

Komiti o te Ōtita me te Mōrearea | Audit & Risk Committee



Kaupapataka Wātea | Open Agenda



Notice is hereby given that an ordinary meeting of Audit & Risk Committee will be held on:

Ko te rā | Date: Tuesday 29 June 2021
Wā | Time: 9.00am
Wāhi | Venue: Council Chambers
35 Kenrick Street
TE AROHA

Ngā Mema | Membership

Tiamana | Chairperson Joanne Aoake
External Member Gary Thompson
Elected Members Mayor Ash Tanner
Cr Donna Arnold
Cr Bruce Dewhurst
Cr Kevin Tappin
Cr James Thomas
Cr Adrienne Wilcock

Waea | Phone: 07-884- 0060
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1 Whakatūwheratanga o te hui | Meeting Opening

2 Ngā whakapāha | Apologies

At the close of the agenda no apologies had been received.

3 Pānui i Ngā Take Ohore Anō | Notification of Urgent/Additional Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
 - (i) The reason why the item is not on the agenda; and
 - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
 - (iii) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

4 Whākī pānga | Declarations of interest

5 Whakaaetanga mēneti | Confirmation of minutes

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 9 March 2021

Chair Welcome

CM No.: 2449186

Rāpopotonga Matua | Executive Summary

Newly appointed chairperson, Joanne Aoake to provide an update to the Committee.

Tūtohunga | Recommendation

That:

1. The information be received.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Stephanie Hutchins Committee Secretary and Corporate Administration Officer	
Approved by	Niall Baker Corporate Strategy Team Leader	
	Don McLeod Chief Executive Officer	

Appointment - Audit & Risk Committee Chairperson

CM No.: 2434164

Rāpopotonga Matua | Executive Summary

This report is to inform the Committee that Council has appointed Ms Joanne Aoake as Audit & Risk Committee Chair until the end of the current triennium, following the resignation of John Luxton.

Tūtohunga | Recommendation

That:

1. The information be received.
2. The Committee note the appointment of Joanne Aoake as Committee Chair.

Horopaki | Background

The Audit and Risk Committee assists Council in ensuring it has appropriate risk management and internal and financial control systems across a wide range of functions provided for under the Long Term Plan/Annual Plan, for example the Council's Annual Report.

Membership

The Mayor has established the Audit and Risk Committee. The membership of the Committee shall be:

- the Mayor
- five Councillors
- an Independent Chairperson
- An independent member
- An Iwi Representative (nominated by the Te Manawhenua Forum)

The member Councillors and Chair of the Committee shall be established at the time of the triennial elections, and may be changed as circumstances require.

Councillors, Bruce Dewhurst, Adrienne Wilcock, Kevin Tappin, Donna Arnold and James Thomas are appointed as members of the Committee.

In December 2020, Council resolved include the addition of an iwi representative to its Audit and Risk Committee, nominated by Te Manawhenua Forum (Forum). The Forum was invited to put forward a representative to join as a member of the Audit & Risk Committee, and Gary Thompson was nominated.

Initially the Chairperson was the only independent member. Joanne Aoake was appointed from the 2019 elections; becoming the second external member.

John Luxton resigned from the Chair position in January 2021 and a selection process was worked through to appoint a new Chairperson. After considering a number of potential appointees it was identified that Joanne Aoake would be a suitable Chairperson. Council confirmed Joanne's appointment to the role at its meeting 5 May 2021 (in a public excluded session).

Joanne Chaired the March meeting of the Audit & Risk Committee. As Council has confirmed her appointment to the Chair role, she will assume the role permanently from this (June) meeting until the end of the current triennium (i.e. October 2022).

Appointing Joanne to the Chair position will mean her position as an independent member will remain vacant.

Audit & Risk Charter

The Charter says:

The Chairperson must be suitably qualified and shall be an external appointment with skills and experience to provide value for the Council. The Committee size will be determined by Council and must include members who are financially literate, and have appropriate skills and interest, with provision for a second external member.

Ngā Take/Kōrerorero | Issues/Discussion

Legislative requirements

The powers for the Mayor came into force as from 12 October 2013. These powers are set out in Section 41A of the Local Government Act 2002. Section 41A states the Mayor has the power to:

- a) To appoint the deputy mayor;
- b) To establish committees of the territorial authority;
- c) To appoint the chairperson of each committee established under paragraph (b), and, for that purpose, a mayor:
 - (i) May make the appointment before the other members of the committee are determined;
 - and
 - (ii) May appoint himself or herself.

Section 41A(6) says the Mayor must not delegate any of the above powers. However, section 41A(7) envisages that a mayor may decline to exercise their power to appoint a Committee Chairperson. Mayor Ash advised he did not wish to use this power in this instance so full Council made the Chair appointment.

Council is still able to disestablish a committee established by the mayor, or remove from office a chairperson that the mayor has appointed.

Schedule 7 Clause 31 of the Local Government Act 2002 allows Council to appoint a non-Councillor to a Committee if, in the opinion of the Council, that person has the skills, attributes, or knowledge that will assist the work of the Committee.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Remuneration for the Chairperson has been agreed.

Ngā Tāpiritanga | Attachments

[A↓](#). Matamata-Piako District Council - Audit and Risk Committee Charter - December 2019



Ngā waitohu | Signatories

Author(s)	Niall Baker Corporate Strategy Team Leader	
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Approved by	Don McLeod Chief Executive Officer	
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**Matamata-Piako District Council
Audit and Risk Committee
Charter and Terms of Reference
Reviewed by the Audit and Risk Committee December
2019**



1. Objectives

The primary objective of the Audit and Risk Committee (Committee) is to assist the Matamata-Piako District Council (Council) in fulfilling its overall responsibilities relating to accounting and reporting, internal and external audit, treasury, compliance and risk management. The Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Council's process for monitoring compliance with laws and regulations.

In addition, the Committee will:

- 1.1 Oversee and appraise the quality of the audits conducted by the Council's internal and external auditors.
- 1.2 Ensure the integrity of Council's financial management and reporting processes and monitor Council's internal audit practices.
- 1.3 Ensure the integrity of Council's internal control environment.
- 1.4 Maintain open lines of communications among the Council, any internal auditors and the external auditors, to exchange views and information.
- 1.5 Serve as an independent and objective party to review the basis and quality of financial information presented by senior management to Council, regulators and the general public and also advise in the development of the future format and content of external reporting.
- 1.5 Determine the adequacy of the organisation's administrative, operating and accounting controls.
- 1.6 Review Council's risk management programme and the effectiveness of risk management activities.

2. Authority

The Council authorises the Committee, within the scope of its responsibilities to:

- 2.1 Seek any information it requires from:
 - any employee of Council, for the avoidance of doubt this includes the Chief Executive Officer (CEO) and all staff employed by the

- CEO on behalf of Council (and all employees are directed to co-operate with any request made by the Committee); and
- external parties.

- 2.2 Obtain outside legal or other professional advice from within Council allocated resources or with the approval of Council should additional unfunded resource be needed.
- 2.3 Ensure the attendance of Senior Management at meetings as appropriate.

Provided that the Council may define and approve other delegations as appropriate as the Committee's work is progressed.

3. Composition

The Chairperson must be suitably qualified and shall be an external appointment with skills and experience to provide value for the Council. The Committee size will be determined by Council and must include members who are financially literate, and have appropriate skills and interest, with provision for a second external member.

4. Term of Membership

The Committee membership may be reviewed by Council but otherwise will be appointed for the term of Council.

5. Meetings

- 5.1 The Committee will hold at least four regular meetings per year, and such additional meetings as the Chairperson shall decide in order to fulfill its duties. In addition, the Chairperson is required to call a meeting of the Committee if requested to do so by a majority of Committee Members, the Council or the external auditors.
- 5.2 The external auditors, Chief Executive and Financial Manager will normally attend Committee meetings, but the Committee may meet as it determines with the Auditors without management being present.
- 5.3 The Committee will be supported by Council's Committee Secretary who shall be responsible, in conjunction with the Chairperson, for compiling the agenda and circulating it, supported by explanatory documentation to Committee Members prior to each meeting.

The Committee Secretary will also be responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee Members and to the other members of the Council.

- 5.4 A quorum shall consist of a majority of the Members.

5.5 The Committee will adopt Standing Orders to support its functions.

6. Access

6.1 The Committee shall have unrestricted access to:

- the external auditors;
- the internal auditors;
- senior management of the organisation; and
- Council employees' responsible for internal audit functions.

The Committee shall also have the ability to consult independent experts where they consider it necessary to carry out their duties as approved by Council or as may be authorised under delegation (refer clause 2 also).

6.2 The external Auditors, and the Head of Internal Audit, will have access to the Chairperson of the Committee at any time.

7. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

Internal Controls

- 7.1 Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
- 7.2 Consider the adequacy of security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- 7.3 Monitor the implementation by management of internal control recommendations made by internal and external auditors.
- 7.4 Gain an understanding of the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 7.5 Ensure that management has established an effective risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks.
- 7.6 Monitor the work programme of internal auditors, and review the outcomes, and implementation of recommendations as the result of internal audits.

Financial Reporting

(a) General

- 7.6 Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively.
- 7.7 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 7.8 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the format, preparation, reporting responsibilities and financial position of Council.
- 7.9 Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks.
- 7.10 Review any legal matters which could significantly impact the financial statements.
- 7.11 Review and approve all significant changes in accounting policy.
- 7.12 Review insurable risk management and the adequacy of the Council's insurance programmes.

(b) Annual Financial Statements

- 7.13 Review the annual financial statements and determine whether they are complete and consistent with the information known to Committee Members; assess whether the financial statements reflect appropriate accounting principles.
- 7.14 Pay particular attention to complex and/or unusual transactions such as restructuring charges.
- 7.15 Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies.
- 7.16 Meet with management and the external auditors to review the financial statements and the results of the audit.
- 7.17 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with member's knowledge about the Council and its operations.

(c) Interim Financial Statements

- 7.18 Be briefed on how management has prepared interim financial information together with the assumptions and processes used.

- 7.19 Assess the fairness of the preliminary and interim statements and disclosures, and obtain explanations from management and internal auditors on whether:
- actual financial results for the interim period varied significantly from budgeted or projected results;
 - financial policies have been complied with;
 - generally accepted accounting principles have been consistently applied;
 - there are any actual or proposed changes in accounting or financial reporting practices;
 - there are any significant or unusual events or transactions;
 - the Council's financial and operating controls are functioning effectively; and
 - the preliminary announcements and interim financial statements contain adequate and appropriate disclosures.

Internal Audit

- 7.20 Consider the Council's overall audit requirements and recommend to the Council to consider the internal audit requirements.
- 7.21 Approve the Annual Internal Audit Plan.

External Audit

- 7.22 Review the external auditors proposed audit scope and approach and ensure an appropriate scope is being undertaken.
- 7.23 Approve the Annual External Audit Plan.
- 7.24 Review the performance of the external auditors.
- 7.25 Consider the independence of the external auditor, including approving and reviewing the level of non-audit services provided and an assessment of any impact this may have on their independence.
- 7.26 Make recommendations to the Council regarding the reappointment of the external auditors.
- 7.27 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 7.28 Ensure that significant findings and recommendations made by the external auditors are received, considered and actioned on a timely basis.
- 7.29 Make enquiries of external audit regarding the differences identified during the audit. If any differences remain unadjusted obtain explanations from management as to why.

- 7.30 Ensure that management responds to recommendations by the external auditors.
- 7.31 Discuss with Council's external auditors, judgments about the appropriateness of the accounting principles as applied in the financial reporting.
- 7.32 Review and approve the statements included in the annual report in relation to internal control and the management of risk.
- 7.33 Ensure receipt from external auditors of a formal written statement delineating all relationships between auditor and Council.
- 7.34 Review audit fees and management consulting services and related fees provided by the external auditors, and recommend an appropriate budget.
- 7.35 Receive and consider all external functional audits.

Compliance with Laws and Regulations

- 7.36 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management investigations and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- 7.37 Obtain regular updates from management regarding compliance matters.
- 7.38 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- 7.39 Review the findings of any examinations by regulatory agencies.

Reporting Responsibilities

- 7.40 Regularly update the Council on Committee activities and make appropriate recommendations.
- 7.41 Ensure the Council is aware of matters which may significantly impact the financial condition or affairs of the business.

Other Responsibilities

- 7.42 Review annually all Financial, Accounting, Compliance and Risk Management Policies.
- 7.43 Review the effectiveness of ethics and values programmes.

- 7.44 Perform other oversight functions as requested by Council.
- 7.45 Recommend to Council Delegations of Authority levels and limits.
- 7.46 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 7.47 Review and update the Charter; receive approval of changes from the Council annually.
- 7.48 Evaluate the Committee's own performance on an annual basis.

Rescheduled Meeting Times

CM No.: 2447416

Rāpopotonga Matua | Executive Summary

It is proposed to change the time of the scheduled Audit and Risk Committee meetings to 9am start. Previously the start time was 1pm. There is no change to the meeting dates for 2021.

Tūtohunga | Recommendation

That:

1. The information be received.

Ngā Take/Kōrerorero | Issues/Discussion

Proposed meeting schedule – Audit and Risk Committee 2021

MONTH	DATE / TIME	VENUE
June	9AM, Tuesday, 29 th	Matamata-Piako District Council Council Chambers, 35 Kenrick Street, Te Aroha
October	9AM Tuesday, 12 th	
November	Time TBC Tuesday, 30 th	TBC – combined with Te Mana Whenua Forum event on the same day

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Stephanie Hutchins Committee Secretary and Corporate Administration Officer	
Approved by	Niall Baker Corporate Strategy Team Leader	
	Don McLeod Chief Executive Officer	

Appointed Members' Declaration of Interests

CM No.: 2439673

Rāpopotonga Matua | Executive Summary

In accordance with the Local Authorities (Members' Interests) Act 1968, an elected / appointed member of any committee of a local authority is responsible for ensuring:

- It is not affected by personal motives when participating in decision of the local authority;
- It does not obtain preferential treatment from the local authority in contracting situations;
- It does not enter into contracts with local authority where the total of payments made to it (on behalf of the local authority) exceeds \$25,000 including GST, in any financial year; and
- It does not participate in matters of local authority where it may have a financial interest, other than an interest in common with the public.

Tūtohunga | Recommendation

That:

1. **The information be received.**
2. **Elected members complete a declaration of interest form to the best of their knowledge for the period 1 July 2021 – 30 June 2022, and return to the committee secretary by 1 July 2021.**

Horopaki | Background Contracts

Where an elected/appointed member may exceed the limit of \$25,000, The Office of the Auditor General (OAG) may grant an approval or exemption. Prior approval may be given, only if the Auditor General is satisfied that conditions, as detailed in the Act, have been met. The conditions of exemption are complex, and members should take care to ensure that they understand how the Act may apply to them, as well as the consequences of not complying. Where non compliance has occurred and a contract exceeds the prescribed financial limit, the elected/appointed member will be disqualified from performing duties for the local authority.

Conflict of Interest

Elected/appointed members must make a general declaration of interest as soon as practicable after becoming aware of any such interests. These declarations are recorded in a register of interests maintained by Council. Members may also contact OAG for guidance on whether there is a financial interest. If an interest exists, an exemption may be sought for the member to participate or vote on a particular issue.

Failure to observe requirements of the Local Authorities (Members' Interests) Act 1968, could lead to a decision or action taken by the local authority invalidated. Furthermore, it could lead to an

elected/appointed member being prosecuted under the Act. In the event of a conviction, an elected/appointed member may be disqualified from office.

Elected/appointed members should also be familiar with the common law concerning non-financial conflicts of interest. This includes issues of predetermination and bias (whether real or perceived) when making decisions as an elected/appointed member of Council. If an elected/appointed member decides that they have a non-financial interest they must:

- Declare an interest when the matter arises at a meeting;
- Ensure their declaration is recorded in the minutes; and
- Abstain from discussion or voting on the matter.

Neglecting to observe the common law may result in judicial review of a decision.

OAG's guide to managing conflicts of interest can be found <https://oag.parliament.nz/good-practice/conflicts-of-interest>.

Ngā Take/Kōrerorero | Issues/Discussion

An Annual Declaration of Interest Form is attached to the agenda for completion and return.

Ngā Tāpiritanga | Attachments

A . *TEMPLATE* Annual Declaration of Interests form - Audit and Risk Committee



Ngā waitohu | Signatories

Author(s)	Ellie Mackintosh Legal Advisor	
Approved by	Niall Baker Corporate Strategy Team Leader	
	Don McLeod Chief Executive Officer	

Elected/Appointed Members – Annual Declaration of Interests

In accordance with the Local Authorities (Members' Interest) Act 1968, you are responsible for ensuring:

- That you are not affected by personal motives when participating in decisions of Council;
- You do not obtain preferential treatment from Council in contracting situations;
- You do not enter into contracts with Council where the total of payments made to you by (or on behalf of) Council, exceeds \$25,000 (including GST), in any financial year; and
- You do not participate in matters of Council where you have a financial interest, other than an interest in common with the public.

Where an elected/appointed member may exceed the limit of \$25,000, The Office of the Auditor General (OAG) may grant an approval or exemption. Prior approval may be given, only if the Auditor General is satisfied that conditions, as detailed in the Act, have been met. The conditions of exemption are complex, and members should take care to ensure that they understand how the Act may apply to them, as well as the consequences of not complying. OAG's guide to managing financial conflicts of interest can be found here <https://oag.parliament.nz/good-practice/conflicts-of-interest>

Accounting standard PBE IPSAS 20 – Related Party Disclosures

In addition to the Act, Council must comply with current accounting standards for the disclosure of related parties. All relationships between Council and entities/parties related in some way to the Key Management Personnel (KMP) of Council must be identified, and those considered not be at arms' length, must be disclosed in the annual financial statements of Council. The KMP includes elected members and the four members of the Executive Management Team, as well as the Chair of the Audit and Risk Committee. The definition of a related party is fairly wide, in that it encompasses not only the interests of the KMP themselves, but also the interests of their spouses, children and close family members. Importantly too, is that there need not be any pecuniary (financial) effect of the transaction to the KMP. Also required to be identified are relationships between Council and committees/boards/trusts/not-for-profit organisations etc. in which KMP or their close family members have some degree of influence (i.e. they are part of the governance or management of that entity).

PBE IPSAS 20 Related Party Disclosures gives the following definitions:

Related Party means parties are considered to be related if one party has the ability a (a) control the other party, or (b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

- a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the reporting entity;
- b) Associates (see PBE IPSAS 7 *Investments in Associates*);
- c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- d) Key management personnel, and close members of the family of key management personnel; and
- e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

You are a 'related party' to MPDC as you form part of the key management personnel. The most likely other relationships of interest are where you form part of the key management personnel of another entity (including as a sole trader) of another entity which transacts with the Council. These include not-for-profit entities. The wider definition should also be considered, including any relationship you have with the associates or joint ventures of MPDC (e.g. Local Authority Shared Services, and the Hauraki Rail Trail Charitable Trust).

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity of the government of which it forms part.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- a) That person's children and spouse or domestic partner;
- b) Children of that person's spouse or domestic partner, and
- c) Dependants of that person or that person's spouse or domestic partner.

The following are examples of transactions that are considered for disclosure if they are with a related party:

- Purchases or sales of goods;
- Purchases or sales of property and other assets;
- Rendering or receiving of services;
- Leases;
- Transfers under licence agreements;
- Transfers under finance agreements (including loans in cash or in kind);
- Provision of guarantees or collateral; and
- Settlement of liabilities.

Annual declaration of interest form

Each year we require elected/appointed members and other key management personnel to complete the attached annual declaration of their interests and those of their close family members. This is in order to assist members in complying with the Act, and to assist Council staff to compile the Annual Report disclosure on related party transactions. In the interests of completeness, we would recommend that you declare all interests where you or your close family member have a degree of influence (ie are part of the governance or management of that entity, rather than merely a member of that entity). Council staff will work through these according to the criteria set out in the accounting standard to determine if disclosure is required in respect of those interests. If you have any queries on the declaration form, the accounting standards or the Act, please do not hesitate to discuss these with the Finance Manager.

ANNUAL DECLARATION OF INTERESTS FORM

I, _____, as an appointed member of Matamata-Piako District Council’s (MPDC) Audit and Risk Committee, set out below my interests, including any financial or other interests held or accruing to me, or a close family member, which might give rise to an actual or perceived conflict of interest.

CATEGORY	Please give details of the interest and whether it applies to yourself, or where appropriate, a close family member:
Current employment and any previous employment in which you continue to have a financial interest	
Appointment (voluntary or otherwise) for example, trusteeships, directorships, committees, boards, tribunals etc, including not for profit and charitable organisations	
Membership of any professional bodies, special interest groups or mutual support organisations which have or could potentially have a financial transaction with MPDC	
Financial interests in any business or organisation	
Current or past close personal relationship with an employee of MPDC	
Any other interests which might give rise to an actual or perceived conflict of interest	

DECLARATIONS

I certify that the information outlined above is true and correct and declare, to the best of my knowledge, that I have complied with the requirements of the Local Authorities (Members’ Interest) Act 1968 (where applicable), and have made full disclosure of interests so as to ensure compliance with PBE IPSAS 20 Related Party Disclosures is complete. I also undertake to immediately notify the Chief Executive or Mayor in writing if a conflict or potential conflict of interest arises in the future and to not be involved in any decision making process in which I may be compromised.

Signature: _____

Date: _____

Annual Report 2019/20 Management Report and Independent Assurance Report for the Debenture Trust Deed

CM No.: 2437403

Rāpopotonga Matua | Executive Summary

The Annual Report 2019/20 was adopted by Council on 9 December 2020. The adoption was delayed as the audit of Waikato Regional Airport Ltd's (WRAL's) Annual Report was delayed due to Covid-19; however Council still met extended legislative timeframes.

At the time of adoption Council were still waiting on the Management Report and Independent Assurance Report for the Debenture Trust Deed from Audit NZ. These have now been received and are attached.

Tūtohunga | Recommendation

That:

1. **The report is received.**
2. **The Audit and Risk Committee considers providing feedback to Council.**

Horopaki | Background

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt in respect of each financial year an annual report. The annual report contains information regarding the Council's financial and non-financial performance for that year against budgets and specified performance targets. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

Council adopted the Annual Report 2019/20 on 9 December 2020 and Audit issued an unmodified opinion. However at that time we were yet to receive the Management Report and Independent Assurance Report for the Debenture Trust Deed from Audit NZ. These have now been received and are attached.

Management Report

The final management report was received on 10 June 2021. This details key matters considered during the audit, recommendations and management comments to these recommendations. The final management report is attached.

Independent Assurance Report for the Debenture Trust Deed

The Independent Assurance Report for the Debenture Trust Deed was received on 10 December 2020. This details their findings and provides an unqualified conclusion.

The Independent Assurance Report for the Debenture Trust Deed is attached.

Ngā Whiringa | Options

The Committee can choose to provide feedback to Council.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Theme: Healthy Communities

Community Outcome: We encourage community engagement and provide sound and visionary decision making.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The Annual Report cost is provided for within the Strategies and Plans activity budgets. The Annual Report and audit are funded from general rates.

Ngā Tāpiritanga | Attachments

A  FINAL management report received 10.6.21



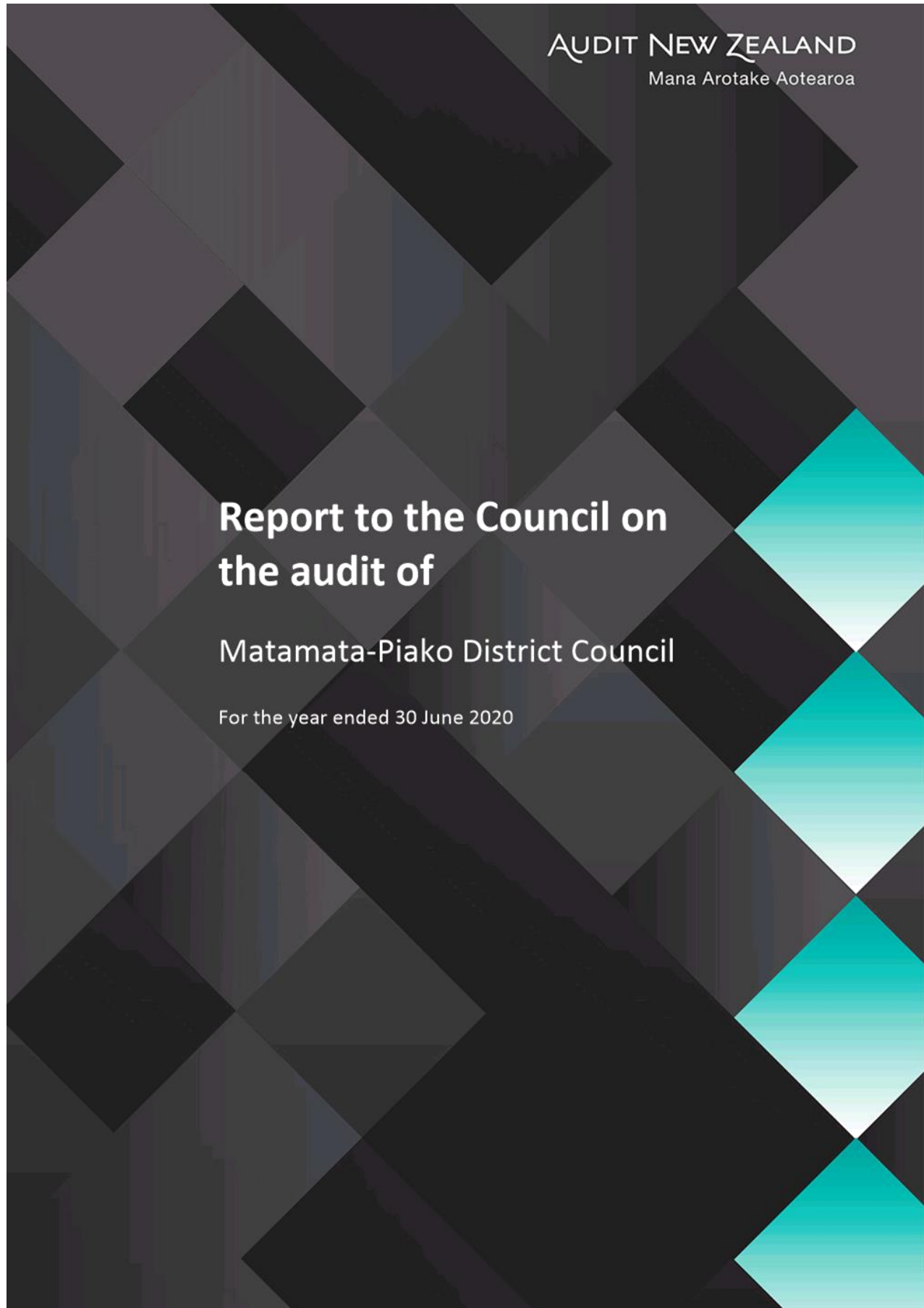
B  Limited independent assurance report - Debenture Trust Deed



Ngā waitohu | Signatories

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Key messages

We have completed the audit of Matamata-Piako District Council (the District Council) for the year ended 30 June 2020. 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.

The matters outlined in this report should be read in conjunction with our Report to the Council on the interim audit dated 20 August 2020.

Audit Report

We issued an unmodified audit opinion dated 9 December 2020.

Without modifying our opinion, an Emphasis of Matter paragraph was included in the audit report drawing attention to the disclosures in the annual report about the impact of the Covid-19 pandemic on the District Council.

We were satisfied the District Council included appropriate disclosure in its Annual Report about the implications of the Covid-19 pandemic on the financial statements and service performance information.

Other key matters considered during the audit

Valuation of property, plant, and equipment

We reviewed the revaluations of roading, storm water, wastewater, and water assets as at 1 July 2019 as well as the fair value assessments performed by management at balance date.

We are satisfied that the carrying value of property, plant, and equipment included in the financial statements is not materially different from fair value.

We have included recommendations arising from our audit of property, plant, and equipment in section 3.1.

Water and wastewater callout resolution times

The following performance measures were selected as material:

- the median response times for resolution when the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system; and
- the median response times for resolution of urgent call outs in response to a fault or unplanned interruption to its water reticulation system.

In our testing we identified some errors and inconsistencies in the District Council's system for evidencing and reporting on these resolution times, which resulted in additional effort from management to resolve. Recommendations for improvement are provided in section 4.1.

Thank you

We would like to thank the Council, management, and staff for their continued assistance during the audit process. We appreciate the co-operation we received, and the way management worked constructively with us during what was a challenging period for everyone.

We also acknowledge and thank you for your patience regarding the delays in finalising this report.



Lauren Clark
Appointed Auditor
10 June 2021

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our new recommendations and their priority.

Recommendation	Reference	Priority
We recommend the District Council performs a review of the overhead rates from recent contracts to determine if 7% is still an appropriate overhead rate to use in the roading valuation, taking into account all the relevant costs that should be included in the overhead rate.	3.1.1	Necessary
We recommend the District Council implements the external roading valuer's recommendations to improve the overall completeness and accuracy of data used for valuations. We recommend the District Council also considers applying these recommendations to other asset classes held on a revaluation basis.	3.1.2	Necessary

Recommendation	Reference	Priority
We recommend: <ul style="list-style-type: none"> The District Council ensures asset disposals are processed in a timely manner. The District Council ensures assets are capitalised to the correct asset class on completion. The District Council ensures useful lives of assets in the asset management system are reviewed to ensure they align with actual asset lives in the field. 	3.1.4	Necessary
We recommend the District Council considers what additional controls and processes are needed to ensure attendance and resolution times are recorded accurately in the CRM system and are supported by appropriate documentary evidence.	4.1	Urgent
We recommend the District Council implements improved controls over the processing of vested assets, to ensure these are accurately recorded.	4.2	Necessary
We recommend the District Council uses Treasury's risk-free discount rate in the valuation of its landfill provision. The Council may wish to review all other assumptions used in the provision, such as future cash flows and price changes, to ensure these also remain appropriate.	4.3	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the actions taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	3	2	5
Implemented or closed	-	3	2	5
Matters reported in our interim management report that will be followed up in our 2020/21 audit	-	6	1	7
Total	-	12	5	17

2 Our audit report

2.1 We issued an unmodified audit opinion



We issued an unmodified audit opinion on 9 December 2020. This means we were satisfied that the financial statements and statement of service performance present fairly, in all material respects, the District Council's activity for the year and its financial position at the end of the year.

Without modifying our opinion, our audit report included an Emphasis of Matter paragraph. This drew attention to the disclosures in the financial statements and statement of service performance that describe the overall impact of the Covid-19 pandemic on the District Council.

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

2.2 Impact of the Covid-19 pandemic on financial reporting and performance information

Covid-19 has had a varying impact throughout the public sector, affecting both financial and non-financial information disclosed in the annual report.

We assessed that the inclusion of good disclosure in the Annual Report about the implications of Covid-19 on the District Council was important to the District Council's stakeholders. The District Council has made the following disclosure in the Annual Report:

- General disclosure about Covid-19 and any resultant impact on the District Council.
- Disclosure about how the District Council's financial and non-financial performance have changed due to Covid-19.
- An assessment of where Covid-19 had an impact on five broad categories of the Council's undertakings:
 - Council's role in recovery;
 - Financial;
 - Physical works;
 - Other services; and
 - Performance measures.

We reviewed the Covid-19 disclosures included in the Annual Report and are satisfied the disclosures adequately disclose the impact Covid-19 has had on the District Council.

2.3 Uncorrected misstatements

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

Current year uncorrected misstatements	Assets	Liabilities	Equity	Financial performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Net revaluation gain through other comprehensive income (OCI) and investment in other entities.	(227,000)			227,000

Explanation of uncorrected misstatements

There has been a change in the value of Waikato Regional Airport Limited’s (WRAL’s) net assets from the draft financial statements used in the preparation of the District Council’s financial statements and the final financial statements adopted by WRAL’s Board on 30 November 2020.

This was not adjusted as management believes the change is not material to readers.

2.4 Corrected misstatements

We also identified a number of misstatements that were corrected by management. A list of these misstatements will be supplied separately to management.

2.5 Quality and timeliness of information provided for audit



Management is required to provide information for audit relating to the Annual Report of the District Council. This includes the draft annual report with supporting work papers.

The impact of Covid-19 understandably created additional challenges to both management and Audit New Zealand in completing the audit. As a result, the audit process did not go as smoothly as in prior years.

As we strive for improvement in the annual report and audit process, we will work with management to ensure there is a common understanding of expectations before next year’s audit.

3 Matters raised in the Audit Plan



In our Audit Plan of 3 June 2020, we identified the following matters as the main audit risks and issues.

