



# **AGENDA:**

## **Meeting of the FINANCE & AUDIT COMMITTEE**

**Monday 15 January 2018**  
commencing at 5:00pm

*at:*

**Clocktower Chambers,  
Palmerston Street, Westport**

### **Finance & Audit Committee Members:**

- His Worship the Mayor Garry Howard
- Cr J Cleine
- Cr D Hawes
- Cr S Roche (Chair)
- Cr R Nahr
- Cr P Rutherford

# Terms of Reference

## Finance & Audit Committee

---

### Purpose

The Finance and Audit Committee will monitor and assess the following:

- The correct level of service is being delivered within the approved financial parameters.
- External financial funding is on track to be received within the budgeted financial year.
- Council's level of borrowing is financially sustainable and intergenerational equity requirements are achieved.
- Council's investments are growing as predicted and invested as per Treasury Management Policy and that all breaches of policy are reported and approved by Council.
- Rates are being collected and that debt recovery is under control.
- Monitoring of Council's fiscal prudence indicators.
- Both external and internal audit requirements are met.

### Delegated Powers

- The Finance and Audit Committee has authority to undertake the following functions and to make recommendations to Council as required:

### Financial and Performance Monitoring

- Monitoring financial performance to budgets
- Monitoring service level performance to key performance indicators
- Monitoring of Rates and General Debt collection

### External Reporting and Accountability

- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the Chief Executive and Mayor and adoption by Council.

### External Audit

- Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised
- Enquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks. Internal Audit
- Review the internal audit coverage and annual work plans.

### Frequency of Meetings

Monthly

### Reporting To

Council

### Reporting Timeline

Monthly dashboard report

### Membership

Chair:

- Sharon Roche

Members:

- Garry Howard
- Robyn Nahr
- Phil Rutherford
- Dave Hawes
- Jamie Cleine

# FINANCE & AUDIT COMMITTEE MEETING

15 JANUARY 2018

## INDEX

ITEM:	PAGE:
<b>Apologies</b>	
1. Members Interest.....	1
2. Confirmation of Minutes.....	2
3. Action Point List.....	7
4. Financial Performance.....	8
5. Investments and Borrowings Report.....	12
6. Significant Projects Report .....	18
7. Audit NZ Management Report: 2016/2017 Annual Report .....	25
8. Audit Management Action Points.....	42
9. Public Excluded Section .....	44
1. Aged debt.....	45

# FINANCE AND AUDIT COMMITTEE

15 JANUARY 2018

Agenda Item No 1

Prepared by - Dean Phibbs  
- Manager Corporate Services

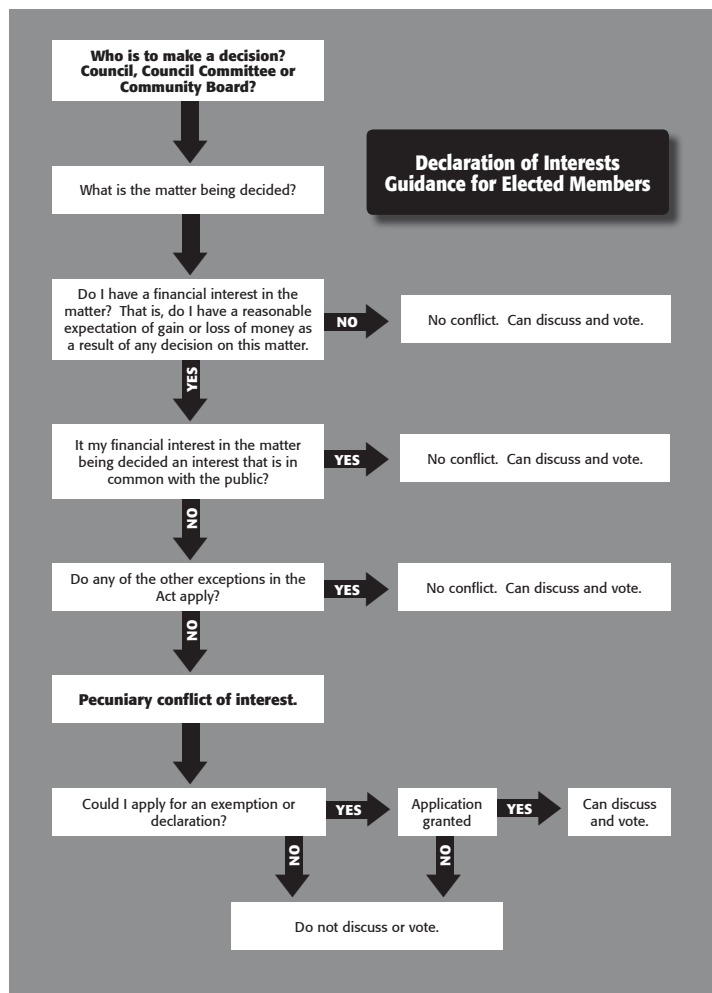
## MEMBERS INTEREST

Councillors are encouraged to consider the items on the agenda and disclose whether they believe they have a financial or non-financial interest in any of the items in terms of Council's Code of Conduct.

Councillors are encouraged to advise the Personal Assistant, Corporate Services, of any changes required to their declared Members Interest Register.

The follow flowchart may assist Councillors in making that determination (Appendix A from Code of Conduct).

## DRAFT RECOMMENDATION



That Councillors disclose any financial or non-financial interest in any of the agenda items.

**FINANCE AND AUDIT COMMITTEE**

**15 JANUARY 2018**

**Agenda Item No 2**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**CONFIRMATION OF MINUTES**

---

Minutes of the meeting held 6 December 2017.

**DRAFT RECOMMENDATION**

**That the minutes from the meeting held 6 December 2017 are confirmed.**

**MEETING OF THE BULLER DISTRICT COUNCIL FINANCE AND AUDIT COMMITTEE,  
COMMENCED AT 4pm, 6 DECEMBER 2017, AT CLOCKTOWER CHAMBERS,  
PALMERSTON STREET, WESTPORT**

---

**PRESENT:**

Councillor's S Roche (Chair), P Rutherford, R Nahr and J Cleine.

**IN ATTENDANCE:**

Chief Executive (A Gowland-Douglas), Management Accountant (L Brooks) and PA Corporate Services (M Wilson).

---

**APOLOGIES:**

An apology was received from Mayor G Howard.

**R Nahr/J Cleine  
CARRIED UNANIMOUSLY**

**1. MEMBER'S INTEREST**

No Members Interests were disclosed.

**2. MINUTES**

**RESOLVED** that the minutes of the 15 November 2017 meeting be accepted.

**P Rutherford/J Cleine  
CARRIED UNANIMOUSLY**

**3. ACTION POINTS**

111. An update was provided from Mike Duff and Rick Barry. Ongoing, change date required to February 2018.

117. Completed.

137. Change date required to February 2018.

**RESOLVED** that the report be received for information and discussion.

**S Roche/J Cleine  
CARRIED UNANIMOUSLY**

**4. FINANCIAL PERFORMANCE**

**AP:** Report to come to full Council in January 2018 regarding the loss of grazing lease at the Westport Airport in to discuss the issues (A Gowland-Douglas, S Creswell).

**RESOLVED** that the report be received for information and discussion.

**J Cleine/S Roche  
CARRIED UNANIMOUSLY**

**5. INVESTMENTS AND BORROWINGS**

**RESOLVED** that the report be received for information and discussion.

**R Nahr/P Rutherford  
CARRIED UNANIMOUSLY**

**6. SIGNIFICANT PROJECTS REPORT**

**RESOLVED** that the report be received for information and discussion.

**J Cleine/P Rutherford  
CARRIED UNANIMOUSLY**

**7. REVIEW OF 2018-2028 LTP FINANCIAL STRATEGY**

**RESOLVED** that the report be received for information purposes.

**D Hawes/S Roche  
CARRIED UNANIMOUSLY**

**8. AUDIT MANAGEMENT ACTION POINTS**

**RESOLVED** that the report be received for information and discussion.

**R Nahr/J Cleine  
CARRIED UNANIMOUSLY**

**9. PUBLIC EXCLUDED**

**RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting.

<b>Item No</b>	<b>Minutes/Report of:</b>	<b>General Subject</b>	<b>Reason for Passing Resolution</b>
1.	Lynn Brooks - Management Accountant	Leasehold property	Section 2 (a) to protect the privacy of natural persons, including that of deceased natural persons.
2.	Lynn Brooks - Management Accountant	Aged debt	Section 7 (f) i maintain the effective conduct of public affairs through the free and frank expression of opinions.

