fairly the District Council's activity for the year and its financial position at the end of the year and that the financial statement comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

We issued a qualified opinion on the service provision as our work was limited with respect to the performance measures on processing times for resource consents and building consents. This is the same qualification as was included for the 30 June 2022 annual report.

An important part of the District Council's service performance is processing consent applications in accordance with statutory timeframes. In reporting its performance for the Regulatory group of activities, the District Council has reported against performance measures on:

- The percentage of building consent applications and code of compliance certificates that are processed and approved within the statutory 20 working days.
- 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.

Our audit testing of a sample of consents identified issues with the recorded processing times not agreeing to underlying consent information.

Due to the extent of the inaccuracies, we identified from our sample testing, we are unable to determine whether the District Council's reported results for these two measures are materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported results for building consent and resource consent processing times. Refer to appendix 1 for further detail.

Without further modifying our audit opinion, we included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to the water services reform programme.

Refer to sections 3 and 4 for detail on matters we considered when forming our audit opinion.

**2.2 Uncorrected misstatements**

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that required correcting.

**2.3 Corrected misstatements**

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of increasing revenue by \$272,504 and to increase the associated asset by the same amount compared to the draft financial statements. The corrected misstatements are listed below.

Current year corrected misstatements	Ref	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Accounts receivable	1	182,272			
Subsidies and grants					(182,272)
Three waters assets	2	649,232			
Vested assets revenue					(649,232)
Vested assets revenue	3				559,000
Roading assets		(559,000)			
<b>Total parent and group</b>		<b>272,504</b>			<b>(272,504)</b>

**Explanation of corrected misstatements**

- 1 To record the NZTA year end accrual.
- 2 To record three waters assets (SUB 9903) and the associated vested assets for the items vested prior to the end of the financial year.
- 3 To reverse the accrual of vested roading assets that occurred twice during the current financial year.

There were also some adjustments made as a result of further work completed by the Council during the audit.

**2.4 Corrected disclosure deficiencies**

Detail of disclosure deficiency
Figures included in the related parties disclosures needed to be updated to ensure that the Council and CCO annual reports were consistent.
The result for the rates increase affordability benchmarks for the current year needed to be updated to reflect the correct percentage as calculated from the financial statements.
Some disclosures needed to be updated to reflect 2023 information as originally, they included the prior year’s information that had not been updated.
The initial version of the annual report provided to us for audit had items in them that were rolled from the prior year initial version of the annual report. These items were substantially updated during the 2022 audit and should have been updated into the initial draft annual report.

**2.5 Corrected performance reporting misstatements**

Detail of misstatement
The Council needed to update the disclosures in the annual report to ensure that the requirements of PBE FRS 48 were met.
The number of code of completion certificates included in the annual report did not match the systems.
The disclosures relating to the compliance with the Drinking Water Quality Assurance Rules needed to be updated to be clear that there were two different standards in use during the year.

**2.6 Quality and timeliness of information provided for audit**



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 3 July 2023 via AuditDashBoard. This included the dates we required the information to be provided to us.

We are pleased to say that the Council staff produced a reasonably complete draft annual report and the supporting documents for this in line with the timelines agreed and included on AuditDashBoard. Any items that were not there at the start of the audit did not cause any major audit delays.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 25 July 2023, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Revaluation of roading assets</b>	
<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>To address this risk we:</p> <ul style="list-style-type: none"> <li>• reviewed the method of valuing the assets and assessed if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation;</li> <li>• assessed the valuation process, including the competence and experience of the person completing the valuation, the valuer and the peer reviewer;</li> <li>• assessed relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets;</li> <li>• reviewed evidence of management’s review of the appropriateness of the valuation inputs (e.g. confirming unit rates back to recent contract data); and</li> <li>• assessed the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul> <p><b>Overall Conclusion</b></p> <p>We are satisfied that the 30 June 2023 revaluation of infrastructure assets is fairly stated.</p>