3.1 Property, plant, and equipment valuations

PBE IPSAS 17: *Property, Plant and Equipment* requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

The District Council revalues its infrastructure assets annually. Roading and three-waters assets were valued as at 1 July 2019. The District Council engaged an independent valuer, WSP New Zealand (WSP) to value its roading assets, while three waters assets were valued by internal asset staff and peer reviewed by an independent valuer from WSP.

To gain assurance over the valuation of property, plant, and equipment as at 1 July 2019, we:

- assessed the external valuer's expertise and objectivity, and obtained representations from the valuers that the valuations were conducted in accordance with accepted professional valuation standards;
- reviewed the valuation and peer review reports and made enquiries of the valuers to obtain an understanding of the valuation methodologies used;
- assessed whether the valuation movements were reasonable and consistent with our expectations; and
- assessed the reliability of source data and the reasonableness of assumptions used.

Our review found that the valuation adopted by the District Council was supportable and valuation movements were consistent with our expectations. However, we noted the following areas for improvement.

3.1.1 Roading overhead rates

As part of our review of the roading revaluation, we noted a 7% overhead factor was applied to the unit rates used in the valuation. The overhead factor accounts for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location. These additional costs include professional fees, administration costs, and financial charges.

Our discussions with WSP indicated this rate is at the lower end of overhead rates used by other local authorities for their roading assets. While this rate may have been appropriate

in the past, we are aware that actual overhead costs have increased in recent times, partly due to additional regulatory costs for activities such as traffic control and consenting. Going forward, the continuing demand in the construction sector exacerbated by post-Covid-19 stimulus projects may also lead to increased overhead costs.

Using too low an overhead rate has a pervasive effect on the value of the roading assets, as the valuation is largely driven by the unit rates applied to asset quantities. However, we were satisfied the impact of a reasonable movement in overhead rates was not material to the 2020 roading valuation.

Recommendation

The District Council should perform a review of the overhead rates from recent contracts to determine if 7% is still an appropriate overhead rate to use in the roading valuation, taking into account all the relevant costs that should be included in the overhead rate.

Management comment

Council completed a review from the actual ledger account on the overhead rates used. We will complete the same exercise again in the next valuation.

3.1.2 Valuer's recommendations for improvement

Following the valuation of roading as at 1 July 2019, WSP has made several recommendations for improvement. These recommendations cover areas such as the completeness and accuracy of assets registers and asset data quality. They are:

- Undertake analysis of recent tendered maintenance contracts and regulatory compliance costs to confirm the overhead percentages are still adequate.
- Undertake analysis of the new unit rates on the recently tendered maintenance contracts to ensure the unit rates used in the valuation are still current.
- Review default construction dates applied to assets during the valuation process as these were set some time ago.
- Consider depreciating sub-base to provide funding for the new pavement.
- Continue to maintain, develop, and improve the asset component register by ensuring construction dates are applied to those components of large value and ensuring changes are accurately recorded when assets are replaced or upgraded.
- Ensure every asset has the asset owner field populated.
- Produce a construction cost database to record actual project costs.
- Undertake analysis for the actual achieved lives for surfacing on the District Council's network for each surface type.

Recommendation

The District Council should implement the external roading valuer's recommendations to improve the overall completeness and accuracy of data used for roading valuations. The District Council should also consider applying these recommendations to other asset classes held on a revaluation basis.

Management comment

These recommendations are noted. These will be completed or reviewed as part of the next Rooding valuation. There have been no new works completed for the Utilities reticulation so the unit rates will not be able to be updated with actual recent in-house cost data.

3.1.3 Fair value assessments of property, plant, and equipment assets

As infrastructure valuations were effective as at 1 July 2019, the District Council performed a fair value assessment to confirm the fair value of these assets did not materially differ from carrying value at 30 June 2020. The District Council also performed a fair value assessment over its non-infrastructure land and buildings assets, which were last valued in 2017/18.

As a result of the Covid-19 pandemic, we identified a greater level of uncertainty in asset values post-lockdown, which had not been considered in the revaluations performed at an earlier date.

We reviewed the District Council's fair value assessments as at 30 June 2020, considering other available evidence, including our existing knowledge of the impact of Covid-19 on market price and cost movements.

We also met with the external valuers involved in the revaluation of the District Council's infrastructure and land and buildings valuations, to understand their assessment of the impact of Covid-19 on asset values.

Overall, we were satisfied there was no material difference between the carrying value of these assets and their approximate fair value at balance date, and that Covid-19 did not have a material impact on the valuation of these assets.

3.1.4 Other findings from our review of property, plant, and equipment

Our other findings from the review of property, plant, and equipment are as follow:

- We reviewed the District Council's processes and procedures for processing asset disposals. Our review identified some asset disposals which had not been removed from the asset management system. It is important to ensure assets are removed in a timely manner to ensure depreciation expense ceases, and gains or losses on disposal are recognised in the right accounting period.
- We selected a sample of property, plant, and equipment additions to ensure these were correctly processed and classified, and appropriate useful lives had been applied. Our review identified several errors in classification, including instances where cycleways had been capitalised as furniture and equipment assets. Misclassification also creates a risk that assets will not be included appropriately in revaluations and will be subject to incorrect depreciation charges.
- We also identified several assets in use that had nil book value in the fixed asset register. This could indicate the useful lives assigned to these assets are too low.

Recommendation

The District Council should ensure:

- asset disposals are processed in in a timely manner;
- assets are capitalised to the correct asset class on completion; and
- useful lives of assets in the asset management system are reviewed to ensure that they align with actual asset lives in the field.

While we are satisfied the impact of these issues was not material to the financial statements, it is important to address them, to ensure asset records are up to date and accurate, and that depreciation expense is accurately calculated.

Management comment

These points raised are noted. Our system back-dates the depreciation effect to the disposal date, so our aim is to ensure that the disposal date is accurate. We will review our classification of our cycleway assets in the future and consider whether their value is significant enough at this point to warrant regular revaluation. Asset lives are reviewed at the time of valuation.

3.2 The risk of management override of internal controls

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 an inherent risk of material misstatement due to fraud, which audit standards require us to consider in every audit.

To address the risk of management override, we carried out substantive audit procedures. These included reviewing journal entries, accounting estimates and significant transactions that were outside the normal course of business.

We also assessed whether relevant controls are designed effectively in a way that reduces the risk of override. Overall, we found that relevant controls existed and were designed effectively.

We did not identify any matters of concern to bring to your attention.

4 Other matters identified during the audit



In this section, we comment on any other matters that were identified during the audit that need to be brought to your attention.

4.1 Processes and procedures for recording results of performance measures

We reviewed the systems and processes that provide information for non-financial performance reporting, and tested results to verify the reasonableness of the content of the statement of service provision. Our testing focused on the measures and targets that we have identified as significant from an audit perspective. The following performance measures were among those selected as material:

- the median response times for resolution when the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system; and
- the median response times for resolution of urgent call outs in response to a fault or unplanned interruption to its water reticulation system.

In reviewing the resolution times, we found errors and inconsistencies in the information held within the District Council's Customer Relationship Management (CRM) system, which is used to generate the reported performance information for the above measures.

In some cases, the clock stop and start times in the system reports did not align with the supporting information saved in the system (such as timesheets or vehicle tracking sheets). In other cases, the supporting information in the system was not sufficient to evidence the time of resolution.

As a result, District Council staff needed to carry out additional work to provide us with sufficient evidence that an accurate result could be reported in the Annual Report.

Recommendation

The District Council should consider what additional controls and processes are needed to ensure attendance and resolution times are recorded accurately in the CRM system and are supported by appropriate documentary evidence.

The District Council may wish to perform a review of all other performance measures to ensure there are appropriate systems to measure the results of all performance measures, with verifiable supporting evidence. This will reduce the risk of similar issues arising in future.

Management comment

The errors and inconsistencies were often a result of manual entering of times, for example when calls are received outside of working hours these are recorded at the time but entered into the system the next working day, the system automatically defaults to the current day and time, for example 8am Monday morning rather than 11pm Saturday night when the call was received and this needs to be manually adjusted and this had not been completed consistently.

Likewise, when staff enter the completion times on timesheets, in Trello these are then entered into the system after the fact and need to be manually backdated to match timesheets. We acknowledge it's not a perfect system, but we believe it is fit for purpose and staff need to be vigilant when entering times manually.

Corporate and Legal staff have met with all Customer Services and Kaimai Valley Services (Councils works division) staff to reiterate why it is so important to get these times accurate. Regular reminders are given at management group meetings as well as various team meetings and corporate inductions for new staff it may impact.

We currently have one staff member check each CRM and another staff member double check they agree with the calculation, if there is a discrepancy, they seek direction from a Corporate Strategy Team Leader. Another member of our team has also undertaken spot audits to try and check for any errors and consistencies for the current financial year.

4.2 Accounting for vested assets

As part of our testing of vested assets, we identified GST errors in the treatment of vested assets. The errors were subsequently corrected by management.

In investigating this issue, management also identified a vested underpass asset recognised by the District Council that was actually owned by Waka Kotahi (NZTA). Again, this was subsequently corrected by management.

Together, these errors had a significant impact on the value of vested assets revenue with a total adjustment of \$0.73 million made to correct the errors.

Recommendation

The District Council should implement improved controls over the processing of vested assets to ensure these are accurately recorded.

Management comment

This point is noted. We will ensure that staff have adequate guidance and implement a suitable review process.

4.3 Landfill provision discount rate

When reviewing the landfill provision, we noted that the District Council applied a 6% discount rate. We compared this rate to Treasury and other local authorities and noted that the rate used by the District Council is significantly higher than other entities.

For discounting provisions in accordance with PBE IPSAS 19, we consider that a rate based on government bonds (that is, bonds issued by the New Zealand Crown) should be used, as this is the most appropriate rate that reflects the time value of money and does not include the risks of the entity (that is, “own credit risk”). Treasury’s risk-free discount rates are an authoritative and audited source for discounting provisions.

The difference in rates used resulted in an understatement to the provision. However, we are satisfied this did not have a material impact on the financial statements.

Recommendation

The District Council should use Treasury’s risk-free discount rate in the valuation of its landfill provision. The Council may wish to review all other assumptions used in the provision, such as future cash flows and price changes, to ensure these also remain appropriate.

Management comment

Agreed. We will apply Treasury’s risk-free discount rates going forward and continue to review all other assumptions annually.

5 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;
- the District Council incurring waste because of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity because 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 because of any act or omission by a public entity or by one or more of its members, office holders, or employees.

Our findings are reported below.

5.1 Sensitive expenditure

Each year, as part of the audit, we select a sample of expenditure transactions to review for compliance against the District Council's policies and accepted good practice in the public sector. Our testing included credit card expenditure, reimbursement of expense claims, and expenditure on travel and accommodation, entertainment, and hospitality.

We identified the following minor areas for improvement:

- Some delays in submitting expense claims for reimbursement. Clause 1.3 of the Policy states claims for reimbursement should be submitted promptly after the expenditure is incurred (ideally within one month); and
- Some instances where low value expense claims were supported by credit card or EFTPOS slips rather than detailed invoices describing the purchases. We acknowledge that the expense claims did contain a description of the expenditure and its purpose, however best practice is to require itemised receipts wherever possible.

No evidence of improper or excessive spend was identified in our testing.

We bring to your attention that the Auditor-General's good practice guide on sensitive expenditure has recently been updated. In our 2020/21 audit we will discuss with management whether the District Council's policies have been reviewed against the updated good practice guide.

5.2 Compliance with the Holidays Act 2003

Many public and private sector entities are continuing to investigate historical underpayment of minimum holiday pay due to incorrect interpretations of the Holidays Act 2003 (the Act), despite these issues now having been known for several years. In some cases, entities that concluded they were compliant with the Act in previous years have now found they have liabilities due to a better understanding of potential non-compliance risks, or due to changes in payroll systems or configurations since previous compliance reviews were completed.

Another cause of non-compliance arises when payroll systems and practice do not keep pace with changes in the nature of work and changes in terms and conditions of employees over time. A common example is where employees classified as "casuals" by the employer in practice have regular working arrangements, meaning they are entitled to a greater range of entitlements than may be recorded.

Due to the complexity of the Act, many entities engage external experts to review their systems for compliance. We understand an informal review of compliance against the Act has been undertaken by the District Council in previous years and that the District Council has several processes in place to ensure ongoing compliance. Management and the District Council may wish to consider whether this level of review is sufficient or whether a more formal compliance review could be beneficial, either now or when the proposed changes to the Holidays Act legislation come into force.

5.3 Rates

Rates are the District Council's primary source of funding. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of legal challenge. Due to prior year issues and concerns over rating practices in the local government sector, we continued to focus our attention on the District Council's compliance with rating legislation and regulations.

We considered the District Council's compliance with key aspects of the LGRA that could materially impact the financial statements. We focused on the rates setting process – the consistency and completeness of the resolution and the funding impact statement. We also reviewed a sample of differentially set and targeted rates to assess whether the matters and factors used are consistent with the LGRA.

Although our audit review did not identify any material issues, because of the legislative precision required in respect of rates, we continue to encourage Councils to obtain legal assurance to mitigate legal risk in respect of rates. We understand the District Council has continued to seek legal advice as part of the 2021-2031 Long Term Plan development process.

5.4 Four well-beings

The Government has reinstated the “four well-beings” to the Local Government Act 2002 (the Act). The purpose of local government is once again “to promote the social, economic, environmental, and cultural well-being of communities”.

The Act now requires a local authority’s Annual Report to describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community, as opposed to the previous more general requirement to describe those effects on “the community”.

We reviewed the disclosures made in the annual report to ensure compliance with the Act and are satisfied that the District Council has included sufficient commentary regarding effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community.

5.5 Elected members – remuneration and allowances

We reviewed the District Council’s compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the Local Government Members (2019/20) (Local Authorities) Determination 2018.

All payments were made within the limits set in the determination.

5.6 Local Authorities (Members’ Interests) Act 1968

The Local Authorities (Members’ Interests) Act 1968 controls the making of contracts between councillors and the District Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.

We updated our understanding of the District Council’s policies and procedures in relation to members’ interests. We confirmed that the District Council has policies and procedures in place to identify members’ interests.

6 Useful publications



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

Description	Where to find it
Sensitive expenditure	
The Auditor-General has updated his good practice guide on sensitive expenditure. The guide provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the OAG’s website under publications. Link: Sensitive expenditure
Conflicts of interest	
The Auditor-General has updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have. The update 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.	On the Office of the Auditor-General’s website under 2020 publications. Link: Conflicts of interest
Procurement	
The OAG is continuing its multi-year work programme on procurement. The OAG has published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened. Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.	On the OAG’s website under publications. Link: Procurement article

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Bribery and corruption		
The District Council should implement policies and controls in line with good practice guidelines.	2018/19	The fraud policy has not yet been updated to include bribery and corruption.
Roading valuation process		
The District Council continues to update and maintain asset information in the RAMM database. The District Council should review the data within the RAMM database before each valuation to provide greater assurance over assumptions used for the asset revaluation.	2017/18	We continue to recommend the District Council updates and maintains asset information in the RAMM database. Refer section 3.1.1 and 3.1.2 for further information.
Rates		
The District Council should carry out a review of rates setting processed to ensure full compliance with the Local Government (Rating) Act 2002 and Local Government Act 2002.	2018/19	Our review of the rates setting process did not identify additional issues, however, the matters raised last year remain outstanding. We understand a formal legal review of the District Council's rates will be carried out as part of the upcoming LTP process, which may address these matters.
Beneficial		
Asset, project, and contract management		
The District Council should review processes and controls to align with good practice.	2018/19	The District Council is still in the process of reviewing processes and controls to align with good practice.
Fraud policy recommendations		
The fraud policy should be updated to align with guidance points set out by the Ministry of Justice and to align with policy review timelines.	2018/19	The fraud policy has not been updated to align with the guidance points set out by the Ministry of Justice.

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Bank reconciliation variance		
Any variances identified in bank reconciliations should be investigated and resolved in a timely manner.	2019/20 interim	We confirmed bank variances have now been investigated and resolved.
Performance reporting controls		
Improvement of manual controls to minimise the risk of performance measures being calculated incorrectly.	2018/19	This has been superseded by the new issue raised at 4.1
Development contribution controls		
Improvement of manual controls to minimise the risk of development contributions being calculated incorrectly.	2018/19	Our testing of development contributions this year did not identify any issues of concern.
Beneficial		
Annual leave balances		
The District Council should implement leave plans to reduce high leave balances.	2018/19	The Covid-19 pandemic has led to continued high annual leave balances, due to national lockdowns and border closures which meant staff were less likely to take leave. As this was out of the District Council's control, we have closed the issue for 2020. We will continue to monitor this balance and may raise the recommendation again when circumstances return to normal.
Interests not declared in annual declaration of interest		
All interests should be included in the annual declarations and the District Council reminds elected members and employees that any entity where they are a shareholder, director, or Trustee, should be included in the annual declaration.	2018/19	Our testing did not identify any areas of concern.

Matter raised in our Report to the Council on the interim audit

The following matters were raised or updated in our Report to the Council on the interim audit dated 20 August 2020. Therefore, we have not followed up progress as part of our final audit and will update these during our 2020/21 audit.

Recommendation	First raised	Status
Necessary		
No formalised patch management updating and reporting		
Formal standardised change management processes should be established for updating and reporting on Microsoft and other software patches.	2019/20 interim	We noted that formalised procedures for regular updating and reporting on Microsoft and other software patches are currently not in place. We understand that server patching has not been occurring since February 2020 and we were unable to see reporting on the status of patching of end user devices.
Capital works programme		
Continuous monitoring should be implemented to ensure levels of service are maintained.	2018/19	The District Council continues to have a significant balance of carry forwards. It is anticipated that \$24 million will be carried forward to 2020/21.
Suspense account reconciliations not prepared and reviewed monthly		
Monthly reconciliations of suspense accounts should be prepared and independently reviewed.	2018/19	Monthly suspense accounts reconciliations continue to be prepared on an ad hoc basis. We understand these will be prepared and reviewed at year end.
Recommended improvements by the valuer for the 3 waters valuation		
The District Council should consider the recommendations made by the valuer and implement an action plan to address these.	2018/19	The District Council is continuing to work through the recommendations made by the valuers.
Test organisational business continuity and disaster recovery plans		
The District Council should document and test its organisational business continuity and IT disaster recovery plans.	2017/18	The District Council has started development and performed some testing of organisational business continuity plans.

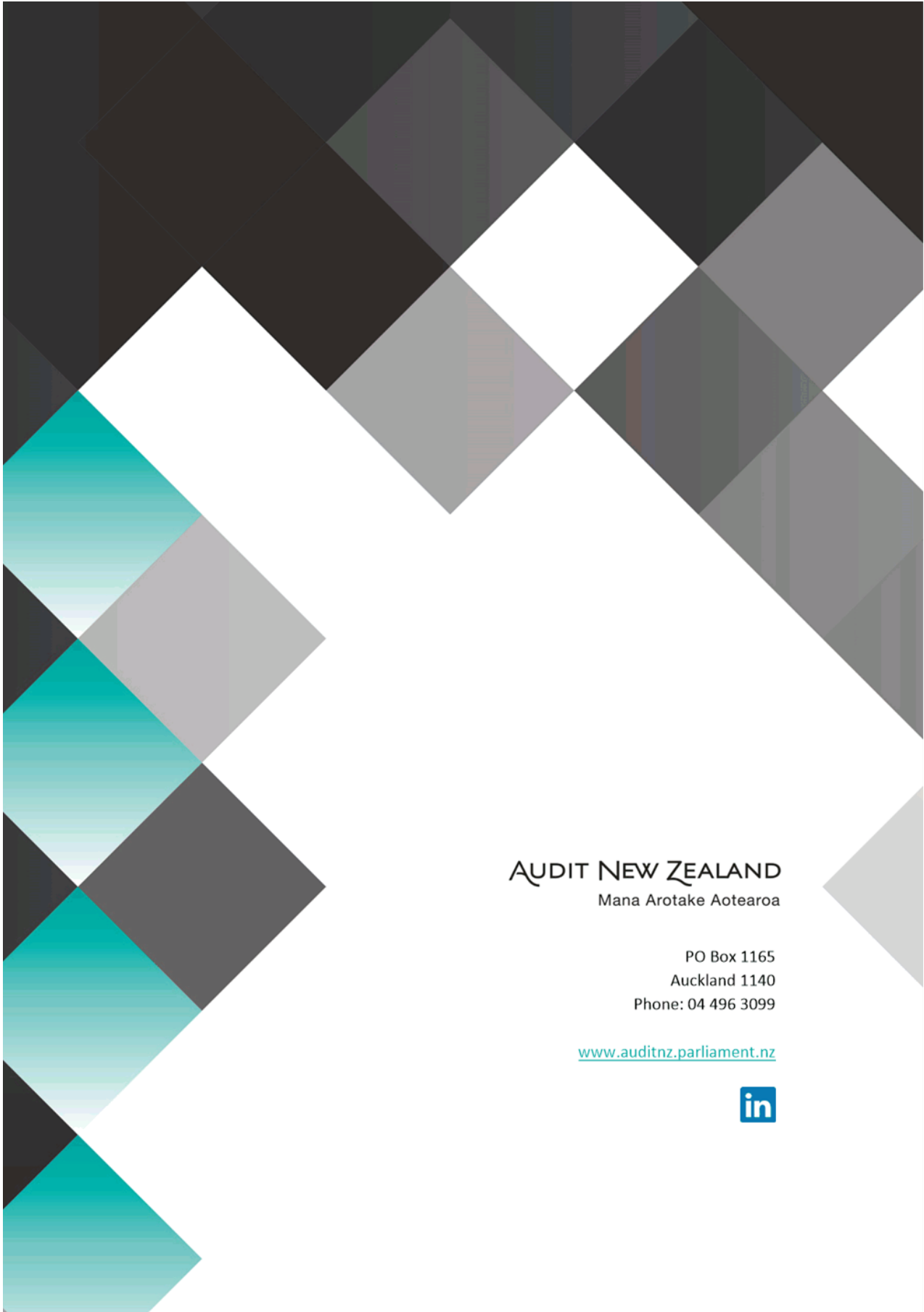
Recommendation	First raised	Status
IS/IT change management		
<p>Changes to IT infrastructure and applications (including configuration changes) be logged, approved, documented, and subject to formal change management procedures.</p> <p>Processes for testing be developed and followed for all significant changes to applications, including testing of security, integration, and user acceptance.</p>	2017/18	<p>The District Council has adopted a new procurement policy/process where all major projects (including new IT systems and technology projects) are required to follow this process. There have been no major upgrades to the District Council's Authority system this year.</p>
Beneficial		
Policies to update		
<p>The following policies should be updated to ensure they align with current practice:</p> <ul style="list-style-type: none"> • Council Vehicle Policy (updated in June 2014). • Capitalisation Policy (updated in 2012). 	2017/18	<p>These policies have not yet been updated.</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 Local Authority 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>In addition to the audit, we have carried out engagements in the areas of the debenture trust deed and commenced the 2021-2031 long-term plan engagement, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in Matamata-Piako District Council.</p>
Fees	<p>The audit fee for the year is \$126,915, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$5,000 for the assurance engagement of the Debenture Trust Deed.</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 Matamata-Piako 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 Matamata-Piako District Council during or since the end of the financial year.</p>

Item 6.5

Attachment A



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 1165
Auckland 1140
Phone: 04 496 3099

www.auditnz.parliament.nz



Limited Independent Assurance Report

To Matamata-Piako District Council and to Trustees Executors Limited in respect of Matamata-Piako District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Matamata-Piako District Council (the District Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Lauren Clark, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of the District Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Audit New Zealand, as referred to in the Debenture Trust Deed dated 9 May 2011 (the Trust Deed).

The District Council's Responsibilities

The District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the District Council and our audit opinion, to the Trustees Executors Limited (Trustee) under clause 10.2.1 of the Trust Deed.

The District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 2.1.f of the Deed of Amendment of Debenture Trust Deed (the Deed of Amendment) dated 13 February 2013. The District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

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

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

Trustee's Responsibilities

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

The receipt of this Limited Independent Assurance Report (the Report) and the audited financial statements and performance information of the District Council, and any reliance on the audit

opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

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

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website.

A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 10.2.6 of the Trust Deed.

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

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the District Council for the year ended 30 June 2020.

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

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by the District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6 of the Trust Deed must be viewed in that context.

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

Our responsibility under clause 10.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 9 December 2020 given on behalf of the District Council pursuant to clause 2.1.f of the Deed of Amendment and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 9 December 2020 with Computershare Investor Services and the Local Government Funding Agency.

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

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

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

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

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

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

The District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

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

- Report as at 30 June 2020:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

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

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for the District Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the District Council and the Trustee or for any purpose other than that for which it was prepared.

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

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on the District Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on the District Council's financial statements and performance information for the year ended 30 June 2020.

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

Unqualified Conclusion

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

- the statements made by the District Council in the Reporting Certificate dated 9 December 2020 pursuant to clause 2.1.f of the Deed of Amendment are materially incorrect (the Reporting Certificate dated 9 December 2020 is given in appendix one).

- there are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholder;
- In all material respects, that the District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 9 December 2020 and our conclusion is expressed as at that date.

The Register and Stock

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

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- Total stock of \$78,350,000
- This is comprised of:
- Security stock of \$51,850,000
 - Bearer stock of Nil
 - Other stock of Nil
 - Security stock (Local Government Funding Agency stock) of \$26,500,000

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- Total Principal Money owing and secured under the stock of \$26,500,000
- This is comprised of:
- Security stock of Nil
 - Bearer Stock of Nil
 - Other stock of Nil
 - Security stock (Local Government Funding Agency stock) of \$26,500,000

The District Council is a one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020 the District Council had \$12,437,500,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and the total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

\$000s	
12,437,500	units of Security Stock on issue associated with the guarantee
75,735	accrued interest
(800,000)	Treasury Stock ² held by the Local Government Funding Agency
194,268	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
11,907,503	total borrowings of the Local Government Funding Agency at 30 June 2020

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

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

Other than this engagement and our audit of the District Council's annual financial statements and performance information, and the District Council's Long Term Plan, we have no relationship with or interests in the District Council or any of its subsidiaries or the Trustee.



Lauren Clark
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

² Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Appendix 1: Copy of the reporting certificate dated 9 December 2020



Fourth Schedule Reporting Certificate

I, **Don McLeod**, Chief Executive of Matamata-Piako District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated 09 May 2011 (as amended from time to time) (the **Trust Deed**):

1. Since the date on which the last Reporting Certificate containing this certification was given:
 - (a) all interest due on the Stock has been paid;
 - (b) all Stock which has fallen due for repayment has been repaid;
 - (c) no Enforcement Event has occurred and remains unremedied:

2. As at 30 June 2020, the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:

(i) Debenture Stock of:	\$Nil
(ii) Security Stock (issued with a fixed nominal amount) of:	\$51,850,000
(iii) Bearer Stock of:	\$Nil
together with:	
(iv) Security Stock (issued with a floating nominal amount) ¹ of:	\$12,464,000,000 plus accrued Interest ²

3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.

4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why

¹ Council LGFA borrowing \$26,500,000 plus Council LGFA guarantee \$12,437,500,000.

² Note that the total nominal amount disclosed excludes the nominal amount of the Security Stock with a floating nominal amount issued by the Council in relation to the Equity Commitment Deed dated on or about 7 December 2011 between (amongst others) the Council and the New Zealand Local Government Funding Agency Limited.

the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.

5. For the purposes of paragraph 5 of this Certificate, I have considered in particular:
 - (a) the liability of the Council under the Security Stock Certificate(s) issued with a floating nominal amount;
 - (b) the likelihood of the liabilities secured by those Security Stock Certificates being called on; and
 - (c) the ability of the Council to recover or recoup from other parties in relation to any payments that the Council would be required to make in respect of these Security Stock Certificates.
6. Since the date on which the last Reporting Certificate containing this certification was given, the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Dated: 9 December 2020



Chief Executive
Matamata-Piako District Council

Appendix 2: Copy of the audit report about the Register



Independent Assurance report

To the Directors of Computershare Investor Services Limited (the "Company")

Assurance Report Pursuant to Section 218 of the Financial Markets Conduct Act 2013 and Regulations 109 and 110 of the Financial Markets Conduct Regulations 2014

Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the Registers of security holders (the "Registers") maintained by the Company with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.

Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*, issued by the New Zealand Auditing and Assurance Standards Board.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that complies with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.
- identification of risks that threaten compliance with the requirements of Section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statement and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Company. Other than in our capacity as auditor and independent assurance practitioner, we have no relationship with, or interests in, the Company.

*PricewaterhouseCoopers, 15 Customs Street West, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz*



Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether, with respect to the registers of security holders maintained for by the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013.

An assurance engagement to report on the Company's compliance with Section 217 of the Financial Markets Conduct Act 2013 involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with Section 217 of the Financial Markets Conduct Act 2013 will continue in the future.

Restriction on Distribution and Use of our Report

This report has been prepared for the Directors, as a body, in accordance with Section 218 of the Financial Markets Conduct Act 2013 and Regulation 110 of the Financial Markets Conduct Regulations 2014 and is provided solely to assist you in establishing that compliance requirements have been met.

Under the terms of our engagement our report may be provided on a confidential basis to the users of the Company's Registry Management services, whether or not they are required to comply with Section 218 of the Act, on the basis that we do not accept or assume any duty of care or other legal responsibility to those users. Notwithstanding the Act or Regulations, we do not accept or assume a duty of care or other legal responsibility.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, or for any purpose other than that for which it was prepared. In addition, we disclaim any responsibility for reliance on this report other than the purpose for which it was prepared.



Chartered Accountants
31 July 2020

Auckland, New Zealand

Adoption of the Long Term Plan 2021-2031

CM No.: 2456090

Rāpopotonga Matua | Executive Summary

The purpose of this report is to present the final Long Term Plan 2021-31 (LTP) which is due for Council adoption on 30 June as amended following the hearing of submissions process held on 12 and 13 May 2021, and seeks feedback on the following:

- Revenue and Financing Policy
- Financial Strategy
- Infrastructure Strategy
- LTP
- Audit NZ Opinion
- Letter of Representation for Audit NZ

The final LTP will become operative 1 July 2021.

Recommendation

That:

1. **The information be received**
2. **Any feedback on the Long Term Plan 2021-31 be provided to Council**

Horopaki | Background

Council adopted its Consultation Document for the 2021-31 LTP at its meeting of 10 March 2021, and had adopted its supporting information to this document throughout the 2020 and 2021 years.

The Consultation Document and supporting information provided the basis of the consultation undertaken with the community from 16 March to 19 April 2021. At the same time, the Council also consulted on the following separate documents and Statements of Proposal:

- Development Contributions Policy
- Revenue and Financing Policy
- Fees and Charges 2021/22 (adopted 9 June 2021)
- Rates Remissions and Postponement Policies:
 - Policy on the remission of rates on land protected for conservation purposes
 - Policy on the remission of penalties on unpaid rates
 - Policy on the remission of rates: other categories
 - Policy on the remission of small rates balances
 - Policy on the remission of rates on Maori freehold land
 - Policy on the postponement of rates on Maori freehold land
 - Policy on remissions for metered water leaks
 - Policy on remissions of pan charge targeted rates based on water use
 - Policy on remissions of pan charge targeted rates for Educational Establishments
 - Policy on the remission of rates on abandoned land
 - Policy on the remission and postponement of rates for natural disasters and emergencies

The final LTP was submitted to Audit NZ for its review on 24 May 2021.

The LTP must be adopted by 30 June 2021. The project timeline for a LTP is typically 14-18 months and has involved staff across the whole organisation, Councillors and the community.

How the LTP has been presented

The LTP consists of information:

- about Council, its structure
- its financial strategy
- its infrastructure strategy
- information about the district, population growth and its economy
- community outcomes
- the activity plans and activity group funding impact statements
- significant assumptions that have been made in preparing the plan
- forecast financial statements
- mandatory policies.

Ngā Take/Kōrerorero | Issues/Discussion

Submissions received

Council received 519 submissions, including 14 late submissions. The submissions covered a range of Council activities and themes. Council heard from over 60 submitters who wished to present their submission in person on Wednesday 12 and Thursday 13 May and deliberated on all submissions on Thursday 13 May 2021.

Council decisions

Council have considered all feedback given by the community and have made the following key decisions:

In addition to financials, the CD set out a number of specific proposals that Council had identified to achieve the vision of making Matamata-Piako the place of choice. The preferred options, alternative options, total cost and impact on rates were described. The decisions on the issues consulted on are described below. Please note the following statistics are based on submissions received in the prescribed format. Some submissions are on behalf of a number of submitters and these statistics do not represent the number of submitters. A full overview of decisions on all submissions is available on our website.