**S Roche/R Nahr  
CARRIED UNANIMOUSLY**

## FINANCE AND AUDIT COMMITTEE

15 JANUARY 2018

Agenda Item No 3

Prepared by - Dean Phibbs  
- Manager Corporate Services

### ACTION POINT LIST

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:	Completed
111	11 May 2016	<b>Leases and Licences to Occupy:</b> Update register and provide report	Mike Duff	An update was provided by Mike Duff and Rick Barry.  On-going.	February 2018	
137	17 May 2017	<b>WestReef Services:</b> work with WestReef Services to tidy-up how H&S KPI's are measured to provide consistency to the reporting.	Wendy Thompson Robyn Nahr	Quarterly report to go to Councils October meeting.	February 2018	
145	15 Nov 2017	<b>Peel Street yard:</b> remediation report to be provided by Mike Duff.	Sharon Roche		December 2017	
147	6 Dec 2017	<b>Westport Airport Grazing:</b> a full report to be pre-sented to Council regarding loss of grazing at the Westport Airport, issues to be discussed.	Andy Gowland-Douglas  Sonia Creswell		January 2018	

### DRAFT RECOMMENDATION

That the report be received for information.



## FINANCE AND AUDIT COMMITTEE

15 JANUARY 2018

Agenda Item No 4

Prepared by - Wendy Thompson  
- Financial Accountant

Reviewed by - Dean Phibbs  
- Manager Corporate Services

### FINANCIAL PERFORMANCE: NOVEMBER 2017

---

1. **Report Summary :**

To provide Council with an update on the operational performance to 30 November 2017.

2. **Recommendation/draft resolution:**

That this report be received for information and discussion.

3. **Operational Financial Performance**

3.1 **Operational Performance Report - Summary of results: November 2017**

	Actual YTD	Budget YTD	Projected Full Year	Budget Full Year	Projected Variance Full Year
Income	\$9,392,000	\$9,372,000	\$21,818,500	\$21,818,500	0
Expenditure	\$9,364,000	\$9,208,000	\$22,561,000	\$22,561,000	0
					<b>0</b>

### 3.2 Dashboard – Operational Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	
Economic Development, Tourism & Museum Support	●	●	
Community Services	●	●	
Regulatory	●	●	
Roading	●	●	Income over budget due to timing of subsidies
Solid Waste	●	●	
Support	●	●	
Wastewater	●	●	
Water	●	●	Over budget Westport supply electricity; Westport & Punakaiki repairs & maintenance.
Airport	●	●	

# Operational Financial Report for the period ending 30 November 2017

	Year to Date							Note	Temporary or Permanent Variance	Explanation of Variances of \$50,000 or greater
	Actual	Budget	YTD Variance	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction			
<b>Income</b>										
Community Services	232,787	274,100	(41,313)	U	676,940	676,940	0		Temporary	Theatre ticket and refreshment sales underbudget \$23,000
Democracy	268	0	268	F	0	0	0			
Tourism & Promotion	0	0	0	U	0	0	0			
Water Supply	1,259,582	1,298,270	(38,688)	U	3,033,130	3,033,130	0		Temporary	Timing of water meter billing cycle
Airport	120,471	108,980	11,491	F	188,752	188,752	0			
Amenities & Reserves	363,097	327,165	35,932	F	785,200	785,200	0			
Roading & Urban Development	928,625	777,255	151,370	F	2,341,130	2,341,130	0		Temporary	Timing of NZTA operating subsidy over budget \$144,000
Regulatory	436,984	482,103	(45,119)	U	870,895	870,895	0		Temporary	Under budget dog registrations \$27,000
Solid Waste	375,901	379,343	(3,442)	U	779,620	779,620	0			
Support Services	27,106	30,830	(3,724)	U	73,992	73,992	0			
Council (General Rates & Investments)	4,436,085	4,473,024	(36,939)	U	10,622,491	10,622,491	0		Temporary	Investment income underbudget \$21,000
Wastewater	1,211,026	1,220,491	(9,465)	U	2,446,380	2,446,380	0			
<b>Total Income</b>	<b>9,391,932</b>	<b>9,371,561</b>	<b>20,371</b>	<b>F</b>	<b>21,818,530</b>	<b>21,818,530</b>	<b>0</b>			

## Operational Financial Report for the period ending 30 November 2017

	Year to Date							Note	Temporary or Permanent Variance	Explanation of Variances of \$50,000 or greater
	Actual	Budget	YTD Variance	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction			
<b>Expenditure</b>										
Community Services	1,286,991	1,254,595	(32,396)	U	3,259,563	3,259,563	0	Temporary	Library Kotui software licence fee paid earlier than budgeted \$19,000 and depreciation overbudget \$14,000	
Democracy	179,602	176,000	(3,602)	U	532,000	532,000	0			
Tourism & Promotion	260,809	223,459	(37,350)	U	451,648	451,648	0	Partial Permanent	Unbudgeted consultant fees and events support \$17,000, timing of grants \$16,000	
Water Supply	1,019,856	849,271	(170,585)	U	2,282,008	2,282,008	0	Partial Permanent	Over budget electricity Westport supply \$50,000 and repairs & maintenance \$75,000, Punakaiki \$43,000, Reefton \$31,000; offset by Westport loan interest \$45,000	
Airport	134,070	140,480	6,410	F	325,952	325,952	0			
Amenities & Reserves	1,034,533	1,018,933	(15,600)	U	2,088,356	2,088,356	0			
Roading & Urban Development	2,345,391	2,298,795	(46,596)	U	5,526,626	5,526,626	0	Temporary	Timing of maintenance program	
Regulatory	520,813	565,289	44,476	F	1,356,785	1,356,785	0	Temporary	Various underbudget items offset by unbudgeted Rural Fire depreciation \$19,000	
Solid Waste	372,062	378,780	6,718	F	971,714	971,714	0			
Support Services	1,410,553	1,452,180	41,627	F	3,510,599	3,510,599	0	Temporary	Information Systems depreciation underbudget \$29,000	
Wastewater	799,696	850,584	50,888	F	2,256,121	2,256,121	0			
<b>Total Expenditure</b>	<b>9,364,375</b>	<b>9,208,366</b>	<b>(156,009)</b>	<b>U</b>	<b>22,561,372</b>	<b>22,561,372</b>	<b>0</b>			
<b>Net Variance</b>			<b>(135,638)</b>	<b>U</b>			<b>0</b>			

## FINANCE AND AUDIT COMMITTEE

15 JANUARY 2018

Agenda Item No 5

**Prepared by** - Wendy Thompson  
- Financial Accountant

**Reviewed by** - Dean Phibbs  
- Manager Corporate Services

### INVESTMENTS AND BORROWINGS: DECEMBER 2017

---

#### Report Summary

This report summarises Councils cash investments and borrowings for the month ended December 2017, interest earned for the period from 1 July 2017 to 31 December 2017 and policy compliance.

#### Recommendation/Draft Resolution

That the report be received for information.

#### Issues and Discussions

##### Investments

Investments have decreased by \$1.0 million in total from the last report circulated to the end of November 2017. This is mainly due to the effect of the rates billing cycle and monthly creditor payment obligations. The trading account closing balance is \$360,600.

##### Interest Revenue

Interest revenue to the end of December 2017 is \$352,400 compared to a budget of \$345,900. Council will continue to reinvest term investment funds at the most favourable interest rate when deposits are up for renewal. There are often opportunities to take advantage of bank pricing differences to maximise returns even in time of low interest rates.

##### Borrowings and Net Debt Position

Total borrowings are stable at \$23,500,000.

Net debt (borrowings less term investments) has increased to \$6,072,000 from the \$5,072,000 balance in October due to the movement in investments.

#### Considerations

##### 1. Strategic impact

It is important that Council retains suitable cash holdings and credit facilities to ensure its activities and capital projects are able to be funded in a timely and affordable manner.

**2. Significance assessment**

The significance policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant because the matters disclosed are of a routine nature, and not large in terms of total assets and total annual operations of council.

**3. Values assessment**

- The Buller District Councils values are: One Team; Community Driven; We Care; Future Focussed; and Integrity.
- Treasury management functions and reporting align most strongly with the values of Future Focussed and Integrity.
- Consideration of current and future cash requirements and intergenerational equity are required when managing cash deposits and credit facilities.
- Public reporting of investments and borrowings encourages open and honest discussion and decision making.

**4. Risk analysis**

- Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.
- Cash flow management is an integral part of ensuring Council is able to deliver the services and projects it has committed to in successive Long Term and Annual Plans.
- This risk is mitigated by establishing policies and procedures, engaging staff to manage investment and borrowings and regular reporting to Council to ensure high level oversight.

**5. Policy / legal considerations**

- The Local Government Act (2002) and associated regulations prescribe prudent financial management and nationwide benchmarks. The financial prudence benchmarks are now compulsory sections included in Council Long Term/ Annual Plans and Annual Reports.
- Council's Investment Policy and Treasury Policy govern the management of cash assets and borrowings.

**6. Tangata whenua considerations**

None identified

**7. Views of those affected**

Council's financial strategies, investment levels and borrowing projections are included in the Long Term Plan and Annual Plan consultation processes.

**8. Costs**

There are no extraordinary costs relating to investments and borrowings.

**9. Benefits**

The benefits of structured Treasury management include risk minimisation, prudent cash management and long term financial stability.

