



Far North District Council



AGENDA

Audit, Risk, and Finance Committee Meeting

Thursday, 30 May 2019

Time: 12:45 PM
Location: Council Chamber
Memorial Avenue
Kaikohe

Membership:

Cr John Vujcich - Chairperson
Mayor John Carter
Cr Tania McInnes
Cr Ann Court
Cr Felicity Foy
Cr Colin (Toss) Kitchen
Cr Sally Macauley
Cr Kelly Stratford
Member Bruce Robertson
Member Adele Gardner
Member Mike Edmonds
Member Terry Greening

AUDIT, RISK AND FINANCE COMMITTEE - MEMBERS REGISTER OF INTERESTS

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
Hon John Carter QSO	Board Member of the Local Government Protection Programme	Board Member of the Local Government Protection Program		
	Carter Family Trust			
Felicity Foy	Director - Northland Planning & Development	I am the director of a planning and development consultancy that is based in the Far North and have two employees.		<p>I will abstain from any debate and voting on proposed plan change items for the Far North District Plan.</p> <p>I will declare a conflict of interest with any planning matters that relate to resource consent processing, and the management of the resource consents planning team.</p> <p>I will not enter into any contracts with Council for over \$25,000 per year. I have previously contracted to Council to process resource consents as consultant planner.</p>
	Flick Trustee Ltd	I am the director of this company that is the company trustee of Flick Family Trust that owns properties on Weber Place, Seaview Road, and Allen Bell Drive.		
	Elbury Holdings Limited	This company is directed by my parents Fiona and Kevin King.	This company owns several dairy and beef farms, and also dwellings on these farms. The Farms and dwellings are located in the Far North at Kaimaumau, Bird Road/Sandhills Rd, Wireless Road/ Puckey Road/Bell Road, the Awanui Straight and Allen Bell Drive.	
	Foy Farms partnership	Owner and partner in Foy Farms - a farm in three titles on Church		

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
		Road, Kaingaroa		
	Foy Farms Rentals	Owner and rental manager of Foy Farms Rentals for 6 dwellings on Church Road, Kaingaroa and 1 dwelling at 64 Allen Bell Drive, Kaitaia, and one property at 96 North Road, Kaitaia		
	King Family Trust	This trust owns several titles/properties at Cable Bay, Seaview Rd/State Highway 10 and Ahipara - Panorama Lane.	These trusts own properties in the Far North.	
	Previous employment at FNDC 2007-16	I consider the staff members at FNDC to be my friends		
Partner Felicity Foy	Employed by Justaplumber Taipa			
	Friends with some FNDC employees			
Colin Kitchen	No form received			
Tania McInnes	Director – GBT Ventures Ltd	Company not currently operational		Will notify Council if company becomes operational.
	Member of Northland Conservation Board		Conservation matters not aligned with Council policy.	Will notify Council should a perceived conflict arise.
	Trustee – Northland Youth Education Trust		No perceived conflicts	Will notify Council should a perceived conflict arise.
	Founder – Bay of Islands Women's Nexus	No perceived conflicts. An informal organisation		
	Own a section on Seaview Road, Paihia 0200			
	Having worked within the organisation in the early 2000's, I know a number of staff, none of which I am close with.			
John Vujcich	Board Member	Ngati Hine Health Trust	Matters pertaining to property or decisions that may impact of their health services	Declare interest and abstain
	Board Member	Pioneer Village	Matters relating to funding and assets	Declare interest and abstain

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	Director	Waitukupata Forest Ltd	Potential for council activity to directly affect its assets	Declare interest and abstain
	Director	Rural Service Solutions Ltd	Matters where council regulatory function impact of company services	Declare interest and abstain
	Director	Kaikohe (Rau Marama) Community Trust	Potential funder	Declare interest and abstain
	Partner	MJ & EMJ Vujcich	Matters where council regulatory function impacts on partnership owned assets	Declare interest and abstain
	Member	Kaikohe Rotary Club	Potential funder, or impact on Rotary projects	Declare interest and abstain
	Member	New Zealand Institute of Directors	Potential provider of training to Council	Declare a Conflict of Interest
	Member	Institute of IT Professionals	Unlikely, but possible provider of services to Council	Declare a Conflict of Interest
	Member	Kaikohe Business Association	Possible funding provider	Declare a Conflict of Interest
Ann Court	Waipapa Business Association	Member		
	Warren Pattinson Limited	Shareholder	Building company. FNDC is a regulator and enforcer	No FNDC Controls
	Kerikeri Irrigation	Supplies my water		No EM intervention in disputes
	Top Energy	Supplies my power		No other interest greater than the public's
	District Licensing	N/A	N/A	N/A
	Top Energy Consumer Trust	Trustee	Crossover in regulatory functions, consenting economic development and contracts such as street lighting.	Declare interest and abstain from voting.
	Ann Court Trust	Private	Private	N/A
	Waipapa Rotary	Honorary member	Potential community funding submitter	Declare interest and abstain from voting.
	Properties on Onekura Road, Waipapa	Owner Shareholder	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	Property on Daroux Dr, Waipapa	Financial interest		
	Flowers (I get flowers occasionally)	Ratepayer 'Thankyou'	Bias/ determination? Pre-	Declare to Governance
	Coffee and food	Ratepayers sometimes 'shout' food and beverage	Bias or pre-determination	Case by case
	Consider all staff my friends	N/A	Suggestion of not being impartial or pre-determined!	Be professional, due diligence, weigh the evidence. Be thorough, thoughtful, considered impartial and balanced. Be fair.
		My husband is a builder and may do work for Council staff		
Warren Pattinson (Husband)	Warren Pattinson Limited	Director	Building Company. FNDC is a regulator	Remain at arm's length
	Air NZ	shareholder	None	None
	Warren Pattinson Limited	Builder	FNDC is the consent authority, regulator and enforcer.	Apply arm's length rules
	Kurbside Rod and Custom Club (unlikely)	President NZ Hot Rod Association	Potential to be linked to a funding applicant and my wife is on the decision making committee.	unlikely to materialise but would absent myself from any process as would Ann.
	Property on Onekura Road, Waipapa	Owner	Any proposed FNDC capital work in the vicinity or rural plan change. Maybe a link to policy development.	Would not submit. Rest on a case by case basis.
Sally Macauley	Chairman	Northland District Health Board	Matters pertaining to health issues re Fluoride and freshwater as an example.	Declare a perceived conflict.
	Chairman	Oranga Tamaraki - Ministry of Vulnerable Children- Northland Community Response Forum	Matters pertaining to this ministry	Declare a perceived conflict.
	Judicial Justice of the Peace	Visitations to Ngawha Prison	Matters pertaining to Judicial Issues re Ngawha Prison	Declare a perceived Interest
	The Turner Centre	FNDC Representative	Observer, acknowledging FNDC	Note FNDC partnership

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
			financial contribution.	
	Trustee	Kaikohe Education Trust	Providing students laptops - possible request for written support to funders	Declare a conflict
	Executive member	Kaikohe Business Association	Matters pertaining to request for written support to funders.	
	Chairman	Bay of Islands Arts Festival Trust	Issues pertaining to the application of support funds	Declare a conflict of interests
	Trustee	Bay of Islands Radio Marine	Issues pertaining to the application of support funds	Declare a conflict of interests
	Secretary/Trustee	Kerikeri International Piano Competition	Issues pertaining to the application of support funds	Declare a conflict of interests
	Trustee/Director	Kaikohe Community and Youth Trust	Possible application of support funding	Declare a conflict of interests
	Commercial	Palmer Macauley Offices- Kerikeri and Kaikohe	Infrastructural matters with FNDC	Declare a conflict
	Private property of which there would not be any conflict.			
	Paihia, Kerikeri, Kaikohe			
Peter Macauley (Husband)	Senior Partner	Palmer Macauley		
	Peter Macauley	Barristers and Solicitors- Kerikeri, Kaikohe and Mangonui	Legal matters with FNDC	
	Director/Trustee			
	St John NZ Priory Chapter	St John Priory Chapter	Legal matters with FNDC	Declare a conflict
	Senior Partner	Peter Macauley- Palmer Macauley Barristers and Solicitors Kaikohe, Kerikeri AND Mangonui	Legal matters with FNDC	Declare a conflict
	St John NZ	Priory Trust Board	Writing of policies and legal matters as an example	Note Interests
	Lions Club of Kaikohe	Director	Legal matters etc	Note Interests
	Kaikohe Rugby Club	Patron	Legal Matters	
	Viking Rugby Club, Whangarei	Life Member	Legal Matters	
	Private Property			
	Kerikeri, Paihia - no			

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	contents.			
Bruce Robertson	No interests to declare			
Mike Edmonds	Chair	Kaikohe Mechanical and Historic Trust	Council Funding	Decide at the time
	Committee member	Kaikohe Rugby Football and Sports Club	Council Funding	Withdraw and abstain
Adele Gardner	N/A - FNDC Honorarium			
	The Far North 20/20, ICT Trust	Trustee		
	Te Ahu Charitable Trust	Trustee		
	ST Johns Kaitia Branch	Trustee/ Committee Member		
	I know many FNDC staff members as I was an FNDC staff member from 1994-2008.			
Partner of Adele Gardner	N/A as Retired			
Terry Greening	Greening Family Trust	Beneficiary		Highly unlikely to interface with FNDC
	Bay of Islands Walking Weekend Trust		Potential of seeking funds	Step aside from any requests or decisions regarding requests
	Russell 2000 Trust (Chairman)			Trust is about to wind up.
	Russell Centennial Trust (Chairman)	Manages Russell Museum	Seeks funds from council	Step aside from any requests or decisions regarding requests
	Residence at Kaha Place, Russell	Nil	Nil	N/A
Terry Greening (Wife)	Greening Family Trust	Beneficiary	N/A	N/A
	Residence at Kaha Place, Russell			
Cr Kelly Stratford	Office manager at Kinghans.			
	Denture assistant at Kawakawa denture Services self-employed as book keeper Kelly@ksbookkeeing.net	None	None	