- Te Aroha Spa development

We received strong community support to work towards developing a destination spa in Te Aroha and we agreed that if we're going to do it, it needs to be done properly. 41% of the feedback supported this, with 34% preferring Council to work towards developing a new destination spa (\$5.3m) while 25% said don't do it.

The \$18.9 million option has been approved but it will only go ahead if the review of the business case stacks up and investigations into potential risks are favourable. There's still a lot of work to do before the project gets the green light, including further consultation with the community on the detail of a new day spa.

The LTP forecasts include capital spending of \$2m in 2021/22, \$7m in 2022/23 and \$8.4m in 2023/24 in respect of this project.

- Rubbish and recycling (kerbside collection)

This is about moving from the current user pays rubbish bags to a service funded through targeted rates, when the current service contract ends in 2023. Council received clear support for changing the kerbside collections from 2023, with 87% in favour.

Council agrees with this change subject to the options for rubbish bags and/or wheelie bins, recycling crates and food waste bins investigated further. Staff will now progress the procurement process for a new refuse contractor.

- Rubbish and recycling (resource recovery centres)

Council have decided to progress developing two resource recovery centres in the district (37% supported this, with 44% telling us to put resource recovery centres in all three towns). A resource recovery centre is where material that would usually go to landfill is diverted. This could include services such as an op-shop, a rural recycling collection point, or salvage of clothing, building materials and so on that would otherwise end up in landfill. Our plan is to develop a facility in Matamata and Morrinsville, and upgrade the Waihou (Te Aroha) transfer station to improve functionality and health and safety.

The LTP forecasts include \$4m capital spending on the Matamata resource recovery centre in 2023/24, \$0.5m for upgrade of the Waihou facility in 2023/24, and \$2m for the Morrinsville resource recovery centre in 2024/25.

- Additional water sources in Morrinsville

The majority of feedback (63%) indicated support for providing two additional water sources.

Council has decided that Morrinsville will receive two additional water sources to meet growing demand, and ensure there is enough water for essential use (like drinking and hygiene) all year round. Water restrictions will continue to be implemented during the summer periods. The new water sources and treatment will largely be funded by new developments (sub-divisions) but also partly funded by rates as the increased droughts require more water for the existing users.

The LTP forecasts include \$4.5m capital spending for one additional water source over 2021/22, 2023/24 and 2024/25, and \$1.5m for the second additional water source in 2023/24.

- Revitalising our town centres

Following community feedback (61% support, 14% telling Council to do it faster than planned, and 25% don't do it) Council has decided to progress with the town centre revitalisation project. This would include comprehensive co-design engagement with the community to ascertain their aspirations for the CBDs. This will ensure interventions are delivered with value for money i.e. money is being spent where the community sees the most benefit and prioritised accordingly.

The LTP forecasts include \$3.1m capital spending on the redevelopment of the Matamata, Morrinsville and Te Aroha CBDs, with the projects starting from 2022/23 and complete in 2028/29.

- Improving walking and cycling connections

Council included funding for widening of current footpaths to create shared pathways, creating new footpaths and also to improve connections within our town centres. 43% of submitters supported this proposal, with 41% telling us to take a 'slow but steady' approach. Council has decided to take this 'slow but steady' approach. The funding will be spread out over the life of the Long Term Plan. The aim is to make our towns more pedestrian and cycle friendly by focusing on current road and rail crossings to make things safer.

- Mountain bike skills park and dog park in Te Aroha

Following feedback, (61% in support, 39% not in support) we have agreed in principle to developing a mountain bike skills park at Tui Park, Te Aroha. This was the communities top pick when we asked the community for ideas in 2020 under the 'your voice your vision' consultation. This will now require a detailed design to be developed and consulted on, and the necessary approvals obtained.

While there is support for a dog park in Te Aroha it won't be located alongside the Mountain Bike Skills Park, at Tui Park and alternative locations will be investigated.

The LTP forecasts include capital spending of \$200,000 in 2023/24 for dog exercise areas at appropriate locations within the district. No funding has been included in the LTP forecasts for a Mountain Bike Skills Park.

- Dog Park in Matamata

This proposal was put forward by members of the community as part of the 'Your Voice, Your Vision' campaign in July 2020. A dog park at Swap Park was one of the top three proposals. While 66% of submitters supported this proposal, and 34% said don't do it, individuals and groups in the community have different ideas about the use and development of Swap Park.

Based on the information presented in submissions Council felt there would be some issues with having an off-leash dog exercise area there. Overall a dog park in Matamata was supported so alternative locations for a dog exercise area will be investigated.

Refer above for funding allocation to dog exercise areas in general.

Further decisions

The CD also provided an overview of longer term priorities; (destination playgrounds, cycleway from Matamata to Piarere, Wairongomai Carpark, upgrade of the Te Aroha sewer falling main, additional water treatment plant in Morrinsville and upgrade of our Te Aroha and Matamata wastewater treatment plants), and identified things that we want to do the ground work on over the next few years, so that we can plan the timing and costs well; Morrinsville Recreation Master Plan, Te Aroha civic facilities, Elderly Persons Housing, Morrinsville to Te Aroha cycleway and a stage for the Matamata-Piako Civic and Memorial Centre.

At its Hearing 12/13 May Council resolved to keep all of these projects in its Long Term Plan.

The total rates increase for 2021/22 is 11.73%, which is slightly lower than what we proposed in the CD (11.85%). The average rates increase over the 10 year period (2021-31) is forecast to be 6.03%. This is slightly higher than the 5.93% we proposed in the CD.

Balanced Budget

Under section 100 of the LGA 2002 Council must ensure that projected operating revenues are sufficient to cover operating expenses. In other words, Council must balance the budget.

Council may make an exception (by resolution) if satisfied that it is financially prudent to do so, having regard to:

- the estimated expenses of achieving and maintaining desired level of service and the service capacity of assets

- the costs and revenues needed to maintain the capacity and integrity of assets throughout their useful lives
- how these costs will be equitably funded over the life of assets and facilities
- Council's funding and financial policies (e.g. Revenue and Financing Policy)

The LTP statement of comprehensive revenue and expense projects that there will be a surplus in each of the 10 years of the plan, and as such the budget is balanced.

The Balancing the Budget disclosure in section 7 of the LTP notes that these surpluses are partially offset by our decisions to not fully fund depreciation on some activities and/or assets and ring-fence the financial performance for some activities (i.e. activities that are expected to be self-funding).

Swim Zone Matamata

Swim Zone Matamata's indoor pool roof needed replacing, and we had previously obtained cost estimates for this work. Funding was allocated in 2020/21 to complete this work as part of our planned renewals programme.

However, before proceeding, we noted additional signs of deterioration of the roof structure and investigated further. These investigations concluded that the indoor pool and connected buildings are earthquake prone. We had an updated estimate for the roof replacement ranging between \$3 and \$6 million which represented an increase on previous estimates.

The existing indoor pool has been in operation for 40+ years and we need time to work through the costs and benefits of various investment options carefully to ensure Council is making the right decision for the community. As we have not made any decisions about proceeding with the roof replacement, we have not included the costs of roof replacement in our Long Term Plan financial forecasts.

On 28 April 2021 Council made the decision to close the indoor pool immediately, and we will proceed to remove the roof to address the immediate safety risk. The outdoor pool is heated and will be used right through winter. The dive pool, which is usually closed during winter, has been opened up to allow us to continue to provide services such as learn to swim and exercise classes all year round. This is being heated to a largely similar temperature as the indoor pool was. We are also undertaking some minor improvements (including additional covered areas) in the vicinity of the dive pool to provide for customer/swimmer comfort. These changes mean we can continue to provide pool facilities and maintain our levels of service and will allow Council time to work through with the Community to consider the best long term option for the Matamata community.

Audit Review

Audit NZ has completed its review of the LTP and believe that the Plan meets the requirements of section 93 of the Local Government Act 2002 (LGA 2002). Under the LGA 2002 Council is required to obtain an audit of its consultation document and final LTP. Auditing on the Consultation Document was completed in March 2021, with Council receiving an unmodified audit opinion.

Auditing on the final LTP was completed between 24 May and 21 June 2021. Council expects to receive an unmodified opinion on the final LTP. A draft of that opinion has been attached. Council's Auditor, Lauren Clark will be in attendance to present the opinion to Council and to answer any questions Councillors may have on the process and audit outcome.

The Audit Opinion is attached to this report.

Letter of representation for the audit of the LTP

The representation letter sets out the Council's responsibilities under the LGA 2002 to report on the extent to which the LTP gives effect to the purpose set out in section 93(6) of the Act; and quality of information and assumptions underlying the forecast information provided in the LTP.

The letter provides assurances to Audit in relation to the following requirements, which to the best of their knowledge, staff are of the opinion, have been met:

- Underlying information and assumptions
- Performance framework
- Systems and processes
- Legislative compliance
- Generally accepted accounting practice
- Publication of the LTP and related audit report on the Council's web site

The Letter of Representation is attached to this report.

Rates resolution

Once the LTP and its associated financial policies and statements are adopted the Council is required to set its rates for the year 1 July 2021 to 30 June 2022.

Revenue and Financing Policy 2021-31

Under the LGA 2002 Council must adopt a Revenue and Financing Policy setting out Council's policies in respect of the funding of operating expenses and capital expenditure. The Revenue and Financing Policy is a tool for recording and explaining the policy decisions Council has made regarding the funding of its activities, that is - who pays, for what, and when. Although not a funding and financial policy, the funding impact statement (FIS) in the LTP is the mechanism for implementing the Revenue and Financing Policy. The FIS should contain all of the information relating to the factors and matters that will be used to set rates.

The analytical method for developing the Revenue and Financing Policy is a sequential two-step process. The first step includes consideration at an activity level the rationale for service delivery, the beneficiary pays principle, the exacerbator pays principle, inter-generational equity, and the costs and benefits of separate funding. The second step of the analysis involves consideration of the results of the first step and their impact on community interests. A clear rationale for service delivery is a vital piece of information to have when working through the section 101(3)(a) LGA analysis. Knowing why Council is delivering the service can help clarify who benefits, when they benefit, and who any of the exacerbators are, as well as obtaining some idea of what impacts on community interests might arise from the way Council funds a service.

One of Council's proposals included the proposal to change the way kerbside collections services are delivered. This proposal included a change in the way the service is funded and the Draft Revenue and Financing Policy that went out for consultation incorporated this change in funding. As previously noted, the majority of submitters agreed with the proposal to change the way kerbside collection services are delivered from 2023, and as such Council has decided not to make any changes to the Revenue and Financing Policy and the rates structure as part of the LTP deliberations.

Analysis

Options considered

The Audit and Risk Committee can provide feedback to Council if desired.

Legal and statutory requirements

The development of the LTP is to meet Council's responsibilities under the Local Government Act 2002 (LGA 2002).

There are an array of legislative requirements for the LTP set out in the LGA 2002, the Local Government (Financial Reporting and Prudence) Regulations 2014 and Local Government Rating Act 2002.

Impact on policy and bylaws

This process will set new policies for Council.

The LTP is the 'cornerstone' of the LGA 2002 planning process. Once adopted, the LTP will set the direction for Annual Plans and Annual Reports over the next three year cycle. For that time, it becomes Council's primary strategic planning reference point.

Section 96 of the LGA 2002 states that when a Council adopts a LTP it is providing a formal and public statement of the Council's intentions; but a resolution to adopt a LTP does not constitute a decision to act on any specific matter included within the plan. There are statutory restrictions if Council wants to deviate from the direction established in the adopted LTP.

Consistency with the Long Term Plan / Annual Plan

The process has involved developing the LTP.

Impact on Significance and Engagement Policy

The LTP is a significant issue in terms of Council's Significance and Engagement Policy, as they relate to issues around affordability, levels of service, community wellbeing, rating, and debt levels. Once the LTP is adopted Council may be restricted in its ability to change its direction at a later date.

For this reason the LTP was subject to public consultation in accordance with the Special Consultative Procedure (Section 83) of the LGA giving effect to the principles of consultation in section 82. Other documents such as the Development Contributions Policy, Fees and Charges, Rates Remissions and Postponement Policies and Revenue and Financing Policy were consulted on separately but alongside the LTP.

Communication, consultation and decision making processes

The community consultation process has been completed. Council informed key stakeholders and interest groups of the Consultation Document (CD) and other proposals.

The CD and supporting information was made available at all Council offices and libraries and could be viewed on the Council website and submissions could be made on-line through the website.

Council used several communication tools to encourage the community to take part in the consultative process including:

- Circulation of the CD approximately 16,000 properties (non-delivery issues have been noted).
- Advertisements in Council in Focus – our fortnightly newspaper page.
- E-newsletters (each targeting different topics/themes/towns).
- Council Office and library displays/posters.
- Use of Facebook.
- Local press coverage.
- Promotion on the Council website.
- Attending Market Days where people could come and ask questions of staff and Councillors about the plan and find out about the proposals.

- Meetings with town business associations, community groups such as Greypower associations.
- Consultation with Te Manawhenua Forum.

Subsequent actions

As required by section 93(10) of the LGA, once the Plan is adopted the Council has one month to:

- Make the LTP publicly available (including advertising its availability) – via the Council website, with copies also available in offices and libraries for reference via the electronic kiosks and computers.
- Send copies of the Plan to those who are required to have a copy (as outlined in the LGA).

All submitters have been notified of the outcome of their submission and Council staff have been notified of any follow up actions required as a result of the submissions and Council's deliberations on these.

Timeframes

A summary of the process is outlined below:

Process	Start	Finish
LTP Consultation Document approved for consultation (and supporting information)	10 March 2021	10 March 2021
Submissions open	16 March 2021	19 April 2021
LTP hearing	12 May 2021	13 May 2021
Audit and Risk Committee review	29 June 2021	29 June 2021
Council adopt final LTP and other documents	30 June 2021	30 June 2021
Rates struck for 2021/22		
LTP and other documents in force	1 July 2021	30 June 2024 (Long Term Plan)

The other consultation documents were adopted for consultation separately in 2020 and early 2021.

Contribution to Community Outcomes

The LTP incorporates community outcomes with Levels of Service being linked to one or more of the community outcomes. There were no specific impacts on the community outcomes as a result of the decisions made following the LTP consultation process.

Financial Impact

i. Cost

The total budget for the development of the LTP 2021-31 is \$135,000 (funded \$45,000 per year) and \$90,000 for external audit fees (funded \$30,000 per year). The total budget covers specific tasks undertaken externally such as population projections, legal advice/peer review, printing and distribution of the consultation document, newspaper advertisements and Audit NZ fees.

ii. Funding Source

The LTP is a General Rate funded project.

Ngā Tāpiritanga | Attachments

[A↓](#). Draft Audit Opinion



[B↓](#). Letter of Representation Long Term Plan 2021-31



Ngā waitohu | Signatories

Author(s)	Ann-Jorun Hunter Policy Planner	
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Approved by	Sandra Harris Corporate Strategy Team Leader	
	Erin Bates Strategic Partnerships and Governance Manager	
	Larnia Rushbrooke Finance and Business Services Manager	
	Manaia Te Wiata Group Manager Business Support	
	Don McLeod Chief Executive Officer	



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

**Independent Auditor's report on Matamata-Piako District Council's
2021-2031 long-term Plan**

I am the Auditor-General's appointed auditor for Matamata-Piako District Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term Plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 30 June 2021.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 221 to 224 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Emphasis of Matter - Uncertainty over three waters reforms

Without modifying our opinion, we draw attention to the disclosure on page 73 outlining the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made.

The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the approach taken by the Council to maintain its assets is reasonable, given the types of asset infrastructure owned by the Council;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality control

We have complied with the Auditor-General's:

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

In addition to this report on the Council's long-term plan and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed and are providing assurance over certain matters in respect of the Council's procurement practices.

These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.

Lauren Clark
Audit New Zealand
On behalf of the Auditor-General, Auckland, New Zealand



30 June 2021

Lauren Clark
Associate Director
Audit New Zealand
PO Box 1165
Auckland 1140

Dear Lauren

Letter of representation for the audit of Matamata-Piako District Council's long-term Plan

This representation letter is given in connection with your audit, conducted on behalf of the Auditor-General, to provide a report on Matamata-Piako District Council (the Council's) long-term Plan (LTP) for the 10 years commencing 1 July 2021.

This representation letter is provided to you in connection with your responsibility under the Local Government Act 2002 (the Act) to report on:

- whether the LTP gives effect to the purpose set out in section 93(6) of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

We understand that your audit was carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we understand you took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.

We also understand that your audit was (to the extent that you deemed appropriate) for the purposes of expressing an opinion about whether the LTP provides a reasonable basis for long-term integrated decision-making by the Council and for accountability of the Council to

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the community, and whether the information and assumptions underlying the forecast information in the LTP are reasonable. We understand the audit would not necessarily disclose any or all irregularities should any exist.

We acknowledge that actual results are likely to be different from the forecast information because anticipated events frequently do not occur as expected and the variation may be material, and that you express no opinion about whether the forecasts will be achieved. We also acknowledge that you do not express an opinion on the merits of any policy content of the LTP.

We confirm, to the best of our knowledge and belief, the following representations:

General

- 1 The Council accepts that it is responsible for the preparation of the LTP that meets the requirements of the Act.
- 2 In complying with the requirements of the Act in relation to the LTP, we have acted in such a manner and included in the LTP such detail as we consider on reasonable grounds to be appropriate.
- 3 The LTP has been prepared using the best information currently available to the Council and accordingly the forecast information included in the LTP is our best forecast of anticipated events for the 10 years commencing 1 July 2021.
- 4 The LTP has been prepared and is consistent with Council's own policies and strategies and the strategies and policies of other organisations where appropriate.
- 5 We believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the LTP as a whole.

Underlying information and assumptions

- 6 The forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted. The assumptions and information underlying the forecast information are reasonable and supportable in the context of the Council's position and have been based on the best information currently available to the Council. The assumptions are consistent among themselves, consistent with the current strategies and plans of the Council and have been consistently applied.
- 7 All significant forecasting assumptions have been included in the preparation of the forecast information and have been clearly identified in the LTP. Where significant forecasting assumptions have a high level of uncertainty, that uncertainty has been stated and the potential effects of the uncertainty on the forecast financial information have been provided.

- 8 The LTP includes all the items of operating expenditure and capital projects the Council reasonably expects will be done in the 10 years covered by the plan, based on the best information currently available to the Council.
- 9 The forecasts of capital expenditure and operating expenditure are supported by, and consistent with, underlying information such as asset management plans and the infrastructure strategy.
- 10 The records maintained by the Council were adequate for the preparation of the Council's LTP.
- 11 We have made available to you all supporting documentation on the information and assumptions underlying the forecast information used to prepare the LTP.
- 12 All minutes of meetings of the Council and its sub-committees held to date have been made available to you for inspection, including summaries of recent meetings for which minutes have not yet been prepared or approved.

Performance framework

- 13 The forecast information and proposed performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service. The performance measures reflect the intended levels of service for those activities the Council has chosen to carry out in response to community consultation and legislative requirements. Proposed performance targets are based on the equivalent basis of reasonable and supportable assumptions and underlying information.

Systems and processes

- 14 The Council accepts that it is responsible for establishing and maintaining systems and processes designed to provide reasonable assurance about the integrity and reliability of the forecast information. The Council has maintained effective systems and processes, and they have operated to generate accurate and reliable forecast information.

Legislative compliance

- 15 The Council accepts that it is responsible for ensuring that all applicable aspects of the Act that affect the LTP have been complied with. To the best of its knowledge, the Council has complied with all legislative requirements in the preparation of the LTP.
- 16 The Council has followed the decision-making provisions of Part 6 of the Act in making decisions about the content considered for inclusion and exclusion from the LTP.

- 17 The Council followed the special consultative procedures outlined in the Act in relation to the consultation document. All changes to the underlying information resulting from consultation have been appropriately reflected in the LTP.
- 18 We have a significance and engagement policy that outlines the Council's approach to determining the significance of proposals and decisions in accordance with section 76AA of the Act.
- 19 The Council has considered the balanced budget requirements outlined in section 100 of the Act, and is managing its revenue, expenses, assets, liabilities, and general financial dealings prudently as required by sections 101 and 101A of the Act. We have made adequate provision to meet the expenditure needs of the Council identified in the LTP.
- 20 The Council has adopted and applied the following policies in the development of the LTP:
- A revenue and financing policy that complies with section 103 of the Act and has been prepared after consideration of the matters outlined in section 101(3) of the Act.
 - A liability management policy that complies with section 104 of the Act.
 - An investment policy that complies with section 105 of the Act.
 - A policy on development contributions or financial contributions that complies with section 106 of the Act.
 - A policy on remission and postponement of rates on Māori freehold land that complies with section 108 of the Act.
 - A rates postponement policy adopted under section 110 or rates remission policy adopted under section 109 of the Act.

These policies have formed the basis for the financial parameters used in the preparation of the LTP.

- 21 All the information required by Part 1 of Schedule 10 of the Act has been included in the LTP.
- 22 All the information required by the Local Government (Financial Reporting and Prudence) Regulations 2014 has been included in the LTP.

Generally accepted accounting practice

- 23 The accounting policies applied to the forecast financial statements comply with generally accepted accounting practice and are those that the Council intends to use in the future for reporting historical financial statements. Any change in

accounting policy from policies previously applied and reported in historical financial statements has been disclosed in the LTP.

- 24 The estimated effect of the revaluation of service delivery assets has been incorporated into the LTP.
- 25 The forecast financial information has been prepared and presented in accordance with PBE FRS 42 Prospective Financial Statements.
- 26 The forecast financial information has been prepared in accordance with the accounting policies.
- 27 The Council's assumption about future price changes on the forecast financial information is based on the best information currently available to the Council and is reasonable and supportable.

Publication of the LTP and related audit report on the Council's website

- 28 The Council accepts that it is responsible for the electronic presentation of the audited LTP.
- 29 The electronic version of the audited LTP and related audit report presented on the website are the same as the final signed version of the audited LTP and audit report.
- 30 We have clearly differentiated between audited and unaudited information in the preparation of the LTP on the Council's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- 31 We have assessed the security controls over audited forecast information and the related audit report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- 32 Where the audit report on the full LTP is provided on the website, the LTP is also provided in full.

These representations are made at your request, and to supplement information obtained by you from the records of the Council and to confirm information given to you orally.

Regards

Ash Tanner
Mayor

Annual Plan 2022/23 and other documents for consultation

CM No.: 2454037

Rāpopotonga Matua | Executive Summary

Council is required to produce an Annual Plan each year with the exception of the years when a Long Term Plan (LTP) is produced. The Annual Plan is Council's budget for the financial year 1 July to 30 June.

The purpose of this report is to provide an update to the Committee on the Annual Plan 2022/23 Project Plan and other documents for consultation. The project plan is attached.

Tūtohunga | Recommendation

That:

1. The report be received.
2. The Committee provides feedback on the draft Annual Plan project.
3. The Committee provides any feedback on the policy and bylaw reviews scheduled for 2021/22.

Horopaki | Background

Local Government Planning under the Local government Act 2002

Council is required to produce an Annual Plan each year with the exception of the years when a Long Term Plan (LTP) is to be produced (triennially). 2022/23 represents Year 2 of the 2021-2031 LTP.

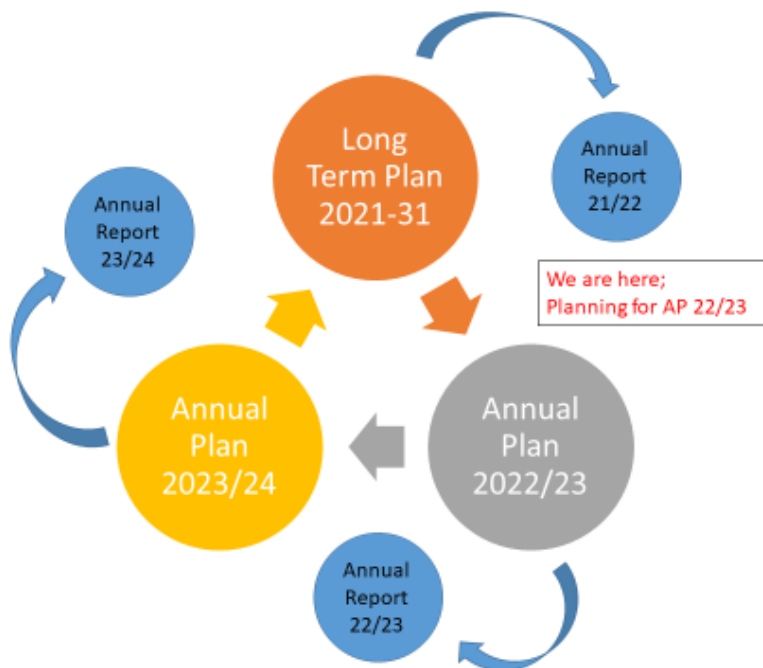
LTP - Under the Local Government Act 2002, we have to set out long term plans for the community. We also do it to give our community the opportunity to have a say on where we are heading and to ensure our planning is robust. In completing the plan we are required to do a number of things, including:

- Take a sustainable development approach to promote community interests.
- Carry out our business in a clear, transparent and accountable manner.
- Operate in an efficient and effective manner, using sound business practices.
- Take into account community views by offering clear information and the opportunity to present views.
- Provide opportunities for Māori to contribute to decision making.
- Collaborate and co-operate with other agencies and councils to achieve desired outcomes.

Annual Plan - We produce an Annual Plan in the two years that we don't produce a LTP. The Annual Plan highlights any changes or variances from the LTP for the coming year. If the

proposed Annual Plan does not include significant differences from the content of the LTP for that year then we are not required to consult the community on it.

Annual Report - We produce an Annual Report every year. This reviews our performance, letting the community know whether we did what we said we would. It also checks financial performance against the budget and Financial Strategy.



Policy and Bylaw reviews

Gambling Venue Policy

The Gambling Venue Policy is a requirement under the Gambling Act 2003 and it specifies whether class 4 venues (venues with gaming machines) are allowed to be established within the district, if so, where and how many machines may be operated. The current Policy was adopted in 2019, and must be reviewed within three years of adoption, being 2022.

TAB Board Venue Policy

The TAB Board Venue Policy is a requirement under the Racing Act 2003 and it specifies whether TAB Board Venues (stand alone TAB venues, not those within a licensed alcohol venue). The current Policy was adopted in 2019, and must be reviewed within three years of adoption, being 2022.

Local Easter Sunday Shop Trading Policy

This Policy is made under the Shop Trading Hours Act 1990 which provides Council with the ability to establish a local policy to permit shops to open on Easter Sunday. The Policy was adopted in 2017 and must be reviewed within five years of adoption, being 2022.

Policy on Dogs and Dog Control Bylaw 2010 (amended 2016)

The Dog Control Act 1996 ("the Act"), requires all Council's to have a Policy on Dogs. Council must give effect to such policy by making the necessary bylaws. The Dog Control Bylaw sets out the areas prohibited to dogs and areas that dogs are required to be on or off leash along with a

variety of other dog rules. If Council resolves to review its Bylaw, it is also required to review its Policy on Dogs

Mōrearea | Risk

There is a risk that if iwi and the wider community are not engaged in the review of policies and bylaws, the relevant policies and bylaws may not be effective in achieving/supporting community wellbeing. Council is seeking early engagement with iwi and stakeholders to promote active and meaningful engagement/participation in the policy review.

Additional risks have been identified in the Project Plan along with mitigation strategies for each risk.

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

Annual Plan Consultation requirements

Historically Council consulted on its Annual Plan using the Special Consultative Procedure as it was a requirement of the Local Government Act 2002 to do so.

In 2014 amendments were made to the Local Government Act 2002 changing this requirement. Section 95 of the Local Government Act 2002 now says that if the proposed Annual Plan does not include significant or material differences from the content of the LTP for the financial year to which the proposed Annual Plan relates then Council does not need to consult.

If Council determines there are significant or material differences from the content of the LTP then we need to produce a Consultation Document. The Consultation Document must explain identified differences, if any, between the proposed Annual Plan and what is described in the LTP.

This could include;

- an explanation of any significant or material variations from the financial statements or the funding impact statement;
- a description of significant new spending proposals, the costs associated with those proposals, and how these costs will be met;
- an explanation of any proposal to substantially delay, or not proceed with, a significant project, and the financial and service delivery implications of the proposal;

If we do consult we must consult in a manner that gives effect to the requirements of section 82 which are the principles of consultation.

Section 80 of the Local Government Act 2002 also requires that if a decision of Council is significantly inconsistent with, or is anticipated to have consequences that will be significantly inconsistent with, any policy adopted by Council or any plan required by this Act or any other enactment, Council must, when making the decision, clearly identify—

- the inconsistency; and
- the reasons for the inconsistency; and
- any intention to amend the policy or plan to accommodate the decision.

Impact on Significance and Engagement Policy

The Significance and Engagement Policy provide guidance on how to determine significance, and the appropriate levels of engagement in proportion to the level of significance. In general, the more significant an issue is determined to be, the greater the need for community engagement. The Policy sets out the matters which must be taken into account when assessing the degree of significance;

- there is a legal requirement to engage with the community
- the level of financial consequences of the proposal or decision
- whether the proposal or decision will affect a large portion of the community
- the likely impact on present and future interests of the community
- recognising Māori culture values and their relationship to land and water through whakapapa
- whether the proposal affects the level of service of a Significant Activity
- whether community interest is high
- whether the likely consequences are controversial
- whether community views are already known, including the community's preferences about the form of engagement
- the form of engagement used in the past for similar proposals and decisions

Timeframes

If formal consultation is to occur this is proposed to occur from 15 March – 19 April 2022 and a Consultation Document would be required. A hearing is pencilled in for the 18 (and 19 if required) May 2022. The Annual Plan 2022/23 must be adopted by 30 June 2022.

All reviews of Policies and Bylaws are subject to the Local Government Act 2002 Special Consultative Procedure (SCP) or its principles.

The timeline for the SCP is outlined below;

What	When
Draft documents and Statements of Proposal approved by Council for Consultation	By 9 March 2022
Consultation open	15 March to 19 April 2022
Hearing	18 May 2022 (and 19 May 2022 if required)
Adoption of policies and bylaws	22 or 29 June 2022

This timeline aims to align the consultation on policies and bylaws with that of the Annual Plan 2022/23, should the Annual Plan require consultation.

Ngā take ā-lhinga | Consent issues

There are no consent issues.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Matamata-Piako – The Place of Choice

Lifestyle. Opportunities. Home.

Enabling...				
Connected Infrastructure	Economic Opportunities	Healthy Communities	Environmental Sustainability	Vibrant Cultural Values
Infrastructure and services are fit for purpose and affordable, now and in the future.	We are a business friendly Council.	Our community is safe, healthy and connected.	We support environmentally friendly practices and technologies.	We promote and protect our arts, culture, historic, and natural resources.
Quality infrastructure is provided to support community wellbeing.	Our future planning enables sustainable growth in our district	We encourage the use and development of our facilities.	Development occurs in a sustainable and respectful manner considering kawa/protocol and tikanga/customs.	We value and encourage strong relationships with iwi and other cultures, recognising wahi tapu and taonga/significant and treasured sites and whakapapa/ ancestral heritage.
We have positive partnerships with external providers of infrastructure to our communities.	We provide leadership and advocacy is provided to enable our communities to grow.	We encourage community engagement and provide sound and visionary decision making.	We engage with our regional and national partners to ensure positive environmental outcomes for our community.	Tangata Whenua with Manawhenua status (those with authority over the land under Maori lore) have meaningful involvement in decision making.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Council has a budget of \$10,000 for production of the Annual Plan.

The majority of expense relates to the publishing and distribution of the Annual Plan Consultation Document (if required).