**10. Media / publicity**

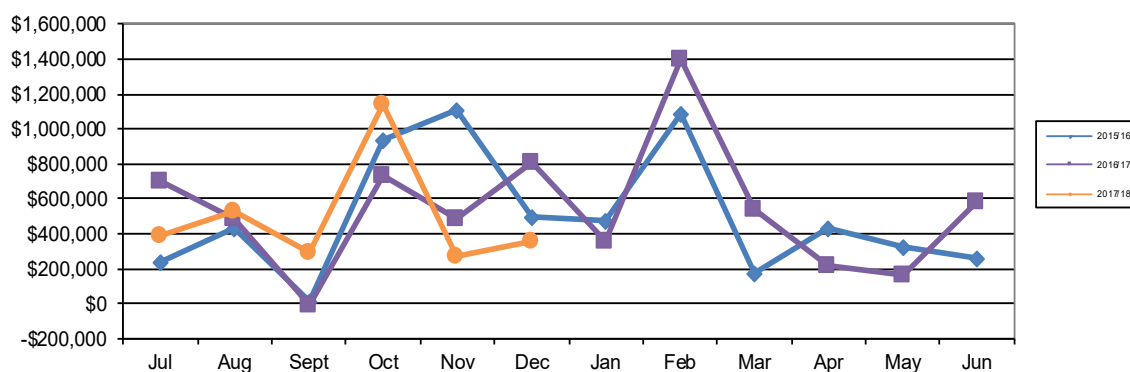
None identified.

## INVESTMENTS AND BORROWINGS REPORT

### 1. BANK BALANCE

	This Month 31 Dec-17	Last Month 30 Nov-17	Last Year 30 Jun-17
Council	\$360,586	\$266,279	\$585,661

### 2. MONTH END BANK BALANCE



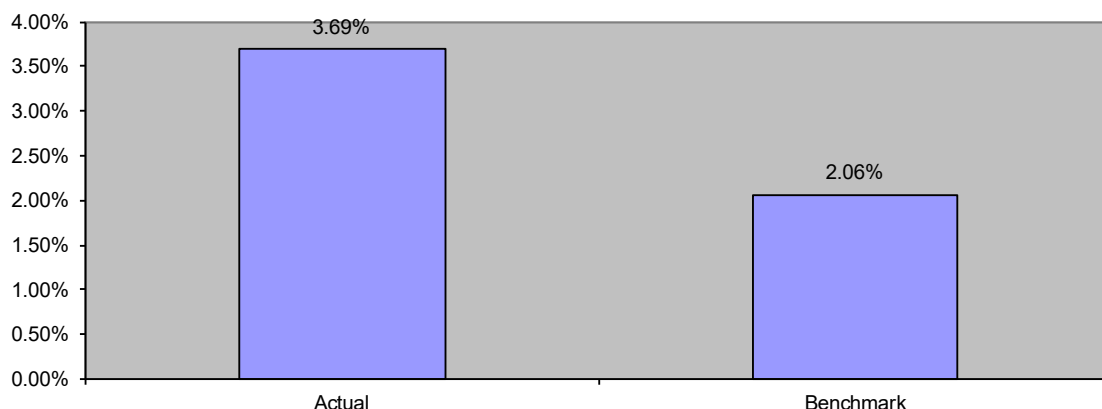
### 3. SUMMARY OF INVESTMENTS

	This Month 31 Dec-17	Last Month 30 Nov-17	Last Year 30 Jun-17
Term Deposits	17,398,148	18,398,148	17,098,148
Other Loans (includes loan to Holding Company)	2,507,923	2,507,923	2,537,348
<b>Total Investments</b>	<b>\$19,906,071</b>	<b>\$20,906,071</b>	<b>\$19,635,496</b>

### 4. SOURCE OF FUNDS

	This Month 31 Dec-17	Last Month 30 Nov-17	Last Year 30 Jun-17
Depreciation Funds	1,000,000	1,000,000	1,000,000
West Coast Package (Govt subsidy for halt to logging)	2,829,551	2,829,551	2,829,551
Harbour (profit from past harbour operations)	1,979,092	1,979,092	1,979,092
Freeholding Proceeds (sale of leasehold land)	2,840,838	2,840,838	2,840,838
Capital Sponsorship (deposits from V2010 sponsors)	5,034,038	5,034,038	5,034,038
Reserves Contribution Funds	1,314,630	1,314,630	1,314,630
Short Term Funds (rates income plus tds held pending debt reduction )	2,400,000	3,400,000	2,100,000
	<b>\$17,398,148</b>	<b>\$18,398,148</b>	<b>\$17,098,148</b>

## 5. INVESTMENTS PORTFOLIO PERFORMANCE (12 Month Average)



## 6. INTEREST REVENUE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$352,425	\$345,893	\$1,220,715

## 7. COMPLIANCE WITH INVESTMENT POLICY

All term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

Council has approved the investment in NBS which sees us in breach of the Treasury Management Policy. This breach will continue as investments mature and are rolled over.

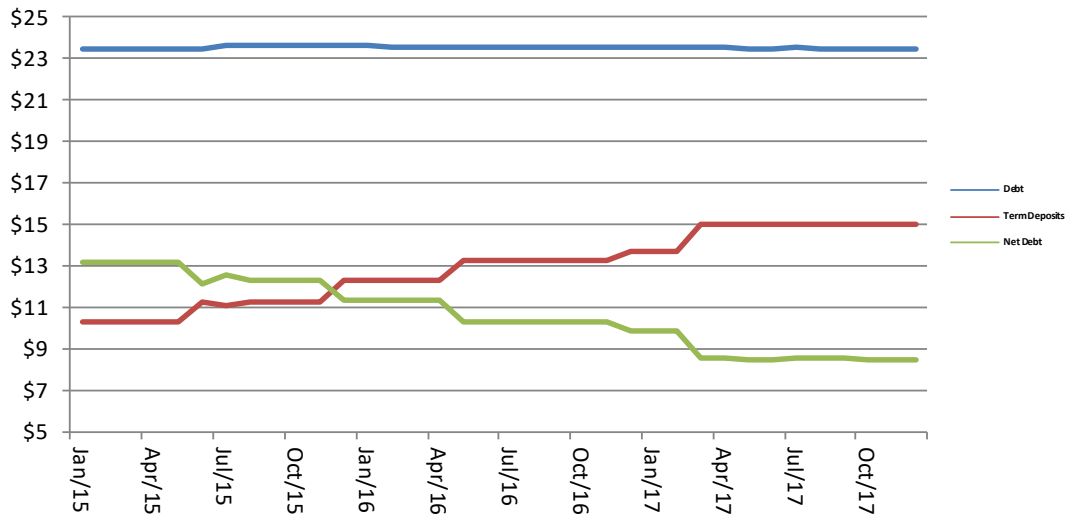
## 8. SUMMARY OF BORROWINGS

	This Month 31 Dec-17	Last Month 30 Nov-17	Last Year 30 Jun-17
<b>External Debt:</b>			
Westpac Loan Facility	3,433,860	3,433,860	3,433,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
EECA Loan	35,989	35,989	66,241
	<b>\$23,469,849</b>	<b>\$23,469,849</b>	<b>\$23,500,101</b>
Weighted Average Interest Cost	4.00%	4.00%	4.60%
<b>Net Debt:</b>			
Total Borrowings	23,469,849	23,469,849	23,500,101
Less: Term Deposits	17,398,148	18,398,148	17,098,148
	<b>\$6,071,701</b>	<b>\$5,071,701</b>	<b>\$6,401,953</b>