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	KS Bookkeeping and Administration	Business owner, bookkeeping and development of environment management plans for clients.	None perceived	I'd step aside from decisions that arise, that may have conflicts.
	Kinghans Accounting	Office Administration	None perceived	Step aside from decisions that arise, that may have conflicts.
	Waikare Marae Trustees	Trustee	May be perceived conflicts	Case by case basis
	Kawakawa Business & Community Association	Committee member/newsletter editor and printer	None perceived	If there was a perceived conflict, I will step aside from decision making
	Bay of Islands College	Parent elected trustee	None perceived	If there was a perceived conflict, I will step aside from decision making
	Karetu School Bay Cosmos Soccer	Parent elected trustee. Committee member and coach	None perceived	If there was a perceived conflict, I will step aside from decision making
	Property in Waikare and Moerewa			If there was a perceived conflict, I will step aside from decision making
	Coffee and food	Ratepayers sometimes 'shout' food and beverage	Bias or pre-determination	Case by case
Kelly Stratford (Husband)	Puketona Junction Café 39 Gillies Café	Barista & Chef Barista	N/A	N/A
	Property in Moerewa		N/A	N/A

Far North District Council
Audit, Risk, and Finance Committee Meeting
will be held in the Council Chamber, Memorial Avenue, Kaikohe on:
Thursday 30 May 2019 at 12:45 PM

Order Of Business

1	Apologies and Declarations of Interest.....	11
2	Deputation.....	11
3	Confirmation of Previous Minutes.....	12
3.1	Confirmation of Previous Minutes.....	12
4	Corporate Services Group	19
4.1	Far North District Council Data Governance.....	19
4.2	Risk Management Report - April / May 2019	22
5	Information Reports.....	29
5.1	Update on Risk Treatment Plan for risk related to maintaining Building Consent Authority IANZ Accreditation in October 2019.	29
5.2	Audit Management Report for June 2018	35
5.3	External Audit arrangements for 2018-2019	72
5.4	Level of Service KPI Quarter 3 Performance Report	110
5.5	Revenue Recovery Report - March 2019	135
5.6	Council Financial Report as at 30 April 2019.....	140
5.7	Capital Programme 2018/2019.....	158
6	Public Excluded	169
6.1	Confirmation of Previous Minutes (Public Excluded)	169
6.2	Abandoned Land Legal Proceedings.....	169
6.3	FNDC Current Legal Action and Potential Liability Claims.....	169
6.4	Internal Audit and Assurance Report.....	169
7	Meeting Close	171

1 APOLOGIES AND DECLARATIONS OF INTEREST

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Committee and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a Member thinks they may have a conflict of interest, they can seek advice from the Chief Executive Officer or the Team Leader Governance Support (preferably before the meeting).

It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

2 DEPUTATION

No requests for deputations were received at the time of the Agenda going to print.

3 CONFIRMATION OF PREVIOUS MINUTES

3.1 CONFIRMATION OF PREVIOUS MINUTES

File Number: A2422994

Author: Melissa Wood, Meetings Administrator

Authoriser: Aisha Huriwai, Team Leader Governance Support

PURPOSE OF THE REPORT

The minutes of the previous Audit, Risk, and Finance Committee meeting are attached to allow the Committee to confirm that the minutes are a true and correct record

RECOMMENDATION

That the Audit, Risk, and Finance Committee confirm that the minutes of the meeting of the Committee held 28 March 2019 are a true and correct record.

1) BACKGROUND

Local Government Act 2002 Schedule 7 clause 28 states that a local authority must keep minutes of its proceedings. The minutes of these proceedings duly entered and authenticated as prescribed by a local authority are prima facie evidence of those meetings.

2) DISCUSSION AND OPTIONS

The minutes of the meeting are attached. Far North District Council Standing Orders Section 27.3 states that no discussion shall arise on the substance of the minutes in any succeeding meeting, except as to their correctness.

Reason for the recommendation

The reason for the recommendation is to confirm the minutes are a true and correct record of the previous meeting

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or the need for budgetary provision as a result of this report.

ATTACHMENTS

- 1. Audit, Risk, and Finance Committee Unconfirmed Minutes 28 March 2019 - A2418982** [↓](#)



Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Not applicable
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Not applicable
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	Not applicable
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	None
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences.	Not applicable
State the financial implications and where budgetary provisions have been made to support this decision.	There are no financial implications or the need for budgetary provision arising from this report.
Chief Financial Officer review.	The Chief Financial Officer has not reviewed this report.

**MINUTES OF FAR NORTH DISTRICT COUNCIL
AUDIT, RISK, AND FINANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, MEMORIAL AVENUE, KAIKOHE
ON THURSDAY, 28 MARCH 2019 AT 12:45 PM**

PRESENT: Cr John Vujcich, Mayor John Carter (HWTM), Cr Tania McInnes (Deputy Mayor), Cr Ann Court, Cr Felicity Foy, Cr Colin (Toss) Kitchen, Cr Sally Macauley, Cr Kelly Stratford, Member Bruce Robertson, Member Adele Gardner, Member Mike Edmonds, Member Terry Greening

IN ATTENDANCE: Cr Dave Hookway

STAFF PRESENT: Shaun Clarke - Chief Executive Officer, Janice Smith - General Manager Corporate Services (Acting), Jaime Dyhrberg - Executive Officer, Matt Bell - Manager Risk and Improvement, George Swanepoel - In-House Counsel, Glenn Rainham - Manager Alliances, Roger Ackers - Manager Strategy Development

The Chairperson noted Cr Hookway's participation in the meeting without voting rights - Standing Orders 12.1 refers.

1 APOLOGIES AND DECLARATIONS OF INTEREST

There were no apologies

2 DEPUTATION

There were no deputations

3 CONFIRMATION OF PREVIOUS MINUTES

3.1 CONFIRMATION OF PREVIOUS MINUTES

Agenda item 3.1 document number A2339435, pages 12 - 13 refers

COMMITTEE RESOLUTION 2019/1

Moved: Cr Ann Court

Seconded: Cr Colin (Toss) Kitchen

That the Audit, Risk, and Finance Committee confirm that the minutes of the meeting of the Committee held 29 November 2018 are a true and correct record.

CARRIED

4 STRATEGIC PLANNING AND POLICY GROUP

4.1 DRAFT FAR NORTH HOLDINGS LIMITED STATEMENT OF INTENT 2019-2022

Agenda item 4.1 document number A2395737, pages 19 - 21 refers

MOTION

Moved: Cr John Vujcich

Seconded: Cr Felicity Foy

That the Audit, Risk, and Finance Committee recommend Council confirm the Far North Holdings Statement of Intent 2019-2022.

AMENDMENT

Moved: Cr Tania McInnes

Seconded: Cr Ann Court

That the Audit, Risk, and Finance Committee receive the Draft Far North Holdings Statement of Intent 2019-2022

CARRIED

The amendment became the substantive motion

COMMITTEE RESOLUTION 2019/2

Moved: Cr John Vujcich

Seconded: Cr Felicity Foy

That the Audit, Risk, and Finance Committee recommend Council receive the Draft Far North Holdings Statement of Intent 2019-2022.

CARRIED

At 1:34 pm, Mayor John Carter left the meeting. At 1:40 pm, Mayor John Carter returned to the meeting.

At 1:45 pm, Mayor John Carter left the meeting. At 2:02 pm Mayor Carter returned to the meeting

5 CORPORATE SERVICES GROUP

5.1 AMENDMENTS TO RATING RELIEF POLICIES

Agenda item 5.1 document number A2386461, pages 36 - 40 refers

Councillor Court withdrew from the table at 2:18 pm

COMMITTEE RESOLUTION 2019/3

Moved: Cr John Vujcich

Seconded: Cr Kelly Stratford

That the Audit, Risk, and Finance Committee recommend to Council that the following amendments to the Rating Relief Policies are approved prior to consultation:

- i) The Transitional Farmland policy is re-instated**
- ii) The Treaty Settlement Lands policy is amended to include settlements approved prior to 1 July 2018**
- iii) The Common Use Properties policy is amended to include commercial**

enterprises and residential properties

- iv) **The Landlocked Land policy is amended to refer Maori land issues to the Maori Land Court for decision**
- v) **The Land Subject to Protection for Outstanding Natural Landscape, Cultural, Historic or Ecological Purposes policy is amended to include covenants approved under the Heritage New Zealand Pouhere Taonga Act 2014 (or Historic Places Act 1993)**
- vi) **The Residential Rates for Senior Citizens policy is amended to provide clarity for conditions 1 and 4 to allow staff to apply the conditions fairly to all applicants.**

CARRIED

Councillor Court abstained from voting

At 2:13 pm, Mayor John Carter left the meeting.

Councillor Court returned to the table at 2:21 pm

5.2 LEVEL OF SERVICE QUARTER 2 PERFORMANCE REPORT

Agenda item 5.2 document number A2393244, pages 68 - 68 refers

COMMITTEE RESOLUTION 2019/4

Moved: Cr Kelly Stratford

Seconded: Member Bruce Robertson

That the Audit, Risk, and Finance Committee receive the report “Level of Service Quarter 2 Performance Report”.**CARRIED**

At 2:27 pm, Cr Tania McInnes left the meeting. At 2:30 pm, Cr Tania McInnes returned to the meeting.

At 2:34 pm, Mayor John Carter returned to the meeting.

5.3 LONG TERM ASSET FUNDING UPDATE

Agenda item 5.3 document number A2395588, pages 94 - 95 refers

COMMITTEE RESOLUTION 2019/5

Moved: Cr Kelly Stratford

Seconded: Cr Felicity Foy

That the Audit, Risk, and Finance Committee receive the report “Long Term Asset Funding Update”.**CARRIED****5.4 REVENUE RECOVERY REPORT**

Agenda item 5.4 document number A2395747, pages 98 - 99 refers

COMMITTEE RESOLUTION 2019/6

Moved: Cr Kelly Stratford

Seconded: Cr Colin (Toss) Kitchen

That the Audit, Risk, and Finance Committee receive the report “Revenue Recovery

Report”.**CARRIED****5.5 COUNCIL FINANCIAL REPORT FEBRUARY 2019**

Agenda item 5.5 document number A2403234, pages 104 - 104 refers

COMMITTEE RESOLUTION 2019/7

Moved: Cr Tania McInnes

Seconded: Cr Colin (Toss) Kitchen

That the Audit, Risk, and Finance Committee receive the report “Council Financial Report February 2019”.**CARRIED**

At 2:48 pm, Mayor John Carter left the meeting.