Ngā Tāpiritanga | Attachments

[A↓](#). Project Plan and Timeline - Annual Plan 22/23 and other policies for consultation



Ngā waitohu | Signatories

Author(s)	Niall Baker Corporate Strategy Team Leader	
	Ann-Jorun Hunter Policy Planner	

Approved by	Sandra Harris Corporate Strategy Team Leader	
	Erin Bates Strategic Partnerships and Governance Manager	
	Don McLeod Chief Executive Officer	

Stage 2 Planning – The Project Plan



RM Number:	Project Title: 2022/23 Annual Plan and associated documents	Date: 21/06/2021
Project Description	Produce 2022/23 Annual Plan and associated documents as required by the Local Government Act 2002.	
Team Approval	Sponsor	Don McLeod
	Team Leader	Erin Bates
	Project team	Sandra Harris, Niall Baker, Ann-Jorun Hunter, Susanne Kampshof, Larnia Rushbrooke, Piyush Joshi, Shawn Sun
Purpose and Objectives	<p>We are legally required to produce an Annual Plan, we are also required to review our various policies and bylaws including:</p> <ul style="list-style-type: none"> - Fees and Charges - Gambling Policy - TAB Board Venue Policy - Easter Sunday Trading Policy - Dog Control Bylaw and Policy on Dogs if not resolved sooner <p>The proposal is to consult on the above documents alongside the Annual Plan. The Annual Plan may not require consultation (it depends if it has material or substantial differences to what was set out in the Long Term Plan).</p> <p>Depending on how quickly the 3 Waters and RMA reforms progress through Parliament, there may also be requirements for LTP amendments.</p>	
Deliverables	Adoption of Annual Plan and associated documents. Strike the 2022/23 rates prior to 1 July 2022.	
In Scope	The process includes all planning, documentation and execution to meet the milestones to the satisfaction of Council. All Financial, HR, Asset Management and legal aspects are in place for the Annual Plan process. Council to review and approve all other documents on time to coincide with the Annual Plan consultation process.	
Out of Scope	All other works not relevant to the Annual Plan process and various other documents processes.	
Issues, Changes and Risks Logs	<p>Risks and mitigation measures are identified below.</p> <ul style="list-style-type: none"> • Late identification of issue requiring an LTP amendment (and auditing) may put extra pressure on the timeline and staff resourcing. • An IT type failure which would prevent completion of the data entry and analysis, this would require urgent repair/ upgrade of the affected equipment or temporary replacement • The failure of managers to provide accurate information for the Annual Plan on time 	

Version 2 – 19/01/15

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	<ul style="list-style-type: none"> • A large number of submissions which stretch Council's current resources for processing • Absence of key staff during the project • Failure of documents being approved by Council on time means they will not be able to go out for consultation. • Changes in legislation may require additional work to do an LTP amendment alongside the Annual Plan. This may stretch resources further.
Constraints	<p>The Constraints are all time based in that the final version of the documents cannot be prepared until all managers provide confirmation of their plans and budgets for the 2022/23 financial year. To try to encourage work on this process, draft budgets etc. will be sent to managers in early September 2021 to ensure documents are ready to be accepted so that timeframes can be met. Important date reminders will be placed in relevant Managers calendars already to ensure they are aware of the deadlines, once the project timeline (below) has been approved.</p>
Procurement	<p>Description of procurement needs (only required if Council decide to consult and decide to distribute copies to all homes):</p> <ol style="list-style-type: none"> 1. Printing Services and Distribution - Printing of the Annual Plan (indesign file) Consultation Document if required, print numbers sufficient for circulation in the local newspapers and additional copies for offices, libraries and stakeholder groups. Cost of printing is expected to be approximately \$10,000; however, this is dependent on quality of paper, final distribution numbers and number of pages in the document. <i>Note: Issues with distribution for LTP CD. Explore other options for getting the document out as widely as possible.</i> 2. Advertising press – a number of public notices will be needed for the project, these will be lodged with the communications team who arrange for procurement as part of the Council's overall advertising needs in the local papers. <p>Procurement method</p> <ol style="list-style-type: none"> 1. Printing services and distributions - staff will obtain 3 quotes, including quotes from printing services within the district if any are available at the time. The work will go to the company with the lowest price that can complete printing within the specified timeframe. This method is in line with the Procurement manual. <p>See procurement checklist below.</p>
Information Sources	<p>Long Term Plan, Annual Report 2020/21, financial budgets</p>
Project Timeline	<p>See below</p>

Item 6.7

Project Cost/Budget Funding	Operations	Start	Cost/Yr	GL or WO No's
	\$10,000		\$10,000	03039
<i>Extend tables as needed</i>	This is for the Annual Plan, some of the associated documents e.g. Bylaws have their own budget			
Author	Ann-Jorun Hunter			
Approval start Action Phase:	Signature:		Date:	
Group Manager				

Attachment A

Project Risks and Mitigation

Risk	Mitigation
<p>Budgets A budget of \$24,000 is provided in 2021/22 for the Annual Plan 2022/23. This includes document printing, advertising and other costs associated with consultation of both the Annual Plan and associated documents.</p> <p>Provision of insufficient budgets could adversely affect the quality of supporting information and the consultation process with the community. Changes to the Local Government Act could possibly mean that we don't consult on our Annual plan, which would significantly reduce costs for document design and printing. Advertising and other associated costs would still be required as we need to consult on the associated documents such as Fees and Charges and Bylaws</p> <p>Poor management of budgets could result in insufficient funding to complete key processes around document production and engagement with the community.</p> <p>Poor management of budgets could detrimentally affect political/community views of the project and Council as a whole regarding a high profile planning/budgeting document.</p>	<p>The project manager is responsible for monitoring the budget and advising the executive team of any issues. Budgets are set based on knowledge of previous project costs, taking into consideration any likely increases in cost and any cost savings that can be achieved.</p> <p>It is expected that the majority of costs relating to document production will be incurred between February and April 2022. At this stage we are confident that the project can be completed within the project budget as it has been in previous years.</p>
<p>Community engagement The Annual Plan and consultation document are the primary vehicles for talking to the community about any significant changes to the Council's Long Term Plan.</p> <p>There have been changes to the Local Government Act which mean that if there are no significant or material changes from Councils Long Term Plan then we do not need to consult with the community. We will still however need to consult on the associated documents.</p> <p>A lack of engagement with the community at an early stage may lead to a misunderstanding of what both Council and the community perceive the key choices Council needs to make.</p> <p>Failure to convey messages around Council's various proposals, why these decisions have been made and the alternatives available to the community may lead to a lack of understanding/ engagement with the community on key issues.</p>	<p>The project plan includes the development of a consultation/communication plan in December for the promotion of the consultation process and to ensure Councillors key messages are heard by the community.</p> <p>With the renewed focus on co-design and community partnership, there may be opportunities for alternative community engagement and participation. This will be considered once the issues to be discussed have been determined, so that appropriate engagement methods can be deployed to the right stakeholders within the community.</p>

Risk	Mitigation
<p>Document control/quality The Annual Plan and associated documents are prepared and project managed by a number of different staff members. There is also a significant number of staff members who need to input into the documents</p> <p>There is a risk that there will be errors in the various documents due to multiple sources and people being involved with the various projects.</p>	<p>All documents are reviewed by a core group of the project team, including the Project Manager, Communications and Finance to ensure consistency throughout the documents.</p> <p>Time for internal Q&A has been allocated in December/January prior to the approval of the various documents for consultation.</p>
<p>Governance engagement These documents require ownership by the elected members and it should reflect their collective decisions for the community. A lack of engagement with the elected members in the project may lead to a misrepresentation of what they collectively see as the key issues for the community and a lack of ownership of the document.</p>	<p>Staff plan on engaging with elected representatives early on in the process to obtain early policy direction and aspirations of the Council.</p> <p>Workshops on a number of items and Council reports will be undertaken to ensure understanding of the key issues.</p>
<p>Legislative Changes/Compliance A lack of understanding of changes to legislation could result in non-compliance with legislative requirements. Non-compliance with legislative requirements may risk a challenge to Council processes and decision making regarding the setting of budgets, rates and policy.</p>	<p>An overview of the Annual Plan project will be reported to Council as well as a warrant of fitness.</p> <p>The local government sector operates a series of list-serves which allow staff to discuss issues with people in similar roles across the local government sector. This provides a support and information sharing network where issues/question and solutions can be shared with other Councils.</p> <p>The uncertainty around how the 3 waters reform will be rolled out and timing of such transitioning may impact on whether or not an LTP amendment is required. The latest from Central Gov is that they plan to make legislative changes so that consultation is not require. Staff are monitoring this issue.</p>
<p>Resourcing/loss of key staff The preparation of the Annual Plan has a number of Council staff who contribute to the project, loss of key staff could result in delays.</p> <p>Lack of resourcing and/or loss of key staff could adversely impact project timelines and document quality.</p>	<p>Staff resourcing was considered before the start of the project. Finance, Communications and Strategic Relations and Governance teams each have multiple people involved in the Annual Plan process, hopefully in the event of any loss of key staff, remaining staff in the team should be able to pick up additional work.</p> <p>Replacement of staff would follow standard HR processes; staff must give a minimum of one month's notice of resignation – giving an opportunity for handover of any critical issues before their departure.</p> <p>In the event of loss of staff, the budgets can accommodate some use of consultants to assist with document preparation.</p>
<p>Timeframes The Annual Plan and a number of the associated documents must be adopted prior to 30 June 2022. The project timeline for an Annual Plan is typically 9-12 months.</p> <p>Slippage in critical timeframes could adversely impact document quality, Council and community engagement in the development of the Annual Plan and associated documents and legislative compliance.</p>	<p>A project timeline has been developed for the project in conjunction with key staff. This is critical to ensuring adequate resources are available and buy-in from the project team on document delivery.</p> <p>Council will be informed of the project plan.</p> <p>The timeframe has allowed time for consultation on the AP if required. If the proposed changes trigger an LTP amendment, early engagement with Audit in November is recommended to set Audit dates to fit in with the consultation period.</p>

Procurement Checklist

Person preparing checklist Ann-Jorun Hunter

Project manager for the outputs Erin Bates

Is procurement part of a project? Yes Project number n/a

Will this output be the whole of the project or part of a larger project?

Whole project Part of larger project

Estimated value of Works/services/outputs to be procured approximately \$10,000

Does the procurement involve NZTA or other Government funding/subsidies? No

If yes procurement must follow subsidy providers procurement processes

Type of Procurement proposed

Verbal quote Written quotes
 Short Form agreement Contract procedures

If the procurement is covered by a Short Form agreement

Is the procurement for provision of a single item n/a

or for Multiple items over a defined period n/a

Will the procurement be covered by the Contract Procedures Manual? Yes/No

Is the procurement for specialist services or outputs? No

Are there multiple suppliers or sole supplier?

Are the outputs subject to the Buy Local Policy if so which area and category?

Matamata Morrinsville Te Aroha

Work category unknown, invitations to quote will be made to local as well as out of district businesses.

If not a contract what is your delegated authority for this work? \$10,000

Is the procurement likely to be affected by a Shared Services agreement either immediately or in the near future? No

Are any additional or abnormal risks attached to this Procurement? If so please list

No

Signed _____

Date _____



Project Timeline

	Monday	Tuesday	Wednesday	Thursday	Friday
July		29/06/2021		01/07/2021	02/07/2021
		E-team: Project Plan and timeline		Management Group: Project Plan and Timeline	
	05/07/2021	06/07/2021	07/07/2021	08/07/2021	09/07/2021
	12/07/2021	13/07/2021	14/07/2021	15/07/2021	16/07/2021
			Council		
	19/07/2021	20/07/2021	21/07/2021	22/07/2021	23/07/2021
	26/07/2021	27/07/2021	28/07/2021	29/07/2021	30/07/2021
			COC		
August	02/08/2021	03/08/2021	04/08/2021	05/08/2021	06/08/2021
	09/08/2021	10/08/2021	11/08/2021	12/08/2021	13/08/2021
			Council		
	16/08/2021	17/08/2021	18/08/2021	19/08/2021	20/08/2021
	23/08/2021	24/08/2021	25/08/2021	26/08/2021	27/08/2021
	30/08/2021	31/08/2021	COC	01/09/2021	02/09/2021
			02/09/2021	03/09/2021	

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September	06/09/2021	07/09/2021	08/09/2021	09/09/2021	10/09/2021
			Council		Budgets to Managers
	13/09/2021	14/09/2021	15/09/2021	16/09/2021	17/09/2021
	20/09/2021	21/09/2021	22/09/2021	23/09/2021	24/09/2021
			COC		Budgets due back
	27/09/2021	28/09/2021	29/09/2021	30/09/2021	01/10/2021
October	04/10/2021	05/10/2021	06/10/2021	07/10/2021	08/10/2021
		E-team: Workshop content	WORKSHOP - Consultation requirements and/or LTP amendment requirements - Rates reval trends? - TAB/Gambling Policy - Dog Control Policy		
	11/10/2021	12/10/2021	13/10/2021	14/10/2021	15/10/2021
		ARC Report on Annual Plan Project Plan	Council Report on Project Plan and Timeline		
	18/10/2021	19/10/2021	20/10/2021	21/10/2021	22/10/2021
		E-team: First cut budgets			
25/10/2021	26/10/2021	27/10/2021	28/10/2021	29/10/2021	
	E-team: First cut budgets take 2	COC			

		01/11/2021	02/11/2021	03/11/2021	04/11/2021	05/11/2021	
November			E-team: First cut budgets Take 3 Mayoral briefing on budgets	WORKSHOP Draft budgets and Fees & Charges Confirming if Significant - AP CD or LTP Amendment Policies for consultation			
		08/11/2021	09/11/2021	10/11/2021	11/11/2021	12/11/2021	
		Meet with Digital team to discuss requirement and layout of web content Meet with Comms to discuss Communication and Engagement Plan		Council			
		15/11/2021	16/11/2021	17/11/2021	18/11/2021	19/11/2021	
			E-team: Workshop content	WORKSHOP Communication and Engagement Plan			
		22/11/2021	23/11/2021	24/11/2021	25/11/2021	26/11/2021	
				COC			
		29/11/2021	30/11/2021	01/12/2021	02/12/2021	03/12/2021	
		TMF - Project Update ARC - Project update incl audit and consultation requirements	Council				

	06/12/2021	07/12/2021	08/12/2021	09/12/2021	10/12/2021
December			COC Approval of budgets and draft policies for consultation		Graphic designs templates completed
	13/12/2021	14/12/2021	15/12/2021	16/12/2021	17/12/2021
	20/12/2021	21/12/2021	22/12/2021	23/12/2021	24/12/2021
	27/12/2021	28/12/2021	29/12/2021	30/12/2021	31/12/2021
	03/01/2022	04/01/2022	05/01/2022	06/01/2022	07/01/2022
	10/01/2022	11/01/2022	12/01/2022	13/01/2022	14/01/2022
January	Populating the design templates				
	17/01/2022	18/01/2022	19/01/2022	20/01/2022	21/01/2022
	Quality assurance				
	24/01/2022	25/01/2022	26/01/2022	27/01/2022	28/01/2022
February	31/01/2022	01/02/2022	02/02/2022	03/02/2022	04/02/2022
		Audit if LTP amendment Set up Website with building blocks			
	07/02/2022	08/02/2022	09/02/2022	10/02/2022	11/02/2022
		Council			

	14/02/2022	15/02/2022	16/02/2022	17/02/2022	18/02/2022
	Website and submission forms testing				
	21/02/2022	22/02/2022	23/02/2022	24/02/2022	25/02/2022
	Website and submission forms testing		COC		
March	28/02/2022	01/03/2022	02/03/2022	03/03/2022	04/03/2022
	07/03/2022	08/03/2022	09/03/2022	10/03/2022	11/03/2022
			Council Approve for Consultation		Send off advert to newspapers
	14/03/2022	15/03/2022	16/03/2022	17/03/2022	18/03/2022
		Consultation Starts - Advert in Scene, Morrinsville News, Te Aroha News			
	21/03/2022	22/03/2022	23/03/2022	24/03/2022	25/03/2022
			COC		
	28/03/2022	29/03/2022	30/03/2022	31/03/2022	01/04/2022
April	04/04/2022	05/04/2022	06/04/2022	07/04/2022	08/04/2022
	11/04/2022	12/04/2022	13/04/2022	14/04/2022	15/04/2022
		Council		Easter Friday	

	18/04/2022	19/04/2022	20/04/2022	21/04/2022	22/04/2022
	Easter Monday	Consultation closes			Managers comments due
	25/04/2022	26/04/2022	27/04/2022	28/04/2022	29/04/2022
			COC		
May	02/05/2022	03/05/2022	04/05/2022	05/05/2022	06/05/2022
		E-team: Hearing doc and submissions			Agenda closes for Hearing
	09/05/2022	10/05/2022	11/05/2022	12/05/2022	13/05/2022
			Council		
	16/05/2022	17/05/2022	18/05/2022	19/05/2022	20/05/2022
	Mayoral briefing on Hearing		Hearing	Hearing	
	23/05/2022	24/05/2022	25/05/2022	26/05/2022	27/05/2022
		COC			
	30/05/2022	31/05/2022	01/06/2022	02/06/2022	03/06/2022
	06/06/2022	07/06/2022	08/06/2022	09/06/2022	10/06/2022
			Council		
	13/06/2022	14/06/2022	15/06/2022	16/06/2022	17/06/2022
June					Agenda closes for Adoption Report
	20/06/2022	21/06/2022	22/06/2022	23/06/2022	24/06/2022
			COC		
	27/06/2022	28/06/2022	29/06/2022	30/06/2022	01/07/2022
			LAST CHANCE Extraordinary Council to adopt Annual Plan	Log advertisement for Public Notice	Annual Plan takes effect

Review of Treasury Policies

CM No.: 2451705

Rāpopotonga Matua | Executive Summary

Council's Liability Management policy and Investment policy were last reviewed and amended by this Committee and adopted by Council in June 2020. The effectiveness of the current policies has been reviewed by staff with no issues noted. Council's independent external advisors, PWC have reviewed the existing policies and have recommended some minor amendments to tidy up wording and flow of the policy. Other than this, staff are not proposing any further changes to the existing policies. The amended draft policies are now presented to the Audit and Risk Committee for their review.

Tūtohunga | Recommendation

That:

1. **The Committee review the draft Liability Management Policy and Investment Policy and consider if any amendments should be recommended to Council for adoption.**

Horopaki | Background

The Audit and Risk Committee have recommended that the Liability Management and Investment (Treasury) Policies of Council should be subject to at least an annual review to ensure that these policies remain relevant and effective.

Liability Management Policy

Liability Management Policy – Review of policy compliance and effectiveness

Council staff responsible for the operation of this policy meet on a monthly basis with PWC to discuss policy compliance, market conditions and future borrowing and strategy. PWC also met with Council on an annual/bi-annual basis, providing further explanation of the market conditions and the adopted strategy. Monthly reporting to Council on compliance with the policy is undertaken.

With respect to the 3 waters reforms, we have provided PWC with a potential debt forecast post reforms (eg excluding 3 waters debt), which they are monitoring alongside our 'business as usual' forecasts to ensure that any strategy decisions will not jeopardise our position post-reform.

At 30 June 2021 our external debt will be \$26.5 million. This is compared to the budget of \$40.5 million set out in the 2020/21 Annual Plan. The budget was overly optimistic about the level of capital and carry-forward capital work from previous financial years that would be completed to date, and also underestimated the cashflows from the significant level of development in the district over recent years.

There have been no breaches or one-off approvals outside the policy since the current policies' adoption. Council's external auditors annually review compliance with key policy requirements, our internal controls and accounting treatment and reporting as part of their annual audit function and have not raised any concerns or made recommendations in recent years.

The Liability Management policy includes a number of statutory and general objectives, including minimising costs and risk and compliance with legislation and borrowing covenants. We believe

that all of these objectives are being met. We have maintained our debt well within the limits set out in the policy, and within financial covenants.

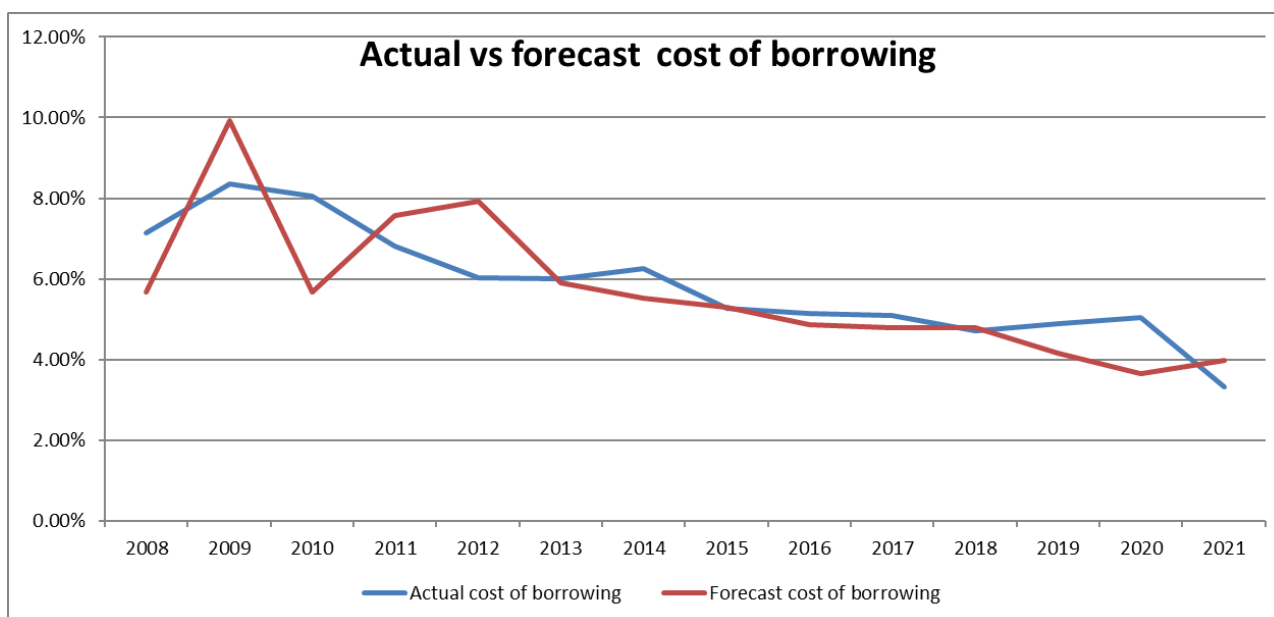
Council's multi-option credit facility with Westpac has given us the opportunity to effectively manage our variable cashflows, maintain the required level of liquidity and minimise our net interest costs. Internal borrowing has been utilised where possible to minimise net interest costs.

We have been very pleased with the continued low margins achieved through Council's participation in the Local Government Funding Agency. Council's exposure to potentially adverse interest rate movements is managed through the use of interest rate swaps. Further assessment of the effectiveness of these swaps is provided below.

Review of the effectiveness of Council's interest rate swaps

As provided for in the policy, and on the advice of PWC, Council started using interest rate swap instruments from 2011. This was at a time when interest rates were significantly higher and our external debt was rising significantly, largely as a result of the Morrinsville Wastewater Treatment Plant upgrade at the time. The key objective for Council's use of interest rate swaps is to minimise exposure to adverse interest rate movements (smoothing), so as to provide certainty over interest costs into future years.

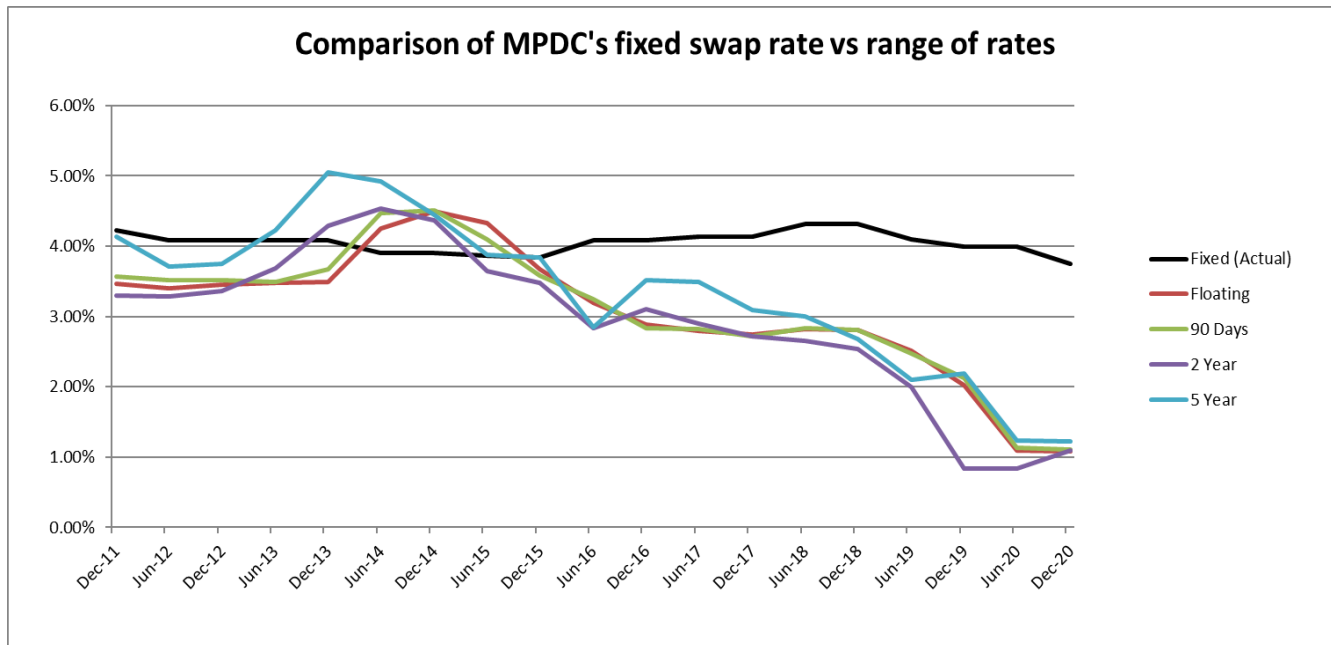
In assessing the effectiveness of Council's interest rate swaps, we firstly compare Council's actual cost of borrowing with the forecasted cost of borrowing.



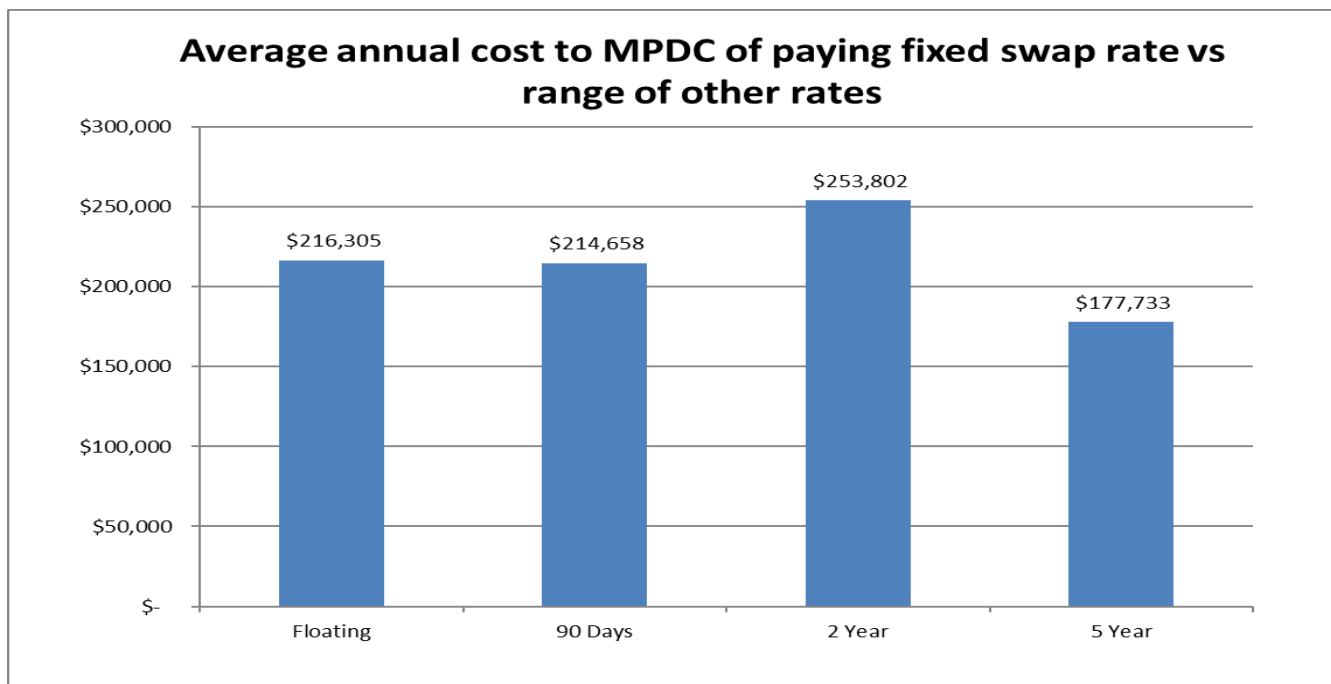
Since 2011 when Council first took up swaps, and particularly after 2014 when the bulk of the swaps became effective, Council's ability to forecast the cost of borrowing has improved as we have more certainty over our interest rates. An identified and on-going area for improvement is in the forecasting of the completion of capital works and its associated impact on overall borrowing costs.

The second step in assessing the effectiveness of Council's interest rate swaps was to compare Council's actual fixed swap rates with a range of maturities to determine if the objective has been

met, and at what cost to MPDC¹ This exercise is comparable to reviewing in hindsight what costs or savings you may have made if you had fixed your home mortgage at a different fixed or floating rate of interest, keeping in mind that usually your objective for fixing is to secure rates that you predict will increase in the future, and/or to give you a level of certainty with which you can plan ahead.



The graph shows that the use of swaps has been effective for Council in terms of the objective of minimising exposure to interest rate movements. The fixed rates achieved have provided a relatively smooth cost over time. This has however come at a cost, particularly over the last few years as wholesale rates have decreased dramatically.



¹ In this exercise we have used the Councils 6 monthly weighted average fixed swap rate vs 6 monthly wholesale rates (sourced from Reserve Bank NZ) + average LGFA margin of 0.81863%.

This second graph shows in hindsight, what the average annual cost of minimising our exposure to interest rate risk was against a range of other available rates. In terms of our total interest costs, this added between 10.9% and 15.5% on average to our overall interest costs per annum. Since Council started using swaps in 2011, the cumulative cost to Council is between \$1.6 million and \$2.3 million. Conversely, had interest rates increased over recent years, Council would have achieved interest savings against these other rates.

Overall, we are satisfied that the interest rates swaps have been effective in the key objective of minimising our exposure to movements in interest rates. With hindsight, and in an environment with record low interest rates, this has come at an increasing cost. We will continue to work with our Treasury Advisors to identify opportunities where we can obtain some beneficial savings across our portfolio.

Liability Management Policy – Proposed amendments

Following a review, PWC have recommended a few minor changes to the policy that are largely housekeeping in nature. The updated policy is attached to this report, showing these minor proposed changes.

Investment Policy

Investment Policy – Review of policy compliance and effectiveness

The current policy includes a number of general objectives, and states the range of investments Council can hold. Each of these types of investments have varying specific objectives, management controls and levels of reporting outlined in the current policy. We believe that all of these policy objectives are being met. Other than cash investments to manage cashflow requirements and additional borrower notes in respect of our LGFA lending, we have not made any further investments this year to date.

We have complied with our policy requirements for cash investments throughout the period. Of note is that these cash investments have been larger than expected due to the delay in the capital works programme. Unfortunately at the same time the investment rates have been disappointing, with the weighted average for this year to date sitting at 1.25%. The Financial Strategy in our 2018-28 LTP earmarked an expected rate of return over the next 10 years of 3.85% on a specific \$5.4 million cash investment held. With the downturn in rates, this has not been achieved for the current or previous financial years. Going forward in our 2021-31 LTP, we have set an average target of 2.24% over the 10 years of the LTP.

Council's external auditors annually review compliance with key policy requirements, our internal controls and accounting treatment and reporting as part of their annual audit function and have not raised any concerns or made recommendations in recent years.

Investment Policy – Proposed amendments

Following a review, PWC have recommended one minor word change to the policy that is housekeeping in nature. The updated policy is attached to this report, showing the minor proposed change.

Mōrearea | Risk

Risks relating to Council's Treasury policies could include; adopting provisions in the policies that do not comply with the covenants of the LGFA or other lenders, or that may jeopardise Council's

statutory requirement to operate in a financially prudent manner. To mitigate these risks, Council have sought independent professional advice in the review of these policies.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Sections 102 (2) (b) & (c) of the Local Government Act 2002 require Council to adopt a liability management policy and an investment policy.

Section 104 requires that the liability management policy adopted must state the local authority's policies in respect of the management of both borrowing and other liabilities, including—

- (a) Interest rate exposure; and
- (b) Liquidity; and
- (c) Credit exposure; and
- (d) Debt repayment.

Section 105 requires that the investment policy adopted must state the local authority's policies in respect of investments, including—

- (a) [Repealed]
- (b) The mix of investments; and
- (c) The acquisition of new investments; and
- (d) An outline of the procedures by which investments are managed and reported on to the local authority; and
- (e) An outline of how risks associated with investments are assessed and managed.