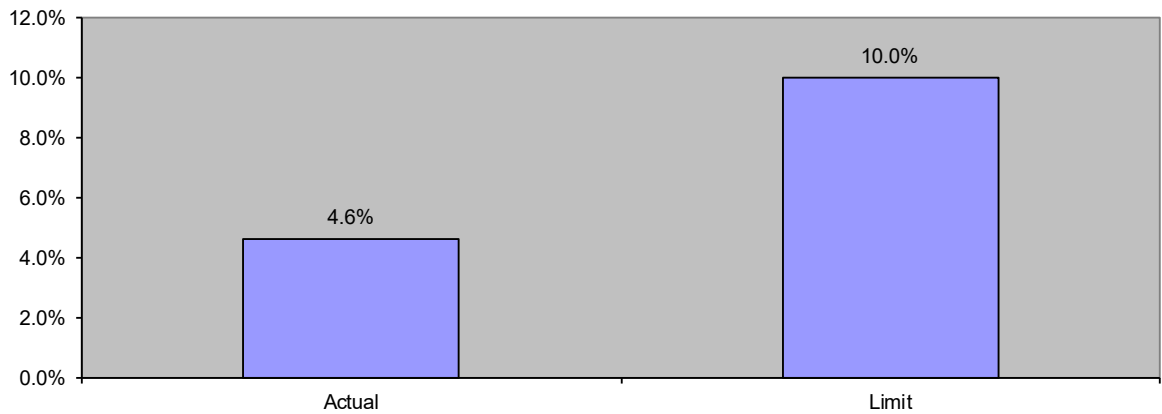
## 9. DEBT AND INVESTMENTS 3-YEAR TREND

\$ Millions

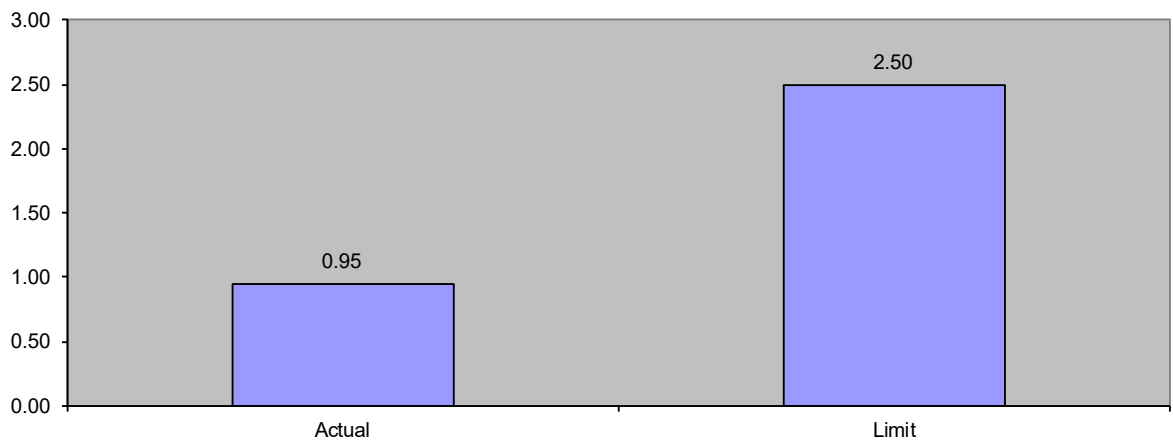


## 10. COMPLIANCE WITH TREASURY POLICY

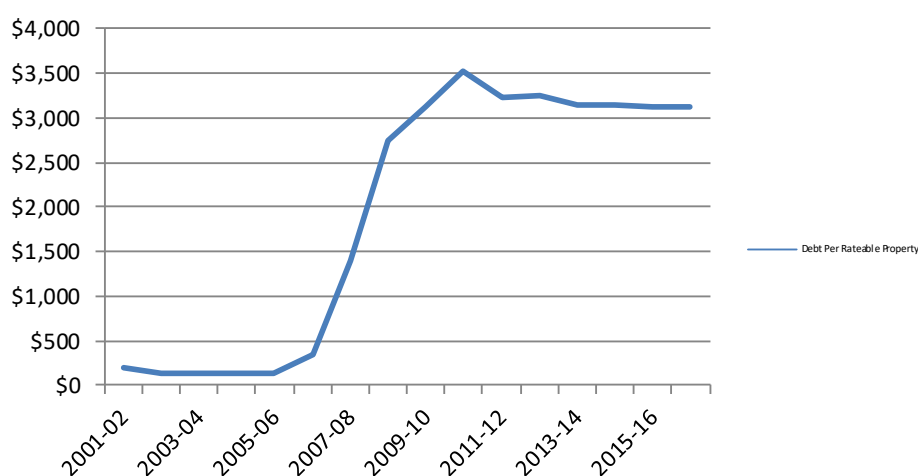
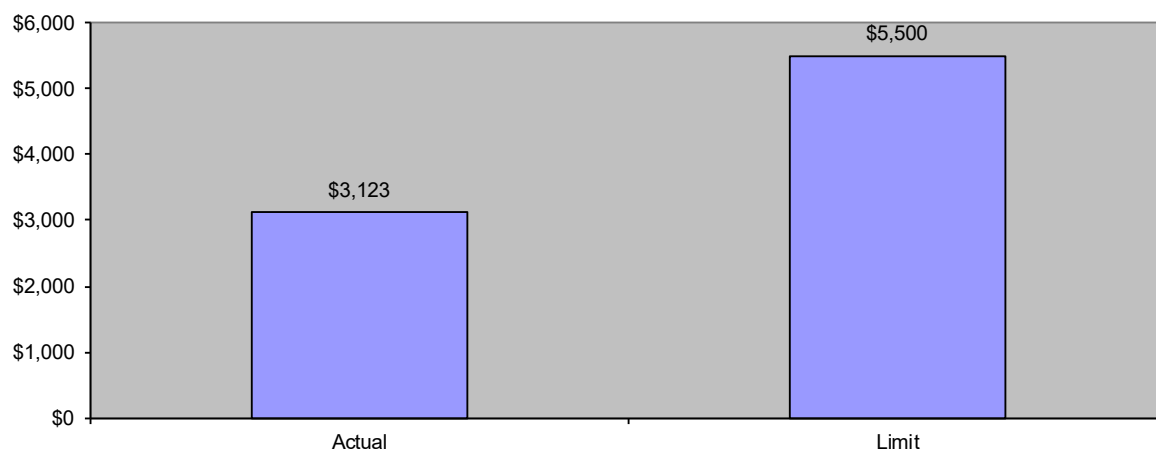
### 10.1 Interest Expense / Total Income



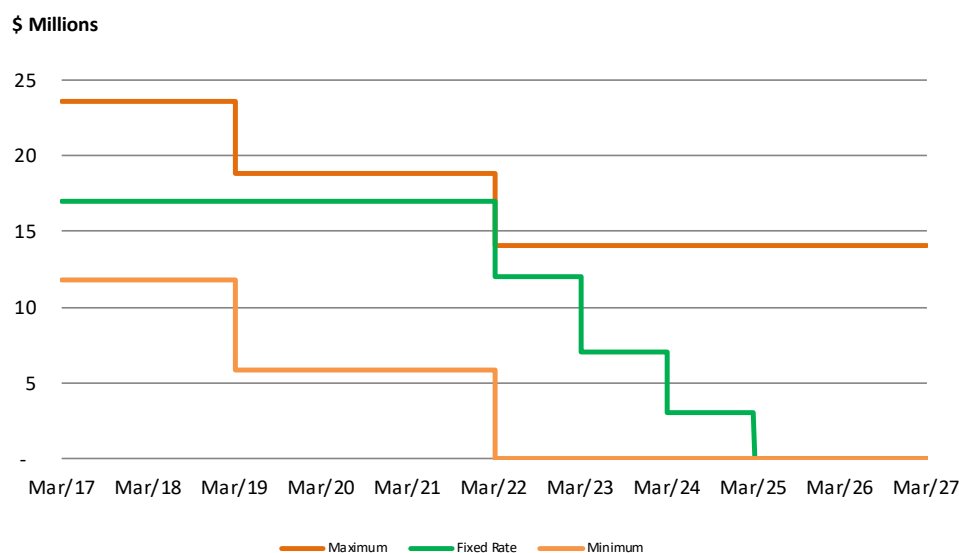
### 10.2 Gross Debt / Total Income



### 10.3 Gross Debt per Rateable Property



### 10.4 Fixed Rate Debt - Compliance with Treasury Policy



Current borrowings are in compliance with the limits specified in Council's Treasury Policy.

Investments are in breach of Council's Treasury Management Policy in respect that there is more than 10% of the portfolio invested in a Building Society. Council ratified this breach via resolution to obtain ongoing sponsorship proceeds for the NBS Theatre.

## FINANCE AND AUDIT COMMITTEE

15 JANUARY 2018

Agenda Item No 6

Prepared by - Lynn Brooks  
- Management Accountant

Reveiwed by - Dean Phibbs  
- Manager Corporate Services

### SIGNIFICANT PROJECTS REPORT

---

#### Report Summary

This report summarises significant projects and priorities of Council at 30 November 2017. It records both current and future work streams, and is for discussion and monitoring purposes. It should be read in conjunction with the attached detailed Appendix A.

#### Draft Recommendation

That the report be received for information.

#### Issues and Discussion













The report provides a high summary of some projects and priorities of Council by each of the following sectors:

- 1 Mayor, Councillors and Chief Executive
- 2 Community and Environment
- 3 Corporate Services
- 4 Assets and Infrastructure
- 5 Significant Projects

This report does not include every task undertaken, such as low value routine roading contract work or other regular services provided by Council. Instead it highlights the high value projects at an aggregated level, and/or the non-routine projects.

Chief Executive and Council are to advise if there are other projects or priorities to be included in the next monthly report to Council.

The following table shows each section of the report as a high level overview. This is similar to other “traffic light” indicators used in Council documents such as the Annual Plan, Long Term Plan and other reports and is included for consistency with those formats.