Audit risk/issue	Outcome
<b>Management override</b>	
<p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>• Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Council and its environment, and other information obtained during the audit.</li> </ul> <p><b>Conclusion</b></p> <p>From our testing we did not identify any issues that indicated management override.</p>
<b>Fair value/impairment assessment of land and buildings</b>	
<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"> <li>• factor in local cost information;</li> <li>• utilise relevant and reliable price movement indicators; and</li> <li>• involve consulting with valuers, if necessary.</li> </ul> <p>Alternatively Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>Council engaged QV to consider the movement in value for land and buildings since the valuation as at 30 June 2022. From this it was determined that a full revaluation was not required.</p> <p><b>Overall conclusion</b></p> <p>We reviewed the fair value assessment and agreed that a revaluation of land and buildings was not required.</p>

Audit risk/issue	Outcome
<b>PBE FRS 48 implementation</b>	
<p>PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 Presentation of Financial Statements 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 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>	<p>We worked with the Council in relation to the disclosures that have been included in the annual report.</p> <p><b>Overall Conclusion</b></p> <p>From the work that we completed over the disclosures for PBE FRS 48 we are satisfied that disclosures meet the requirements of the standard.</p>

Audit risk/issue	Outcome
<b>Asset Impairment considerations</b>	
<p>In accordance with PBE IPSAS 21, Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets, 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 tested 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 tested for impairment at least annually.</p>	<p>Due to the judgemental nature of the valuations used in assessing impairment there is a risk of bias or error in the assumptions and inputs used. Any bias or errors in the inputs used or calculations performed could result in a material misstatement in the carrying value of property plant and equipment/investment property/intangible assets and the related impairment expense.</p> <p>We:</p> <ul style="list-style-type: none"> <li>• reviewed the impairment assessment;</li> <li>• evaluated the reasonableness of the significant assumptions;</li> <li>• evaluated how management has addressed estimation uncertainty; and.</li> <li>• reperformed calculations made by management</li> </ul> <p><b>Overall Conclusion</b></p> <p>From the work that we completed over the property plant and equipment we did not note any impairment of assets that had not been taken into account.</p>

Audit risk/issue	Outcome
<b>Drinking water quality performance measures</b>	
<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>The District Council maintained their testing regimes in accordance with the appropriate standards. They engaged an expert (Matt Molloy – Matt Molloy Consulting Limited) to ensure that they complied with the drinking water standards. The Expert examined the District Councils processes and confirmed to us that the standards had been met. We assessed the experts work and were satisfied that the work of the expert, Matt Molloy Consulting, is suitable to use as audit evidence.</p> <p><b>Conclusion</b></p> <p>We were satisfied that the drinking water standards have accurately reflected in the annual report.</p>

## 4 Issues noted during the audit



In this section we outline the issues we have identified through the audit work we have performed.

### 4.1 Vested Assets

#### Recommendations

- Ensure timely communication of information between the Infrastructural and Roding Departments and the Finance Team
- Implement a shared system accessible to both departments for tracking project status, allowing the identification of key milestones for vesting assets to the council.
- Request the Schedule of Assets from Developers, even if it itemises costs, as this will aid in assessing the reasonableness of variances and ensuring that costs are accurately represented given the fair value recording.

#### Findings and analysis

While completing work over Vested Assets, we found the following:

- Vested Assets Revenue was overstated by \$559k due to a calculation error, which also had an equal overstatement effect on Infrastructure Assets (Roding).
- Vested Assets Revenue was understated by \$649k. This occurred because Infrastructure did not vest (SUB 9903) in the reporting financial year, whereas Roding had vested their assets. This affected both Revenue and Assets as there was an equal understatement.
- It also came to our attention that the Land Development team is responsible for notifying Roding and Infrastructure teams when a subdivision is ready to be vested to the council. However, there appears to be a communication gap between these departments.
- We also encountered difficulties in obtaining the Schedule of Assets for completed subdivisions. This document itemises the costs for different development elements/assets. However, we observed that the cost is considered to be its fair value at the date of acquisition for Infrastructure Assets which is deemed reasonable.