Proposed amendments to policies as outlined above are considered minor

Section 102(5) allows for the adoption of the investment and liability management policies without the requirement to use a special consultative procedure.

Ngā Tāpiritanga | Attachments

[A](#)↓. Review of Current Liability Management Policy - June 2021



[B](#)↓. Review of Current Investment Policy - June 2021



Ngā waitohu | Signatories

Author(s)	Larnia Rushbrooke Finance and Business Services Manager	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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Liability Management Policy

Our vision is

To minimise the cost of borrowing used to fund the capital development of the Community's assets

Council's commitment

Council's commitment is to:

- Minimise our long term borrowing costs within approved risk parameters
- Minimise our exposure to adverse wholesale interest rate and credit margin movements, maturity and interest rate re-pricing concentrations
- Maintain appropriate liquidity levels and manage cash flows to meet known and reasonable unforeseen funding requirements.
- Minimise exposure to credit risk.
- Comply with, monitor and report on financing/borrowing covenants and ratios under the obligations of our lending/security arrangements and this policy.
- Comply with the requirements of the Local Government Act 2002.

Management of borrowings

Council will:

- Consider and approve its forecast borrowing requirements by approving its Long Term Plan and each Annual Plan.
- Manage financial assets and debt on a net portfolio basis (borrowings less cash instruments).
- Prudently and effectively manage borrowings and liabilities having regard to:
 - Interest rate and credit margin exposure
 - Liquidity and funding exposure
 - Counterparty credit exposure
 - Debt repayment
 - Borrowing limits and financial covenants
 - Security arrangements*(Procedural guidance on each of these matters is set out in appendix one).*
- Delegate authority to the Chief Executive Officer to initiate any actions in terms of this policy, including the authority to execute any documents on behalf of Council.

This policy covers internal and external borrowings. Any other Council liabilities are managed in the course of the Council's day-to-day operations.

Borrowing limits

Council will:

- Manage to ensure that the following parameters are not exceeded:

Item	Borrowing limit
Net external debt ¹ as a percentage of total revenue ²	<150%
Net interest ³ on external debt as a percentage of total revenue	<15%
Net interest on external debt as a percentage of annual rates income ⁴ (debt secured under debenture)	<20%
Liquidity: (Liquid investments + external debt + unutilised portion of available committed facilities) / external debt	>= 110%

Interest rate exposure

Movements in interest rates can affect Council's financial performance and funding requirements. Interest rate risk management seeks to minimise interest costs and risks as interest rates change.

To manage interest rate risk on debt Council will:

- Utilise mechanisms including
 - setting risk control limits on fixed and floating rates
 - setting risk control limits on the use of interest rate instruments (under the guidance of independent external advisors) on a portfolio basis.

Liquidity and funding

Financial assets and funding sources need to be managed to ensure that Council can meet all of its obligations as they fall due.

Council will:

- Utilise mechanisms to manage liquidity and funding risk including:
 - cashflow management and forecasting,
 - maintenance of available committed bank facilities and liquid funds,
 - having risk control limits that enforce spreading of funding maturities
 - pre-funding of existing and forecast debt requirements
 - accessing long term debt where available and cost effective, to assist with spreading of term profile of funding risk

Credit exposure

Prudent credit management can reduce Council's risk of loss from a counterparty failing to meet its obligations. Credit exposure for borrowings is relevant for the undrawn portion of any committed, standby or bank facility, where the counterparty has a contractual obligation to provide funds to Council. Credit exposure from derivative and other financial contracts relates

¹ Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

² Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes non-government developer contributions and vested assets (including found assets and the revaluation of derivatives and assets).

³ Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

⁴ Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other Local Government Authorities (LGAs) for services provided and for which the other LGAs rate.

to the default of the counterparty leading to non-payment of their contract obligations. To manage these risks, Council will:

- Set limits on the acceptable credit rating for counterparties.
- Ensure legal documentation is independently reviewed by Council's legal counsel.

Debt repayment

Council will:

- Make debt repayment decisions driven by Council's liquidity profile, contractual terms, debt levels and sustainable funding needs. External debt is managed on a net portfolio basis.
- Only borrow externally when it is commercially prudent to do so.
- Determine the cashflows to be used for the repayment of debt or reduction in borrowing requirements.

Security for debt

Council will:

- Offer security over borrowing by way of a charge over rates and rates revenue through the Debenture Trust Deed.
- From time to time, may offer alternative security over specific assets, with approval by Council and Trustee.

Source of funds

Council considers the following to be appropriate sources of funds:

- any New Zealand registered bank of suitable credit worthiness (as defined within the credit exposure section of the policy).
- Council reserves, special funds, or surplus cash available for internal borrowing
- borrowing secured by the Debenture Trust Deed.
- lease to own arrangements – the counter parties shall be the open market
- Council issued commercial paper, bonds, stock and debentures to the LGFA, LGFA stand-by facilities and wholesale/retail debt capital markets that is secured by the Debenture Trust Deed.

Borrowing mechanisms for Council Controlled Organisations and Council Controlled Trading Organisations.

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTO's. [Indirect lending is where the CCO/CCTO becomes a member of the LGFA and Council provides the financial support.](#)

[Council guarantees of financial indebtedness to CCTO's are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital. Council will not transact with a CCTO on terms more favourable than that of Council, if Council were not providing rates as security.](#)

▪

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

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New Zealand Local Government Funding Agency Limited (LGFA)

Despite anything in this Policy, Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent we consider necessary or desirable:

- Contribute a portion of our borrowing back to the LGFA as an equity contribution to the LGFA. For example in the form of borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- Secure our borrowing from the LGFA and the performance of other obligations to the LGFA or our creditors with a charge over our rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

Financial exposure to the LGFA is to be reviewed annually and reported to the Audit and Risk Committee and Council.

Management procedures, reporting and policy review

The Group Manager Business Support will:

- Approve documented treasury and operational procedures for borrowing activities, which will be administered by the Finance and Business Services Manager.

The Chief Executive Officer will:

- Report to Council or the Corporate and Operations Committee of Council on borrowings on at least a quarterly basis.

Council will:

- Formally review this policy on annual basis.

A Tanner
Mayor

D J McLeod
Chief Executive Officer

Version 34
Council resolution date: 10 June 2020TBC

Appendix one

LIABILITY MANAGEMENT POLICY PARAMETERS

Interest rate exposure

Objective

To manage and minimise our costs and risks arising out of interest rate movements associated with our borrowing activities.

Policy parameters

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Group Manager Finance and Business Services or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

Debt interest Rate Policy Parameters (calculated on a rolling monthly basis)

Debt Period	Debt Amount	Minimum	Maximum
Ending		Fixed	Fixed
Current		40%	90%
Year 1		40%	90%
Year 2		35%	85%
Year 3		30%	80%
Year 4		25%	75%
Year 5		20%	70%
Year 6		0%	65%
Year 7		0%	60%
Year 8		0%	50%
Year 9		0%	50%
Year 10		0%	50%
Year 11 plus		0%	25%

A fixed rate maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

"Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

Pre-hedging in advance of projected physical drawdowns of new debt is allowed.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

Interest rate risk management products may be used to convert fixed rate borrowing into floating rate, floating rate borrowing into fixed or hedged borrowing. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months. Independent external advisors will be consulted when using interest rate risk management products.

The following instruments may be used for interest rate risk management activity:

Forward rate agreements ("FRA") on:

- Bank bills
- Government bonds

Interest rate swaps including:

- Forward start swaps
- Amortising swaps (whereby notional principal amount reduces)
- Swap extensions and shortenings

Interest rate options on:

- Bank bills (purchased caps and one-for-one collars)
- Interest rate swaptions (purchased swaptions and one-for-one collars with matching notional amounts, and maturity dates only)

Use of interest rate instruments:

- Any interest rate swap with a maturity beyond the maximum LGFA bond maturity must be approved by Council.
- Selling interest rate options for the primary purpose of generating premium income is not permitted, because of its speculative nature.
- During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed out simultaneously.
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate cannot be counted as part of the fixed rate percentage calculation.
- Forward start period on swaps and collar strategies to be no more than 36 months, unless the start date of the new swap coincides with the maturity date of the existing swap. The new swap's notional amount must be no greater than that of the existing swap.
- Buying and selling of financial futures is not permitted due to the administrative burden.
- Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

Liquidity/Funding

Objective

To ensure that we have adequate committed financial resources to meet all of our obligations as and when they arise our liquidity and funding risk management centres on the ability to re-finance or raise new debt at a future time, at acceptable pricing (fees and borrowing margins) and terms.

Our ability to readily attract cost effective borrowing is largely driven by our ability to maintain a strong financial position, raise general rates and manage relationships with investors, financial institutions/brokers and the LGFA. Where practical, we seek a diversified pool of external borrowing and ensure bank borrowings and incidental arrangements (risk management products) are only sought from strongly rated New Zealand registered banks. Banks must have a minimum long term credit rating of single "A".

Policy parameters

Council will manage liquidity and funding risk by:

- Appropriate cashflow management to ensure that sufficient funds are available to meet financial obligations as they fall due.
- Maintaining appropriate committed short-term borrowing facilities with Council's bank counterparties and/or with the LGFA.
- Maintaining financial investments in liquid instruments counterparties within credit risk limits.
- Liquid investments, and available committed bank/loan facilities and external term debt are maintained at least 110% over the existing external debt amount.
- Maintaining a spread of debt funding maturities to reduce concentration risk so that credit margins and overall borrowing costs are not unnecessarily increased due to market conditions.
- The Chief Executive Officer or delegate has the discretionary authority to re-finance existing debt on acceptable terms. Such action is to be reported and ratified by Council at the earliest opportunity.
- Council has the ability to pre-fund up to 18 months of forecast debt requirements including debt re-financing.

The funding maturity profile of the total committed funding in respect of all loans and committed facilities is set by the following risk control limits:-

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, a maturity schedule outside of these limits will require specific Council approval.

A maximum of 33% of total committed loans/bonds/FRN's and debt facilities is permitted to mature within any 12 month period. To minimise concentration risk, the LGFA require that no more than the greater of NZD 100 million or 33% of a council's borrowings from the LGFA will mature in any 12 month period.

Liquid investments are defined as those investments held for operational requirements and/or used to meet liquidity buffer requirements and include:

- Overnight cash at 100% of principal amounts
- Wholesale / retail bank call and term deposits no greater than 30 days at 100% of principal amounts
- Bank registered certificates of deposit (RCD's) maturing in less than 365 days at 100% prevailing market value

Borrowing Mechanisms for CCO and CCTO organisations

Any lending debt funding arrangement (directly or indirectly) to a CCO/~~or~~ CCTO must be approved by Council. In recommending an arrangement for approval the ~~Group Manager Finance and Business Services~~ considers the following is considered:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date
- Impact on Council's credit standing, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided
- The lending rate, given factors such as: CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc
- Lending arrangements to CCO/~~or~~ CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties
- Accounting and taxation impact of on-lending arrangements.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

Credit exposure

Objective

To minimise our risk of default on the part of any counterparty that has a contractual obligation to make any payments to us.

Policy parameters

Proposed counter-parties to borrowing transactions will be assessed to ensure that there is reasonable certainty that obligations under borrowing contracts will be honoured. Financial related transactions will only be entered into with organisations specifically approved by the Council. Counterparties and limits can only be approved on the basis of long-term single "A" and above credit ratings (Standard & Poors', Fitch, or Moody's) .

In conjunction with the Investment Policy positions should be spread amongst a number of counterparties to avoid concentrations of credit exposure. The following matrix guide will determine limits:-

DRAFT

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Item 6.8

Attachment A

Counterparty	Minimum long term / short term credit rating	Maximum Investment per Counterparty (\$m)_	Risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m) ⁵
NZ Government	N/A	Unlimited	N/A	Unlimited
NZ Local Government Funding Agency (LGFA)	N/A	Unlimited	N/A	Unlimited
NZ Registered Bank	A-1/A	20.0	10.0	30.0
Corporate	A-1/A	2.0	N/A	2.0

Note these limits are a total across both the Investment Policy and Liability Management Policy and are not cumulative.

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. bank deposits) – transaction principal amount x weighting 100% (unless a legal right of set-off exists).
- Interest rate risk management (e.g. swaps, FRAs) – transaction Notional x maturity (years) x 3%.
- Foreign exchange – transactional face value amount x the square root of the maturity (years) x 15%.

Debt repayment

Objective

To ensure that we are able to repay debt in a timely manner from appropriate sources.

Policy parameters

We will manage external debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so. We may determine that all or any part of the following cashflows may be used for the repayment of debt or reduction in borrowing requirements:

- depreciation charges for activities
- the proceeds of asset sales if we consider it appropriate
- contributions from other parties in terms of any contractual arrangements
- renewal loans
- specific revenue streams as determined by us (e.g. repayment of rental housing loans from rental housing income or loan repayment rates).

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Borrowing limits

Objective

⁵ Total counterparty exposure includes; financial instruments for investments and risk management instruments.

To ensure that our debt is maintained within prudent limits.

Policy parameters

Borrowings will be managed to ensure that the following parameters are not exceeded:

Item	Borrowing limit
Net external debt ⁶ as a percentage of total revenue ⁷	<150%
Net interest ⁸ on external debt as a percentage of total revenue	<15%
Net interest on external debt as a percentage of annual rates income ⁹ (debt secured under debenture)	<20%
Liquidity: (Liquid investments + external debt + unutilised portion of available committed facilities) / external debt	>= 110%

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate. Disaster recovery requirements are to be met through the liquidity ratio amount.

Security arrangements

Objective

To provide appropriate security that does not restrict our operations or limit control of Council community and strategic assets, whilst being sufficiently attractive to lenders to secure competitive borrowing margins, fees, interest rates and terms.

Policy parameters

Council offer security by way of a charge over rates and rates revenue through the Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government (Rating) Act 2002. From time to time, with Council and Trustee approval, specific security may be offered by providing a charge over one or more of our assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- We consider a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

Source of funds

⁶ Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

⁷ Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes non-government developer contributions and vested assets (including the revaluation of derivatives and assets).

⁸ Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

⁹ Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other Local Government Authorities (LGAs) for services provided and for which the other LGAs rate

Appropriate sources of funds are specified in the policy. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) we take into consideration the following:

- available liquidity and terms on offer by the LGFA, banks, brokers, debt capital markets including loan stock issuance
- our overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- prevailing interest rates and credit margins relative to the term for loan stock issuance, LGFA, debt capital markets and bank borrowing
- the outlook on LGFA, bank and debt capital market credit margins
- ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/risk limitation compared to the terms and conditions we could achieve in our own right
- Legal documentation, security arrangements and financial covenants.

Alternative strategies for new borrowings considered in this evaluation process are documented for review purposes. Our ability to readily attract cost effective borrowing is largely driven by our ability to rate, maintain a strong financial position and manage our relationships with our investors and financial institutions/brokers/LGFA.

Policy review

Objective

To uphold and maintain current Liability Management Policy best practice standards.

Policy parameters

Each external loan will be monitored on an annual basis over the term of the loan, and benchmarked against the other identified options at the time the loan was raised. This will enable Council's performance in the achievement of the objectives set out in this policy to be assessed and reported to Council.

This Policy is to be formally reviewed on an annual basis. The General Manager Business Support, or equivalent, has the responsibility to prepare a review report that is presented to the Council or Council sub-committee. The report will include:

- recommendation as to changes, deletions and additions to the Policy
- overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons), and interest rate management instruments against benchmarks.
- summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension
- analysis of bank lender service provision, share of financial instrument transactions etc
- comments and recommendations from our external auditors on the treasury function, particularly internal controls, accounting treatment and reporting
- an audit of the treasury system/spreadsheets and procedures should be undertaken
- adherence to borrowing limits specified in the covenants of bank lenders to Council

The Council receives the report, approve policy changes and/or rejects recommendations for policy changes.

Statutory matters

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002, and incorporate the Liability Management Policy and Investment Policy.
- We do not borrow in foreign currency in terms of section 113 of the Local Government Act 2002.
- We also ensure we are consistent with the Local Government (Financial Reporting and Prudence) Regulations 2014 and in particular, Schedule 4.
- All projected borrowings are to be approved as part of the Annual Plan process or resolution of Council before the borrowing is affected.
- All legal documentation in respect to borrowing, investments and financial instruments will be approved by our solicitors prior to the transaction being executed.
- We will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
 - The period of indebtedness is less than 91 days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

Investment Policy

Our vision is

To get the best return on low risk financial investments and/or to secure long-term benefits for the community through strategic investments.

Council's commitment

Council's commitment is to:

- Prudently manage Council's financial investments from low risk investments.
- Maintain a prudent level of liquidity and flexibility to meet both planned and reasonably unforeseen cash requirements.
- Invest only in approved investment instruments and securities.
- Seek to optimise investment income
- Monitor and report on risk and performance against predetermined limits and benchmarks
- Ensure operational controls and procedures are in place that protect the Council against financial loss, opportunity cost and other inefficiencies.
- Ensure that all statutory requirements related to Council's investments are adhered to.

Investment mix

Council may:

- Invest in the following assets from time to time:
 - New Zealand Local Government Funding Agency Limited
 - Investments in other companies and entities
 - Community loans and advances
 - Property investments for strategic objectives
 - Cash and treasury investments of at least investment grade.
 - Internal loans

The specific objectives and policies related to these types of investments are detailed in appendix one.

Risk management

Council is risk averse and seeks to minimise exposure from its treasury activities. Council does not allow any transactions that are speculative in nature to be entered into. Council's investment activities expose it to a variety of financial market risks including credit risk and liquidity risk.

Credit risk is managed by the Council limiting the amount of credit exposure to any one institution or organisation. Investments in other local authorities are secured by charges over rates. Other than other local authorities, Council invests funds only with entities that have a Standard and Poor's (or equivalent recognised agency) credit rating of at least A-1 for short term and A for long term investments.

Liquidity risk is managed by investing only in financial assets that can be liquidated through a readily available secondary market or have a short time period before maturity as articulated within the liquid investments definition.

Council will:

- Adopt prudent risk management practices that will include:

- Engaging appropriate expertise when major investment strategies are being developed
- Reference to authoritative and current economic commentaries and financial market forecasts.

The appendix to this policy contains parameters and procedures which have been established to reflect Council's risk tolerance.

Acquisition of new investments

All investment acquisitions (other than treasury investments, LGFA and internal loans) will be approved by Council, and Council will:

- Assess the acquisition of any new investments having regard for the following:
 - The requirements of the Local Government Act 2002
 - Council's policy on significance
 - Council outcomes and objectives
 - The provisions of this policy.

Application of returns on investments.

Council will:

- Apply returns on investments as outlined in the LTP or the Annual Plan or as specifically determined by Council from time to time.

Delegated authority and responsibilities

Council will:

- Delegate to the Chief Executive Officer, authority to implement this policy, except where this policy expressly states that Council resolution is required.

The Chief Executive Officer will:

- Be responsible for ensuring that appropriate procedures and controls are in place to safeguard Council's assets. These procedures and controls will be documented within Council's quality assurance programme.

The Group Manager Business Services will:

- Ensure the administration and management of the investments is undertaken in accordance with the procedures contained within Council's quality assurance programme. This includes overseeing monthly reconciliations to the general ledger of the cash and treasury investments and other financial instruments such as LGFA borrower notes. The monthly reconciliation will be independently reviewed in accordance with the procedures contained within Council's quality assurance programme.

Reporting Requirements

The Chief Executive Officer will:

- Ensure Council is provided with the following reports on investment performance:

Investment types	Frequency	Reporting
New Zealand Local Government Funding Agency Limited	Monthly	Other financial instruments invested in the LGFA will be included in the investment report provided as part of the Chief Executive's monthly report to Council.
Investments in other companies and entities	Annually	Investment balances reported as part of the Annual Report. Performance of Council Controlled Entities that have not been exempted under section 7 of the Local Government Act 2002 will be reviewed bi-annually.
Community loans and advances	Annually	Investments reported as part of the Annual Report

Property investments	Annually	Investments reported as part of the Annual Report
Liquid and treasury investments	Monthly	Liquid and treasury investments (including reporting of compliance with approved treasury instruments and approved counterparties), will be included in the investment report provided as part of the Chief Executive's monthly report to Council.
Internal loans	Annually	Investments reported as part of the Annual Report

Policy review

Council will:

- Formally review this policy on annual basis.

A Tanner
Mayor

D J McLeod
Chief Executive Officer

Version 32
Council resolution date: 10 June 2020TBC

Appendix one

INVESTMENT POLICY PARAMETERS

New Zealand Local Government Funding Agency Limited (LGFA)

The Council may invest in shares and other financial instruments of the LGFA, and may borrow to fund that investment.

The Council's objectives in making any such investment will be to:

- Obtain a return on the investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

Investments in other companies and entities

Equity investments arise from Council owning or controlling an equity holding in another entity. In general, investments in this category have and may be acquired with the primary objective of achieving strategic, efficiency, or community outcomes.

Any purchase or disposition of equity investments requires Council approval. Council will assess the acquisition of any new investments in line with the provisions of this policy. Any profit or loss arising from the sale of these investments is to be recognised in the Statement of Comprehensive Income.

The proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then applied to the designated purpose as determined by Council.

Council recognises that there are risks associated with holding equity investments. To minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity investments in Council Controlled Entities (that have not been exempted under section 7 of the Local Government Act 2002) on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

Community loans and advances

From time to time Council may provide loans and/or advances to community organisations to assist with the achievement of community outcomes. The amounts involved are typically below \$500,000 and the numbers of applications received (and/or approved) are minimal.

The purpose of such investments is to achieve community outcomes. Council will assess all applications having regard for the legislated purpose of Local Government as set out in the Local Government Act 2002, the need for prudent financial management and after assessing the risk associated with the investment and the security provided by the other party. All such loans/advances will only proceed by resolution of Council.

Property investments for strategic objectives

Council owns property to achieve its strategic objectives, that is, property that is expected to secure long-term benefits for the community. As a general rule Council will not maintain a property where it is not essential to the delivery of relevant services. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements that could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services.

All rented or leased properties will be at market rentals, except as approved by Council

Any acquisitions or disposals of strategic property require the resolution of Council and any purchased properties must be supported by a current registered valuation, substantiated by management including a fully worked, capital expenditure analysis. Any minor parcels of land purchased for the purpose of roading and utility activities will be effected under the delegation of the Chief Executive Officer,

Net proceeds from the sale of surplus property will be used to reduce borrowings where appropriate, or form part of the reserves of the District, to be reinvested in new assets or the betterment of existing assets for the benefit of the present and future residents of the District. The exception to this is endowment

property or other property subject to legislative restrictions, in which case any proceeds would be applied in accordance with the provisions of the legislation.

Liquid and treasury investments

Council generally operates as a “net borrower”, and aims to manage its borrowings and cash assets on this basis in order to reduce the overall net cost of borrowing. Council does not usually maintain significant cash investments. Longer term investments will be held to support the level of restricted reserves though not for the balance of Council created reserves. To achieve the aim of minimising the overall cost of funds and managing debt re-financing risks, at times it may be prudent to pre-fund, and invest any surplus in short term cash investments. Cash investments are also used to maintain and manage liquidity risk. A range of treasury investment instruments may be used as outlined below to achieve the desired level of returns within acceptable risk parameters.

The following policies will apply in making any such investment:

- Council’s primary objective when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties.
- Council may invest in approved financial instruments that are of high credit quality and liquid.
- Council’s treasury investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.
- Interest income from investments is credited to general funds, except for income from investments for restricted reserve funds and other funds where interest may be credited to the particular fund.
- For liquidity and interest rate management purposes Treasury investments incorporate all investments which are not cash or liquid investments. Liquid investments are defined as those funds which are held for operational requirements and/or used to meet liquidity buffer requirements as per the Liability Management Policy.

Approved investment instruments

The approved investment instruments are as follows:

Category	Instrument
Liquid investments	Call deposits and term bank deposits no greater than 30 days Bank certificates of deposit (RCDs) less than 365 days
Treasury investments	Term bank deposits Bank certificates of deposit (RCDs) Treasury Bills Promissory notes/Commercial Paper (senior) less than 365 days Government Bonds LGFA borrower notes / Commercial Paper / Bills / Bonds Bank/Corporate Bonds / Commercial Paper (senior, fixed and floating rate)

All investments must be senior in ranking. The following types of investments are expressly excluded;

- Structured debt where the issuing entities are not a primary borrower/issuer
- Sub-ordinate debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and hybrid notes such as convertibles.

Interest rate management instruments are not approved instruments for investment management purposes.

Any other treasury instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction.

Approved counterparties/issuers

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. Credit exposure for investments relates to funds on deposit where the counterparty is not able to pay Council interest and principal amounts owing on the due date. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of a long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or a short term credit rating of A-1 or above.

Where the total treasury investment portfolio exceeds \$5 million, the portfolio should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

In conjunction with the limits in the Liability Management Policy, the following counterparties/issuers are approved for investment activity.

Counterparty/Issuer	Minimum short term / long term "Issue" Credit Rating	Approved Investments	Maximum % of Total Investment Portfolio
NZ Government	N/A	NZ Government Bonds & Treasury Bills	100%
NZ Local Government Funding Agency	N/A	Bonds, Commercial Paper, Bills, Borrower Notes	100%
NZ Registered Bank	A-1/A	Call and term deposit, Bank Registered Certificate of Deposit (RCD), Bonds	100%
Corporate	A-1/A	Corporate Bonds, Commercial Paper,	Maximum of 20% of Total Portfolio

The following risk control limit system ensures a continuous and forced diversification of maturities across the treasury investment portfolio and thus spreads and reduces the concentrations of maturity and interest rate re-pricing risk at times of re-investments:

Maturity Period	Minimum: percentage of total treasury portfolio amount	Maximum: percentage of total treasury portfolio amount
Up to 3 years	70%	100%
3 years to 5 years	0%	30%

Each transaction should be entered into a treasury spreadsheet and a monthly report prepared to show assessed counterparty actual exposure versus limits.

Internal loans

Council may utilise surplus funds for the purposes of internal borrowing. Internal borrowing forms a part of the overall mix of Council investments (though will only be reported to Council on an annual basis unless otherwise requested). Internal borrowing will be used wherever possible to avoid external borrowing.

Internal loans shall be managed as commercial debt, with interest applied. The interest rate shall be calculated at the start of each financial year, and will be based on the mid-point between the prior year's weighted average external borrowing and investment rates.

Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into financial arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or available committed bank facilities exist to meet amounts guaranteed. Guarantees given will not exceed any amount agreed by Council or an appropriate Council Committee in aggregate. The General Manager Finance and Business Services monitors guarantees and reports quarterly to Council.

Foreign currency

Council may from time to time be exposed to foreign exchange risks through the occasional purchase of foreign exchange denominated services, plant and equipment etc. Significant commitments over NZ\$100,000 will be hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by Council.

The following instruments may be used for risk management activity:

Category	Instrument
Foreign exchange risk management	Forward foreign exchange contracts Foreign currency deposits Spot foreign exchange

DRAFT

Building Control Authority - 2021 Assessment

CM No.: 2445661

Rāpopotonga Matua | Executive Summary

The Building Control Authority (BCA) accreditation and registration scheme is among a suite of Building Act 2004 reforms designed to help improve the control of, and encourage better practice and performance in, building design, regulatory building control and building construction.

International Accreditation New Zealand (IANZ) undertook a remote (on-line during the Auckland Covid lockdown) audit of Council's building control functions on 02-05 March 2021.

A copy of the assessment's outcome is attached.

Tūtohunga | Recommendation

That:

1. That the information be received

Horopaki | Background

The BCA scheme requires that any territorial authority carrying out building consent, inspection and approval work be accredited by the building consent accreditation body, International Accreditation New Zealand (IANZ), against the standards and criteria in the Building (Accreditation of Building Consent Authorities) Regulations 2006. The council must then be registered by the Ministry of Business, Innovation and Employment against the standards and criteria in the Building (Registration of Building Consent Authorities) Regulations 2007 and be assessed for compliance against the regulations every two years.

The accreditation and registration of BCAs is intended to:

- help assure the public of the quality of building controls
- help promote consistent, standardised and ongoing good quality practice in building control
- help identify good building control practice and provide mechanisms for sharing this information throughout the sector and with other interested parties
- help foster continuous improvement in building controls at national and local level
- help ensure better technical capabilities and resourcing of building controls
- provide an impetus for much closer and more formal relationships among BCAs, and between BCAs and technical consultants/contractors
- provide incentives for improving performance and raising standards in building control.

Ngā Take/Kōrerorero | Issues | Discussion

Matamata-Piako District Council's BCA was the 16th authority to be registered in New Zealand and this assessment is the sixth routine reassessed since that registration in 2008.

The on-online assessment by IANZ included a team of technical experts reviewing the BCA's quality system and procedures, auditing a number of completed building consents, code compliance certificates, compliance schedules and various other functions, and over sight of a number of building inspections. A formal report was then produced determining compliance or otherwise with the Building (Accreditation of Building Consent Authorities) Regulations 2006 and advising the BCA of any further corrective actions and/or recommendations that are required to be met.

Action Required:

- Provide a plan that details how the BCA will address the identified Non compliances by 23 April 2021. The action plan was provided within the required timeframe and has been accepted.
- Provide evidence of implementation of the Action Plan by 7 June 2021. Evidence was provided for all of the non-compliances within the required timeframe.
- All non-compliances are required to be cleared by the IANZ assessor by 23 June 2021.

The BCA provided the last of the evidence required to implement the Action Plan for all of the non-compliances on 3 June 2021 and all serious and general non-compliances were cleared on 10 June 2021 at which time the Assessor noted:

Please find attached the final assessment report arising from the routine reassessment of Matamata Piako District Council Building Consent Authority.

This report demonstrates that all the issues raised during your IANZ BCA Accreditation Assessment which took place on 2 to 3 March 2021, have now been satisfactorily addressed.

A recommendation that your Building Consent Authority Accreditation continues will now be made.

Formal confirmation of your continued accreditation and a new certificate will be sent to you in the next few weeks.

It was a pleasure to work with you, and congratulations to you and your team for all the hard work and being positive and collaborative.

Three recommendations and three Advisory Notes were also made by the Assessment Team. Recommendations and advisory notes are intended to assist the BCA in its efforts to maintain an effective quality management system. They are not conditions of accreditation and do not need to be completed by the clearance date.

The Assessor also noted in her report that due to her concern about the BCA's compliance with the Regulations a Special Focus Assessment is planned for August 2021 so that IANZ can be assured that the BCA is maintaining compliance with accreditation requirements.

Mōrearea | Risk

A BCA is required at all times to be compliant with the Building (Accreditation of Building Consent Authorities) Regulations 2006. Compliance is determined through a two yearly assessment by the accreditation body IANZ. Failure to meet the clearance date, 23 June 2021, set by IANZ may

result in the BCA losing its accreditation and therefore be unable to process and inspect building consent applications.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

A Building Control Authority is required under the Building Act 2004 to be compliant with Regulations 6A through to 18 of the Building (Accreditation of Building Consent Authorities) Regulations 2006.

Ngā Tāpiritanga | Attachments

[A↓](#). IANZ Accreditation Assessment Report 2021



Ngā waitohu | Signatories

Author(s)	Dennis Bellamy Group Manager Community Development	
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Approved by	Dennis Bellamy Group Manager Community Development	
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The NZ mark of competence
Tohu Matatau Aotearoa

BUILDING CONSENT AUTHORITY ACCREDITATION ASSESSMENT REPORT

Matamata Piako District Council

IANZ, Private Bag 28908, Remuera, Auckland 1541; Tel (09) 525 6655

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INTRODUCTION

This report relates to the remote accreditation assessment of the Matamata Piako District Council Building Consent Authority (BCA) which took place during March 2021 to determine compliance with the requirements of the *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the Regulations).

This report is based on the document review, witnessing of activities and interviews with the BCA's employees and contractors undertaken during the accreditation assessment.

A copy of this report, and subsequent information regarding progress towards clearance of non-compliance/s, will be provided to the Ministry of Business, Innovation and Employment (MBIE) in accordance with International Accreditation New Zealand's (IANZ) contractual obligations. This report may also be made publicly available by the BCA as long as this is not done in a way that misrepresents the content within. It may also be released under the Local Government Meetings and Official Information Act 1987 consistent with any ground for withholding that might be applicable.

ASSESSMENT SUMMARY

This accreditation assessment found that the BCA was non-compliant with a number of accreditation requirements as detailed below. The non-compliances identified must be addressed before accreditation is continued.