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2019/8**

Moved: Cr Felicity Foy

Seconded: Cr John Vujcich

That the public be excluded from the following parts of the proceedings of this meeting.**The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:**

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Confirmation of Previous Minutes (Public Excluded)	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.2 - Internal Audit and Assurance	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

6.3 - FNDC Current Legal Action Potential Liability Claims	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.4 - Blues-Chiefs Preseason Game Review	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

7 CONFIRMATION OF INFORMATION AND DECISIONS IN OPEN MEETING

COMMITTEE RESOLUTION 2019/9

Moved: Cr John Vujcich

Seconded: Cr Colin (Toss) Kitchen

That the Audit, Risk, and Finance Committee confirms that the

- a) following information and decisions contained in the part of the meeting held with the public excluded are to be restated in public meeting:
 - i) 6.4 Blues-Chiefs Preseason Game Review - Excluding the appendix attachment
- b) remainder of information and decisions contained in the part of the meeting held with the public excluded are not to be restated in public meeting

CARRIED

8 MEETING CLOSE

The Meeting closed at 3:20 pm.

The minutes of this meeting were confirmed at the Audit, Risk, and Finance Committee Meeting held on 30 May 2019.

.....
CHAIRPERSON

4 CORPORATE SERVICES GROUP

4.1 FAR NORTH DISTRICT COUNCIL DATA GOVERNANCE

File Number: A2478655

Author: Matt Bell, Manager - Risk and Improvement

Authoriser: Janice Smith, General Manager - Corporate Services (Acting)

PURPOSE OF THE REPORT

EXECUTIVE SUMMARY

- Effective Data Governance is important for ensuring the right information is available to enable effective decision making
- Data is an asset and needs to be managed effectively
- It is critical that Far North District Council (FNDC) has an effective Data Governance Framework
- The Audit, Risk, and Finance Committee needs assurance and oversight to ensure that FNDC's Data Governance Framework is working effectively

RECOMMENDATION

That the Audit, Risk, and Finance Committee agrees to schedule a 'Deep Dive Risk Workshop' in September to discuss how to best reduce the risk of providing poor information to decision makers at the Far North District Council, and the role that Data Governance plays in treating this risk.

1) BACKGROUND

The Chairman of the Audit, Risk, and Finance Committee understands the importance of effective Data Governance and the need to oversee and ensure that FNDC has an effective and operational Data Governance Framework. This report explores the options that the Audit, Risk, and Finance Committee has in overseeing this framework.

2) DISCUSSION AND OPTIONS

Data Governance encompasses the people, processes, and information technology required to create consistent and proper handling of an organisation's data across the business enterprise. It ensures effective data management practices so that data is managed as an asset and transformed into meaningful information. Goals may be defined at all levels of the enterprise and doing so may aid in acceptance of processes by those who will use them. Some examples of goals include:

- Enable better decision-making
- Reduce operational friction
- Protect the needs of data stakeholders (internal and external)
- Train management and staff to adopt common approach to data issues
- Build standard, repeatable processes
- Reduce costs and increase effectiveness through coordination of efforts

- Ensure transparency of processes
- Maximising the income generation potential of data

These goals can deliver real opportunities that might include:

- Decreasing the risk of regulatory fines due to poor data
- Maintaining compliance with NZ legislation such as the Privacy Act, Local Government Act, Local Government Official Information Meetings Act etc
- Improving data security, also defining and verifying the requirements for data distribution policies
- Designating accountability for information quality
- Enable better planning by supervisory staff
- Minimising or eliminating re-work that is being done by multiple teams
- Optimise staff effectiveness
- Establish process performance baselines to enable improvement efforts

These goals are realised by the implementation of Data Governance programs, or initiatives using Change Management techniques.

When organisations desire, or are required, to gain control of their data, they empower their people, set up processes and get help from technology to do it.

Data Governance is a quality control discipline for assessing, managing, using, improving, monitoring, maintaining, and protecting organisational information. It is a system of decision rights and accountabilities for information-related processes, executed according to agreed-upon models which describe who can take what actions with what information, and when, under what circumstances, using what methods.

It is critical that FNDC has an effective Data Governance framework that is ensuring we manage data as an asset and it enables better decision making at all levels of the organisation.

Options:

1. Complete a Deep Dive Risk Workshop on the Top Risk number 10 (Decision Quality – Information Risks)
2. Do nothing
3. Form a Sub Committee of the Audit, Risk, and Finance Committee with staff, including setting the terms of reference

Reason for the recommendation

We recommend the Committee complete a 'Deep Dive Risk Workshop' so they become clear on what risks and issues Council face in regards to the quality of information provided. This process will guide the Committee through what options there are to manage these risks.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

ATTACHMENTS

Nil

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Official Information Act
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	Nil
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	Nil
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences.	Nil
State the financial implications and where budgetary provisions have been made to support this decision.	Nil
Chief Financial Officer review.	The CFO has reviewed this report.

4.2 RISK MANAGEMENT REPORT - APRIL / MAY 2019

File Number: A2457349

Author: Matt Bell, Manager - Risk and Improvement

Authoriser: Janice Smith, General Manager - Corporate Services (Acting)

PURPOSE OF THE REPORT

This report is to provide the Organisation Top Risk Dashboard to the Committee for their approval.

EXECUTIVE SUMMARY

The Audit, Risk, and Finance Committee have now completed three risk workshops. This series of workshops was to refresh the FNDC Risk Management Framework with the Committee, including the IDEATE methodology, risk categories and risk tolerances against these risk categories. The Committee Members identified their top risks to FNDC. These risks were then scored using the FNDC IDEATE methodology and the top 12 risks for FNDC were confirmed. This report is to provide this Organisational Top Risks Dashboard for the Committee's approval and confirm next steps.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive and approve the Organisational Top 12 Risks Dashboard.

BACKGROUND

In the process of further embedding effective risk management in FNDC, the Audit, Risk, and Finance Committee have now completed three risk workshops. This series of workshops was to refresh the FNDC Risk Management Framework with the Committee, including the IDEATE methodology, risk categories and risk tolerances against these categories. The Committee Members identified their top risks to FNDC. These risks were then scored using the FNDC IDEATE methodology, identifying the top 12 risks for FNDC.

DISCUSSION AND NEXT STEPS

In the process of embedding effective risk management at FNDC, the top 12 organisation risks have been identified through a series of workshops with key stakeholders.

The impacts of these risks, if not managed appropriately, may limit the organisation from achieving its vision, mission and strategic objectives. One of the primary reasons for identifying these top risks is to ensure that as an organisation, we have an understanding of the gravity of these risks and a plan of action to manage them. The other primary reason is to provide assurance to our Governors that we have a deliberate, pragmatic and realistic process to manage these risks.

Attached is the proposed Organisational Top 12 Risk's Dashboard. One will see this captures the areas that could present the most concern to stakeholders, in the quest of achieving the best outcomes for our ratepayers and other stakeholders. Effective risk management decreases either a) the probability of these risks occurring or b) the impact if the risk does occur. By developing and implementing effective treatment plans we will or intend to both decrease the probability and impact of these risks.

If the Committee accepts these are the Organisational Top 12 Risks, there are a number of next steps which will happen, being:

- A programme of work will be confirmed, involving the development of detailed treatment plans for each of the 12 risks.

- A series of 'deep dive' sessions will be completed to analysis each of the top risks, what the risk entails, the impact and probability of the risks, what we are already doing to manage this risk and a detailed treatment plan development to further manage the risk.
- Regular reporting to the Committee will be provided, on the status of the risks and the treatment plans being implemented.
- Provision of any emerging risks that may score high enough to escalate to the Organisational Top 12 Dashboard and the detail of these risks.

The Strategic Leadership Team will also be active in overseeing these top risks (among all other risks within the organisation) and have committed to regular sessions on discussing these risks, their status and how the implementation of the treatment plans is progressing.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

To be confirmed once detailed treatment plans have been created for each of the 12 risks.

This detailed treatment plans will articulate the desired treatment programme to manage the risk appropriately, which will include budgeted resources and non-budgeting resources.

ATTACHMENTS

1. **FNDC Organisational Top 12 Risks Dashboard - April 2019 - A2465042** [↓](#) 

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Risk Management Policy
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	N/A
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	N/A
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences.	N/A
State the financial implications and where budgetary provisions have been made to support this decision.	N/A
Chief Financial Officer review.	The CFO has reviewed this report.