**Management comment**

*The vested asset recognition, acceptance and reconciliation process will be refined and documented into Promapp with training given to all staff involved in these tasks. This new process will involve a tracking system housed on the Council SharePoint system with access to all relevant officers.*

## 5 Assessment of internal control



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

### 5.1 Control environment

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

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

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

### 5.2 Internal controls

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

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

In performing this assessment we consider both the “design effectiveness” and “operational effectiveness” of internal control. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control, but we do report any deficiencies identified.

## 6 Public sector audit



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

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

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

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

There were no issues that need to be brought to your attention.

## 7 Group audit



The group comprises:

- Manawatu District Council
- Manawatu Community Trust
- The Feilding Civic Centre trust
- Awahuri Forest/Kitchener Park Trust
- Heartland Contractors Limited

We identified the Manawatu Community Trust as a significant component of the group.

We note that Camp Rangi Woods Trust continues to not be consolidated into the group financial statements. We refer to our previous year recommendation in respect of this matter.

We have not identified any of the following during our audit for the year ended 30 June 2023:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit, other than that relating to Camp Rangi Woods.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

Results of the audit of the significant component, Manawatu Community Trust:

- We issued an unmodified audit opinion on the financial statements and performance information, which means we were satisfied that the financial statements present fairly the Trust's activities for the year and its financial position at the end of the year.

## 8 Useful publications



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

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

Description	Where to find it
<b>Managing conflicts of interest involving council employees</b>	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>Link: <a href="#">Model Financial Statements</a></p>
<b>Sensitive expenditure</b>	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice.</p> <p>Link: <a href="#">Sensitive expenditure</a></p>
<b>Conflicts of interest</b>	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications.</p> <p>Link: <a href="#">Conflicts of interest</a></p>

Description	Where to find it
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG’s website under 2019 publications. Link: <a href="#">Severance payments</a></p>
<b>Good practice</b>	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG’s website under good practice. Link: <a href="#">Good practice</a></p>
<b>Procurement</b>	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications. Links: <a href="#">Strategic suppliers: Understanding and managing the risks of service disruption</a> <a href="#">Getting the best from panels of suppliers</a> <a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<p><b>Recording of resource management consents processed within statutory timeframes</b></p> <p>Implement a system to correctly record the number of days to process building consents and resource management consents, including extensions given, in accordance with the statutory timeframes to statutory timeframes.</p>	2022	<p><b>Open</b></p> <p>The District Council requires an update to their systems to enable consents to be appropriately calculated.</p>
<b>Necessary</b>		
<p><b>Bank reconciliations – timeliness of review</b></p> <p>Perform and review bank reconciliations on a timely basis.</p>	2022	<p><b>Open</b></p> <p>In the prior year we noted a significant lapse in time between the reconciliations being prepared and time they are reviewed.</p> <p>For 2023 we found that there was no review of bank reconciliations for 3 out of the 4 reconciliations tested.</p>
<p><b>Sensitive Expenditure Policy and System</b></p> <p>The Sensitive Expenditure Policy complies with the OAG's best practice guidelines. Specifically areas of travel, entertainment, and gifts.</p> <p>For the OAG guidelines, refer to <a href="https://oag.parliament.nz/2020/sensitive-expenditure">https://oag.parliament.nz/2020/sensitive-expenditure</a>.</p>	2019	<p><b>In progress</b></p> <p>The Sensitive Expenditure Policy was still being finalised at the time of our audit.</p>
<p><b>Credit card not appropriately approved</b></p> <p>The District Council follow the one-up approval process as required by the sensitive expenditure policy.</p> <p>The Chair of the Audit and Risk Committee's approval is included in Jarvis when the CE is approves the payments on the system.</p>	2019	<p><b>In progress</b></p> <p>The process for one-up approval has been reiterated with Council staff. In 2023 there has been no change on the approval process. The Mayor's expenditure is still being approved by the CEO.</p>