The assessment identified that the Quality System had been neglected by the BCA due to changes with the Quality System management (the quality system had previously been managed by the Cluster Quality Manager but was now to be managed by the BCA). The BCA indicated that they were determined to address the identified issues and to become fully compliant. The BCA will require a Special Focus Assessment in the near future to ensure that they have addressed the identified issues.

CONTINUING ACCREDITATION

Accreditation is a statement, by IANZ, that your organisation complies with the Regulations and MBIE BCA accreditation scheme guidance documents (as relevant). Where non-compliance with the Regulations has been identified, the Act requires that it must be addressed.

Addressing non-compliances identified during the assessment

Action Plan: Your non-compliances with the Regulations have been summarised and recorded in detail in this report. Please complete the Record of Non-compliance table/s detailing your proposed corrective actions and the evidence that will be provided, and forward a copy to IANZ.

Evidence of addressing non-compliances: Evidence, as described in your action plan, must be supplied to IANZ to demonstrate that you have addressed your non-compliances.

To maintain accreditation you must provide evidence of the actions taken to clear non-compliance to IANZ within the required timeframe. Please allow at least 10 working days for IANZ to respond to any submitted material and allow sufficient time after submission of your evidence in case further evidence is required.



If you do not agree with the non-compliances identified, or if you need further time to address non-compliances, please contact the Lead Assessor as soon as possible. Where you are seeking an extension to an agreed timeframe to address a non-compliance, your Chief Executive is required to make a formal request for an extension of the timeframe. These will only be granted for unpredictable and unmanageable reasons.

If you have a complaint about the assessment process, please refer the BCA Accreditation disagreements guidance which can be found [here](#).

NEXT ACCREDITATION ASSESSMENT

The concern about your BCA's compliance with the Regulations has resulted in the need for a Special Focus Assessment so that IANZ can be assured that you have regained and are maintaining compliance with accreditation requirements. This assessment is planned **August 2021**. You will be formally notified of your next assessment six weeks prior to its planned date.

BCA AND ASSESSMENT DETAILS

ORGANISATION DETAILS			
Organisation:		Matamata Piako District Building Consent Authority	
Address for service:		PO Box 266, Te Aroha 3342, New Zealand	
Client Number:	7437	Accreditation Number:	18
Chief Executive:		Don McLeod	
Chief Executive Contact Details:		DMcLeod@mpdc.govt.nz	
BCA Responsible Manager:		Daniel Kruger	
BCA Responsible Manager Contact Details:		dkruger@mpdc.govt.nz	
BCA Authorised Representative:		Daniel Kruger	
BCA Authorised Representative Contact Details:		dkruger@mpdc.govt.nz	
BCA Quality Manager:		Daniel Kruger	
BCA Quality Manager Contact Details:		dkruger@mpdc.govt.nz	
Number of BCA FTEs		Technical	8
Total FTEs should = technical FTEs + admin FTEs + vacancies		Admin support	0
		Vacancies (Technical)	2
		Vacancies (Admin)	1
BCA Activity during the previous 12 months		Building Consents	
		R1	194
		R2	146
		R3	55
		C1	58
		C2	3
		C3	0
		CCCs	501
		New compliance schedules	14
		BCA Notices to Fix	4
ASSESSMENT TEAM			
Assessment Date:		2 March 2021 to 5 March 2021	
Lead Assessor:		Carolyn Osborne	
Lead Assessor Contact Details:		cosborne@ianz.govt.nz	
Technical Expert:		Phil Judge	
MBIE observer:		Matt Grant	
ASSESSMENT FINDINGS			
	This assessment:	Last assessment:	
Total # of "serious" non-compliances:	10	0	
Total # of "general" non-compliances:	31	12	
Total # of non-compliances outstanding:	41	9	
Recommendations:	3	6	
Advisory notes:	3	1	
Date clearance plan required from BCA:	23 April 2021		
Date non-compliances must cleared:	23 June 2021		
NEXT ASSESSMENT			
Recommended next assessment type:		Special Focus Assessment	
Recommended next assessment date:		August 2021	
IANZ REPORT PREPARATION			
Prepared by: Carolyn Osborne		Signature: 	
Checked by: Adrienne Woollard		Signature: 	
IANZ Report Preparation Date:		19 March 2021	

ASSESSMENT OBSERVATIONS

REGULATION 6A NOTIFICATION REQUIREMENTS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements and were effectively implemented.	

REGULATION 7 PERFORMING BUILDING CONTROL FUNCTIONS

Regulation 7(2)(a): providing consumer information

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 1. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>When discussing processing the Public Information did not address the following: Access to the BCA Complaints process. GNC 1. To be resolved</p> <p>When discussing certification the Public Information did not address the following: Access to the BCA Complaints process. GNC 1. To be resolved Access to the MBIE Determinations process. GNC 1. To be resolved</p>	

Regulation 7(2)(b)-(c), and 7(2)(d)(i): receiving, checking and recording applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements and were effectively implemented.	

Regulations 7(2)(d)(ii): assessing applications

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 2. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures for assessing applications and Implementation of those procedures did not address the requirement to align the category allocated to a project with the system used for assessing Competency A. Specifically the BCA was processing and inspecting using Alpha categories but the Competency Assessments were completed using NCAS categories (which are subtly different). GNC 2. To be resolved.</p>	

Regulations 7(2)(d)(iii): allocating applications

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 3. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures used for allocation were not fully appropriate. The Skills Matrix used for allocation of work to competent people did not align with Competency Assessments. Specifically the BCA was processing/Inspecting using Alpha categories but the Competency Assessments were using NCAS categories. GNC 3. To be resolved.</p> <p>Implementation was not effective where the BCA's Competency Assessments were not current therefore could not be relied upon to support recorded competencies on the Skills Matrix. GNC 3. To be resolved.</p> <p>Procedures and Implementation was not effective where the Skills Matrix did not accurately/fully address Certification. GNC 3. To be resolved.</p> <p>Procedures and Implementation was not effective where the Skills Matrix required supervision of all Com 3 work but there was no one available to supervise Com 3 applications. GNC 3. To be resolved.</p>	

Regulation 7(2)(d)(iv): processing building consent applications and Regulation 7(2)(e): planning inspections

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 4 To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements.	
<p>Comment. In one instance when considering alterations to existing buildings under section 112 of the Building Act (the Act) the BCA had not fully considered s112(A)(2) as per the Act. Also in the same application the BCA had not considered all relevant code clauses.</p> <p>Implementation of the processing procedure was not effective during as the BCA was not giving appropriate consideration to Specified Systems. GNC 4. To be resolved.</p> <p>Comment. In the same instance as discussed above the BCA had not fully considered s112(A)(2) as per the Act when considering access and facilities for people with disabilities.</p> <p>Implementation was not effective when compiling information for draft and amended Compliance Schedules as the BCA was not recording appropriate Specified Systems or their associated Performance Standards. GNC 4. To be resolved.</p>	

Regulation 7(2)(d)(v): granting and issuing consents

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 5. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Compliance with Form 5 Comment. In one instance when considering Conditions on Consents the BCA had included "Specified Intended Life" on the Form 5 when it had not been specified in the original application.</p> <p>Implementation was not effective where the BCA was issuing a Compliance Schedule or amended Compliance Schedule (as a result of the building work) as they were not appropriately recording Specified Systems on the Form 5 (or on an attachment such as a draft compliance schedule). GNC 5. To be resolved.</p> <p>Implementation was not effective where the BCA was issuing a Compliance Schedule or an amended Compliance Schedule (as a result of the building work) as Performance Standards for Specified Systems were not being listed on the Form 5 (or on an attachment such as a draft compliance schedule). GNC 5. To be resolved.</p> <p>Lapsing Procedures addressed requirements and were effectively implemented.</p> <p>Compliance with statutory timeframes Procedures addressed requirements.</p> <p>Implementation was not effective where the BCA was not compliant with the statutory clock for granting Building Consents within 20 working days in the previous five months. In those five months compliance was poor. Prior to those five months compliance had been appropriate. GNC 5. To be resolved.</p>	

Regulation 7(2)(e): planning, performing and managing inspections

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 6. To be resolved SNC 1. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Inspections were planned appropriately as part of processing.	
<p>Procedures used for allocation of inspection work were not appropriate as the Skills Matrix did not align with Competency Assessments. Specifically the procedure indicated that the BCA was to process and inspect using Alpha categories but the Competency Assessments were to be undertaken using NCAS categories. GNC 6. To be resolved.</p> <p>Implementation was not effective where the BCA's Competency Assessments were not current therefore could not be relied upon to support recorded competencies on the Skills Matrix. GNC 6. To be resolved.</p> <p>Procedures and Implementation were not effective where the Skills Matrix did not accurately/fully address Certification. GNC 6. To be resolved.</p> <p>Procedures and Implementation was not effective where the Skills Matrix required supervision of all Com 3 work but there was no one available to supervise Com 3 applications. GNC 6. To be resolved.</p> <p>Implementation was not effective where the BCA was not recording sufficient reasons for decisions to meet the requirements of 6(c) of the Regulations. During the 2019 IANZ assessment of the BCA it was also determined that the BCA was not appropriately recording reasons for its inspection decisions. While some work had been done to improve records, the records still did not meet the minimum required standard. As this matter has not been appropriately and fully addressed this is now raised as a serious non-compliance. SNC 1. To be resolved</p>	

Regulation 7(2)(f): code compliance certificates, compliance schedules and notices to fix

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 2. To be resolved GNC 7. To be resolved
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R1
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Application for a code compliance certificate Procedures addressed requirements and were effectively implemented.</p> <p>Code compliance certificates Implementation was not effective where the BCA was not considering whether Specified Systems in the building were capable of performing to the Performance Standards set out in the Consent. GNC 7. To be resolved.</p> <p>24 month CCC decision Procedures addressed requirements.</p> <p>Implementation: The BCA had not addressed the 775 Consents that had exceeded 24 months with no application for CCC where the BCA had not made a decision to issue/not issue CCC . GNC 7. To be resolved.</p> <p>Compliance with statutory timeframes Procedures did not address the requirement to specify and describe the issue of CCCs within 20 working days. This requirement includes the consideration of consents that had reached 24 months without a decision to issue/not issue CCC at 24 months. As no procedure has been documented this is raised as an Serious Non-compliance. SNC 2. To be resolved</p> <p>Implementation had not been effective where the BCA was unable to collate or provide to the assessment team the statistics for compliance with the statutory clock for the previous five months. However, it was reported by the BCA that those five months were most likely not compliant. The BCA had 755 CCCs that had exceeded 24 months without a decision being made to issue or refuse CCC. These had all exceeded the 20 day statutory requirement for making a decision. GNC 7. To be resolved</p> <p>Compliance schedules Procedures were appropriate. Implementation was not effective where the BCA was not recording specifically detailed performance standards and inspection, maintenance and reporting requirements and were also recording incorrect references on Compliance Schedules. The previous assessment identified that the BCA did not always ensure that the performance standards were correctly defined. E.g. Multiple performance standards, non-measurable performance standards or incorrect performance standards were stated. As this matter has not been appropriately addressed this is now raised as a Serious Non-compliance. SNC 2. To be resolved</p>	

Notices to fix (NTFs)

Procedures were appropriate

Comment. In one instance s14 and s14e were indicated in the contravention section but the NTF was not issued to those sections.

Implementation was not effective where the BCA did not align remedies with s165 of the Act. That section only states that application for Consent must be applied for, not that it must be consented, whereas the BCA was requiring that consent be issued. **GNC 7. To be resolved .**

Implementation was not effective where the BCA was issuing NTFs under s166. Including:

- Indicating s14F which makes the BCA responsible for the contravention when this was not accurate.
- Relevant sections of the Act were not always included in the listed contraventions e.g. s40 part 1 not indicated where it was applicable. Where s40 was included the BCA also included parts 2 and 3 of s40 which were not applicable.
- Not including s14B which are responsibilities of the owner in regard to not requesting required inspections.

GNC 7. To be resolved.

The BCA is recommended **(R1)** Indicate on the NTF the date the offence was determined by the BCA.

Regulation 7(2)(g): customer inquiries

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements. Implementation was not able to be reviewed due to the assessment being carried out remotely via Teams.	

Regulation 7(2)(h): customer complaints

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 8. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures and Implementation did not address the requirement to have a Complaints Policy publicly available and accessible to applicants. GNC 8. To be resolved	
Procedures did not address the requirement to ensure appropriate levels of objectivity and fairness to all parties. GNC 8. To be resolved.	
Procedures did not address the requirement to provide remedies proportionate to the issues raised. GNC 8. To be resolved.	
Current procedures were effectively implemented.	

REGULATION 8 ENSURING ENOUGH EMPLOYEES AND CONTRACTORS

Regulation 8(1): forecasting workflow

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 9. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements.	
<p>Implementation was not effective where the BCA had not recorded the outcome of their review of workload processed over the previous two years. GNC 9 To be resolved.</p> <p>Implementation was not effective where the BCA had not recorded the outcome of their review of whether they were going to process work for any other BCA. GNC 9. To be resolved.</p> <p>Implementation was not effective where the BCA had not recorded the outcome of their review of whether they had appropriate access to technical leadership and specialist technical expertise. GNC 9. To be resolved.</p> <p>Implementation was not effective where the BCA had not recorded the outcome of their review of internal and external factors that might affect workload going forward. GNC 9. To be resolved.</p>	

Regulation 8(2): identifying and addressing capacity and capability needs

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 10. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures and Implementation did not address the requirement to calculate/record the Full Time Equivalent (FTE) required to manage work going forward (capacity). GNC 10. To be resolved.	
Implementation did not address the requirement to calculate/record the FTE required at each level of competency (capability). GNC 10. To be resolved	
Implementation did not address the requirement to calculate/record the technical leadership and or specialist technical expertise it needed going forward. GNC 10. To be resolved	
Implementation did not address the requirement to record capacity and capability gaps it needed to address. GNC 10. To be resolved.	

REGULATION 9 ALLOCATING WORK

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 11. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The Skills Matrix used for allocation of work did not align with Competency Assessments. Specifically the BCA was processing/Inspecting using Alpha categories but the Competency Assessments were using NCAS categories. GNC 11. To be resolved.	
Implementation was not effective where the BCA's Competency Assessments were not current. GNC 11. To be resolved.	
Procedures and Implementation was not effective where the Skills Matrix did not accurately/fully address Certification. GNC 11. To be resolved.	
Procedures and Implementation was not effective where the Skills Matrix required supervision of all Com 3 work but there was no one available to supervise Com 3 applications. GNC 11 To be resolved.	

REGULATION 10 ESTABLISHING AND ASSESSING COMPETENCY OF EMPLOYEES

Regulation 10(1): assessing prospective employees

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements and were effectively implemented.	

Regulation 10(2) and (3)(a)to (f): assessing employees performing building control functions

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNCs 12, 13, 14, 15, 16, 17. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements.	
<p>Implementation was not effective where some Competency Assessments were not completed according to the BCA's procedure. Specifically the records available were commentary according to Appendix 2 of the NCAS process rather than the full NCAS system. GNCs 12, 13, 14, 15, 16, 17. To be resolved.</p> <p>Implementation was not effective where the BCA's Competency assessments were not up-to-date. GNCs 12, 13, 14, 15, 16, 17. To be resolved.</p> <p>Implementation was not effective where the Competency Assessments did not record evidence of competency at the individuals highest level. GNC 15. To be resolved.</p> <p>Implementation was not effective where the Competency Assessments did not record reasons to support the recommended outcomes. GNCs 12, 13, 14, 15, 16, 17. To be resolved.</p> <p>Implementation was not effective where the Competency Assessments did not fully address certification competencies for granting building consents and/or issue of CCC, including attached Compliance Schedules. GNC 15. To be resolved.</p>	

REGULATION 11 TRAINING EMPLOYEES DOING A TECHNICAL JOB

Regulation 11(1) and (2)(a)-(d),(f) and (g): the training system

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNCs 3, 4, 5 GNCs 18, 19. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>11(2)(a) Training Needs Assessment Procedures and Implementation did not address the requirement to perform annual Training Needs Assessments. Training Needs were considered as outcomes from a variety of processes within the BCA but not formalised into an annual assessment of training needs. GNC 18. To be resolved.</p> <p>11(2)(b) Training Plans Procedures for development of Training Plans and Implementation of the procedures did not clearly address the six requirements of the MBIE Checklist. GNC 19. To be resolved.</p> <p>11(2)(c) Ensuring agreed training has happened. Implementation was not effective where the records did not demonstrate that any of the specified training had been provided. As the procedure has not been implemented this is raised as a Serious Non-compliance. SNC 3. To be resolved.</p> <p>Implementation was not effective where the records did not record the reason any training had been missed. As the procedure has not been implemented this is raised as a Serious Non-compliance. SNC 3. To be resolved.</p> <p>11(2)(d) Review of the application of training. Implementation was not effective where the records did not record evidence to demonstrate that the training had been applied. As the procedure has not been implemented this is raised as a Serious Non-compliance. SNC 4. To be resolved.</p> <p>11(2)(g) Recording continuing training information Procedures and Implementation had not addressed the requirement to maintain records of continuing training information (e.g. a Professional Development Log) to record training activities not included in the training plan. As a procedure had not been developed or implemented this is raised as a Serious Non-compliance. SNC5. To be resolved.</p>	

Regulation 11(2)(e): supervising employees doing a technical job under training

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 6. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
11(2)(e) Supervision Procedures and Implementation had not addressed the requirement to have a Supervision process. As the procedure has not been developed or implemented this is raised as a Serious Non-compliance. SNC 6. To be resolved.	

REGULATION 12(1) and (2)(a) to (f) CHOOSING AND USING CONTRACTORS

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 20, 21. To be resolved
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R2
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>12(2)(1) and 12(2)(a)(b) Procedures addressed requirements and were effectively implemented.</p> <p>12(2)(c) Contracts Implementation of the requirements of this regulation (the development of Contracts) was not effective where the BCA did not specify clearly that providers would specifically only recommend to Grant Consent. GNC 20. To be resolved</p> <p>It is recommended (R2) that the BCA revise the Performance Standards in their contracts to make them distinct from the required Services or any other expectations and to make it clear that contractors performance shall be reviewed against those standards.</p> <p>Contracts need to be revised to address the requirement to state what measures shall be taken in the event of unsatisfactory performance prior to termination. GNC 20. To be resolved.</p> <p>Contracts need to be revised to address the requirement to specify reporting requirements. GNC 20. To be resolved.</p> <p>Contracts need to be revised to address the requirement to adhere to a Quality Assurance System. (the contractor's own system or the BCA's). GNC 20. To be resolved.</p> <p>Contracts need to be revised to address the requirement for the contractors to have annual Competency Assessments. GNC 20. To be resolved.</p> <p>12(2)(e) Monitoring Contractor Performance Implementation was not effective where the BCA did not have records of the monitoring of performance of contractors against the specified Performance Standards. GNC 21. To be resolved.</p>	

REGULATION 13(a) and (b) ENSURING TECHNICAL LEADERSHIP

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 22. To be resolved
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R3
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures addressed requirements.</p> <p>Implementation was not effective where the BCA's Competency Assessment evidence was not current or appropriate in its content to support the BCA decision to deem the individual to be a Technical Leader. GNC 22. To be resolved.</p> <p>Implementation was not effective where the BCA had assessed inappropriate content within the Competency Assessments in their decision to deem the individual to be Technical Leader. GNC 22. To be resolved.</p> <p>Implementation was not effective where the BCA had recorded the Technical Leadership outcome based on out-of-date and inappropriate content within the individual's Competency Assessment. GNC 22. To be resolved.</p> <p>It is recommended (R3) that the BCA review their Technical Leadership procedure where it references NCAS incorrectly. For example NCAS as NASC.</p>	

REGULATION 14 ENSURING NECESSARY (TECHNICAL) RESOURCES

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 7. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedure to record the information, facilities and equipment used by the BCA employees and contractors was not found. As the procedure had not been documented this is raised as a Serious Non-compliance SNC 7. To be resolved.</p> <p>Procedure to describe the BCA process for managing superseded information was not found. As the procedure had not been documented this is raised as a Serious Non-compliance SNC 7. To be resolved.</p> <p>Procedure for calibration of thermometers did not specify the frequency for their recalibration. As the procedure had not been documented this is raised as a Serious Non-compliance SNC 7. To be resolved.</p> <p>Implementation of the procedure to calibrate measuring equipment was not effective where the BCA had not maintained records of calibration of its thermometers and moisture meters for 2020 or 2021. As the procedure had not been implemented this is raised as a Serious Non-compliance. SNC7. To be resolved.</p>	

REGULATION 15(1)(a) and (b) and (2): KEEPING ORGANISATIONAL RECORDS

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 23. To be resolved GNC 24. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
15(1)(a) and (b) Organisational Structure	
The Organisation chart did not indicate the BCA was part of a parent organisation. GNC 23. To be resolved.	
The Organisation chart did not record relationships with external organisations. GNC 23. To be resolved.	
The Organisation chart did not record the total Full Time Equivalent (FTE) performing building control functions. GNC 23. To be resolved.	
15(2)(c) Employee and Contractor Powers	
Implementation of the procedure for recording employees and contractors "Powers" was not effective where the BCA had empowered two non-technical individuals to perform technical functions under s45A, s48 and s95. GNC 24. To be resolved.	

REGULATION 16(1) and (2)(a) to (c): FILING APPLICATIONS FOR BUILDING CONSENT

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 25. To be resolved
Opportunities for improvement? Y/N	Yes
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	1
Advisory note number/s:	A1
Observations and comments, including good practice and performance	
<p>Procedures did not address the requirement to ensure Notices to Fix were included in the consent file. GNC 25. To be resolved</p> <p>Procedures did not address the requirement to ensure records of any information on any land or building received by the BCA from a statutory authority were included in the relevant consent file GNC 25. To be resolved</p> <p>Procedures did not address the requirement to ensure a summary of any complaints laid in relation to the Building and the BCA's response was included in the consent file GNC 25. To be resolved</p> <p>The BCA is advised (A1) to consider ensuring that where the consent has been processed by a contractor that the name and address for service for that contractor is included in the consent file.</p>	

REGULATION 17 ASSURING QUALITY

Regulations 17(1) and (2)(a): A quality assurance system that covers management and operations

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	2
Advisory note number/s:	A2, A3
Observations and comments, including good practice and performance	
Procedures addressed the requirement to have a Quality Assurance System that covered management and operations. Where omissions were found they are addressed under their relevant regulation.	
The BCA is advised (A2) to consider developing a cross reference table between the accreditation regulations and the relevant procedure/s that address that regulation. The relevant procedures would possibly be the Cluster procedure and/or the Desk File procedure.	
The BCA is advised (A3) to consider hyperlinking between the Cluster procedure and the Desk File procedure and to consider hyperlinking within a given procedure through to any relevant Forms or Templates.	

Regulation 17(2)(b) and (3): A policy on quality and a quality manager

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 26. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
17(2)(b) Quality Policy	
The Quality Policy did not specify expected standards for the performance of the BCA's building control functions. GNC 26. To be resolved.	
The Quality Policy did not specify quality performance indicators at a high level. GNC 26. To be resolved.	
The Quality Policy did not specify a commitment to Continuous Improvement. GNC 26. To be resolved.	
17(3) Quality Manager	
The BCA had a named Quality Manager; Daniel Kruger.	

Regulation 17(2)(c): Ensuring operation within any scope of accreditation

Non-compliance? Y/N	Not Applicable
Non-compliance number/s:	
Opportunities for improvement? Y/N	
Number of recommendations:	
Recommendation number/s:	
Number of advisory notes:	
Advisory note number/s:	
Observations and comments, including good practice and performance	
Not Applicable	

Regulation 17(2)(d): Regular management reporting and review, including of the quality system

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 27. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
17(2)(d) Management Review and Reporting	
<p>Procedures and implementation did not address the requirement to undertake regular reporting to management about the performance of the BCA against the Quality Policy (objectives). GNC 27. To be resolved.</p> <p>Procedures and implementation did not address the requirement to specify the periodicity of the regular reporting to management about the performance of the BCA against the Quality Policy (objectives). GNC 27. To be resolved.</p>	

Regulation 17(2)(e) Supporting continuous improvement

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 28. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures did not address the requirement to accept and consider feedback from customers, employees and contractors. GNC 28. To be resolved.	
Procedures did not address the requirement to consider opportunities for improvement within the BCA's policies, procedures and systems. GNC 28. To be resolved.	
Procedures did not address the requirement to identify issues in the performance of the BCA's building control functions. GNC 28. To be resolved	
Procedures and Implementation did not address the requirement to respond to any issues identified during accreditation assessments. GNC 28. To be resolved	
Implementation was not effective where the BCA had not been assessing the seriousness of any issue/non-compliance. GNC 28. To be resolved	
Implementation was not effective where the BCA had not been monitoring and evaluating the effectiveness of any action implemented. GNC 28. To be resolved.	

Regulation 17(2)(h): Undertaking annual audits

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 8. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures did not address the requirement to have a comprehensive schedule of internal audits to be completed in every twelve month period. Nor was there a current audit schedule available. SNC 8. To be resolved.</p> <p>Procedures did not address the requirement to detail an audit process including guidance on sample size. SNC 8. To be resolved.</p> <p>Implementation was not effective where there was no evidence of audit reports being submitted to the Quality Manager and Responsible Manager. SNC 8. To be resolved.</p> <p>Implementation was not effective where there was no evidence of a response within a defined time to any action required by an audit. SNC 8. To be resolved.</p> <p>Implementation was not effective where there were no records of audits and actions taken. SNC 8. To be resolved.</p>	

Regulation 17(2)(i): Identifying and managing conflicts of interest

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures addressed requirements and were effectively implemented.	

Regulation 17(2)(j): Communicating with internal and external persons

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 29. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures and implementation addressed requirements except the following:	
<p>Procedures and implementation did not address the requirement to ensure communications were approved by an appropriate person. GNC 29. To be resolved.</p> <p>Procedures and implementation did not address the requirement to ensure agreed communications are made. GNC 29. To be resolved.</p>	

Regulation 17(3A): Complaints about building practitioners

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 30. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures and Implementation did not address the requirement to report concerns about building practitioners. GNC 30. To be resolved.	
Procedures and Implementation did not address the requirement to record concerns about building practitioners. GNC 30. To be resolved.	
Procedures and Implementation did not address the requirement to record evidence (or record where evidence was kept) to support concerns about building practitioners GNC 30. To be resolved.	

Regulation 17(4): Compliance with a quality assurance system

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 9. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures did not address the requirement to ensure Quality Assurance matters were communicated as a part of Induction. SNC 9. To be resolved</p> <p>Procedures did not address the requirement to ensure Quality Assurance matters were communicated as a part of any training. SNC 9. To be resolved.</p> <p>Procedures did not address the requirement to ensure Quality Assurance matters were communicated as an action from any relevant finding from any regular Management Review and Reporting against Quality Objectives (17(2)(d)), internal audit (17(2)(h)) or Annual Review of the effectiveness of the Quality Assurance System (17 (5)). SNC 9. To be resolved.</p> <p>Procedures did not address the requirement to ensure Quality Assurance matters were communicated as an action from any relevant Continuous Improvement. SNC 9. To be resolved.</p>	

Regulation 17(5): Strategic management reporting and review

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	SNC 10. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of the Quality Policy and Objectives. SNC 10. To be resolved.</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of BCA reporting on quality processes, internal audits and continuous Improvements. SNC 10. To be resolved.</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of employee and contractor engagement with the Quality Assurance System. SNC 10. To be resolved</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of employee and contractor engagement with the Continuous Improvement System. SNC 10. To be resolved</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of the management of Conflicts of Interest. SNC 10. To be resolved</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of the BCA' communication of quality assurance matters. SNC 10. To be resolved</p> <p>The Procedure and implementation for Strategic Management Review and Reporting did not address the requirement to review the effectiveness of the BCA's system for making changes (Continuous Improvement) to the Quality Assurance System. SNC 10. To be resolved.</p>	

REGULATION 18 TECHNICAL QUALIFICATIONS

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 31. To be resolved
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures included as two qualifications that the BCA considered to be appropriate however these were not those specified in the MBIE Guidance. GNC 31. To be resolved.</p> <p>Procedures allowed exemptions that were not as per the MBIE Guidance. GNC 31. To be resolved.</p> <p>Procedures did not specify a nominated person to sign off exemptions. GNC 31. To be resolved.</p> <p>All staff held appropriate qualifications (as per the MBIE Guidance) or were going to be working toward an appropriate qualification within the first twelve months of their employment, as per the MBIE Guidance for exemptions.</p>	

SUMMARY OF RECOMMENDATIONS

Recommendations are intended to assist your BCA to maintain compliance with the Regulations. They are **not** conditions for accreditation but a failure to make changes may result in non-compliance with the Regulations in the future.

It is recommended that:

- R1 The BCA is recommended to Indicate on the NTF the date the offence was determined by the BCA.
- R2 It is recommended that the BCA revise the Performance Standards in their contracts to make them distinct from Services required or any other expectations and to make it clear that contractors performance shall be reviewed against those standards.
- R3 It is recommended that the BCA review their Technical Leadership procedure where it references NCAS incorrectly. For example NCAS as NASC.

SUMMARY OF ADVISORY NOTES

Advisory notes are intended to assist your BCA to improve compliance with accreditation requirements based on IANZ's experience. They are **not** conditions for accreditation and do not have to be implemented to maintain accreditation.

IANZ advises that:

- A1 The BCA is advised to consider ensuring (where the consent has been processed by a contractor that there is a name and address for service for that contractor included in the consent file
- A2 [The BCA is advised to consider developing a cross reference table between the accreditation regulations and the relevant procedure/s that address that regulation. The relevant procedures would possibly be the Cluster procedure and the Desk File procedure
- A3 The BCA is advised to consider hyperlinking between the Cluster procedure and the Desk File procedure and to consider hyperlinking within a given procedure through to any relevant Forms or Templates.

Risk Management Framework

CM No.: 2447463

Rāpopotonga Matua | Executive Summary

The proposed risk management framework is to be adopted by Council to supersede current Risk Management Plan (“Plan”) and Risk Management Policy (“Policy”). It elaborates more on risk appetite and tolerances and their interrelationship and key risk indicators, and it is aligned to the principles set out in the universally accepted standards: ISO 31000: 2018 Enterprise Risk Management and 2017 COSO ERM – Integrating with Strategy and Performance.

The proposed Risk Management Framework is to be circulated to Audit & Risk Committee separately.

Tūtohunga | Recommendation

That:

1. **The Risk Management Framework be approved and be submitted to Council for adoption.**

Horopaki | Background

In 2019, MPDC has engaged KPMG to assess maturity of risk management within MPDC. It has been recommended to eliminate duplication of information contained with Risk Management Policy and Risk Management Plan e.g. roles and responsibilities, risk culture, and risk appetite and tolerances. The proposed Risk Management Framework has consolidated provisions set in Risk Management Policy and Risk Management Plan and has been developed to be used as a single point of reference.

The proposed Risk Management Framework explains in more detail the concept of risk appetite and how it should be developed. It should be noted that Risk Appetite Statement should be articulated and communicated to employees in a separate document. Along with risk management framework, methodology of development and implementation of key risk indicators and regulation of record keeping and analysis of realised risks have been drafted and are subject to approval by CEO.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Iliyas Galymzhan Risk Manager	
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Approved by	Dennis Bellamy Group Manager Community Development	
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Food Act 2014 Quality Management System Surveillance Audit

CM No.: 2447587

Rāpopotonga Matua | Executive Summary

The introduction of the Food Act 2014 changed the way that food premises were licensed as it went from an inspection regime to verification auditing. It also required Councils to be accredited to undertake verification services for National Programmes. In 2019, Council achieved our first QMS accreditation.

To maintain our accreditation, the Ministry of Primary Industries (MPI) engaged JAS-ANZ to carry out a Surveillance Assessment in April to ensure continual compliance. This audit recommended that we maintain our accreditation with one minor non-conformity to be actioned.

Tūtohunga | Recommendation

That:

1. That the Information be received

Horopaki | Background

The Introduction of the Food Act 2014 (Act) changes the way food premises were licensed as it went from an inspection regime to a verification auditing. The Act promotes food safety by focusing on the processes of food production, not the premises where food is made. For example, someone who makes and sells food from a food truck must follow the same rules as someone who makes and sells food at a restaurant. It also required all food businesses to be registered with the local authority or the Ministry for Primary Industries (MPI).

All businesses have transitioned however while Councils could automatically audit template food control plans they were required to gain accreditation to audit national programmes.