Activity	Indicator	Comment
<b>Mayor, Councillors and Chief Executive</b>		Advocacy for a fit-for-purpose IFHC continued on behalf of the community. Shared services and review projects are progressing as planned.
		Advocacy for the West Coast Regional Council projects (Westport Flood Protection, Carters Beach & Granity/Ngakawau sea erosion) continues.
<b>Community and Environment</b>		The current tasks are on plan and budget. Attention must be paid to the resources required to complete all bylaw reviews which are required in 2017/2018. Freedom Camping is a topical issue and all West Coast Councils are working on a joint solution toward this issue.
<b>Corporate Services</b>		The Long Term Plan is at collation phase.collation.
<b>Significant Projects</b>		<b>General Projects:</b> The District Plan Review and Rates Overhaul Project are progressing as planned. The telephony project has been completed ahead of time. Work continues on the Information Management system which is a key project.
<b>Assets and Infrastructure</b>		<b>Roading and Urban Development:</b> District Signage has progressed and billboards have been installed. Roothing contracts are being completed as planned. Advocacy for the Karamea Highway Special Purpose Road designation continues..
		<b>Water Supplies:</b> The Westport water project is progressing with implementation of the repair option commencing. Investigation into the Waimangaroa Water treatment system continues.
		<b>Water Supplies:</b> Punakaiki Water Intake Easement progressing as planned.
		<b>Properties and Amenities:</b> Peel Street Yard, site testing, analysis and risk assessment in progress. Carnegie Library earthquake report required, this is necessary work that cannot be delayed and costs will be over budget at end of year.
		District Signage (Seal Loop) installation near completion.
Project on time and budget		
Project delays or budget overruns		

## Considerations

### 1. Strategic impact

The report helps to monitor the outcomes provided for the community against the strategic direction of Council. In particular, it reports on the effectiveness of the “consolidate and hold” position taken in the last Long Term Plan where it was agreed to minimise rates increases and limit new services or capital spending to those things that could be used as a springboard for district economic growth.

### 2. Significance Assessment

The Significance and Engagement Policy sets out the criteria and framework for a matter or a transaction to be deemed significant. The Significance and Engagement Policy is written in accordance with The Local Government Act 2002 (LGA 2002) section 76AA. This part of the Act sets the general approach to determine if a proposal or decision is significant requiring the Council to make judgements about the likely impact of that proposal or decision on:

The district;

- a) The persons who are likely to be particularly affected by, or interested in, the proposal or decision;
- b) The financial impact of the proposal or decision on the Council’s overall resources; and
- c) The capacity of the Council to perform its role and carry out its activities, now and in the future.

The content included in this report has been consulted on with the community through the Long Term Plan and Annual Plan process.

### 3. Values assessment

The Buller District Council values are: One Team; Community Driven; We Care; Integrity; and Future Focussed. This report presents the significant projects which are important for the community and the future of the district. Reporting on the significant projects provides an opportunity to review if the areas of focus align with our values.

### 4. Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Significant projects are perceived to have some greater than usual potential to place Council at risk as the costs involved can be significant, or the project may have greater technical and legal issues. This risk is mitigated by engaging suitably qualified staff to monitor and regularly report on the projects therefore acting on any issues that arise early on, and to ensure the project progress is well understood by staff and governance.

### 5. Policy/Legal Considerations

The Local Government Act 2002 governs the activities of Council and sets out the requirement for consultation on the Annual Plan and Long Term Plan to agree the budgets and activities to be funded.

This report assists with two key purposes of that Act (refer to section 3) stating the purpose of the Act is to promote the accountability of local authorities to their communities; and provide for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

**6. Tangata Whenua Consultation Considerations**

The contents of the report are not a matter requiring consultation with tangata whenua or community groups.

**7. Views of those affected**

There is no need to consult with the public or affected parties due to the information being previously consulted upon through Annual Plan processes.

The community will have interest in the progress of the projects and priorities included in the report because new spending affects annual rates charges, and the effectiveness of advocacy has the potential to improve community wellbeing.

**8. Costs**

There are no extraordinary costs for the items included in this report, as these projects have been budgeted for in the annual plan. Some of the significant projects have no monetary cost to council as they are for advocacy.

**9. Benefits**

The benefits of reporting on reviewing the significant projects and priorities are understanding the timelines, budgets, resourcing and opportunities that exist for Council.

Reporting on the significant projects and priorities allows Council to compare the activities of Council against the core strategy of Council.

**10. Media/Publicity**

There are many media or publicity opportunities with the content of this report.

APPENDIX A: Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2017/18 Budget	Total Budget	Actual Cost to 30 November 2017	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
<b>MAYOR, COUNCILLORS &amp; CEO</b>													
●	Little Wangienui/ Tapawera/ Wangapeka Road Advocacy	GH + CEO	0	0	0		In progress			Nov-15			August Council resolution - ongoing.
●	Ultra Fast Broadband Advocacy	GH + CEO	0	0	0		In progress			Nov-15			Government Announcement with WC Projects 2019. Delivery by Chorus. Progressing with MDC, Creative Developments and BEL.
●	Integrated Family Health Centre Advocacy	GH + CEO	0	0	0					Nov-16	Nov-17		Advocacy for a fit for purpose build is ongoing, on behalf of the community.
●	Housing for Elderly - Advocacy	GH	0	0	0					Jun-16	Jun-18		Housing stock & ownership structure i.e. Trust to be investigated.
●	Carters Beach Sea Erosion Advocacy	GH + CEO	0	0	0					Aug-17			Community Meetings Held. Advocacy role only. Responsibility is with WCRC.
●	Ngakawau/Granity Sea Erosion Advocacy	GH	0	0	0					Aug-17			Community Meetings Held. Advocacy role only. Responsibility is with WCRC.
●	Westport Flood Mitigation Advocacy	GH	0	0	0		ongoing						WCRC project, BDC role is advocacy. WCRC Submissions on this issue closed 17 February 2017.
●	Future of Westport Port	CEO, DP & CEO BHL	0	0	0		under continual review			Dec-15	Jun-18		AP, LTP Strategy, CCTO Committee and BHL as per August 2017 resolution.
●	Holcim Exit	GH	0	0	0								Exit Plan.
●	17A Review - Local Government Act 2002	CEO	0	0	0		ongoing			Apr-17			Required to review cost effectiveness of current arrangements for meeting community needs.
●	Representation Review	CEO	0	0	0		ongoing			Jun-18			Work underway.
●	Shared Services Projects with Other Coast Councils	CEO	0	0	0		ongoing						Ongoing - Roading, Various IT Projects, Internal Audits, Civil Defence & Local Govt Commission, Economic Development, One (District) Plan, Policy Development.
●	Charleston/Cape Foulwind Cycleway	GH	0	0	0								MOU completed. Continue advocacy.
●	Kawathi Sculpture Symposium	GH + PH	0	0	0		near complete			May-16	Dec-17		Sculptures installed and near completed.
●	Reefton Historic Power Generation Project	GH	0	0	0					Dec-17			Advocacy with Greg Topp. Active discussions continuing.
●	Westport Gateway Sign	GH	0	0	0		in progress			Nov-15	Dec-17		Lighting yet to be completed.
●	Dolomite Point Advocacy	GH CEO	0	0	0		in progress						
<b>0 0 0 0 0 0</b>													
<b>COMMUNITY &amp; ENVIRONMENT</b>													
●	Local Alcohol Policy	CS + RT	0	0	0		in progress						Awaiting evidence from stakeholder groups to feed into policy development & legal outcomes Recommended this be put in the priority list for the Risk and Policy committee.
●	By-Law Reviews (all require review)	RT	0	0	0								Four bylaw reviews completed in 2017. 16 bylaw reviews due in 2018, NOTE this will be a large workload. Risk and Policy Committee are prioritising and timetabling work on the reviews. Banning of Alcohol in Public Places Bylaw and Livestock Movements Bylaw amendments expected to be completed in January 2018
●	Freedom Camping	CEO	0	0	0		in progress			Feb-17	Oct-18		Joint compliance and monitoring between all West Coast Councils. This must be completed by 30/08/19 or the bylaw will lapse.
●	Other Community & Environment Projects	CS	0	0	0								
<b>0 0 0 0 0 0</b>													

APPENDIX A: Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2017/18 Budget	Total Budget	Actual Cost to 30 November 2017	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
	<b>CORPORATE SERVICES</b>												
●	Fire & Emergency NZ Transition	DP	0	0	0	0	In progress		Apr-16	Dec-17			Information sharing with NZ Fire Service underway and decisions for rural fire asset transfers to be completed.
●	Long Term Plan 2018-2028	DP	0	0	0	0	Workshop and Formation Stage		May 17	Jun-18			Strategic & Level of Service Workshops continue in Nov and Dec 2017.
●	Other Corporate Services Projects	DP	0	0	0	0							
			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
	<b>SIGNIFICANT PROJECTS</b>												
●	District Plan Review	RT	0	20,000	20,000	0	In progress		Nov-14	TBA			Hearings Committee has heard submissions. Are deliberating on those and will report to Council, who may accept or reject the proposed plan changes.
●	Rates Review Project Phase II	DP	0	0	0	8,372	In progress		Apr-16	Jun-18			At consultation phase during Nov-Dec 2017. Costs include room hire, mail-out and online rates lookup technical support.
●	IT/Information Technology Projects (inhouse)	HS	284,616	201,460	486,076	118,995	In progress			Jun-18			IM Project at implementation stage. Telephony upgrade completed. Hardware updates continuing.
●	Other Significant Projects												
			<b>284,616</b>	<b>221,460</b>	<b>506,076</b>	<b>127,367</b>							



