

Kaunihera | Council

Kaupapataka Wātea | Open Agenda



Notice is hereby given that a special meeting of Matamata-Piako District Council will be held on:

Ko te rā | Date: Wednesday, 9 December 2020
Wā | Time: 9.00am
Wāhi | Venue: Council Chambers
35 Kenrick Street
TE AROHA

Ngā Mema | Membership

Koromatua | Mayor

Ash Tanner, JP (Chair)

Koromatua Tautoko | Deputy Mayor

Neil Goodger

District Councillors

Donna Arnold

Caitlin Casey

Teena Cornes

Bruce Dewhurst

James Sainsbury

Russell Smith

Kevin Tappin

James Thomas

Sue Whiting

Adrienne Wilcock

Waea | Phone: 07-884-0060
Wāhitau | Address: PO Box 266, Te Aroha 3342
Īmēra | Email: secretary@mpdc.govt.nz
Kāinga Ipuranga | Website: www.mpdc.govt.nz

ITEM NGĀ IHINGA | TABLE OF CONTENTS

WHĀRANGI | PAGE

Ā-TIKANGA | PROCEDURAL

1	Public Forum	3
2	Ngā whakapāha Apologies	3
3	Whāki pānga Declarations of Interest	3

NGĀ PŪRONGO A NGĀ ĀPIHA | OFFICER REPORTS

4	Pūrongo me whakatau Decision Reports	
	4.1 Adoption Annual Report 2019/20 and Summary	4

1 Public Forum

2 Ngā whakapāha | Apologies

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

3 Whākī pānga | Declaration of interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

Adoption Annual Report 2019/20 and Summary

RM No.: 2356100

Rāpopotonga Matua | Executive Summary

The Local Government Act 2002 (LGA) requires Council to adopt its Annual Report and Summary by 31 October each year. This year due to COVID-19 there has been an extension provided under legislation until 31 December 2020, with Council Controlled Organisations (CCOs) extended until 30 November.

Our Annual Report and Summary were originally scheduled to be adopted at the Council meeting of 14 October 2020, however the adoption was delayed as the audit of Waikato Regional Airport Ltd's (WRAL's) Annual Report was incomplete at that time. Audit New Zealand are now satisfied that there are no material changes in the disclosures and recorded value of our shareholding in WRAL, so have completed their audit and we expect to receive an unmodified Audit opinion.

Council's Debenture Trust Deed usually requires Council to deliver to the Trustees, a completed and signed Reporting Certificate, along with an auditor's assurance report, by 31 October. This year that deadline has been extended to 31 December. Audit New Zealand have completed their limited independent assurance engagement in relation to Council's Debenture Trust Deed. We expect the Auditors to provide an independent assurance report with an unqualified conclusion.

This report covers the following items, all of which have been circulated separately:

- the Annual Report and Summary 2019/20
 - a. the draft Audit Opinions for the Annual Report and Summary 2019/20
 - b. the warrant of fitness for the Annual Report and Summary 2019/20
 - c. the letter of representation for the Annual Report and Summary 2019/20 and staff review of representations made
 - d. the misstatement schedule from the Annual Report final audit
 - e. the draft management report on the Annual Report 2019/20
 - f. the Chief Executive's Reporting Certificate for the Debenture Trust Deed
 - g. the Auditor's Independent Assurance Report for the Debenture Trust Deed
 - h. the letter of representation for the Debenture Trust Deed and staff review of representations made.

Tūtohunga | Recommendation

That:

1. **The Annual Report and Summary 2019/20 be adopted.**
2. **The Warrant of Fitness section 13 be completed by Elected Members.**
3. **The following documents be received:**
 - a. **the draft Audit Opinions for the Annual Report and Summary 2019/20**
 - b. **the warrant of fitness for the Annual Report and Summary 2019/20**
 - c. **the letter of representation for the Annual Report and Summary 2019/20 and staff review of representations made**
 - d. **the misstatement schedule from the Annual Report final audit**
 - e. **the draft management report on the Annual Report 2019/20**
 - f. **the Chief Executive's Reporting Certificate for the Debenture Trust Deed**

**g. the Auditor's Independent Assurance Report for the Debenture Trust Deed
h. the letter of representation for the Debenture Trust Deed and staff review of representations made.**

Horopaki | Background

The LGA requires Council to adopt the Annual Report and Summary by 31 October each year, this year due to COVID-19 there has been an extension provided under legislation until 31 December 2020, with Council Controlled Organisations extended until 30 November. The Summary must be published within one month of its adoption. The Annual Report and Summary must be audited, and an opinion on the Annual Report and Summary provided to Council and the report's readers.

Audit New Zealand completed the majority of their work in regards to Council's Annual Report and Summary prior to our originally scheduled adoption date of 14 October 2020. The draft Annual Report and Summary was presented to Council at the meeting of 14 October, along with a report on the financial overview, financial prudence benchmarks and non-financial performance measures. Council was unable to adopt at that time as the audit of the Waikato Regional Airport Ltd (WRAL) Annual Report had not been completed and their auditors were unable to ensure that there would be no material changes from their draft annual accounts.

Ngā Take | Issues

Waikato Regional Airport Ltd

At the time of writing this report we have just been advised that WRAL's audit has been completed and is due to be adopted within the extended statutory deadline. The final amendments to WRAL's financial statements resulted in a \$1.4 million deferred tax adjustment. As a 15.6% shareholder in WRAL, the effect of this adjustment on Council's draft financial statements means our investment in WRAL is currently overstated by \$227,760. Audit New Zealand have accepted that this overstatement is not material to our overall financial statements, and as such, the financial statements have not been amended in this regard from the draft presented to Council on 14 October. The difference has been noted as an unadjusted error in the letter of representation that Council provide to Audit New Zealand.