The difference between food control plans and national programmes are:

- Food control plans (FCPs): Written plans for managing food safety on a day-to-day basis. These are used by higher-risk businesses.
- National programmes: A set of food safety rules for medium and low-risk businesses. If you're under a national programme, you don't need a written plan (or develop written procedures), but must register, meet food safety standards, keep some records, and get checked.

To date MPI has appointed JAS-ANZ to assess all agencies against the requirements of the Act. To become a recognised agency pursuant to section 135 of the Food Act 2014 an agency must meet the requirements of Part 4 of the Food Regulations 2015 – Recognised agencies, persons, and classes of persons. This process allows MPI to check that they meet the same standards that they would apply if they were doing the checks. Our audits have focused on having a robust quality management system containing all the requirements set out in Regulation 110 that apply to a quality management system for the purposes of these regulations.

In addition to becoming a recognized agency, we are required to have recognized person/s to undertake the audits. Peter Challis has achieved accreditation as a recognized person.

Ngā Take/Kōrerorero | Issues/Discussion

To achieve and maintain accreditation under the Food Act 2014, MPI undertake three yearly audits with surveillance audits in interim years.

As a result, on the 14 April 2021, Sue Williams from JAS-ANZ came onsite to undertake a surveillance audit. A copy of her findings are attached. Overall the audit went seamlessly with only one non-conformity raised and three observations.

The non-conformity was:

- Keeping up to date with entering completed audits reports into the Ministry of Primary Industries TITRO database

Staff acknowledge that along with many other Council's that we are a bit behind in entering audits into the national system. It has been a disruptive year due to Covid 19 especially as the national direction has been that no on-site audits are to undertaken unless the country is at Level One. Amended legislation has been passed to enable extension to audit timeframes. Following the audit report, we are working on ensuring all verification audits are uploaded to the TITRO database. We have until 14 July 2021 to complete this and are currently on-track.

It is noted that prior to the audit, staff had identified this issue and were in the process on implementing the following actions:

- EHO to be issued with a surface pro to enable documentation on site to speed up the reporting
- Initiate a new process where the administrating officer enters the audits into the national database.

The above actions will ensure that going forward we keep up to date with entering audits into the national database.

Ngā Tāpiritanga | Attachments

[A](#) QMS Surveillance Report JAS-ANZ 14/04/2021



Ngā waitohu | Signatories

Author(s)	Cathy Bjerring Planning & Environmental Health Admin Officer	
Approved by	Ally van Kuijk District Planner	
	Dennis Bellamy Group Manager Community Development	



RECOGNISED AGENCY
SURVEILLANCE REPORT
MATAMATA-PIAKO
DISTRICT COUNCIL

COMMERCIAL – IN – CONFIDENCE

Assessment No. TS2-19

Agency name	Matamata Piako District Council		
Assessment location (address)	35 Kenrick Street, Te Aroha 3342, New Zealand		
Assessment number	TS2-19		
Assessment date/s	14 th April 2021		
Assessment type	Surveillance		
Assessment purpose	Surveillance assessment of the implementation of the Agency’s Quality Management System (QMS) to inform a recommendation to the Ministry of Primary Industries (MPI) that the Agency does/does not continue to meet the requirements to be a Recognised Agency to conduct verification services under the <i>Food Act 2014</i> .		
Assessment objective	<ol style="list-style-type: none"> 1. To assess the Agency’s implementation of the Quality Management System (QMS) by reviewing: <ul style="list-style-type: none"> ○ any changes to the system or key personnel ○ any new training the verifiers have undertaken ○ random selection of files ○ complaints/appeals ○ reporting to MPI. ○ Follow-up on findings from the previous assessment. 2. To form a view whether the Agency does/does not continue to meet the requirements to be a Recognised Agency to conduct verification services under the <i>Food Act 2014</i>. 		
Assessment scope	<ul style="list-style-type: none"> • Verification of template Food Control Plans registered by MPI, , sections 39 & 40 - generic. • Verification of national programmes - generic 		
Assessment criteria	<ul style="list-style-type: none"> • <i>Food Regulations 2015</i> – Regulation 110 (that is, the requirements of a QMS – refer to Appendix A). • <i>Food Act 2014</i> – section 155 and 156 (that is, performance of specified functions and activities of Recognised Agencies and Recognised Persons) 		
Assessment team:			
Assessor	Sue Williams		
Assessment report:			
Drafted by	Sue Williams	Date	16 th April 2021
Updated		Date	

COMMERCIAL – IN – CONFIDENCE

Assessment No. TS2-19

ASSESSMENT COVERAGE

1. Overview of the Agency and its QMS

The main business sectors are food service and food retail, with aged care and ECE. There are 126 TFCP, 6 NP1, 9 NP2 and 22 NP3 registered businesses.

Information is on the Council website under Our Services/Food & Health/Food, details tFCPS, NPs 1, 2 & 3 as well as CFP. The application process, renewal and verification processes are also detailed. There is also a link to the application form, scope of operations and the MPI website.

The JAS-ANZ Assessor would like to thank the council staff for their cooperation during this assessment.

2. Changes to the QMS

Cathy has access to MAPs now and is entering details into the system and keeping an eye on things. Looking at running various reports. Peter will be getting a tablet next week and so will be able to enter the verification details straight into the checklist/report. This will reduce the time spent writing up his notes into the report and then entering the details into Titiro/MAPS. Minor changes have been made to the QMS as a result of the initial assessment.

2.3 Staffing

The competency requirements have now been defined for TFCPs and NP food sectors. However it would be beneficial to look at detailing competencies by categories.

Observation

While Peter has started the online HACCP training in Tiritiri, Matamata Piako District Council (MPDC) will need to ensure that this is completed.

Observation

2.4 Resourcing

Peter will be attending the upcoming NZEI meeting which has a presentation on cheese production/manufacture and cleaning chemicals in a food environment. Currently the only manufacturing that the Council verifies is jam making.

2.5 Reporting requirements

Each week Cathy prints off a list of overdue and discusses these with Peter. Once the reports have been completed Cathy will enter the details into Titiro. There are 34 overdue reports from 23/02/21 to 13/04/21. There are 7 audits yet to be completed from 2020 and 23 from Feb-May 2021 that need to be booked. All new applications have had the audit booked. Peter's diary was also sighted to verify which audits had been booked..

There are 50 verifications that have been completed but not yet entered into Titiro. MPDC is not entering information into Titiro/MAPS within the required timeframes.

Minor Nonconformity 1/TS2-19

Food Regulations 2015, Regulation 110 (2) f

2.6 Records

The reports reviewed are noted on page 5 of this report. Findings raised were appropriately graded. Field notes are also scanned into the system and then destroyed.

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The reports and associated records for Hiroba Japanese were sampled. MPDC are reminded to ensure that sufficient notes are taken during the verification and entered into the report.

Observation

2.7 Non-compliance and corrective actions

Evidence was available to demonstrate that CARs are being closed within the agreed timeframe. No Notices of Direction or Improvement have been issued by MPDC.

2.8 Complaints and disputes

There have been no complaints about verifiers or verification services. However one complaint was received about a food borne illness from Christmas 2019. Peter Challis spoke to the anonymous complainant who provided no details of when or where this had occurred. Full details of the complaint were recorded.

2.9 Internal management

The Council wide internal audit schedule for 2020 was sighted. Some internal audits were delayed due to COVID-19 but have all now been completed. The Food Registration process was audited 18/11/20 and Food Act verification 15/09/20.

It is recommended that the internal audit team ensure that all the requirements of the Food Regulations 2015 are included in the internal audit schedule. It is also recommended that details of the objective evidence sighted during the internal audit is recorded in the report.

Recommendation 3

The annual management review meeting was held 10/08/20 with Cathy, Peter, Ally and Dennis. Cathy produced a report for the meeting, that covered internal & external audit findings, previous minutes, risks, resourcing, opportunities, improvements, staffing, etc. Detailed minutes were also taken. It would be beneficial to ensure that all requirements are covered e.g. complaints.

Observation

Team meetings are usually held weekly. Minutes from 29/03/21 and 12/04/21 were sighted. This includes feedback from health cluster meetings, registrations & verifications, and workload. Peter and Cathy mainly attend the Food Act Cluster Group meetings, the last meeting was held at the Council here in Te Aroha 19/11/20, with representatives from A+ Food, QEC, Taupo, Waipa, Waikato, Hamilton, Hauraki, South Waikato District Councils. There were three case studies covering Hazelnut products, retail fishmonger, and The Charming Deli café. Minutes from the previous cluster group meeting in Hamilton 30/07/20 were also sighted.

2.10 Review of performance

Peter Challis had an external witness assessment from Kevin Foxall of AsureQuality, 11/08/20. The report was very detailed with just a few observations for improvement noted. Peter's Notice of Recognition expires 30/09/2023 and was issued 25/09/20 for TFCP generic and NP Generic. The annual performance review with Ally was sighted.

2.11 Contractual arrangements

As MPDC has only one verifier/FSO they have entered into an agreement with Hauraki District Council (HDC) to provide FSO and where required verification activities. The Shared Services Agreement

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between Matamata-Piako District Council & Hauraki District Council was reviewed 29th March 2021 and there are no changes. To date no services have been provided.

3 Changes to key personnel

There have been no changes since the initial assessment.

4 New training undertaken by verifiers.

Peter has completed the following MPI online training; Introduction to wine making and remote verification. Training is also included during cluster group meetings.

5 Random selection of files

Registration No,	Organisation name	Type	Verification activity & date	Verifier	Comment
MPD160144	Vans Bakery	TFCP	Sch 11/03/21 unacceptable 9 monthly	Peter Challis	No temperature checks recorded i.e., incoming goods, poultry, meat fridges. Close out visit conducted. Details entered into MAPS and CAR closed.
MPD160226	Hiroba Japanese	TFCP	Sch 13/03/21 Acceptable 18 months	Peter Challis	Observation
MPD160249	The Dawghouse Mobile caravan	TFCP	Initial 05/02/21 Acceptable 12 months	Peter Challis	Good report
MPD160079	Bakehouse Coffee Lounge Morrisville	TFCP	Sch 06/01/21 Unacceptable 9 months	Peter Challis	4 CARs close out date 2/02/21 for 2 of them but not the other 2. However, details are included in the Verification Audit-nonconforming/noncompliance Action request letter sent to the business 13/01/21 with a revisit to verify closure.

6 Observation of a recognised person

None completed.

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ASSESSMENT SUMMARY

The team have been proactive in undertaking new application verifications within the required timeframe and will have caught up on outstanding verifications from 2020 by the end of the month.

Observations noted in the previous assessment had been reviewed and adopted into the QMS. The nonconformities from the initial assessment were also reviewed, and implementation of the corrective actions was verified. One new nonconformity was raised relating to updating of Titiro/MAPS.

Requirements	Assessed (Y or N)	Compliance? (Y or N or N/A)	Non-conformity No. (if applicable)
Changes to the QMS	Y	Y	
Changes to key personnel	Y	Y	
Staffing	Y	Y	Observations
Resourcing	Y	Y	
New training undertaken by verifiers	Y	Y	
Random selection of files	Y	Y	Observation
Complaints/appeals	Y	Y	
Reporting to MPI	Y	N	NC 1/TS2-19
Noncompliance & corrective actions	Y	Y	
Internal management	Y	Y	Rec 3 & Observation
Review of performance	Y	Y	
Contractual arrangements	Y	Y	
Observation of a recognized person	N	N/A	

RECOMMENDATIONS

1. That the Agency does continue to meet the requirements to be a Recognised Agency to conduct verification services under the *Food Act 2014*, subject to the following conditions:
 - a. The Agency commits to preparing a corrective action plan to address the non-conformity within 10 working days from the receipt of this report;
 - b. Objective evidence to close the nonconformity will need to be sent to MPI within 90 days from the date of the assessment. and
2. That all observations noted throughout this report be reviewed by the Agency and actioned where appropriate.

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3. That the internal audit team ensure that all the requirements of the Food Regulations 2015 are included in the internal audit schedule and that details of the objective evidence sighted during the internal audit is recorded in the report.

Item 7.1

Attachment A

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Appendix A

Regulation 110 of the *Food Regulations 2015*

110 Quality management system

- (1) This regulation sets out the requirements that apply to a quality management system that—
- (a) an agency or a person may be required to have under this Part; or
 - (b) a member of a class of natural persons (**member**) or a body to which that member belongs, or is employed, engaged, or managed by, may be required to have under this Part.

- (2) The quality management system must contain procedures for—

Conflicts of interest

- (a) maintaining independence and managing conflicts of interest;
- (b) maintaining impartiality:

Confidential information

- (c) managing the confidentiality of information:

Staffing

- (d) ensuring that—
 - (i) staff are trained and competent to perform the services for which they are employed or engaged; and
 - (ii) staff are aware of the scope of the specified functions and activities of the agency, person, or member; and
 - (iii) staff performance is regularly monitored:

Resourcing

- (e) ensuring that the agency, person, or member is adequately resourced (including having, or having access to, relevant technical expertise) to carry out its or his or her specified functions and activities:

Reporting requirements

- (f) meeting reporting requirements under the applicable requirements of the Act:

Records

- (g) keeping the following records and reports for at least 4 years:
 - (i) records relating to staff members' qualifications, training, work-related experience, and performance;
 - (ii) records and reports of the specified functions and activities, and any related activity, of the agency, person, or member;
 - (iii) records relating to each food business or registered importer to whom the agency, person, or member provides services;
 - (iv) records and reports required to be kept under the applicable requirements of the Act:
- (h) making records or reports referred to in paragraph (g) available at the request of the chief executive or a food safety officer:

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Non-compliance and corrective actions

- (i) identifying and reporting any non-compliance with an applicable requirement of the Act occurring at a food business or the operations of a registered importer:
- (j) identifying and monitoring corrective actions that a food business or registered importer must carry out:

Complaints and disputes

- (k) investigating and managing complaints and disputes relating to—
 - (i) the staff of the agency, person, or member:
 - (ii) the performance by the agency, person, or member of its or his or her specified functions and activities:

Internal management

- (l) providing for the regular review of the quality management system:

Review of performance

- (m) reviewing the agency's, person's, or member's performance of its or his or her specified functions and activities, for the purpose of ensuring that the applicable requirements of the Act are met:

Contractual arrangements

- (n) ensuring that contractual arrangements with any food businesses or registered importer to whom the person, agency, or member provides services are documented and appropriate for the services being provided.

(3) In subclause (2),—

- services** means services under the Act that are within the scope of the specified functions and activities of the agency, person, or member
- staff** includes any contractor.

Update on Organisational Culture

CM No.: 2452403

Rāpopotonga Matua | Executive Summary

Vision and Values

The organisational vision and values continue to be promoted regularly by focussing on one of our values or our mission each quarter. Each division is responsible for one of the quarters and staff within the division generate ideas to promote and raise awareness of our values.

This ensures we are continually promoting our values while also contributing to the culture within the organisation.

We also continue to look for ways to further embed the vision and values within the organisation. For example, our standard Safety and Wellness agenda items for all meetings are now based on our vision and values, i.e. for the value 'we do it together', we ask teams to discuss possible solutions to managing risks as a team and agree how these will be implemented. This also contributes to our objective of a positive safety culture by increasing engagement.

Staff also continue to be assessed against expected behaviours that are based on our values as part of our annual review process. Behaviours are weighted equally against job performance.

Staff Survey

We undertook our annual external staff survey, 'AskYourTeam' again in January. This was last undertaken in November 2019 and was delayed until early 2021 due to Covid19. AskYourTeam is a continuous improvement tool that also allows us to benchmark with other Councils.

The 2021 results were once again very positive overall and we also identified some areas for improvement. A summary of the results is attached including plans to address the issues raised, such as a review of what we do at MPDC to recognise, reward and value our employees to ensure we can attract and retain staff.

Tūtohunga | Recommendation

That:

1. The information be received.

Ngā Tāpiritanga | Attachments

[A↓. AskYourTeam Results 2021](#)



Ngā waitohu | Signatories

Author(s)	Kelly Reith People, Safety and Wellness Manager	
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Approved by	Don McLeod Chief Executive Officer	
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AskYourTeam Survey 2021

This year 132 staff participated in the survey (an increase from 128 in 2019). This is around 57% of our total staff number.

Summary of results:

- 1) Of the 40 Councils that participated in this survey, with exactly the same questions, our results ranked us overall 16th highest.
- 2) Last year our overall weighted result for all the questions (which is simply a method of representing our overall rating) was 67% (up from 63% the previous year), and this year its 65%. A slight drop but still comparable with previous years. The Local Government Benchmark score was 64% so we are 1% higher overall compared to the average for Local Government.
- 3) Our overall average score of 65%, puts us number 22 out of the top 100 survey scores within AskYourTeam's database.
- 4) The vast majority of employees say that MPDC is a great place to work (2021: 91%, 2019: 93.8%). Most employees also say they enjoy working for MPDC (2021: 92%, 2019: 96.1%, 2018: 96.5%). These results are based on the total level of agreement (see below).
- 5) Staff also said they enjoy working for MPDC, that MPDC places an emphasis on the health and safety of its staff and customers, that staff have the information they need, and are proud of the impact MPDC has on the community.
- 6) Staff concerns

This year there were a number of comments regarding pay. It was decided annual pay reviews would not be undertaken due to COVID19 and the dissatisfaction with this decision was clearly communicated in the results. We have since undertaken pay reviews so if we were to run the survey again we anticipate we would receive different results.

Below is a summary of the areas that received the highest level of disagreement.

- Our pay being fair compared to other similar roles or organisations (note the survey was undertaken before the recent pay reviews)
- Our reputation with ratepayers – however the results of our recent customer satisfaction survey show 70% of customers are satisfied or very satisfied
- Technology and resources
- Recognition and feedback
- Teams don't understand how their goals and objectives affect each other, and don't work as efficiently and effectively between each other as they could

Plans for improvement:

We are focussing on a couple of ideas for improvement over the next year. This is to ensure we can focus our energy on the areas we think we would make the biggest difference rather than spreading ourselves too thin over multiple areas.

Firstly, we are continuing with a project that was originally identified in 2019 as part of our HR Strategy, to review what we do at MPDC to recognise, reward and value our employees. The objective is to ensure we can attract and retain staff. This project will address some of the comments that have been raised by staff in the full staff survey.

Over the last few months we have undertaken a specific survey about what motivates staff and makes them want to stay and then set up a Focus Group to help us determine an Employee Value Proposition (EVP) – what we want to offer at MPDC that sets us apart from other organisations. The feedback was considered along with consultation with the unions (PSA and AWUNZ). We then identified proposed changes to three areas - remuneration, recognition and reward, and also wellbeing, taking into consideration the main areas employees said are important, while also striking a balance with affordability. We are now formally consulting on the proposed changes.

Secondly, we are planning a leadership day with third tier managers that will take place in August. The purpose of this day will be to focus on our organisational culture (including how we make a difference and setting expectations for customers), leadership (including planning for the future), how we can work more effectively with each other, and any other concerns (such as technology and resources). We will also discuss some day to day building blocks of behaviour to ensure consistency throughout the organisation.

**The 10 questions with the highest level of agreement
(includes somewhat agree, agree and strongly agree)**

Question	Highest level of agreement
I understand clearly how the things I do affect the ability of others in my team to do their job	98%
I am aware of the Harassment (including bullying and discrimination) policy	98%
MPDC places an emphasis on the health and safety of its staff and customers	95%
I enjoy working for MPDC	92%
MPDC is a great place to work	91%
My manager/team leader shares information with me that enables me to do my job effectively	91%
I am clear on the role I play in helping deliver what our ratepayers/community wants	91%
I have the information I need to do my job as effectively as possible	89%
I have access to the right information that enables me to make effective decisions	89%
I am proud of the impact MPDC has on the community	89%

The 10 questions with the highest level of disagreement
(includes somewhat disagree, disagree and strongly disagree)

Question	Highest level of disagreement
I consider our pay is fair compared to similar roles and organisations in the marketplace	39.4%
All teams understand how their goals and objectives affect each other	34.8%
MPDC has a positive reputation with our ratepayers	31.1%
I am regularly asked for feedback on how to improve MPDC	30.3%
We have the technology to effectively support our processes	29.5%
The contribution of individuals is recognised at MPDC	28.0%
Meetings are generally an effective use of time	27.3%
We work efficiently and effectively between different teams at MPDC	26.5%
We are provided with meaningful updates on how MPDC is performing	25.8%
MPDC allocates resources effectively to achieve agreed outcomes	25.8%

Update on the 3 Waters Reform Funded Projects

CM No.: 2455906

Rāpopotonga Matua | Executive Summary

This paper updates the Audit and Risk Committee on the progress implementing the Three Waters Reform Stimulus Delivery Plan (the Plan).

Significant progress has been made in scoping and defining the projects within the Delivery Plan, with project briefs being completed for all projects. A number of projects have also been completed or are close to completion, these include criticality framework development, valve maintenance and tree removal.

Since the formulation of the Plan and receiving Council's first tranche of funding, there have been significant amendments to the Plan. The 3 Waters Reform Governance Group, working with staff, have had to balance competing project priorities with available budget, the ability of the construction and consultancy sector to deliver projects and key staff availability.

The 3 Waters Reform Governance Group have worked closely with the Project Management Office, project managers and stakeholders to minimise the impact of these issues on delivery to date and delivery going forward through strategies such as early contactor engagement and utilisation of the fast track procurement playbook.

However, persistent risks remain, most significantly; Council resourcing and external resourcing, procurement, health and safety, management of overlapping PCBUs as contractors arrive onsite and time pressure as the deadline approaches. A further update will be provided to the next Audit and Risk Committee meeting.

Tūtohunga | Recommendation

That:

1. The information be received.

Horopaki | Background

In July 2020, the Government announced a \$761 million funding package to provide post COVID-19 stimulus to maintain, improve three waters infrastructure, support a three-year programme of reform of local government water service delivery arrangements (reform programme), and support the establishment of Taumata Arowai, the new Waters Services Regulator. The funding was to remain available until March 31 2022 at which time funding would be withdrawn. Territorial Local Authorities were allocated a proportionate share of this \$761M stimulus fund, with Council receiving a \$4.94M share.

In order to access this funding, Council was required to submit a delivery plan to Crown Infrastructure Partners and the Department of Internal Affairs. It was a requirement that projects included in the delivery plan were not already funded in Councils long-term plan. The intention of the stimulus funding was to increase Council contribution to local and national economic activity above that already generated by work in Council existing plans. Councils were asked to deliver beyond business as usual. The delivery plan was to be submitted no later than September 30, 2020.

Councils submitted delivery plan contained a portfolio of 40 projects ranging from \$30K to \$885K covering asset and contract management, operations and a range of capital and deferred maintenance and cross boundary works with a high-level estimated value of around \$5M, effectively a doubling of project spend in the 3 waters service area.

In October 2020 MPDC received confirmation that it was successful in its bid and was to receive \$4.94M to deliver the identified projects by March 2022. Consequently, Council agreed to sign a funding agreement via a Memorandum of Understanding and is participating with the initial stage of the reform programme. Fifty per cent of the funds were received in November 2020 and work on bringing a delivery team and plan began.

Ngā Take/Kōrerorero | Issues/Discussion

Project Governance and Management

The \$4.94M water reform programme represents an almost doubling of project spend in the 3 Waters Services area. This comes on the back of an already enhanced delivery program. The funding release also came at a time of maximum workload on the team with LTPs being developed and the pre-Christmas rush on project delivery.

The narrow delivery window required as part of the funding agreement (completion by March 2022) has meant scoping, design and construction / delivery of projects within effectively a 12-month timeline as opposed to a typical 3-year cycle.

In response to these delivery pressures, Council has implemented a number of strategies to increase the speed of delivery while still balancing compliance with procurement policy and project management standards. These strategies include the establishment of the 3 Waters Reform Governance Group and Project Management Office (PMO). The PMO, in particular, has been responsible for the development of project management tools and reporting in tandem with delivery.

The capacity of the 3 Waters construction and consultancy markets, nationwide, were already constrained by resourcing prior to the release of the stimulus funding. The additional funding provided to the industry via the stimulus funding, an in particular its “use it or lose it” nature has the effect of further limiting the availability of technical skills and construction resources. Councils are often directly competing for the same resources to deliver similar project all within the same January 2021 – March 2022 timeframe. This has affected both the costs of projects and availability of necessary equipment. Delays in delivery attributed to the impact of COVID and the more recent Panama Canal blockage in international supply chains, have compounded these issues.

In order to address this risk, Council has engaged early with the market and leveraged off existing contracts and relationships with goods and service providers. A Program Manager was contracted in the early stages of the application process on a phased workload / availability basis. Other project management resources were sourced both internally and externally shortly afterwards, with physical works commencing in January 2021.

Further, in order to meet the delivery requirements, the construction sector has been seeking additional project management resources, resulting in direct competition between Council and the sector for staff. To date, Council have lost three staff involved in the delivery of 3 waters projects within a 3-month window over the Christmas period. This is a significant resource loss and one that is not easy to resolve.

Project update

Project briefs and scope have been completed on all projects. As with the first 21 projects scoped, fine tuning is expected once project delivery commences. A number of program area component projects have been completed or well underway. These include criticality framework development, valve maintenance and tree removal.

The extent of physical works required has increased significantly, as has some of the capital works initially identified. The main areas of increase are around the deferred maintenance program area with tree removal more than quadrupling in costs. This has been down to an increase in the amount of deferred maintenance found, the type of works required (generalist tree and scrub removal being replaced by specialist arborist works) and once started, must continue due to stability issues on exposed trees (attachments E-G).

The cleaning of the Morrinsville Treated Water Trunk Main has also seen cost increases with unforeseen consenting costs, additional pre works investigations and remediation of assets that are in poor condition or risk of failure during the operation. Similarly capital projects such as SCADA upgrades and replacement have required more detailed investigations and scoping and the list of new assets required has increased.

In order to accommodate these changes in scope or funding requirement, an amendment must be made to the Delivery Plan and agreed to by the DIA. Council has successfully secured an amendment to the Delivery Plan in the April reporting cycle. This amendment address the issues raised above as well as reallocating other funding amongst the projects. Council expects to make another amendment request in the next reporting round (September 2021) addressing further budget changes driven by urgent deferred maintenance works and the inclusion of the Morrinsville Stormwater works in the Delivery Plan. These changes have been signalled in advance to the DIA.

Financial reporting has been problematic due to the speed of program delivery, the mix of opex, capex, delivery teams and mechanisms as well as a mix of new and old workstreams. This has required considerable effort from the PMO and Finance Team in journaling costs month on month to the correct codes.

The reporting requirements for DIA are much more rigorous than standard Council reporting and involve new metrics and templates that require both project, program and financial report modifications to be completed. New reporting templates and semi-automated reports have been developed by council during April and May that should reduce the amount of effort required and improve the accuracy and confidence on the figures being reported.

A copy of Council's quarter two report to DIA has been attached to this report (attachment A). This report provides a more detailed analysis of the current state of delivery.

Mōrearea | Risk

A number of risks exist in relation to the implementation of the Delivery Plan and to Council's balance sheet.

These are the following key risks that Council needs to consider:

- There is still some risk around the reform funded works including, underspending and not gaining the full benefit of the \$4.94M awarded to Council.
- Overspending, which will fall on MPDC to cover.
- Changes in projects or programs budgets due to urgent works that need to be completed prior to review and agreement by DIA.

- Delays in delivery, or contract overruns with costs incurred post March 2022 falling on Council.
- Potential for procedural issues and rushed outputs to meet the deadlines.
- Further staff and resource losses due to an overheated 3 Water market and current water reform generating uncertainty amongst council staff.

In response, the Governance Group and Program Management Office have put in place a number of risk management protocols including regular risk reviews, Project Reconciliation meetings and more detailed 1:1 interviews with project managers when producing monthly reports.

The first round of project reconciliation identified a number of low (immediate) benefit (Wisely Park) and stalled projects (Cross Boundary Initiatives) that could be deferred or cancelled to compensate for cost and resource increases on other projects.

Ngā Whiringa | Options

At this stage Council is not being asked to make a decision on project or funding as this is currently being managed through the PMO and Governance Group.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

As the program approaches its March 2022 deadline. Council may wish to give consideration to procurement tools to enable the delivery of the programme within the deadline timeframe.

Ngā take ā-lhinga | Consent issues

A number of consents have been required for the works being undertaken under the reform program of works. In general these have been / are being obtained, though at a higher cost than anticipated.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The financial implications of the reform projects are covered under the Memorandum of Understanding and capped at \$4.94M. Council funding for some parts of the work may be required should the program overrun the budget, certain projects go over approved DIA spend, or spend be incurred post March 2022. A number of these spends would have landed on Council anyway if reform funding wasn't available i.e., Morrinsville Flooding and stormwater works.

Central Government has signalled that future funding rounds approximately double the initial \$761M may be available for Council's post March 2022. The Governance Group and PMO are actively reviewing continuation works and new projects that could be put forward for tis money should Council decide to participate in the next stages of 3 Waters Reform.

The lessons learned, procedures developed and reporting templates and PMO structure all being used to ensure a smoother workflow and program delivery across a more concise portfolio of works.

Ngā Tāpiritanga | Attachments

[A↓](#). Summary Status following Project reconciliation June Update 2021



[B↓](#). Project Mangers Workshop Presentation June 2021 Update



[C↓](#). Example Monthly Report - Tree Removal Project - May 2021



[D↓](#). Three Waters Reform Funding Risk Register



[E↓](#). Project Images - Tree



Ngā waitohu | Signatories

Author(s)	Karl Pavlovich Water & Wastewater Manager	
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Approved by	Fiona Vessey Group Manager Service Delivery	
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Program Summary Following Monthly Reports and PM Discussions.