Recommendation	First raised	Status
<p><b>Declaration of interests</b></p> <p>The District Council should confirm with councillors and staff that their interests have been updated on the interest register.</p>	2020	<p><b>In progress</b></p> <p>The Council have a process of checking the Companies Register Website, however our examination of this showed some interests were not disclosed by all relevant people.</p>
<p><b>Consolidation</b></p> <p>That:</p> <ul style="list-style-type: none"> <li>• The District Council instruct the Camp Rangī Woods Trust to provide up to date financial statements.</li> <li>• The necessary adjustments be made to consolidate the Trust's financial statements (including adjusting accounting treatment where applicable).</li> </ul>	2020	<p><b>In progress</b></p> <p>There has been no change in the current year.</p> <p>Council is still working to exit Camp Rangī Woods Trust, but this involves a legal process and is taking time.</p>
<p><b>Asset management plans</b></p> <p>That District Council continue work to improve their Asset Management Plans to ensure accuracy of data relating to condition and performance.</p>	2017	<p><b>In progress</b></p> <p>From the work completed during the review of the 2021-31 LTP audit this is an area that still needs improvement.</p> <p>This will be examined during the next LTP process.</p>

## Implemented or closed recommendations

Recommendation	First raised	Status
<p><b>Generic log on accounts</b></p> <p>Review generic accounts and when possible, replace them with unique log-on accounts. If this cannot be practically implemented, ICT should ensure that the third-party providers have sufficient security controls that restrict access to these generic accounts and that the use of such account is traceable to an individual.</p>	2022	<p><b>Closed</b></p> <p>We are satisfied with the controls in place and business reasons for the remaining generic accounts.</p>
<p><b>Regular testing of the IT Disaster recovery plan</b></p> <p>Test the ICT Disaster recovery plan on a regular basis.</p>	2022	<p><b>Closed</b></p> <p>We are satisfied with the control activities that were completed over the last 12 months.</p>
<p><b>Adding, reviewing and removing staff and contractors from IT systems</b></p> <p>A review of procedures for adding, reviewing and removing contractors be done and a centralised database of contractors be established. All Managers need to be reminded of the correct procedures for advising all necessary people about staff and contractors' movements, so that all access can be removed promptly.</p>	2021	<p><b>Closed</b></p> <p>In our testing for this year, we have not noted any issues related to this audit item.</p>

Recommendation	First raised	Status
<p><b>Procurement of consultants</b></p> <p>We recommend that the District Council carries out the following actions:</p> <p>Deliver training to all staff involved in procurement on documenting a procurement plan, estimating the total value of procurement over the life of the project, and how to correctly apply the exemptions in the procurement policy.</p> <p>Develop an organisation wide set of standard templates for documenting the various aspects of the procurement process.</p> <p>Update the procurement policy to make it clear that the financial limits, which dictate the type of procurement process that is required, be considered first, and then other policy exemptions.</p>	2018	<p><b>Closed</b></p> <p>Key decision-making staff with budget/delegations responsibilities are trained and mentored in the use of the MDC procurement policy, which outlines the requirements for all contractual engagement including consultancy services. There is no standard templates due to the varied nature of council procurement across all activities and areas, however the procurement policy provides a robust framework for appropriate decision making.</p> <p>The procurement policy is clear on the financial limits relating to the various types of procurement undertaken by council officers and is aligned with the delegation’s manual.</p>
<p><b>Update fraud policy to align with best practice</b></p> <p>That the fraud policy is updated to align with the Office of the Controller and Auditor General’s (OAG) best practice guidance.</p>	2017	<p><b>Closed</b></p> <p>The Fraud Policy had been updated as of 21 June 2022 and aligns with the OAG’s best practice guidance.</p>

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out a limited assurance engagement related to the District Council’s Debenture Trust Deed. This engagement is compatible with those independence requirements. Other than this engagement, we have no relationship with, or interests in, the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$219,590, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$6,000 for the limited assurance engagement related to the District Council’s Debenture Trust Deed.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p> <p>The Audit Manager responsible for the audit has not undertaken any work related to the internal auditors (as her daughter is employed by CKS who undertake the internal audit process). The audit supervisor has reported directly to the Appointed Auditor on any of our work relating to internal audit.</p>

# AUDIT NEW ZEALAND

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