Top 12 Organisational Risks

April 2019




www.fndc.govt.nz

Top 12 Risks Dashboard

Total Score by impact, probability & multiplier	
High	60+
Medium	20-59
Low	<20

X3 Probability <12 Months
 X2 Probability 1-3 years
 X1 Probability 3+ years

ID#	Score	Risk description	Impacts	Treatments	Residual Risk Score	Status	Risk Governance (A)accountable (R)esponsible
ARF 001	X3 63	Climate Change & Natural Disasters <ul style="list-style-type: none"> Major flooding frequency Insurance losses & assets Frequent weather events Effect on Infrastructure 	<ul style="list-style-type: none"> Large / long term financial exposure & investment Political pressure Public pressure / impacts Negative press and PR High demand on specialist resource / contractors 	<ul style="list-style-type: none"> Robust district climate change plan developed and integrated into district & annual plans Investment plan linked to plans Long term expense factored into all planning and budgeting processes Regional and national support options explored (financial) 	X2 30	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP endorsed 8 April, 2019	CEO (A) GM SP&P (R)
ARF 002	X3 51	Building Consents – BCA status <ul style="list-style-type: none"> BC Accreditation at risk November IANZ assessment Remediation actions tight timeframes before assessment 	<ul style="list-style-type: none"> Political pressure Reputational impact Remediation Overheads Impact on culture and staff morale Customer costs / delays IANZ manager appointed to oversee remediation 	<ul style="list-style-type: none"> Building Consent action plan & remediation actions Management support for BCA action plan Outsourced surge capacity options for processing Administration process changes and automation 	X2 18	Identified Jan, 2019 SLT Endorsed 1 April, 2019 HLTP endorsed 8 April, 2019	CEO (A) GM DS (R)
ARF 003	X3 46	Health & Safety Vulnerabilities <ul style="list-style-type: none"> Legal complexity Long term ramifications Executive accountability 	<ul style="list-style-type: none"> Legal and fine exposure (\$300K-\$3m) Reputational / media exposure Remediation activity cost, delay impacts Political pressure on management 	<ul style="list-style-type: none"> Robust H&S planning, monitoring and reporting Ownership & sponsorship from Council / SLT (reviews) H&S Culture strategy / constant vigilance Accountability of contractors for compliance 	X2 34	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP endorsed 8 April, 2019	CEO (A) Mgr. P&C (R)
ARF 004	X3 45	Asset Management Risks <ul style="list-style-type: none"> Asset management framework & Asset Management system Allocation of resources Large asset business cases 	<ul style="list-style-type: none"> Replacement & remediation costs Risk of unbudgeted spend Problem exacerbates if systems or processes don't change Rating implications 	<ul style="list-style-type: none"> Policy, Framework, Methodology, process & system approach Review effectiveness of AMP's Review financial processes and depreciation models Asset condition and clean, quality data should drive processes All projects require business case 	X2 18	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP endorsed 8 April, 2019	CEO (A) GM IAM (R)
ARF 005	X3 45	Delivery of Services Risk (Affordability) <ul style="list-style-type: none"> Economic development Economic delivery (affordability) Alignment of financial & regional strategies Current and future cost picture 	<ul style="list-style-type: none"> Financial and remediation costs (large assets / services) Future cost forecasting including climate change modelling Rating implications Affordability pressures Political & reputational pressure 	<ul style="list-style-type: none"> Cost Blueprinting – big picture Revenue Review Cost and revenue forecasting (in addition to LTP budgeting) Review financial processes and models (eg. depreciation) Existing & additional revenue streams investigated Scale back discretionary projects / focus on priorities 	X2 26	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP endorsed 8 April, 2019	CEO (A) GM SP&P (R)



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Top 12 Risks Dashboard

Total Score by impact, probability & multiplier	
High	60+
Medium	20-59
Low	<20

X3 Probability <12 Months
 X2 Probability 1-3 years
 X1 Probability 3+ years

ID#	Score	Risk description	Impacts	Treatments	Residual Risk Score	Status	Risk Governance (A)accountable (R)esponsible
ARF 006	45	X3 Projects / Priorities Delivery Delays <ul style="list-style-type: none"> Large infrastructure projects Capital asset delivery Priority initiatives Staff & Skills capacity & turnover Project management & project governance capacity / skills 	<ul style="list-style-type: none"> Project benefits affected Increased project costs Delayed services may affect ability to apply targeted rates Eroded public trust Unstaffed roles have impacts on the team Obsolescence bow wave from Capex underspend 	<ul style="list-style-type: none"> Project Framework, methodology, processes, reporting and project governance needs implementing Review project resourcing level and contract for critical resource Complete Project prioritisation process and rationalise or freeze non critical projects Robust planning and business casing to support projects / quality data Avoid Capex underspend issues 	14	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP 8 April, 2019	CEO (A) GM IAM (R)
ARF 007	45	X3 Compliance – NRC Abatements <ul style="list-style-type: none"> 10 active abatement notices Paihia waste water treatment plant environmental court ruling NRC relationship strained regarding our compliance history 	<ul style="list-style-type: none"> Political pressure Reputational impact Remediation costs may need to be brought forward Legal costs and overhead Relationship with NRC 	<ul style="list-style-type: none"> Sustainable plan to remedy all abatement notices Relationship plan with NRC – map stakeholders (ops to management) Paihia Plan now endorsed by NRC Executive relationships positive Any additional funding requirements bought to Council Reduce future outstanding abatement timeframes to remedy 	18	Identified Jan, 2019 CEO Endorsed 8 April, 2019	CEO (A) GM IAM (R)
ARF 008	42	X3 Civil Defence <ul style="list-style-type: none"> The risk to Financial Capability and Public Health and Safety - if repeat of 2007 storm severity repeats Response staffing levels New Regional support model 	<ul style="list-style-type: none"> Potential loss of life Public health risks Property damage Human and animal welfare Restoration capability and times of services, infrastructure 	<ul style="list-style-type: none"> Set of fully trained staff for EOC Ongoing training pipeline Recovery funding options explored Regional CDEM support options and model understanding and operationalisation IAM Resilience programme established for known vulnerabilities 	38	Identified 29 Nov, 2018 SLT 1 April, 2019 HLTP, 8 April	CEO (A) GM IAM (R)
ARF 009	39	X3 Customer Service Delivery <ul style="list-style-type: none"> RFS process issues Inadequate timely communication with customer More online options for customers 	<ul style="list-style-type: none"> Lower customer service ratings in some functions Political pressure Overheads to return to positive perception Impact on culture and staff morale Customer costs / delays 	<ul style="list-style-type: none"> Customer Experience programme enhanced RFS Process redesign project needs implementing RFS Redesign project addresses process flows and regular communication with customer Council culture of customer first Enhanced communication & online capability 	22	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP, 8 April	CEO (A) Mgr. P&C (R)
ARF 010	39	X3 Decision Quality – Information Risks <ul style="list-style-type: none"> Genesis in poor data /poor information Critical Information Assets Data governance and technical assurance 	<ul style="list-style-type: none"> Increased risk of legal exposure Reputational damage Erosion of trust and confidence between elected members, public and staff Staff churn in key roles Financial implications 	<ul style="list-style-type: none"> Business intelligence – "Data Driven Council" Key metrics dashboard Robust, peer reviewed business cases and papers Staff SME's to talk to papers with committees / council Additional layer of diligence & verification for larger items 	14	Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP, 8 April	CEO (A) CEO (R) GM CS technical supporting



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Top 12 Risks Dashboard

Total Score by impact, probability & multiplier	
High	60+
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Low	<20

X3 Probability <12 Months
 X2 Probability 1-3 years
 X1 Probability 3+ years

ID#	Score	Risk description	Impacts	Treatments	Residual Risk Score	Status	Risk Governance (A)accountable (R)esponsible
ARF 011	39	X3 Organisational Cohesion risks <ul style="list-style-type: none"> Governance / management relationship optimisation / trust enhancement Culture of communication – internal and external 	<ul style="list-style-type: none"> Governance & decision quality & integrity impacts Trust and confidence / morale between EM's, staff & public Negative media & political pressure Delays in decisions – papers left on the table 	<ul style="list-style-type: none"> EM & Management relationship & comms charter, code of conduct & culture programme Friction items to be worked through and agreed in advance of formal meetings Deliver on priorities (trust) Staff integrated to Council & committee meetings – not tasked directly Quality data & reporting Governance diagnostics work plan 	14	X2 Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP, 8 April	CEO (A) CEO (R)
ARF 012	39	X3 Contract Management risks <ul style="list-style-type: none"> Contract wording Contract breaches Contract, performance & relationship management deficiencies 	<ul style="list-style-type: none"> Commercial impacts Service delivery / disruption impacts Commercial resource demand Reputational impacts Long term consequences 	<ul style="list-style-type: none"> Hire dedicated contract specialists for large contracts Contract management system and processes optimised Asset management system implemented Enhanced reporting 	14	X2 Identified 29 Nov, 2018 SLT Endorsed 1 April, 2019 HLTP 8 April	CEO (A) GM IAM (R)



5 INFORMATION REPORTS

5.1 UPDATE ON RISK TREATMENT PLAN FOR RISK RELATED TO MAINTAINING BUILDING CONSENT AUTHORITY IANZ ACCREDITATION IN OCTOBER 2019.

File Number: A2473943

Author: Trent Blakeman, Manager - Building Services

Authoriser: Dean Myburgh, General Manager - District Services

PURPOSE OF THE REPORT

To update the Audit, Risk and Finance Committee on steps being taken to address the risk associated with the Building Consent Authority (BCA) Accreditation identified as part of the Top 12 Council risks.

EXECUTIVE SUMMARY

The risk associated with not maintaining Far North District Council's (FNDC's) BCA Accreditation in the October 2019 International Accreditation New Zealand (IANZ) Audit, has been identified and communicated to Elected Members. The Building (Accreditation of Building Consent Authorities) Regulations 2006 set out the minimum policies, procedures and systems a BCA must have and consistently and effectively implement to gain accreditation. The risk is being addressed by way of a comprehensive work programme that addresses the BCA's current non-compliances that were identified as part of an independent audit process in November 2018 and February 2019. A BCA Accreditation Work Schedule that has been developed in response to the independent audit forms the basis for the addressing this risk. This report is part of a series of proposed regular updates to the Audit, Risk and Finance Committee on progress against achieving compliance with the Regulations.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report "Update on Risk Treatment Plan for risk related to maintaining Building Consent Authority IANZ Accreditation in October 2019".

BACKGROUND

For some time Building Consent Authorities (BCAs) within Councils throughout New Zealand have experienced the pressures of high volumes of consent applications that have arisen due to the building boom. BRANZ reports indicate that the high volumes of building consents may continue until 2023, depending upon economic cycles. The BCA has addressed a number of process improvements during the July 2018 to April 2019 period that have brought their own pressures to bear on the Department. An update on process improvements undertaken and preparation for the October IANZ audit is included below and in **Attachment 1** (this Attachment is up to date at the time of writing this report, but a copy of the updated Work Schedule will be provided at the Committee Meeting).