APPENDIX A: Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2017/18 Budget	Total Budget	Actual Cost to 30 November 2017	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
	<b>ASSETS &amp; INFRASTRUCTURE</b>												
	<b>Three Waters</b>												
●	Punakaki Water Intake Easement	MD	0	0	0	14,600	In Progress						Situation under further review. Progressing.
●	Punakaki Water Supply Advocacy	GH + MD	0	0	3,397				Nov-17	Feb-18			Explore funding options for new water supply.
●	South Granby Tank Supply Water Administration	CEO	0	0	0								Situation under further review.
●	Westport Tunnel Piping/Bracing	MD	621,199	2,350,000	2,971,199	181,729	In Progress						Method, cost, and schedule of work for repair option developing. Water restrictions reviewed.
●	Replacement of Westport Water Mains from Treatment Plant to Town	MD	0	0	0	0	In Progress						The sectional mains replacement continues in line with annual budget and work plan to replace a certain number of lengths per annum.
●	Waimangaroa Water Treatment System	MD	0	473,692	473,692	41,923	In Progress						Bore site has been identified, preparations for test drilling underway. Communications updates provided.
●	Ngakawau Hector Water Treatment System	MD	0	0	0	4,681	In Progress						Situation under further review.
●	Costing Water Schemes including assessment of depreciation funding	MD	0	0	0	0							Ongoing as required
●	Little Wanganui Water and Sewerage Easements	MD	0	0	0	0	In Progress			Jun-17			Work underway to resolve this
	<b>Roading</b>												
●	Rural Wards Maintenance Programme - to be Communicated	MD	0	0	0	0			Jul-17				Communication on road and stormwater maintenance for rural wards requested as part of 2017/18 Annual Plan.
●	Karamea Highway Special Purpose Road Advocacy	MD, GH	0	0	0	0	In Progress						Business case being prepared in conjunction with NZTA. Progressing.
●	Roading - Local Roads Capital Works	TM	31,672	1,246,367	1,278,039	156,975	ongoing			Jun-18			Works program set out for the year ahead.
●	Roading - Special Purpose Road Capital Works	TR	0	369,821	369,821	2,552	ongoing			Jun-18			All works underway.
●	Earthquake Strengthening of Buildings	RB	0	0	0	0				Jun-18			Carnegie Library engineer assessment work ongoing in 2017-2018. Essential work required.
●	Footpaths- Urban Development	TR	84,791	202,080	286,871	130,149	ongoing			Jun-18			Footpath work plan for 2017/18 FY established.
	<b>Property, Amenities &amp; Reserves</b>												
●	Punakaki Dickson Parade Status and Freedom Camping Issues	MD	0	0	0	0	In Progress						Temporary Road Closure following WCRC completion of new seawall. Detailed risk assessment before reopening.
●	Peel Street Yard	MD	0	60,000	60,000	9,972	In Progress						Site testing analysis and risk assessment currently in progress. Concept study for options to follow in 2017/18 FY.
●	Riverside Development and Waterfront Project	MD + GH	0	60,000	60,000	5,998	In Progress						Installation completed.
●	District Signage (Seal Loop)	MD + GH	125,000	0	125,000	85,533	In Progress						Draft Community Needs Assessment report received by BDC. Copy referred to DOC for consideration in the Dolomite Point spatial planning. On hold until DOC confirm whether Community Facility will be incorporated in their planning work.
	<b>Other</b>												
●	Punakaki Building Project		100,000	0	100,000	4,777	On Hold						
	<b>Other Assets &amp; Infrastructure Projects</b>												
		MD	0	0	0	0							
			962,662	4,761,960	5,724,622	642,286							
<b>TOTAL SIGNIFICANT PROJECTS</b>			1,247,278	4,983,420	6,230,698	679,900							

**FINANCE AND AUDIT COMMITTEE**

**15 JANUARY 2018**

**Agenda Item No 7**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**AUDIT NZ MANAGEMENT REPORT: 2016/2017 Annual Report**

---

**Draft Recommendation**

That the report be received for information and discussion purposes.

Report to the Council on the annual audit of  
**Buller District Council and group**  
for the year ended 30 June 2017

## Key messages

We have completed the audit for the year ended 30 June 2017. This report sets out our findings from the audit and draws attention to areas where Buller District Council (the Council) is doing well, or where we have made recommendations for improvement.

### Unmodified opinion

We issued an **unmodified audit opinion** on the Council and group's 2017 Annual Report on 30 October 2017. This means we are satisfied that the financial statements and performance information fairly reflects the Council and group's activities for the year and its financial position at the end of the year.

### Key observations from the audit

Council reported a surplus for the year of (\$1.5 million) for the 2016/17 year compared with a budgeted surplus of \$0.4 million. The Council continues to be in a relatively strong financial position with \$12.7 million invested in short term deposits and borrowings at year-end less than budgeted for.

Council achieved 81% of its non-financial performance targets for the year. Improvements were made to its performance reporting systems, however we have commented on areas where improvements could be made to the disclosure of the performance information within the Annual Report.

While Council had planned to undertake a revaluation of its infrastructure assets during the year, issues with the preparation of asset information and other priorities meant the valuations were not able to be completed in time for inclusion in the 2017 Annual Report. Council is in the process of completing the revaluations to provide a base for the 2018-28 Long-Term Plan.

We have commented on Council's aging asset infrastructure and some issues that arose during the year in relation to the Westport water tunnel and leakage from the town supply. Asset related issues such as aging assets and affordability of maintenance and replacement will likely be a key issue in Council's Long-Term Plan.

The following table summarises our recommendations and their priority:

Recommendation	Urgent	Necessary	Beneficial
<b>Valuation of infrastructure assets</b> We recommend Council complete the infrastructure asset valuations it commenced in 2017 but did not include in the 2017 Annual Report. These valuations will provide a good basis for the financial forecasts included within the 2018-28 Long-Term Plan.	✓		
<b>Non-financial performance information</b> We recommend Council implement processes to improve the quality of the draft performance information included in the Annual Report. These processes should include quality assurance reviews of the draft disclosures and information supporting Council's achievements.		✓	

Recommendation	Urgent	Necessary	Beneficial
<b>Asset management plans</b> We recommend Council review and update its asset management plans to reflect the current and planned state of Council's assets.		✓	
<b>Consent compliance parameters set up in Monitor Pro</b> We recommend Council review the consent compliance thresholds that are set up in the Monitor Pro system to confirm these are correct to enable the monitoring of all consents for compliance.			✓

There is an explanation of the priority rating system in Appendix 1. We note the good progress made by management in clearing a number of the prior year issues.

### Thank you

We would like to thank Council's finance team, management and staff for the assistance provided to us during the audit.

Yours sincerely



Jacques Coetzee  
Associate Audit Director  
5 December 2017

---

## Contents

1	Our audit opinion.....	4
2	Audit planning issues .....	4
3	Other matters identified during the audit.....	10
4	Future issues.....	11
5	Status of previous recommendations .....	11
	Appendix 1: Explanation of priority rating system.....	12
	Appendix 2: Status of previous recommendations .....	13
	Appendix 3: Mandatory disclosures .....	15

---

## **1 Our audit opinion**

### **1.1 We issued an unmodified audit opinion**

We issued an unmodified audit opinion on the Council and group's 2017 Annual Report on 30 October 2017. This means that we were satisfied the financial statements and statement of service performance fairly reflected the Council and group's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

### **1.2 Uncorrected misstatements**

The financial statements are free from material misstatements, including omissions. During the audit, we 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 have not been corrected.

## **2 Audit planning issues**

Our audit planning letters outlined the areas of audit focus that we identified in our planning. We have commented on these in section 2 below.

There were no new significant audit matters that arose during the audit, other than the improvements required to the draft performance reporting and the disclosure impact of Council's decision, subsequent to balance date, to wind up a group entity, Westport Harbour Limited.

These issues were satisfactorily addressed in the final Annual Report and we also comment on these further below.

### **2.1 Overview of Council's financial performance**

The Council's overall financial performance has improved this year. Council reported a surplus for the year of \$1.5 million for the 2016/17 year compared with a budgeted surplus of \$0.4 million. The result was better than budget because of additional subvention income from WestReef Services Limited (who had a very strong financial year), and unbudgeted gains on derivative financial instruments. This was partially offset by increased expenditure including costs relating to the collapse of the Westport water tunnel.

The Council continues to be in a relatively strong financial position. At balance date it had \$12.7 million invested in short term deposits which provides the Council with significant cash reserves. The Council's liabilities are similar to last year with the Council's debt being \$2.7 million less than what it budgeted for in the Annual Plan. This is mainly because the Council did not complete all the capital projects planned for in 2017.