Program Area	DIA Approved Budget	Program Mgt Overheads	Net budget available	Budget from Project Briefs / Monthly Reports	Net Position	Spend to date - April - reported to DIA	Spend to Date June	Committed	Approved IFS / Contract (K)	Comments and actions
			618,125			180	173	160	\$ 350.00	PM to date costs include technical works on Asset Criticality, metering project, SCADA and deferred Mtce. This needs to be journalled to the correct codes. KP / RN. Need to confirm all overheads and AMB / Te Miro water PM works are charged to the correct codes. Note spends in April more than June?? could be the journalling of my costs to correct codes.
Asset Information and Technology										
Asset Criticality	300	37.5	262.5	300	0	49	49	0		Need to firm up IFS and what projects are being charged to for Asset Fina / Univerus works i.e. Criticality vs Asset data. Once criticality matrix has been completed, (consequence of failure) a likelihood of failure assessment and risk score can be developed. this will inform the condition assessments program of works on site to ground truth models and inform LTP / future reform funding works.
Asset Strategies	300	37.5	262.5	230	70	25	0	56	\$ 154.00	Resilience strategy being delivered with an IFS signed for Lutra 542K - need to check on this as not resilience and part planned in April. GHD IFS signed off for WDMVP review at 556,250 including the original 521K sign off. - invoices not present in the financials. AMBI Proposal for 36k on Water Conservation Strategy recently signed off. Te Miro Water - SW Strategy 220K signed off. Need to confirm budget and scope for other WDMVP, related works including water loss strategy) and other works being scoped for delivery by LASS panel consultants including: I&I not priced but estimated at 250K
Asset Data	200	25	175	180	20	25	30	66	\$ 136.00	\$200k was identified for CCTV module. This is now part of AF and updates to be undertaken by Univerus staff so CCTV budget has been reduced to 550K. In addition S&P have identified 5 mobile working units required for KVS to undertake field works asset data. This has been estimated at between 15 and 20K based on units already purchased for the program Mgt team. Have these been purchased?? Best Practice ID has been started with Lutra engaged for 566K.
Totals	800	100	700	710	90	99	79	122	\$ 290.00	
Operational Studies	200	25	175	93	107	39	40	378	\$ 80.00	A number of contract strategies have now been amalgamated into one. The original briefs refer to physical works which aren't a strategy and have been removed from scope. Mtce contract strategy in its new form sits in here and not in deferred Mtce - 140K in project brief has 540K for Beca and 510K for Owen in it. Owen is 100% charged to program management, so project brief to be reduced by 510K. 540K signed off for Beca - Contract writing and tendering support. Beca indicate 548K for their contract - not present in current billing. ERPS were initially being delivered by Lutra (530K), the work was cancelled and delivered by Stacey - Stacy's time (estimated at 55K) to be recovered as this is now a completed project and a good news story for DIA! Tape study signed IFS 530K matches the Project Brief. KP to journal costs from existing cost centre to operational studies. Mike B has asked if we can fund another year of Hughs work at 530K. Cant see this in the financials. Matamata Wastewater Sludge Report from WWS - Hugh Ratsey came in well below budget at 10.5K, this is to be journalled to Operations Studies (KP) and noted that further works are likely to be required by WWS or another consultant for MV Pond C. Need to make sure HSNW works are not present here and journalled to Deferred Mtce, or do anothe program change with DIA (*280K)
Deferred Maintenance	1300	162.5	1137.5	1,800	-500	954.7	855.2 - or 1.03M with HSNW	79.6	\$ 858.00	Valve and leaks project brief costs are at 5405 K this is a typo and revised estimate of 5210K- of which, 156K spent (128.4 DS and 53.6 Hulmes - note 179K reported to DIA in April) Christo has advised new valves required this is going to be "510K - PGG need to decide on this." Maz subs, new project at 300K (151 Spent 280K committed = 41K against a DIA approval of 288K), was to be funded from Wisely Park - 5150K and deferred x boundary at 140K. K boundary now has a new regional project in it for 60K so funds available are potentially reduced to 45K. If spend profile changes are made as per cross boundary checks. This currently sat in Ops studies and needs to be added to the total. Tree removal was increased to 120K and as expected has gone higher, with the additional works and Owens activities being included too - New Estimate is 210K by end of June. Pond de sludging has been estimated at 51m so no budget available for this but further studies being completed (see above) and would be a good project for stage 2 reform funding if that approach is approved. "560K reserved for SA and contract development. Filter Media - 5630K signed up with Filtec, 528K signed up with Lutra. Media replacement invoiced at 421K - LBE from PM is 5880K - from Filtec due to nozzle purchase. 550K over not including PM costs. SW work in MV identified as being reform funding @250K, need DIA approval, but assume we will get it. MV trunk main flushing costs (originally 560K) now believed to top 510K(TBC) - 63 K for consenting alone, 5K for PN to do standby and rest for KVS to undertake the works + valve checks etc.
Totals	1500	187.5	1312.5	1893	-393	993.7		457.6	\$ 938.00	
Cross boundary	200	25	175	112	88	6.3	63	79.7	\$ 45.00	Consists of LTO 50K - note Spent 60K spent - 2K to TX to asset data. KP to check. - 545 K IFS signed off. LASS / BOP project 60 K just in. Check S drive for signed IFS - KP managing this?
Totals	200	25	175	112	88	6.3				58K to transfer to HSNW project if DIA Approve.
Capex Wisely (Mv West)	150	18.75	131.25	0	150			4	\$ 45.00	Project to be cancelled by agreement with DIA - funds to be allocated to Hazsuls. Note 54k spent on the project. KP believes this was minor works and will look at journalling costs out. DIA said no to journalling this has been included in the budget and will be sunk costs.
Capex new Stade	885	110.625	774.375	1196	-311		10		\$ 40.00	Project brief costs = 5885. Neo LBE = 5955K + of costs for Mv pilot SCADA scheme ("5150K - KP) + PM overheads of 111 = 1.196M to this program area. KP needs to transfer the Mv SCADA fees across. Note 540K IFS signed for Neo - 10k invoiced. ?? Roll over to next financial year or delivery delay could be an option.
Capex generators	30	3.75	26.25	30	0				\$ -	DIA agreed funding is 530K. Latest project brief states 150K this may be a typo that needs to be corrected. lag / KP to agree budget and scope. KVS advised some new generators purchased by Sean P ?? Reform funded?
Capex water meters	500	62.5	437.5	500	0	25	25		\$ 50.00	24k spent - (Fonterra Meter) - team needs to decide quickly what it wants out of this project. PMO suggest purchase large number of meters that are beyond asset life and get them installed. Note VO / IFS not signed for Justin so he has left the project. Can Mike V take over this project. Are we going to spend? if not can we declare now.
Totals	1565	195.625	1369.375	1726	-161	25		4	\$ 90.00	
Minor capex Site security - CCTV	75	9.375	65.625	80	-5		0.5		\$ -	3 sites can be completed with costs estimates received so far
Minor capex Site security - Fencing	150	18.75	131.25	95	55	0	3		\$ -	Original budget was 150K. KVS updated project brief states 95K. 1 site can be completed within costs estimates so far: Te Aroha WWTP site of choice.
Minor capex site access ways	200	25	175	200	0				\$ -	3 sites can be upgraded according to estimates received. Mv WWTP, Mill Road and Mv WWTP.
Minor capex new bore Mv north	100	12.5	87.5	100	0	2			\$ 18.00	This was advised as being cancelled and then brought back in. Note 18K in commitments + 2k for Lockierbie water take consent paid.
Minor capex mixers at Mv dam	200	25	175	300	-100	0.35			\$ -	This does not match up with quotes received by AH previously around 120K for the electricity and about 580K for the mixer and other assets installed. LBE from PM is that power install will cost 180K to car park, 520K to the dam face and 540K land purchase and internal staff costs = 220K. PM to confirm analyser / mixer costs currently estimated at 80K. Total 530K.
Totals	725	90.625	634.375	-543.75	-50	2.35	3.5	18	\$ 36.00	
Contingency - Drinking water compliance	50	6.25	43.75	50	0				\$ -	
Contingency - top hat trial / pipe renewal	100	12.5	87.5	100	0				\$ -	Believed we had achieved some spend on this from Blaze. KP to check and journal if so.
Totals	150	18.75	131.25	150	0	0			\$ -	
Grand Totals	4940	617.5	4322.5	4047.25	275.25	1306.35		601.60	\$ 1,713.00	

620 indicated to DIA

0

Summary Position.

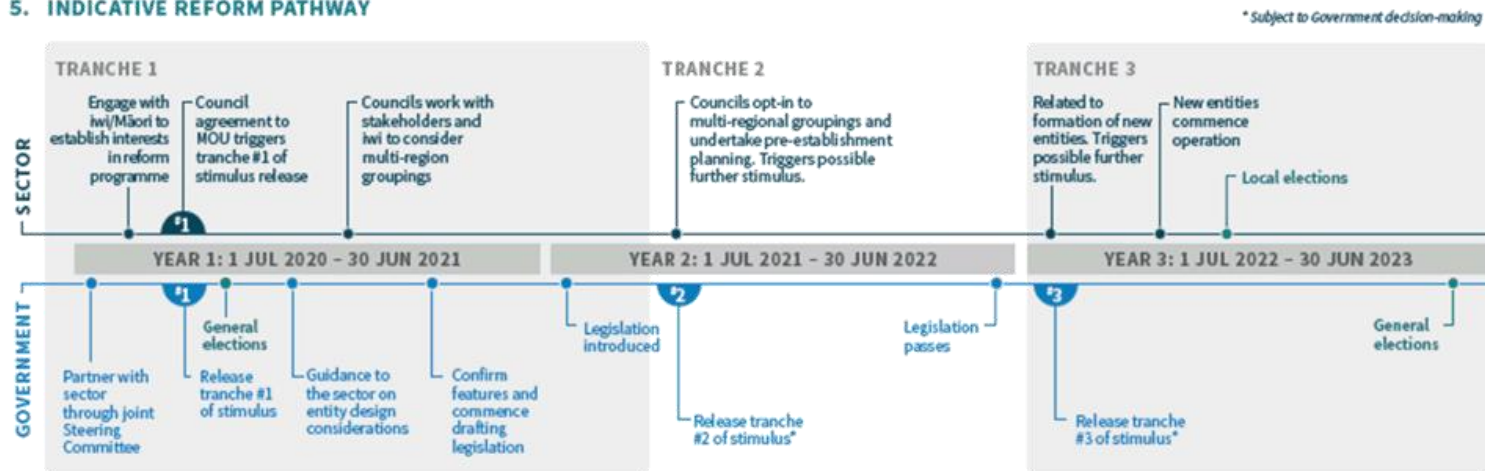
Total Budget	4.94M		
Total Spend to Date	1.24M	Average Run Rate	155K/Month
Committed	0.535M	Ave Last 2 Months	70K /Mth
Total Actual &Comm	1.775M		
Residual Spend	3.185		
Residual +Comm	3.72M	Reqd Run Rate	372K/Month.
Unbilled -	Owens Trees -	???	
	Adttiional Trees Work	???	
	MV SCADA Pilot	150K	
	MV SW Works	150K?	KVS
	New Valves	100K?	KVS
	MV Dam	145K	AH
	Sludge Works	60K	MV



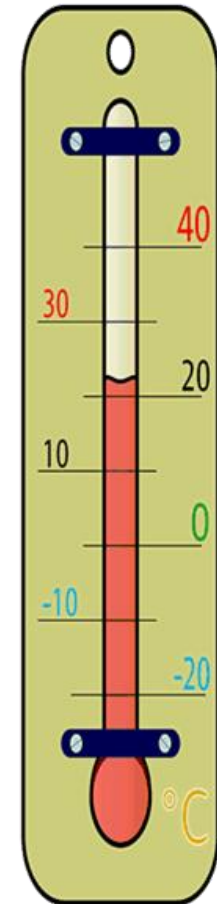
Water Reform Funded Projects

Delivery Team Briefing Session 1

5. INDICATIVE REFORM PATHWAY



Health, Safety and Environment



Agenda for the session:



- Introductions and background to the program
- Key component projects and reporting requirements
- Project Related Health and Safety Overview
- Big Ticket Risk Items
- Overcoming Barriers
- Next Steps

Introductions



- My Name is:
- My Role is:
- My objective is:



Admit it that song is rolling inside your head now Slim.

Water Reform Funding Background

- Major challenges facing 3 Waters
 - Under funding / affordability
 - Regulatory issues
 - Resourcing and Skill shortages
- Central Government Solutions
 - Water Reform
 - Covid economic response plan
 - Funding of 3 Waters projects (\$760M released)
 - Circa \$3Bn to come.
- MPDC Slice of the Pie \$4.94M

MPDC Program of Works



- ~ 40 diverse projects funded
- Wide range of costs and delivery mechanisms
- Limited time to deliver – March 2022 deadline
- Funding consequences for failing to deliver

- 12+ resources brought on board to support delivery
- Standard MPDC policies & procedures must be followed
- Rapid mobilisation required

MPDC Projects



Some Big Ticket Items

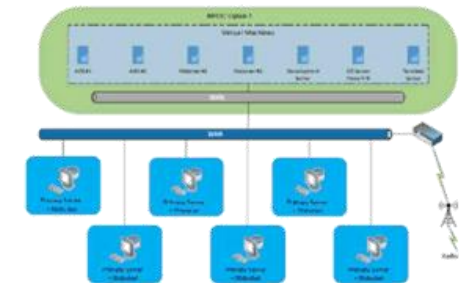
- Matamata Wastewater Pond Desludging - \$1M for full task but part solution



- Scada and telemetry upgrade- \$885K – part solution

- Meter renewals - \$500K – part solution

- Morrinsville Filter refurbishment ~\$800K





Project Documentation

- Draft Project Briefs written
- High Level Delivery Program in Place

work package Project Brief	Description	Nominated Project Manager	Budget (\$k)	Status	Likelihood	Procurement Plan (suggested)	2020			2021												2022					
							Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
Standby Generators	Install and Commission	Danny Powers		Committed		Standard procurement per generator																					
	Generators for Critical Sites		\$30																								
	Scope requirements	Lance Gwynne																									
	Agree procurement process	Lance Gwynne																									
Meter Install and Renewals Programme	Purchase and install Generators	Lance Gwynne																									
	Capex - Meter Renewals		\$500			\$50k direct procurement from PSP for PM, \$100k three quotes engagement from PSP for design, \$350k open tender for water meters @ unit rates																					
	Scope program of works and priority	Aaron Toone / Justin London?																									
	Early order meters	Aaron Toone / Justin London?																									
	Engage contractors	Aaron Toone / Justin London?																									
	Deliver meter install program	Aaron Toone / Justin London?																									
	Procure modelling services and initiate programs of work	Aaron Toone / Justin London?																									
	Develop DMA program of works	Aaron Toone / Justin London?																									
Install DMA meters and pressure monitoring equipment.	Aaron Toone / Justin London?																										
Minor Capex			\$725																								
Site security - CCTV cameras																											

- Reporting Format for meetings developed

ID	S	MAD Date	Description	Who	Optimistic Baseline Date	Revised Date	Updates	Status
		1/10/20	GRP = Group - W = Working, S = Steering, F = Focus Group MAD = Message, Action, Decision FA = Focus Area as per meeting specific agenda					
S	A	2	13/10/20	Progress on plans and approach are progressing well. Detection Services (DS) are on board and ready to go in December 2020. DS are looking into data upload into Asset Finder - Lance to chase this up.	LG	30/11/2020		Life
S	A		13/10/20	Valve number to be confirmed - 5,000 - 2,500	SK	30/11/2020	2500 valves of various sizes	Complete
S	A		13/10/20	LTP Opex and Capex data to be sent to SH	KP	30/11/2020		Complete
S	A		13/10/20	Review of the 2020/21 FTP works	KP / SH	30/11/2020	Complete, little feedback from other councils though a review of other documentation has identified where market congestion is likely to occur. Currently most of our works should not be greatly affected	Complete
S	D		13/10/20	Andrew H dedicated to FTP work, Steve C to undertake internal financial reporting based on guidance from Ian C.	All		Update on the 3 Wat	Agreed
S	D		13/10/20	Metering - SH to discuss with external resource he knows to assist with the works.	All			Agreed
S	A		13/10/20	SH to contact resource and see if he can engage him in the works	SH	30/11/2020	30/11/20 - Resource available CV required prior to bringing on board	Ongoing
S	A		13/10/20	KP to send rapid mobilisation document to SH	KP	30/11/2020		Complete
S	D		13/10/20	Advanced purchase of material for some projects agreed	All	Decision		Agreed

Project Documentation: Your Mission!



- Finalise / Update Project Briefs
- Develop:
 - Procurement plans
 - Contract documentation
 - Workplans
- Engage, induct and manage contractors
- Report on
 - H&S audits
 - Progress
 - Risks
 - Roadblocks



Project Delivery Health and Safety



- a) Slides to be developed by Kate / Stacey



Key Risks for Delivery



What are the key risks and barriers you see to delivery?

Consider:

- i. Resources
- ii. Operations
- iii. Compliance
- iv. Supply Chain
- v. Covid



Overcoming Barriers and Risks

How can we safely remove barriers and help you to deliver?

Consider:

- i. Resources
- ii. Operational work arounds
- iii. Tried and tested solutions
- iv. Off the wall ideas







PROJECT STATUS REPORT

Reporting period:	April 2021	Project title:	2.2.1 Tree Removal Project
Project manager:	Transferred to Mike Voykovich	Program Area Responsibility:	Karl Pavlovich

SUMMARY

Summary of Status	Budget	RED / AMBER / GREEN	Schedule	RED / AMBER / GREEN	Issues:	RED / AMBER / GREEN
DIA Reporting	Original Budget	60,000	Hours Worked (Approx)	47	Program	126,000
	Revised Budget	120,000	Hours Planned (Approx.)	600	Budget	180,000

WORK PACKAGE MILESTONE STATUS REVIEW

Work Package Plan ID	Work Package Milestones (From Project Brief Scope)	Status	Baseline Completion Date	Expected Completion Date	Risk, Issues and treatment
1.1	<i>Engage Contractors to assess risks to persons and property</i>	Started	31/03/21	5 th June	Many work fronts operating. Wairere Mahi, Arborcare 2 sites, Asset Engineers – Waihou and MVTP Tree adjacent plant.
1.2	<i>Engage Contractor to remove trees</i>	Started 75% 80% Prices to come Consent applied	31/03/21	Completed 22nd June 15 th June 10 th June 30 July 30 July Completed	Te Aroha Trunk Sewer - Wairere Mahi & Arborcare Waihou Trees – Les Harrison (Owen Peake) MVWTP plan – Arborcare (Owen Peake) MV Raw line – Arborcare - Clear pipe and bridges alignment. MV Raw line - 11 major trees MV Trunk Main - Scott Rd Totara trees and replanting Matamata 4 Pipe bridges
02	<i>Engage contractor to replace trees where suitable to do so.</i>	Started	31/03/21	30 th September	Scott Rd replant after winter.
	ALERT BUDGET FORECAST				Currently Tracking \$30,000 overbudget by end of July

PROJECT MANAGERS SUMMARY

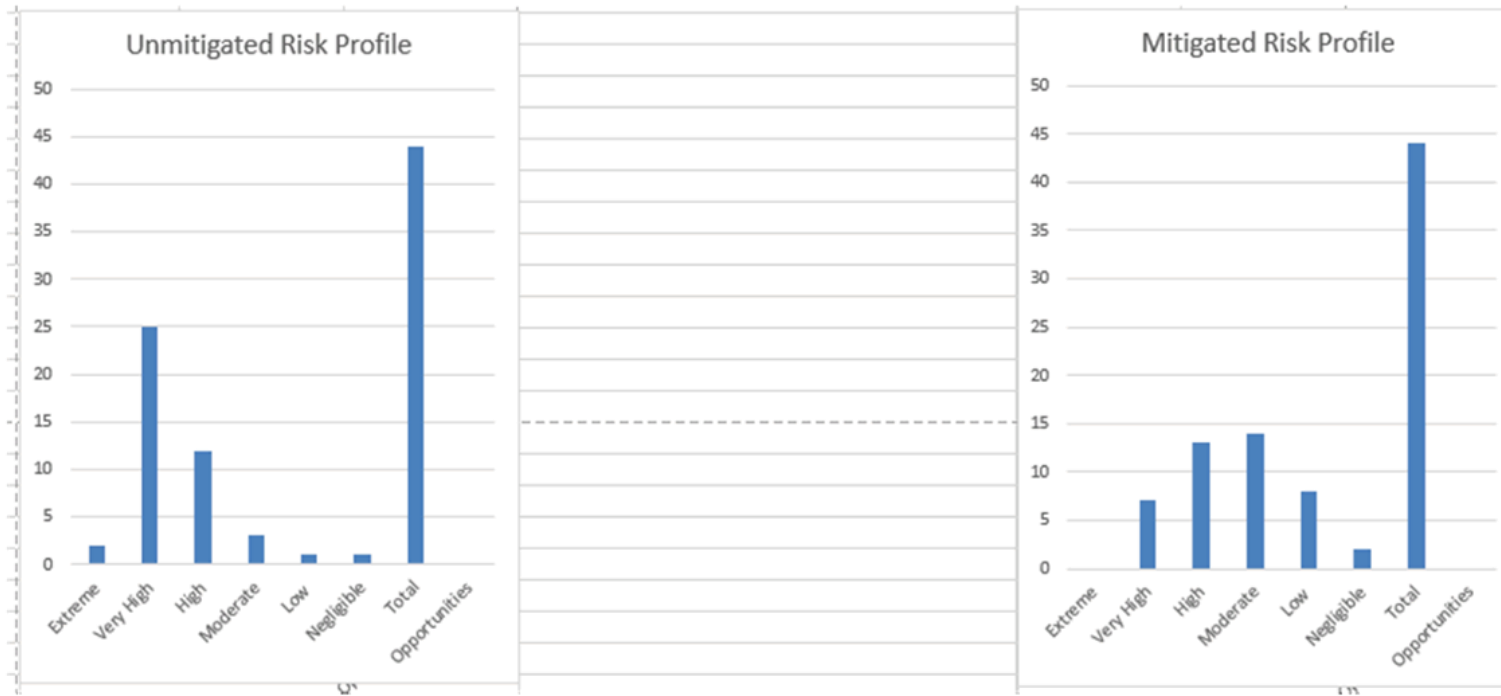
ID	Activity	Escalation (Yes / No)
April	<p>Initially Wairere Mahi were engaged to undertake scrub and tree clearance. Once this had been completed on a number of pipe sections, it became apparent that certified arborists were required for follow up works to remove trees that were wrapped around pipes or could fall and cause damage to assets or property. Once the trees are exposed, there is more risk of damage, so works cannot be deferred and Arborcare have been engaged to remove these trees.</p> <p>The scale and scope of works has been increased due to the above, and more issues being found on other sites. This has been raised at Governance Group and budget allocation raised and discussed with DIA. Spend monitoring and reporting is a priority area for this project as overspends here will reduce funds available elsewhere.</p>	Yes - Ongoing

PROGRAM TEAM ACTIONS

ID	Priority (H/M/L)	Action	Delegated Person
001	H	Discuss with Mike the increased scope for tree removal from the MV trunk main cleaning project.	Shaun
002	H	Follow up on scope clarification and further works required for next month to update DIA reporting	Shaun
003	H	11/05/21 Fiona advised that Owen Peake was delivering a tree coppicing project at Waihou WWTP and this was considered to be reform funded works and should be included in budgets and processes. This needs to be followed up.	Shaun

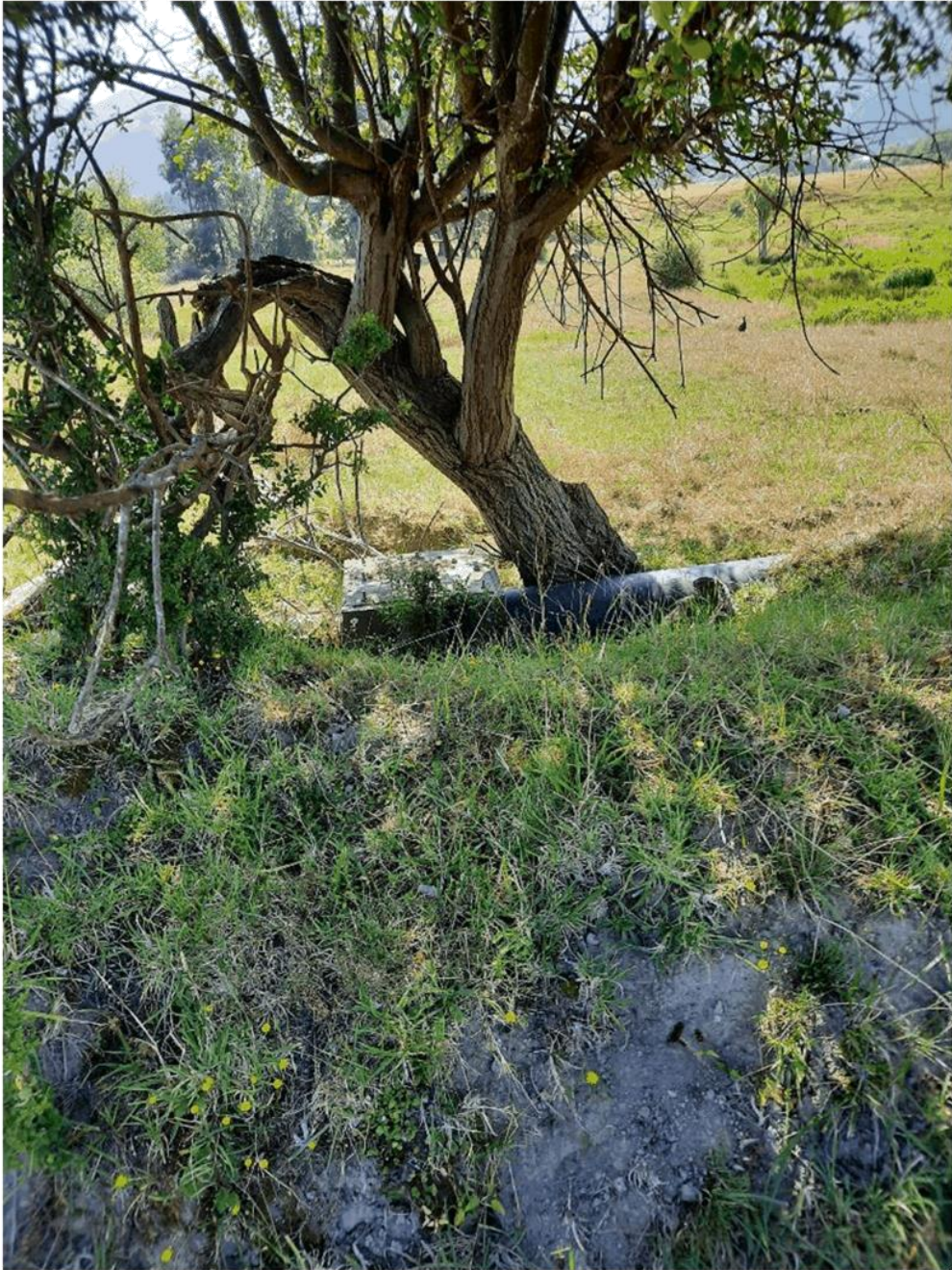
Assessment of Tree Works					
	April YTD	May	June	July	Comment
	Actuals	in Progress	In Progress	Pending	
Te Aroha Trunk Sewer - Wairere Mahi	\$ 17,470				
Te Aroha Trunk Sewer - Arbocare		\$ 30,925			
Te Aroha Trunk Sewer - others		\$ 13,549			
Waihou Trees – Les Harrison (Owen Peake)		\$ 40,000	\$ 10,000		Owens Estimate
MVWTP plan – Arbocare (Owen Peake)		\$ 15,000	\$ 17,000		Owens Estimate
MV Raw line – Arbocare - Clear pipe /bridges alignment.			\$ 5,000		
Matamata 4 Pipe Bridges & Warere Mahi	\$ 35,927				
Pending					
MV Raw line - 11 major trees				\$ 17,000	
MV Trunk Main - Scott Rd Totara trees and replanting				\$ 6,000	
Total	\$ 53,397	\$ 99,474	\$ 32,000	\$ 23,000	
Accumulated Total	\$ 53,397	\$ 152,871	\$ 184,871	\$ 207,871	
Remaining from \$ 180,000 Budget	\$ 126,603	\$ 27,129	-\$ 4,871	-\$ 27,871	

Risk Identification		Risk Assessment			Risk Action Plan				
The risk: what can go wrong or prevent us from achieving our desired objective? The opportunity: what things can assist us in help us achieve our desired objective?	Describe the consequence	Qualitative Risk Analysis Before	Raw Risk Rating	Raw Risk Treatment	Qualitative Risk Analysis After Raw Risk Treatment	Residual Risk Rating			
Injury to personnel during site visit	Hospitalisation or event notifiable to	Likely	High	High	MPDC and Contractors personnel and	Unlikely	High	Moderate	This is consistent with any other physical works
Injury to operations or other party during	Single fatality or permanent total	Unlikely	Extreme	High	MPDC and Contractors personnel and	Highly Unlikely	Extreme	High	
Ill health/stress for project team member(s)	Medical treatment or restricted work	Unlikely	Moderate	Moderate	Develop realistic programme with float, be mindful	Unlikely	Moderate	Moderate	
Regulator becomes obstructive or take action	Inconsistent / confusing messages	Unlikely	High	Moderate	Consistent approach and good communications	Unlikely	Moderate	Moderate	Keep a look out for issues developing and moderate
Covid restrictions re-emerge or remain in	Political intervention / project	Likely	High	High	Strong project governance team to manage	Unlikely	Moderate	Moderate	
Poor understanding of network assets,	Further work required on solutions.	Almost Certain	Moderate	High	Site investigation data and information capture and	Unlikely	Moderate	Moderate	
Project overspend / no budget allocated	Budget exceedance, poor outcomes	Almost certain	Moderate	High	Regular reviews of project management	Likely	Moderate	Moderate	
Consent application required for works.	Project and program delays	Unlikely	Extreme	High	Develop clear plan/programme and early	Unlikely	Very High	High	
Fast-tracking technical works and	Omissions in procedure requiring	Almost certain	Moderate	High	Identifying and addressing procedural omissions.	Likely	Moderate	Moderate	
Senior people unavailable	Delayed report and decisions	Almost certain	Moderate	High	Project programme maintenance and phased	Likely	Moderate	Moderate	
Shifting of goal post	Re-work, mis-direction of the team,	Almost certain	Moderate	High	Develop project governance across the regulatory	Likely	Moderate	Moderate	
			Extreme	0			Extreme	0	
			High	11			High	2	
			Moderate	14			Moderate	9	
			Low	7			Low	21	
			Insignificant	0			Insignificant	0	
			Total	32			Total	32	
			Opportunities	0			Opportunities	0	
		Raw Risk Summary				Residual Risk Summary			



Item 7.4

Attachment A







Work Programme

CM No.: 2447355

Rāpopotonga Matua | Executive Summary

The Work Programme for the Committee is attached. It is intended this is a standing item for each Committee meeting.

Tūtohunga | Recommendation

That:

1. **The information be received.**

Horopaki | Background

Prior to the commencement of each calendar year the Committee sets itself a work programme. The Committee last set the work programme in December 2020.

While priorities can shift during the year as unexpected issues arise, the work programme is a useful tool to enable Committee members to set their direction and to allow staff to understand the work priorities that need to be achieved.

Ngā Tāpiritanga | Attachments

[A↓](#). Audit and Risk Committee Work Programme tracking



Ngā waitohu | Signatories

Author(s)	Niall Baker Corporate Strategy Team Leader	
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Approved by	Don McLeod Chief Executive Officer	
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Audit and Risk Committee Work Programme

9 March 2021

Work programme	Status – reported to this meeting	Comment / Expected reporting dates
Annual update on organisational culture - vision and values	✘	Don't have all the info - will be ready for June meeting
Annual Report – review of the Audit Arrangements Letters (if available)	✘	Audit Arrangements Letter unavailable for the meeting.
Annual Report – review of the six-month report	✓	
Three Water reform project update	✓	
Long Term Plan – project update	✓	
Treasury Policy Review	✘	Has been delayed - will be ready for June Meeting
Annual Plan – project update	✓	Covered by Long Term Plan update report, Long Term Plan is the Annual Plan for 2021/22 financial year.
BDO Internal Audit plan	✘	No longer engaged by Council - no internal audit plan from them
IT Security Audit	✘	Has been delayed - will be ready for June Meeting
Standing item – Specific Project Risk Management Review (Water)	✓	Annual Risk Management Framework/Analysis Review and Risk Management Policy was reported on.
Standing item – Review of any audit reports that have been completed	✘	No required.
Standing item – In committee auditor/committee member discussion	✓	
Standing item – Quarterly procurement report	✓	
Standing item – Policy review (if required)	✘	Not required.

Additional items reported:

- Appointment to Audit and Risk Committee
- Annual Insurance Programme Review
- Annual Report Project Brief - Year ending 30 June 2021
- Privacy Act

29 June 2021

Work programme	Status – reported to this meeting	Comment / Expected reporting dates
Annual Report – review of the report on the interim audit	✘	Not yet available from Audit NZ
Annual update on organisational culture - vision and values	✓	
Long Term Plan – project update	✓	
Annual Insurance Programme Review	✘	Reported to the 9 March Meeting
Weathertight Buildings Update	✓	
Annual Plan – project update	✓	
Annual risk management framework/analysis review & Risk Management Policy	✘	Reported to the 9 March meeting
Accounting Policies	✓	Review of Treasury policies
Three Water reform project update	✓	
IT Security Report		Has been delayed due to router upgrades being undertaken. Committee will be advised once available.
Standing item – Specific Project Risk Management Review	✘	No specific projects for this meeting
Standing item – Review of any audit reports that have been completed	✓	
Standing item – In committee auditor/committee member discussion	✓	
Standing item – Quarterly procurement report	✘	Not required as submitted at last committee meeting.
Standing item – Policy review (if required)	✘	Council to consider broader procurement outcomes prior to procurement policy review.

Additional items reported:

- Chair Welcome
- Appointment – Audit & Risk Committee Chairperson
- Rescheduled Meeting Times
- Appointed Members’ Declaration of Interests
- Annual Report 2019/20 Management Report and Independent Assurance Report for the Debenture Trust Deed
- Building Control Authority – 2021 Assessment
- Risk Management Framework
- Food Act 2014 Quality Management System Surveillance Audit
- Work Programme
- Review of Cash Up Procedures

12 October 2021

- Annual Report – review of the final Annual Report, Summary, Audit Opinion and letter of representation
- Long Term Plan – project update
- Annual financial warrant of fitness assessment
- Annual review of delegations
- Annual review of legislative compliance assessment
- Self-evaluation of committee circulated
- Policies raised in interim management report
- Web Security Audit
- Three Water reform project update
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion
- Standing item – Quarterly procurement report
- Standing item – Policy review (if required)

30 November 2021

- Review of the Audit and Risk Committee Charter
- Proposed meeting dates for 2021
- Draft work programme for 2021
- Long Term Plan – project update
- Annual update of External Audit being undertaken by Council
- Annual Risk Policy review
- Self-evaluation of committee completed
- LGOIMA requests
- Three Water reform project update
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion
- Standing item – Quarterly procurement report
- Standing item – Policy review (if required)

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Review of Cash Up Procedures

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 6.	s6(a) - The making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial. the police investigation is still ongoing..	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 6.

C2 Weathertight Buildings Update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

C3 Public Excluded In Committee Auditor/Committee Member Discussion

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.</p>	<p>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>