DISCUSSION AND NEXT STEPS

1. Recognition of the need to improve

An awareness of the need to improve and a consistent demand for processing consents at a level 20% higher than the four-year average, prompted a critical look at key BCA processes in April 2018. A Building Consents Process Renovation Project was initiated in mid-2018, leading to a substantial change programme to explore more efficient ways of processing building consents. That programme resulted in joining with other Councils across New Zealand in implementing Go-

Shift forms (or Simpli), and changing from paper-based to electronic processes. Other improvements included:

- Building practitioners workshops and meetings to understand customer perceptions and expectations;
- A review of the BCA's guidance information on the FNDC website to ensure a more customer focused orientation;
- Putting in place contracts for service with 11 suppliers to provide a surge capacity and ensure quality assurance and competency assessment support;
- Business intelligence enhancements to support BCA decision-making; and
- Simplification of building inspections scheduling processes.

While customers and building practitioners have responded positively to the changes, the bedding in of new, much-needed processes has impacted on the BCA's performance. However, there is a level of confidence that the improved processes within the BCA will enable and support both compliance with legislative requirements and improved customer service.

2. Changes within the Building Consent Authority at Far North District Council (FNDC)

In accordance with the notification requirements of section 6A of the Building (Accreditation of Building Consent Authorities) Regulations 2006, FNDC has advised IANZ and the Ministry of Business, Innovation and Employment (MBIE) of the following recent changes to within the BCA during the past year:

- Disestablishment of the Quality Manager role
- Turnover of key processing and inspections staff at a level above 25%
- Changes to the leadership / management of the BCA

The above notifications have resulted in the FNDC BCA being placed on IANZ's watch list and an early pre-audit visit by IANZ (scheduled for the week on 27 May 2019) to assess progress. FNDC has engaged in communication with IANZ seeking their support as we work towards the IANZ audit scheduled for October 2019.

3. FNDC's preparation for the IANZ audit in October 2019

In addressing compliance with the Building (Accreditation of Building Consent Authorities) Regulations 2006, FNDC has a detailed plan including a schedule of internally-audited compliance gaps. The services of two experienced independent assessors (and members of the IANZ BCA Professional Advisory Committee) have been retained to advise on the level of compliance and any areas of non-compliance. Since November 2018, Rose McLaughlan (NZ Building Inspections and Training Ltd) and John Tait (Building Health Services Ltd) have undertaken independent audits and offered advice to the BCA on compliance gaps.

In order to cope with the demand for processing and inspections, the BCA is addressing the allocation of consent processing and inspections to competent external Building Consultant companies. This is being balanced against the BCA's internal capability and the competency of less experienced Building Officers who are being supported with their competency development while allocating work in accordance with their levels of competence.

The services of fixed-term staff have been engaged to address administrative workloads and active recruitment is being undertaken through BOINZ to recruit to vacant Team Leader roles. Recruitment of a Quality Manager is also being addressed and consideration is being given to incorporating the Simpli Quality Assurance (QA) forms into the Quality Manual to ensure future quality assurance of BCA processes.

Council officers will be providing fortnightly updates on progress to the Chief Executive. These updates will support further reporting to Elected Members on progress (as part of the CEO Report to Council, reports to the Audit, Risk, and Finance Committee and any other (more frequent) progress updates that may be required).

It is proposed that progress will be reported to the Audit, Risk and Finance Committee against the Work Schedule that has been developed (refer to **Attachment 1**).

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

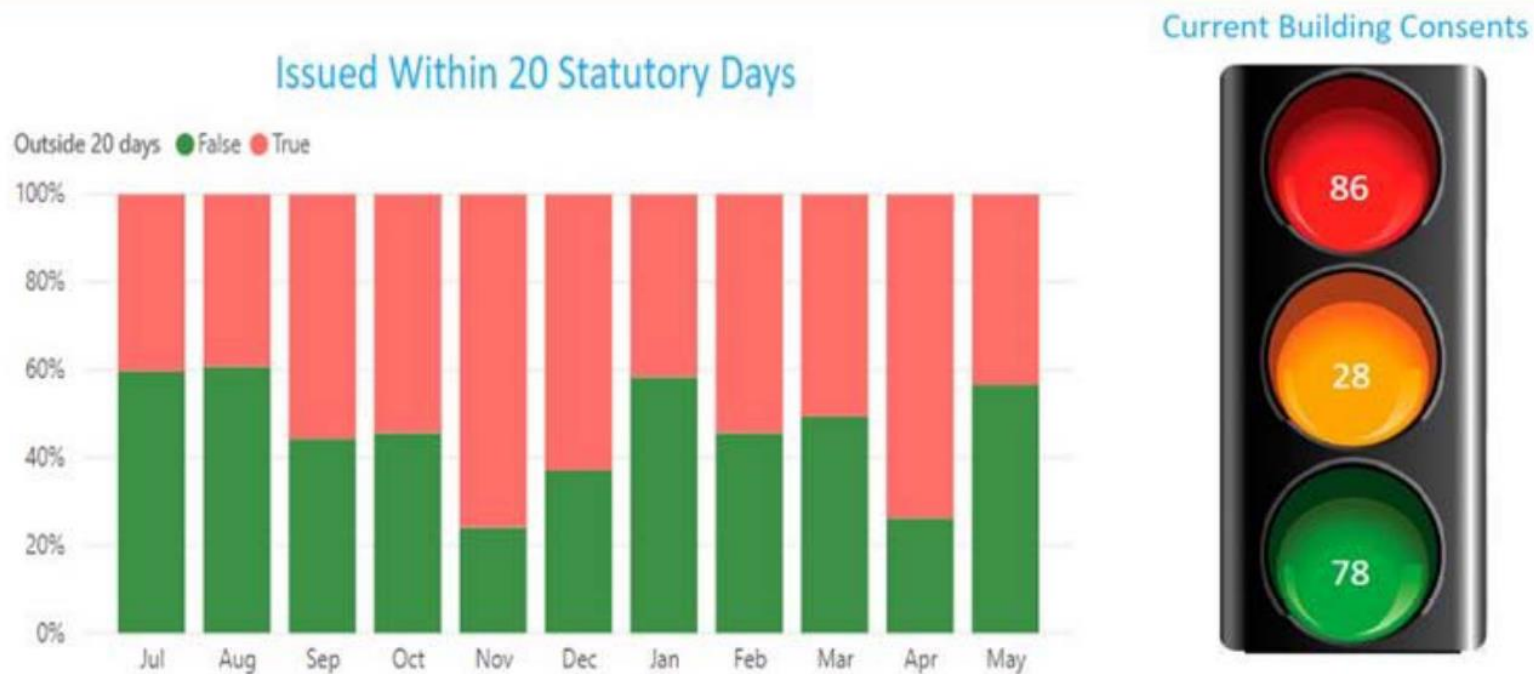
All initiatives undertaken to address identified non-compliances will be undertaken within existing budgets or within CEO delegations.

In the event that any financial decisions are required by Elected Members, reports will be prepared for the appropriate Committees or Council.

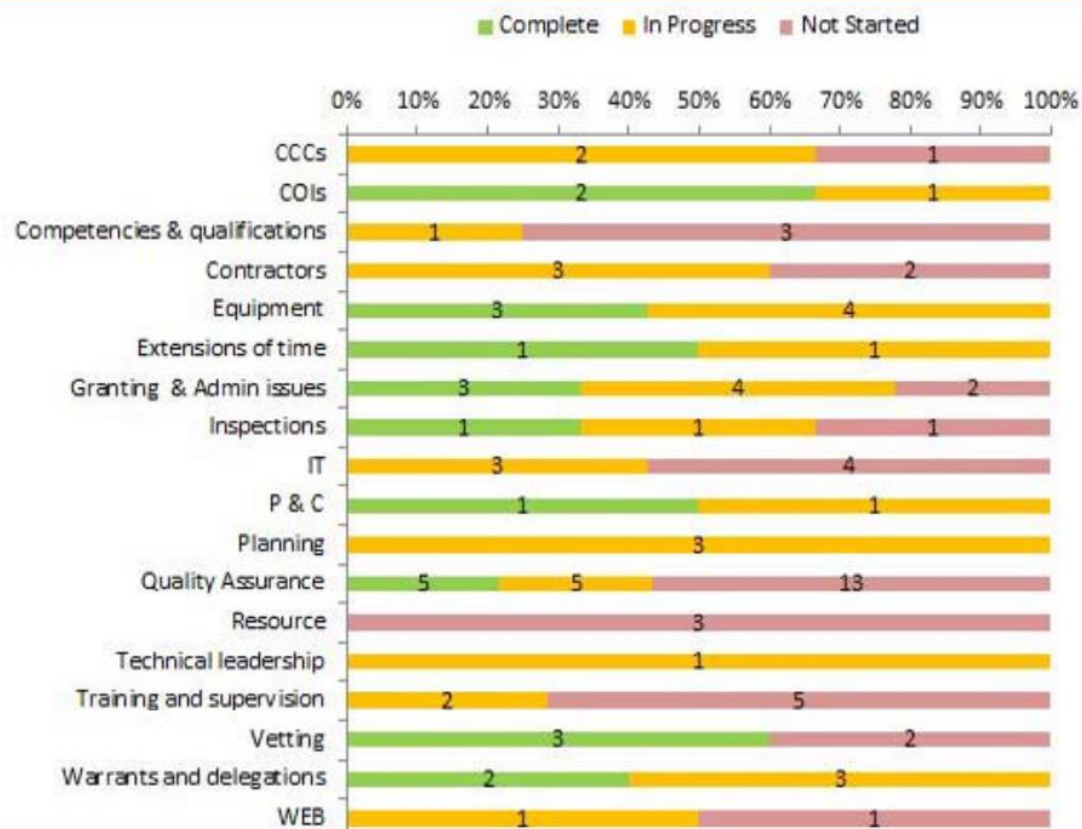
ATTACHMENTS

1. **BCA Accreditation Work Schedule - A2481754** [↓](#) 