## 2.2 Valuation of infrastructure assets

Council had planned to revalue its infrastructure assets, effective 30 June 2017 and include these revalued amounts within the 2017 Annual Report. This was in line with its accounting policy to revalue these asset classes every three years, as the last revaluation was performed in 2014.

While the process was started, the valuations were not finalised in time for inclusion in the Annual Report. Council provided a number of reasons for this, including delays in preparing the asset information, competing priorities within the engineering activity, staffing changes and a focus on Westport water issues that meant that Council could not complete the revaluation in time to include in the Annual Report for the year ended 30 June 2017.

As Council did not revalue its infrastructure assets this year, accounting standards required Council to assess whether there had been a material movement between the carrying value and fair value of its assets. If there is appropriate evidence to support there not being a material movement, Council could justify not revaluing its assets.

Council performed a detailed fair value assessment, utilising information from various sources to support its position. This included:

- reviewing movements in the capital goods price index;
- reviewing movements in the unit rates of Council's current infrastructure contracts; and
- assessing revaluation movements of other Councils on the West Coast.

We reviewed Council's assessment of the difference between the fair value and carrying amount and were satisfied there was not a material difference.

We understand, and recommend, that Council continue with the process to revalue its infrastructure assets in preparation for its Long-Term Plan. This will provide Council with a good base when developing its financial forecasts (depreciation, capex and renewals) and potentially identify areas for improvement in Council's asset information.

As part of the 2017/18 revaluation Council should also look to address the recommendations made by the valuer in the previous 2014 valuation. For more details about these recommendations, refer to Appendix 2:

### Management comment

*Process improvements for Council's revaluing of infrastructure assets is being addressed, including dedicated resourcing and scheduling.*

*A valuation will be completed as at 1 July 2017 to provide assurance that the LTP starting asset values are current.*



---

## **2.3 Non-financial performance information**

### **2.3.1 Council's achievement against its performance targets**

Overall in 2017, the Council performed well against the measures and targets it assesses its performance against. The Council met approximately 81% of its service performance targets. The main activities of Council where measures were not achieved, were in the water supply and roading and urban development activities.

The reasons for these were adequately disclosed in the Annual Report.

The main focus of our work auditing the non-financial disclosures of Council, related to the appropriateness of Council's performance measures and targets and to obtain comfort that there are adequate systems in place to accurately capture and report on Council's performance.

We raise the following comments in respect to the non-financial performance information.

### **2.3.2 Non-financial performance reporting**

The initial performance information disclosures included in the draft Annual Report, in some activities, did not meet the expected quality standard. We noted that several of the performance targets and results had not been updated from the prior year. There were also several measures where the result reported did not reflect the measure and although the disclosure provided general information on the Council's performance during the year, the information did not disclose how Council actually performed against the measure during the year.

We provided comments on the draft performance information early in the audit, however these were not addressed until very late in the audit and became a potential audit opinion matter.

Significant improvement was made between the draft and final Annual Report, taking on board our recommendations and amending the disclosures in the Annual Report. However as this occurred at a late stage in the audit it placed pressure on both the audit team and the Council's staff to complete the respective work and adhere to Council's Annual Report adoption timeframe.

We recommend Council reviews the timeliness and quality assurance processes over the non-financial information included in the draft Annual Report. This is particularly important for performance targets relating to the mandatory measures in accordance with underlying legislation.

From our discussions we also noted that telephonic complaints are referred to a more manual process, which could deter people from lodging their complaints.

We recommend that Council establish a framework to staff so that it can be clarified when complaints should be included to promote complete reporting results.

---

### **Management comment**

*Processes will be put in place to improve the quality and timeliness of non-financial performance reporting particularly mandatory measures. A framework will be developed to improve collection of information around complaints to Council. In addition, Council intends to conduct a community satisfaction survey in 2018 to provide additional information in this area.*

*Management intends to work closely with senior members of the Audit team to ensure that a site visit is planned or there is a timetable in the audit programme for a conference call to ensure all audit issues are resolved in a timely manner.*

### **2.3.3 Mandatory performance measures**

We note the improvements Council has made during the year in reporting against the mandatory non-financial performance measures in the Annual Report.

In the prior year, Council could not accurately report against some of its mandatory performance measures, such as its median response times, as Council did not have the systems in place to record and report Council's performance.

Council has now implemented systems and processes to enable them to report against these measures in the 2016/17 Annual Report.

Our recommendations raised in previous management reports about the mandatory performance measures have been resolved.

### **2.4 Management override**

Management override is a potential audit risk in any audit. This is because, in any organisation, management is in a unique position to perpetrate fraud due to management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

To address this risk, during the audit we:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- reviewed the accounting estimates for biases and evaluated if there was any risk of material misstatement due to fraud from bias; and
- evaluated the business rationale of any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Council group.

We found no indications of management override that would result in a material misstatement in the financial statements due to fraud.

## 2.5 Group issues

### 2.5.1 Disestablishment of Westport Harbour Limited

One of the key Buller group issues we identified was the long-term financial viability of Westport Harbour Limited (WHL). With the departure of Holcim NZ Limited in 2016, WHL's ability to operate as a going concern was likely to be dependent on securing alternative revenue streams, i.e. from outport dredging, and on WHL receiving a letter of support from Council.

During 2017, the company was able to generate revenue from outport work of approximately \$1.3 million, compared with budgeted revenue of \$0.4 million. However, subsequent to balance date, Council announced its intention to wind up WHL and disestablish the business.

WHL appropriately prepared its financial statements on a disestablishment basis and the audit report reflected this basis. During the audit we considered the following aspects of the financial statements to determine whether any adjustments were required:

- The carrying value of its assets, including where these would be transferred to on disestablishment. This process included obtaining confirmation that land assets reflected fair value and the carrying values were also supported by the commitment by Council to retain these assets within the wider Council group. No adjustment was made to the carrying values.
- Assessment of leases WHL had entered into and whether these were cancellable under the terms of their respective lease agreements. One lease, with KiwiRail, was assessed as being non-cancellable and consequently WHL recognised the full amount of the lease as an onerous lease at balance date.
- Consideration of whether deferred tax assets could continue to be recognised. It was confirmed that no deferred tax asset should be recognised due to there being no certainty that future taxable profits would be recognised.

We concluded that WHL's financial statements were appropriately prepared on a disestablishment basis. We also confirmed that Council included appropriate disclosures about the disestablishment in its Annual Report.

We request that Council and management keep us informed during the disestablishment process as WHL transfers its assets and liabilities and winds down its operations during 2017/18.

#### Management comment

*Council are working in partnership with Buller Holdings to disestablish Westport Harbour Limited and will keep Audit NZ informed throughout the process.*

## 2.6 Sector issues

There are areas of audit focus that are common across the local authority sector that we performed work on during the audit. We comment on these below.

### **2.6.1 Elected members – remuneration and allowances**

We confirmed the disclosures required by the Local Government Elected Members Determination had been appropriately included in the Council's Annual Report.

We also confirmed that the payments made were within the determination set by the Remuneration Authority.

### **2.6.2 Rating process**

We reviewed Council's compliance with the key areas of the Local Government (Rating) Act 2002 (LGRA) in the setting and collection of rates.

We did not identify any issues from our review that need to be brought to your attention.

### **2.6.3 Legislative reporting disclosures**

We confirmed that the disclosures required by Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 have been appropriately included in the Council's Annual Report.

### **2.6.4 Control environment – probity and transparency**

We did not identify any issues in relation to effectiveness and efficiency, waste, or a lack of probity or financial prudence. Specifically we:

- remained alert for conflicts of interests; and
- confirmed the Council has complied with the relevant Local Government Elected Members Determination and disclosed the remuneration of each member in the Annual Report.

### **2.6.5 Asset management plans**

As part of the audit we updated our understanding of, and the status of, Council's asset management plans. Council has asset management plans in place for its core infrastructure asset classes (that is, three waters and roads/bridges) as well as pensioner housing and parks, reserves and cemeteries. The plans are updated in detail as part of the three yearly Long-Term Plan process, or more frequently if there are significant changes to the assets.

We did not identify any significant deficiencies in Council's asset management plans during our audit. However the occurrence of some infrastructure network issues such as the Westport water supply tunnel collapse and water leakage from the Westport town supply, may require changes to the asset management plans to address any network performance, age or condition issues with Council's infrastructure.

The collapse of the number one water tunnel meant Westport had to run on a back-up pump supply during the year. This resulted in Council putting water restrictions in place which resulted in media attention about the water shortage in Westport.

Council had identified the water tunnel as a significant infrastructure issue in the 2015-2025 LTP. However the tunnel had not been upgraded or replaced before it collapsed and has now become a more urgent issue. Council has engaged engineers to identify solutions but is yet to decide on the preferred option.

This issue highlights the importance of the Council having good asset management plans in place with high-quality asset condition information underlying the plan.

The maintenance and replacement of aging infrastructure networks is likely to be a key issue for Council's upcoming Long-Term Plan. Asset management plans will need to be updated to reflect the current and planned state of Council's assets.