Additional disclosure

There has been one additional disclosure made to the draft Annual Report presented to Council on 14 October as a result of emerging reporting practice in relation to Covid-19. Note 13 relating to Council's property, plant and equipment now includes the following disclosure:

Impact of Covid-19 on valuation of property, plant, and equipment assets

While there is some uncertainty at 30 June 2020 over the impact of Covid-19 on the valuation of assets, the majority of the Council's property, plant, and equipment assets are carried at depreciated replacement cost (DRC) and we are satisfied the impact on these assets as a result of Covid-19 is limited.

Management have reviewed the valuation of land, buildings, and infrastructure assets and satisfied there is not a material deterioration in the valuation of these assets due to Covid-19. Therefore we have not revised the value of these assets.

There have been further minor changes made to the draft Annual Report and Summary from that presented to Council on 14 October 2020. They are all highlighted in the misstatement schedule attached. The main one being events after balance date, we included the three water reform as

we signed the MOU in August 2020. The remaining changes were mostly small typos/errors that needed correcting.

a. Draft Audit Opinions for the Annual Report and Summary 2019/20

Under the Local Government Act 2002 Council is required to obtain an audit of its Annual Report and Summary. Auditing on the Annual Report and Summary 2019/20 was completed between 26th August and 05 October 2019. Council expects to receive an unmodified opinion.

b. Warrant of fitness for the Annual Report and Summary 2019/20

The warrant of fitness (WOF) is circulated separately to this report. The WOF has proven to be a useful tool for staff to check that significant matters have been considered in the preparation of the Annual Report. It is intended to provide some assurance to Council in this regard. The Warrant of Fitness section 13 is to be completed by Elected Members.

c. Letter of representation for the Annual Report and Summary 2019/20 and staff review of representations made

The representation letter, circulated separately sets out the Council's responsibilities under the LGA to report on the Council's financial position and activities; and quality of information presented in the Annual Report and Annual Report Summary.

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

- General responsibilities relating to the Councils actions
- Responsibilities for the financial statements and the statement of service performance
- Responsibilities to provide information
- Confirmation that Council is a going concern
- Responsibilities for the information presented in the Annual Report Summary
- Publication of information on our website

To assist the Council in gaining assurance that these requirements have been met, staff have provided responses on what steps have been taken to meet the responsibilities outlined. These responses are circulated separately.

d. Misstatement schedule from the Annual Report final audit

The schedule of misstatements circulated separately, sets out the errors noted by Audit and by staff in the final audit. Staff will be in attendance to discuss these with Council. Council's auditors will also be able to provide their view on the nature of the misstatements. Council should note that all misstatements as listed have been corrected, with the exception of the late adjustment noted in respect of WRAL, which is noted in the letter of representation.

e. Draft management report on the Annual Report 2019/20

The draft Management report sets out Audits findings from the audit and draws attention to areas where Council is doing well or where Audit have recommendations for improvement. The draft report is yet to be received at the time of writing this report but will be circulated separately along with management comments in response.

f. Chief Executive's Reporting Certificate for the Debenture Trust Deed

A requirement of our Debenture Trust Deed is that the Chief Executive furnish the Trustees with a bi-annual Reporting Certificate, stating whether Council has complied with the requirements and covenants of the Trust Deed.

g. Auditor's Independent Assurance Report for the Debenture Trust Deed

As a further requirement of the Trust Deed, our auditors report to the Trustees as to whether, during the course of performing the Annual Report audit, they have become aware of any matters

that would effectively contravene what the Chief Executive has reported to the Trustees through the Reporting Certificate.

Council has complied with all requirements of the Trust Deed for the year ended 30 June 2020, and expect our Auditors will provide an independent assurance report to our Trustees with an unqualified conclusion.

h. Letter of representation for the Debenture Trust Deed and staff review of representations made.

The representation letter (circulated separately) related to the Debenture Trust Deed sets out the Council's responsibilities under the engagement. To assist the Council in gaining the required assurances that these requirements have been met, staff have provided responses on what steps have been taken to meet the responsibilities outlined. These responses are circulated separately.

Analysis

Analysis of preferred option

It is recommended that Council adopts the Annual Report and Summary.

Legal and statutory requirements

Under Section 98 of the LGA, Council is required to prepare an Annual Report and Summary at the close of each financial year.

Impact on policy and bylaws

There are no policy or bylaw issues.

Consistency with the Long Term Plan / Annual Plan

The Annual Report measures our performance against the Long Term Plan 2018-28

Impact on Significance and Engagement Policy

This issue is not considered significant in terms of Council's Significance and Engagement Policy.

Communication, consultation and decision making processes

The 2019/20 Annual Report Summary in the form of a Calendar will be available to the public following adoption. The Annual Report and Summary will be available on Council's website following adoption with a public notice in local newspapers. An E-newsletter will also be sent to those who have indicated an interest in the Annual Report and Summary.

Timeframes

The Annual Report process will be completed within the extended statutory timeframes.

Financial Impact

i. Cost

The production of the Annual Report and Summary has a budget of \$12,000. Annual Report audit fees have a budget of \$140,000.

ii. 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

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Ellie Mackintosh Graduate Policy Planner	
	Larnia Rushbrooke Deputy Finance Manager	

Approved by	Sandra Harris Senior Policy Planner	
	Manaia Te Wiata Group Manager Business Support	
	Don McLeod Chief Executive Officer	