20 Day Compliance

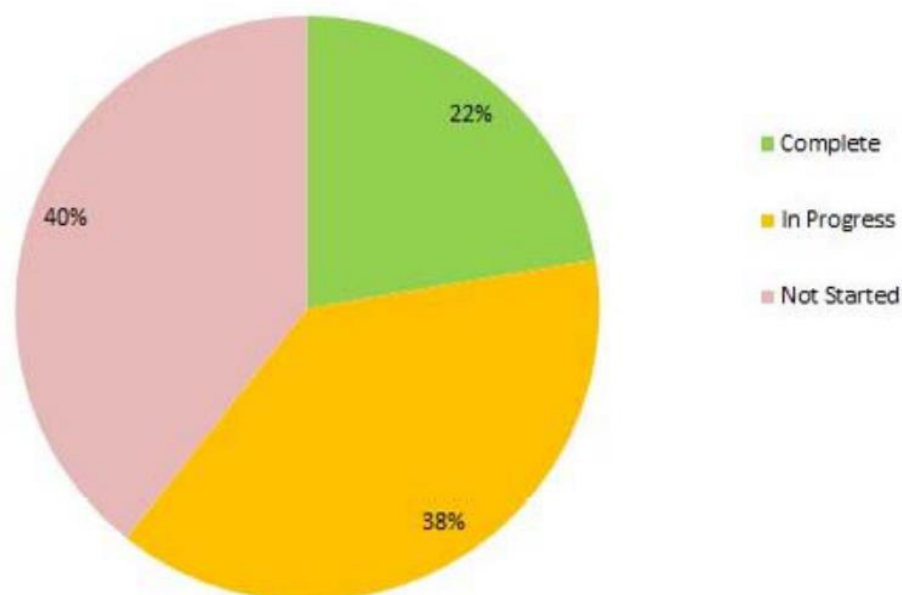


Accreditation Task Status



IANZ work schedule

Accreditation Task Status



5.2 AUDIT MANAGEMENT REPORT FOR JUNE 2018

File Number: A2479614

Author: Angie Thomas, Chief Financial Officer (Acting)

Authoriser: Janice Smith, General Manager - Corporate Services (Acting)

PURPOSE OF THE REPORT

To present the final Audit Management Report for the Annual Report process for June 2018

EXECUTIVE SUMMARY

Audit New Zealand prepares an Audit Management report upon the closure of each Annual report audit. This contains issues that require management response as well as issues that remain outstanding from previous reports.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report “Audit Management Report for June 2018”.

BACKGROUND

Audit New Zealand prepares an Audit Management report upon the closure of each Annual report audit. This contains issues that require management response as well as issues that remain outstanding from previous reports. The current report for June 2018 identifies 31 issues of which 18 are now closed with 13 remaining “active” as part of this report.

DISCUSSION AND NEXT STEPS

The report was initially presented to staff in December 2018 in draft form. Staff then undertook a review of the issues and as part of that process sought comments from relevant managers within the organisation.

Upon follow up by staff, some issues were amended or deleted and what remains in the document now proposed for adoption is the final position agreed with managers and Audit New Zealand.

The process has taken longer than usual this year as Council is transitioning to a new Audit New Zealand director. This report has to be signed and approved by the outgoing Director and due to shifting workloads, this has taken longer than expected.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no specific financial implications associated with this report

ATTACHMENTS

1. Audit NZ Report to Council 30 June 2018 - A2479423 [↓](#) 

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Far North District Council

For the year ended 30 June 2018

Contents

1	Recommendations	4
2	Our audit report	6
3	Matters raised in the Audit Plan	8
4	Matters identified during the audit	13
5	Public sector audit	18
6	Group audit	19
7	Useful publications	20
	Appendix 1: Status of previous recommendations	22
	Appendix 2: Disclosures	35

Key messages

We have completed the audit for the year ended 30 June 2018. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit report

We issued our audit report on 25 October 2018. Our report included an unqualified opinion on the financial statements and statement of service provision. This means we were satisfied that these statements presented fairly the Council's activities for the year and its financial position at the end of the year.

Matters identified during the audit

Only a small number of new recommendations have been made as a result of this year's audit. Of concern however is the number of prior year recommendations that have not yet been resolved. Management needs to address these as a matter of priority, particularly the urgent and necessary recommendations.

Conflict of interest management

We have made recommendations for a number of years about improvements that are required to policies and procedures in connection with the management of conflicts of interest. An internal audit of the District Council's procurement processes completed by KPMG in December 2017 found similar issues. These recommendations need to be addressed as a matter of priority. In addition, we have recommended that perceived conflicts are proactively managed.

Consolidated financial statements

We identified a number of issues relating to the preparation of group financial statements. We satisfied ourselves that these matters were individually and collectively not material to the group financial statements. However, in future, where these matters would lead to a material misstatement in the group financial statements, appropriate adjustments will need to be made.

Thank you

We would like to thank the Council, management and staff for their assistance throughout the audit.



Karen MacKenzie
Appointed Auditor
9 May 2019

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 recommendations and their priority.

Recommendation	Reference	Priority
Conflict of interest management We recommend that: <ul style="list-style-type: none"> improvements are made to policies and procedures in connection with the management of conflicts of interest as a matter of priority; and perceived conflicts are proactively managed. 	4.1	Necessary
Segregation of duties - journals We recommend that management investigate whether changes can be made to the settings in TechOne to prevent the same person from being able to prepare and approve a journal.	4.3	Necessary

Recommendation	Reference	Priority
Resource management deposits We recommend management reviews resource management deposits and makes an assessment as to whether they still meet the definition of a liability. If not, they should be released to revenue.	4.4	Necessary
User access rights within TechOne system We recommend that management reviews user access rights within TechOne on a regular basis to make sure that they are consistent with the Council's policy.	4.5	Necessary
Cashing up annual leave We recommend that Council's leave policy is updated to reflect the legal limits and approval processes for cashing up annual leave balances.	4.6	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	8	4	13
Implemented or closed	1	12	5	18
Total	2	20	9	31

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 October 2018. This means we were satisfied that the financial statements and statement of service provision presented fairly the District Council's activities for the year and its financial position at the end of the year.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that were not 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	Note	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Rate and rate penalty revenue	1				1,857,000
Impairment of rates receivable expense					(1,857,000)
Roading and footpath expenses	2				251,000
Receivables			(251,000)		
Total parent and group			(251,000)		251,000

Note

- At the point the revenue is recognised, the Council should only be recording the rates and rates penalties that it expects to receive. This "day zero impairment" should not be recognised as an impairment expense. Rather, the revenue balance should be reduced accordingly. Based on current collection rates, revenue and expenses are overstated by an estimated \$1,857,000.
- This relates to the Northland Transportation Alliance suspense account balance that was included in receivables but should have been expensed at year end.

2.3 Uncorrected disclosure deficiencies

All disclosure deficiencies were corrected.

2.4 Uncorrected performance reporting misstatements

All performance reporting misstatements were corrected.

2.5 Quality and timeliness of information provided for audit

Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 30 August 2018. This included the dates we required the information to be provided to us.

We saw a big improvement in the timing of information provided for audit compared to the previous year. We were also appreciative of the quick response time from management to audit queries.

3 Matters raised in the Audit Plan



In our Audit Plan dated 1 August 2018, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Carrying value of property, plant and equipment (PPE)	
<p>The District Council periodically revalues its land, buildings and infrastructure assets. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>There is an inherent risk that the carrying value of PPE is materially misstated as fair value estimates, by their nature, involve a degree of estimation uncertainty.</p> <p>The District Council also needs to undertake a fair value assessment for its other assets which are not revalued at balance date.</p> <p>There is an inherent risk in relation to completeness of impairment charges because estimation of useful life of assets is a subjective process and management may either not have the expertise to appropriately complete an impairment assessment or is limited in its ability to review all assets each year due to their volume.</p>	<p>The District Council revalued certain classes of roading, water and wastewater assets as at 30 June 2018, as well as its maritime facilities.</p> <p>We assessed whether any material valuations had been performed in accordance with PBE IPSAS 17, <i>Property, Plant and Equipment</i>. In particular, we:</p> <ul style="list-style-type: none"> obtained assurance that the valuation methodology complied with accounting standards; assessed whether the fair value accurately reflected the condition of assets and therefore their remaining useful lives; and checked that the District Council had correctly accounted for the revaluation in its financial statements. <p>We also reviewed:</p> <ul style="list-style-type: none"> the District Council's fair value assessment for assets which are not revalued at balance date; any disclosures made by the District Council for compliance with PBE IPSAS 17. <p>No issues were noted from the work that we performed.</p>

Kerikeri wastewater project	
<p>The District Council is undertaking a large capital project aimed at improving sewerage services in Kerikeri. The project involves extending the reticulation network in central Kerikeri and building a new wastewater treatment plant.</p> <p>Construction of the reticulation network commenced in May 2017 and the District Council recently started construction of the new treatment plant.</p> <p>As the project progresses, decisions will need to be made by the District Council in relation to remaining useful lives of existing assets, and the timing of de-recognition of existing assets. The impact on existing valuations for these assets will also need to be considered.</p>	<p>We:</p> <ul style="list-style-type: none"> • tested that the costs incurred to date have been accounted for as additions to capital work in progress/PPE or as operating expenditure as appropriate in accordance with accounting standards; • obtained assurance that the District Council has derecognised assets that had been decommissioned at balance date and that the valuation of the Council's wastewater assets accurately reflects their remaining useful lives; and • obtained assurance that significant contracts entered into as part of the project were appropriately disclosed as commitments in the notes to the financial statements. <p>No issues were noted from the work that we performed.</p> <p>Refer to section 4.1.1 below for our findings in relation to the Kerikeri wastewater treatment plant construction contract procurement process.</p>

Accounting for controlled entities	
<p>During planning, we had been advised that management was not intending to consolidate the Te Ahu Charitable Trust (because they disagreed with our view that the Trust continued to be controlled by the Council after changes had been made to the Trust Deed) or the Twin Coast Cycle Trail Trust (on the basis of materiality) in the Council's group financial statements for the year ended 30 June 2018.</p> <p>The Te Ahu Charitable Trust had previously been consolidated.</p> <p>The risk that we identified was that the District Council did not comply with PBE IPSAS 6, Consolidated and Separate Financial Statements.</p> <p>We had also noted that specific consideration would to be given by the District Council to any impact on the "right of use" asset which is currently recognised in the Council parent's financial statements.</p>	<p>The Te Ahu Charitable Trust was consolidated in the group financial statements and the "right of use" asset has continued to be recognised in the consolidated financial statements. We considered this to be appropriate.</p> <p>The District Council did not consolidate the Twin Coast Cycle Trail Trust (or the Far North Regional Museum Trust which, in our view, is also controlled by the Council) in its group financial statements for the year ended 30 June 2018. We confirmed that these Trusts were not material to the Council group.</p>