We will review the Council's asset management plans as part of our LTP audit.

#### **Management comment**

*Asset Management Plans will be implemented more effectively through portfolio coordinators to own and drive their respective maintenance and renewal programs, as well as strategic alignment accountability by management.*

*Council intends to review and update existing Asset Management Plans in the process of compiling the 2018 2028 Long Term Plan.*

#### **2.6.6 Conflicts of interest**

During the audit we remained alert for conflicts of interest. We raised an issue in our interim management report that Council is addressing.

We did not identify any conflicts of interest during our final audit.

### **3 Other matters identified during the audit**

#### **3.1 Consent compliance parameters set up in Monitor Pro**

During our review of the performance reporting systems, we noted that Council is not monitoring all consent compliance thresholds as not all are set up in the Council's system for monitoring consents (Monitor Pro).

We identified that Council was not monitoring one of the compliance thresholds for the Westport waste water treatment plant as this was not set up in Monitor Pro. This means the Council could not determine whether it complied with the requirements of this consent as it had not been monitored during the year. This creates a risk that Council may not be aware if and when it breaches a consent compliance threshold.

We recommend Council review the consent compliance thresholds that are set up in the Monitor Pro system to confirm these are correct to enable the monitoring of all consents for compliance.

#### **Management comment**

*Management intends to review the MP database to check that what has been set up in there is a complete list.*

## 4 Future issues

### 4.1 Rates review

In 2013/14 the Council commenced a rates review process to assess the way it levies rates in the future and how they can be more fairly allocated across the rateable properties in the District.

This work is progressing and Council is consulting with the Buller community during November and December 2017 and has scheduled a Rates Overhaul Hearing on 24 January 2018.

The Council expects to make a decision in February 2018 and incorporate the outcome of this process into its 2018-28 Long-Term Plan process.

### 4.2 West Coast Council proposed amalgamation

There is an ongoing process relating to West Coast Local Government Arrangements, overseen by the Local Government Commission. The Commission sought feedback on options and received alternative reorganisation applications and other proposals for change in March 2017.

The commission is expected to confirm its preferred option by the end of the 2017. If it prefers to change the make-up of the councils, it will then prepare a draft proposal and consult further with West Coast communities, before deciding whether or not to issue a final proposal.

As no formal plan or decision has been confirmed, we accepted that there was no requirement to make any disclosure within the Annual Report.

We request the Council keeps us informed about the amalgamation process and of any significant decisions made by the Commission.

## 5 Status of previous recommendations

The status of each matter that was outstanding in last year's report to Council is summarised in Appendix 2.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
3	Matters that have been resolved.
3	Progress is being made, but not yet fully resolved.

This summary needs to be read with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

---

## Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

### **Urgent**

Major improvements required

#### **Needs to be addressed *urgently***

These recommendations relate to a significant deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.

### **Necessary**

Improvements are necessary

#### **Address at the earliest reasonable opportunity, generally *within six months***

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

### **Beneficial**

Some improvement required

#### **Address, generally *within six to 12 months***

These recommendations relate to deficiencies that result in the Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

## Appendix 2: Status of previous recommendations

### Outstanding or in progress matters

Recommendation	Current status	Priority	Management's proposed action
<p><b>Independent review of asset disposals</b></p> <ul style="list-style-type: none"> <li>Implement standard asset disposal forms.</li> <li>Revise the Council's delegations policy to include asset disposal approval including one-up approval for the disposal of assets exceeding the departmental manager's limit.</li> <li>The calculation of any gain/loss on disposal, to be approved by the Financial Accountant.</li> </ul>	In progress.	Necessary	Council will include in Policy when it comes up for review.
<p><b>Infrastructure asset valuations</b></p> <p>Recommendations from the previous asset valuations performed in 2014.</p> <ul style="list-style-type: none"> <li>Council improve the quality of the roading information in the RAMM database and use it for the next roading valuation.</li> <li>The recommendations, in the GHD report, be addressed as part of this.</li> <li>In future valuations, use replacement cost unit rates which reflect actual Council specific contract rates.</li> <li>Council review the remaining economic useful lives of assets annually and extend the useful lives of assets so they continue to be depreciated over their remaining economic useful lives.</li> </ul>	In progress.	Necessary	This is currently under progress.
<p><b>Delegated authority for capital expenditure</b></p> <p>Council review and where appropriate update the Financial Delegations Policy to allow for the situation where staff members require appropriate delegations to approve unbudgeted expenditure.</p>	In progress.	Necessary	Council will include in Policy when it comes up for review.



## Matters that have been resolved

Recommendation	Outcome
<p><b>Transfer of asset revaluation reserve on disposal of assets</b> Any asset revaluation reserve for assets disposed of, be transferred to accumulated funds.</p>	<p><b>Resolved.</b> The asset revaluation reserve for assets disposed of during 2017 was appropriately transferred to accumulated funds.</p>
<p><b>Mandatory Performance Measures</b> Establish processes and definitions to establish the number of floors affected by a flooding event.</p>	<p><b>Resolved.</b> Council refined the definition for habitable floor and flooding events in accordance with the guidance from the Department of Internal Affairs.</p>
<p><b>Council's assessment of impairment in its investment in BHL</b> Perform an annual impairment assessment to ensure the value of the Council's investment in Buller Holdings Limited is not overstated in its financial statements, and that the Group's Property, Plant and Equipment assets do not need to be impaired.</p>	<p><b>Resolved.</b> The Council prepared an impairment assessment which we reviewed during the audit. Based on our work performed we were satisfied there was no need for the Council to recognise any impairment in the Council's financial statements.</p>

## Appendix 3: Mandatory 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 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 carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Council.</p>
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 Buller District Council 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 Buller District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

**FINANCE AND AUDIT COMMITTEE**

**15 JANUARY 2018**

**Agenda Item No 8**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**AUDIT MANAGEMENT ACTION POINTS**

---

**RECOMMENDATION/DRAFT RESOLUTION:**

**That the report be received for information and discussion.**

## OUTSTANDING AUDIT MANAGEMENT ACTION POINTS: 2015

No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
1	Infrastructure asset valuations.	Improve quality of Roading data in RAMM use for next valuation. Recommendations in GHD report used.	Management Accountant	In progress	Asset data condition and performance processes were identified in the AMP as an improvement plan item. Council will assess options to effect an appropriate regime during 2015/16. This process will strengthen lifecycle management and asset valuations.	June 2017
6	Rates review.	Complete a review of Council's rates. Wholesale changes are needed in rates as there are antiquated differentials and many fixed amount targeted rates.	Manager Corporate Services	In progress	Confirmed this is still in progress. The new system will not be implemented until 2018/2019 at the earliest.	February 2018

**FINANCE AND AUDIT COMMITTEE**

**15 JANUARY 2018**

**Agenda Item No 9**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**PUBLIC EXCLUDED**

---

Section 48, Local Government Official Information and Meetings Act 1987.

**Draft Recommendation**

That the public be excluded from the following parts of the proceedings of this meeting.

Item No	Minutes/Report of:	General Subject	Reason for Passing Resolution
1.	Lynn Brooks - Management Accountant	Aged debt	Section 7 (f) i maintain the effective conduct of public affairs through the free and frank expression of opinions.

# FINANCE WORK PLAN

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

## Internal Reporting

F&A Reports	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
- BDC Quarterly Financials		Half yearly			Three quarterly						Quarterly	
- BDC Operational												
- BDC Treasury												
- BDC Debtors												
- BDC Capital												
- BDC Significant Projects												
- BHL Quarterly Financials												

## Council Reports

- Budget Carry Overs									2017 Carryovers			
----------------------	--	--	--	--	--	--	--	--	-----------------	--	--	--

## Rates Overhaul Project

- Rates Overhaul	Deliberations	Amendments to rating model	Finalise & adopt for inclusion in LTP				Database integrity checks	Smt of Proposal + Consultation Doc	Community meetings + Advertising			
------------------	---------------	----------------------------	---------------------------------------	--	--	--	---------------------------	------------------------------------	----------------------------------	--	--	--

## 2018-2028 Long Term Plan

- Long Term Plan	Workshop	Workshop	Workshop + Adopt Draft LTP	Consultation	Roadshows + Hearings	Adopt Final Plan	Community & strategic workshops + engagement	Adopt draft vision		Workshop 2019/2020 Annual Plan	Workshop 2019/2020 Annual Plan	Workshop 2019/2020 Annual Plan
------------------	----------	----------	----------------------------	--------------	----------------------	------------------	--	--------------------	--	--------------------------------	--------------------------------	--------------------------------

## 2017/2018 Annual Report

- BDC Annual Report			Systems Audit						Audit	Adopt	Publish Summary & report	
- BHL Annual Report								Audit	Group Figures	Annual Report		

## Other Operational Projects

- Insurance					Negotiations	Finalise						
-------------	--	--	--	--	--------------	----------	--	--	--	--	--	--