Kerikeri Civic Centre Trust loan guarantee	
<p>In 2003, the District Council agreed to be a guarantor for the loan that the Trust had obtained from Westpac. A Memorandum of Understanding (MoU) was put in place between the Council and the Trust.</p> <p>The Council has recognised this financial guarantee at fair value in its financial statements.</p> <p>We understood from our planning meetings with management that the Trust had received a significant bequest which could enable the Trust to repay the loan and that the likelihood of the Council's guarantee being called on may therefore have reduced.</p> <p>The Council would therefore need to re-measure the financial guarantee at balance date.</p>	<p>We considered whether the District Council had measured the financial guarantee in accordance with PBE IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i>, which requires financial guarantees to be measured, after initial recognition, at the higher of the:</p> <ul style="list-style-type: none"> • present value of the estimated amount to settle the guarantee obligation if it is probable that there will be an outflow to settle the guarantee; and • amount initially recognised less, when appropriate, cumulative amortisation as revenue. <p>We found that the District Council had reduced the carrying value of the financial guarantee by \$113,000 which reflected the reduction in the loan balance between years. Management had not been able to obtain sufficient information from the Trust to determine if there are conditions attached to the bequest which would prevent it from being used to make repayments on the loan. Management was therefore reluctant to further adjust the carrying value of the financial guarantee at 30 June 2018.</p> <p>We considered this to be a reasonable approach, noting that the carrying value of the financial guarantee was below our materiality threshold.</p> <p>We reviewed the disclosures made by the District Council in the financial instruments note included in the financial statements and were satisfied that these complied with the accounting standards in all material respects.</p>

The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. <p>No issues were noted from the work that we performed.</p>

4 Matters identified during the audit



4.1 Conflict of interest management

We have made recommendations for a number of years about improvements that are required to policies and procedures in connection with the management of conflicts of interest. An internal audit of the District Council's procurement processes completed by KPMG in December 2017 found similar issues.

We also found during this year's audit that perceived conflicts of interest are not proactively managed.

Recommendations

We recommend that:

- improvements are made to policies and procedures in connection with the management of conflicts of interest as a matter of priority; and
- perceived conflicts are proactively managed. This could include making a proactive disclosure to the market to give participants a level of comfort about the District Council's management of perceived conflicts of interest.

Management comment

In the last year, FNDC has:

- *reintroduced annual conflict of interest declarations from staff – these are now collected when an employee starts at FNDC, in April each year and also on any project a staff member is involved in;*
- *improved its management of the elected member interest register and included declarations at the start of each council and committee agenda and minutes for transparency and visibility*
- *improved its management of the staff interest register including noting pecuniary and non-pecuniary*
- *scheduled an annual conflict of interest review by the Internal Auditor (due to be completed in January 2019).*

Management will take on board Audit New Zealand's comments regarding perceived conflicts.

4.1.1 Kerikeri wastewater treatment plant – construction contract procurement process

The contract for the construction of the new treatment plant was awarded to Broadspectrum.

We reviewed the procurement process at a high level to assess whether a reasonable process was followed. We were particularly interested in determining what processes the District Council used during this procurement to manage the actual and perceived conflict of interest related to Broadspectrum's role as the District Council's Water Services Alliance partner.

We found that the actual conflict of interest had been addressed with a clear separation maintained within the District Council between those staff members that were part of the Alliance and those that were involved in the procurement. However, the perceptions around this situation were not proactively managed. (The Council could have, for example, disclosed the relationship in the RFP documents, thereby making it clear that the Council was aware of the perceptions this could create and giving confidence to the parties looking to put tenders in. The Council could also have disclosed in the RFP how they were managing each of the perceived conflicts of interest. The relationship and how the Council was managing this could also have been reinforced at briefings for tenderers, interactive meetings etc.)

Management comment

The RFT document contained the following text regarding COI:

"tenderers who believe there is a conflict of interest or risk of bias with a member of the TET may write to the following within one week of the tender documents being issued, outlining their concerns so that the appropriate action can be taken."

We had no responses to this clause.

The Council has used an independent probity auditor on larger procurements since the Kerikeri wastewater treatment plant construction, e.g. KPMG for the 3 Waters Alliance Agreement to ensure probity is maintained.

4.1.2 Water services alliance contract procurement process

Given that Broadspectrum has been the incumbent Alliance partner with the District Council for over 10 years, we were interested in determining what processes the District Council used during this procurement to manage the actual and perceived conflict of interest with the open competitive procurement of a further Alliance contract arrangement.

As with the Kerikeri wastewater treatment plant construction contract procurement, we found that the District Council used a hard separation between staff members that were part of the current Alliance and those that were involved in the procurement. The District Council also engaged Morrison Low to assist in preparing the scope and RFP documents and

engaged a probity auditor for the latter stages of the procurement process. However, the perceptions around this situation were not proactively managed.

Management comment

A site visit was attended by all companies intending to respond to the RFT. Broadspectrum attended the site visit and were well known as the incumbent Alliance partner in the sector. The tender was fully subscribed by those companies we thought would tender and some new players.

4.2 Consolidated financial statements

We identified a number of issues relating to the group financial statements. These included:

- Revaluation cycles - we found that not all assets in a class are revalued at the same time by all entities in the group. For example, FNHL revalues their land and buildings annually and the District Council does not.
- Inconsistent application of group accounting policies - some accounting policies are not applied consistently across the group. We found that airport assets are carried at cost by the District Council (Kaitia airport) and are revalued by FNHL (Kerikeri airport). Accounting standards require consistent accounting policies to be applied by the District Council in preparing the group financial statements.
- The District Council currently accounts for FNHL land, buildings and runways as separate asset classes for revaluation purposes in the group financial statements. Unless the FNHL assets are entirely different asset classes from the District Council's, the revaluation reserve that relates to assets owned by FNHL should be included in the same revaluation reserve line for the relevant asset class in the group financial statements (whether that is land, buildings etc).

We satisfied ourselves that these matters were individually and collectively not material to the group financial statements.

However, in future, where these matters would lead to a material misstatement in the group financial statements, appropriate adjustments will need to be made. (Please note that some of these matters have been reported to the Council previously and no action has been taken by management to address these.)

Management comment

Investigation into the issues identified above will be performed before the next set of financial statements is prepared to ensure that the correct asset information is obtained from FNHL for consolidation. Council is strengthening its relationship with FNHL through the appointment of a Senior Financial Accountant who will work closely with the company on all accounting issues.

4.3 Segregation of duties - journals

The current settings in TechOne do not prevent the person who has raised/prepared a journal from approving and releasing the journal to the general ledger if the person has access to post journals.

Journals are inherently risky and it is therefore important that segregation of duties is enforced through automated controls rather than reliance being placed on manual, paper based controls.

Recommendation

We recommend that management investigate whether changes can be made to the settings in TechOne to prevent the same person from being able to prepare and approve a journal.

Management comment

The current software does not allow for the above changes to be made. Staff will investigate if this changes when the software is upgraded. However, a regular report is being run by the Systems and Project Accountant to check on journal processing so that we have surety that processes are being followed correctly.

4.4 Resource management deposits

When testing the liability balance related to resource management deposits, we found that some of the deposits in the listing were received 18 years ago.

These deposits may no longer be required to be repaid and therefore may not meet the definition of a liability under the accounting standards.

Recommendation

We recommend management reviews resource management deposits and makes an assessment as to whether they still meet the definition of a liability. If not, they should be released to revenue.

Management comment

This issue has been raised with the Manager, Environmental Services. This will be followed up in readiness for the next annual report process.

4.5 User access rights within TechOne system

We identified instances where a staff member was able to process and post invoices for payment when they should not have been able to do so. We understand this occurred because the access rights assigned to this staff member were not correct. In these cases, the invoices were appropriately authorised by a staff member with the authority to do so.

Recommendation

We recommend that management reviews user access rights within TechOne on a regular basis to make sure that they are consistent with the Council's policy.

Management comment

Council's Internal Auditor conducted a review of user access rights within TechOne in September 2018 against Delegated Financial Authorities. This was focused on authorisers rather than processors. We will ensure this is picked up on an annual basis going forward.

4.6 Cashing up annual leave

Council staff have the option of cashing up annual leave balances to help reduce Council's leave liability. We reviewed the Council's policy and found it is unclear who can approve the "cashing up" of annual leave balances and the maximum amount of leave that can be cashed up in any given year.

The Holidays Act 2003 limits the amount of leave that can be cashed up in any given year to one week for staff that earn four weeks annual leave each year and two weeks for staff that earn five weeks annual leave each year.

Recommendation

We recommend that Council's leave policy is updated to reflect the legal limits and approval processes for cashing up annual leave balances.

Management comment

It has been noted that this area requires improvement. A form has now been created to address this and the policy is being reviewed to address the issues identified.

5 Public sector audit



The District Council is accountable to Parliament, 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 have also considered 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 as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

No issues were identified based on the work we performed as part of this year's audit.

6 Group audit



The group comprises:

- Far North District Council
- Far North Holdings Limited
- Te Ahu Charitable Trust

We have not identified any of the following during our audit for the year ended 30 June 2018:

- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

7 Useful publications



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

Description	Where to find it
Client updates	
<p>In March 2018, we hosted a series of client updates. The theme was “Our high performing and accountable public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under publications and resources.</p> <p>Link: Tax Matters</p>

Description	Where to find it
Data in the public sector	
<p>The Office of the Auditor-General (OAG) has published a series of articles about how data is being used in the public sector. These cover:</p> <ul style="list-style-type: none"> • functional leadership; • building capability and capacity; • collaboration; and • security. 	<p>On the OAG's website under publications.</p> <p>Link: Data in the public sector</p>
Matters arising from the 2016/17 audits	
<p>The OAG has published a report on the results of the 2016/17 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Link: Recent publications</p>
Audit Committees	
<p>The OAG has released various best practice information on Audit Committees.</p>	<p>On the OAG's website under "Our Work – Audit Committee Resources"</p> <p>Link: Audit Committee Resources</p>
Infrastructure as a Service	
<p>The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.</p>	<p>On the OAG's website under publications.</p> <p>Link: Infrastructure as a Service</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status	Management comment
Urgent			
<p>Significant projects</p> <p>We recommended that the Council make sure that, for each project:</p> <ul style="list-style-type: none"> • robust project governance and management structures are in place; • a project plan is developed; • a procurement plan is documented; • a comprehensive risk register is maintained; • regular project reporting is undertaken; and • adequate systems and controls are in place for: <ul style="list-style-type: none"> ○ recording and appropriately classifying expenditure; ○ ensuring the business benefits are identified, planned, implemented, managed and monitored through appropriate change management; and ○ identifying commitments for disclosure in the Council's financial statements. <p>We also recommended that the Council consider obtaining independent assurance over significant projects to provide the Council with comfort that appropriate project management practices are being applied.</p>	2016 or earlier	<p>Progress is being made. A PMO office has been established with a full time, dedicated Project Manager. The Project Manager is working on a Council-wide project management framework which will be based on best practice guidelines. This framework will be approved and rolled out in the next financial year.</p>	<p><i>There are a number of things being done in this space. Examples include project governance for larger projects, project plans, documented procurement plans, risk registers, regular project reporting as well as assurance being obtained over significant projects (e.g. KKWTP) and probity being factored into the Council's new Procurement Policy and Manual.</i></p>

Recommendation	First raised	Status	Management comment
Necessary			
Valuation of land under roads We recommended that the Council consider the appropriateness of the methodology used for valuing land under roads.	2017	We understand that, at the next valuation, management will discuss this with the valuers. However, unless an alternative method is found that is acceptable to the valuer, the methodology will remain unchanged.	<i>We will look at the options for resolving this issue as part of the 2018/19 audit</i>
Revaluation in mixed groups Management should consider whether the FNHL land and runways each meet the definition of a class of assets under PBE IPSAS 17, <i>Property, Plant and Equipment</i> . Management should ensure that all assets within a class at group level are being revalued at the same time and appropriate adjustments are being made in the group financial statements, if required.	2017	No change. Refer to section 4.2 of this report.	<i>Investigation into the issues identified above will be performed before the next set of financial statements is prepared to ensure that the correct asset information is obtained from FNHL for consolidation. Council is strengthening its relationship with FNHL through the appointment of a Senior Financial Accountant who will work closely with the company on all accounting issues.</i>
Deferral of capital expenditure We recommended that the Council give consideration to the impact of deferred capital expenditure on asset condition and any potential impact this may also have on Council's asset valuations and impairment assessments for future reporting cycles.	2016	Similar issues were identified in this year's audit.	<i>Council is aware of this and are working on alternative processes to address this. The Manager for Project Delivery has started a robust project framework that should assist in alleviating some of these issues.</i>

Recommendation	First raised	Status	Management comment
<p>Conflict of interest management</p> <p>We recommended that a Council wide conflict of interest policy is developed. We also recommended that a process is developed to identify interests, determine if these result in perceived or actual conflicts and manage any conflicts of interest for key management and other staff who are involved in procurement. The Interests Registers should then be updated to detail whether each conflict is pecuniary or non-pecuniary, and whether it represents an actual, potential, or perceived conflict and any mitigating actions that are agreed.</p>	2016 or earlier	<p>Refer to section 4.1 of this report.</p> <p>Some interest declarations for members of the SLT and elected members were not able to be located and provided to us during our audit.</p>	<p><i>Management has assessed the need for a Council-wide conflict of interest policy and determined that the processes in place are sufficient. This matter was investigated with a number of other Councils who also didn't see the need for a policy where processes were sufficient.</i></p> <p><i>There is a process to identify interests as previously explained and pecuniary or non-pecuniary are now noted.</i></p> <p><i>We will work on the actual, potential and perceived element as well as the quality of management plans and mitigating options. The scheduled internal audit will assist in this regard.</i></p> <p>Subsequent audit comment: our view is that the Council should have a policy in place so there is something to fall back on in the event that a situation arises that is not covered by the Council's processes. This does not need to be a long document but, at a minimum, it should set out the key principles to guide decision makers when managing conflicts of interest.</p>
<p>Payroll masterfile changes</p> <p>We recommended a payroll masterfile changes report is generated on a regular basis and reviewed by someone independent of the person making the changes and who does not have access to make changes to the master data themselves.</p>	2016 or earlier	No changes implemented during the 2017/18 year. Some changes are planned.	<p><i>A masterfile change report is run and filed but at present this is not checked by anyone other than the payroll officer. This process will be reviewed.</i></p>

Recommendation	First raised	Status	Management comment
Payroll controls We recommended that consideration is given to implementing an independent review of timesheet data entered into the payroll system. Such a review should be evidenced to show that it is being carried out.	2016 or earlier	No changes made during the 2017/18 year.	<i>As above.</i>
New supplier set up process and review We recommended that the Council formalises the process of setting up a new supplier, including ensuring that appropriate supporting documentation is received before a change is made to the masterfile. We also recommended that a system generated report which includes all changes to the masterfile is extracted on a monthly basis and independently reviewed by a staff member who does not have edit access to the masterfile. The process for setting up a new supplier should also include making enquiries to determine whether a related party relationship exists between new suppliers and the staff member requesting the supplier be set up. This check should be documented before a new supplier is set up.	2016 or earlier	No changes identified during our 2017/18 audit.	<i>A new form has been trialled and is in the process of being rolled out for setting up and changing a supplier. This includes a conflict of interest declaration requirement.</i> <i>The Management Information Team have arranged for a report to be run on a regular basis to enable them to review changes to the masterfile.</i>
High annual leave balances We recommended that annual leave balances are regularly reviewed and action is taken to actively manage the leave liability and mitigate the associated risks.	2017	Leave balances continue to be high.	<i>Management continue to work with staff to reduce these balances.</i>
Beneficial			
Information security policies We recommended that the task to review, update and implement the information security policies is completed.	2016 or earlier	We understand that the policies have been reviewed but simply not	<i>The information security policies were reviewed as part of the Information Security Audit and, while due for review, were found to be adequate in terms of content as were the processes sitting in behind</i>

Recommendation	First raised	Status	Management comment
		finalised and approved. Approved policies should be in place.	<i>these policies and adherence to both. An Internal Policy review was also undertaken by FNDC's Internal Auditor in 2018 and a review programme is underway. (These policies were scheduled for review in March 2019. However, as there were no urgent issues identified with these policies through the audit, the updating has been prioritised against other commitments the IS Team have.)</i>
Property, plant and equipment disclosures We recommended that management reviews the PPE disclosures in the financial statements in advance of the next annual reporting cycle and considers whether changes can be made so that these more fully comply with the accounting standards.	2017	No changes were made.	<i>Management will consider this for the future but, at present, the disclosures in the notes to the financial statements will remain as they are.</i>
Carbon credits We recommended that the Council recognise the carbon credits that it acquired at fair value at the date of acquisition.	2017	This was not corrected in the 2017/18 financial statements.	<i>The carbon credits that were presented to Council in relation to forestry are deemed to have no value as Council has not yet determined a harvesting policy and it is not clear if the credits would need to be surrendered if replanting was not an option.</i>

Recommendation	First raised	Status	Management comment
Supporting documentation for leave entitlements We recommended that management ensures all personnel files are kept up to date with appropriate supporting documentation for any changes made to employee entitlements.	2017	No changes were identified during our 2017/18 audit.	<i>Any variation to an individual's terms and conditions of employment is kept in writing on the personnel file, generally in the form of a formal letter to the employee outlining the change in entitlements.</i>

Implemented or closed recommendations

Recommendation	First raised	Priority	Outcome
<p>Request for service (RFS) system</p> <p>We recommended that quality control processes be put in place over response time information extracted from the request for service (RFS) system. We further recommended that start times for the after-hour calls are reviewed to ensure that these were recorded as the actual time the requests for service were made. This is instead of the time the requests for service were logged which could be hours or even days later.</p> <p>We also recommended that any changes made to the initial classification of a request for service are documented and well supported.</p>	2016 or earlier	Urgent	<p>Customer Services staff who lodge requests for service within Pathway are now over-typing the date/time lodged field to reflect the correct after-hours date and time provided by the after-hours service provider. Internal Audit conducted a review to confirm data accuracy in November 2017.</p> <p>Customer Services are also now documenting evidence as to why initial classifications have been changed.</p>
<p>Legislative compliance system</p> <p>We recommended that a mechanism for monitoring compliance with legislative requirements is put in place as part of the Council's overall risk management strategies.</p>	2016 or earlier	Necessary	<p>We have been advised that each individual department/business group is aware of their own legislative requirements and it is their responsibility to meet these.</p> <p>We understand that:</p> <ul style="list-style-type: none"> • risk assessments undertaken across the Council during 2018 have identified those areas where legislative risks exist and treatment plans are being worked through to address these risks; and • all internal audits completed identify legislative requirements and test whether these are being met, and recommends actions to improve legislative compliance.

Recommendation	First raised	Priority	Outcome
<p>Payment dates for targeted rates for water supply</p> <p>We recommended that the Council review its rates resolution and, if appropriate, seek independent advice over whether its resolution meet the requirements of section 24 of the District Council (Rating) Act 2002 in relation to payment dates for targeted water rates.</p>	2016 or earlier	Necessary	Payment dates were included for targeted rates for water supply in the Funding Impact Statement included in the 2018-28 LTP.
<p>Assessment of areas susceptible to fraud</p> <p>We recommended that the District Council regularly undertakes robust reviews of transactions, activities and/or locations that may be susceptible to fraud. This could be undertaken internally or by an internal audit or review function.</p>	2016 or earlier	Necessary	When setting the Internal Audit Programme in 2017, this included an assessment of areas susceptible to fraud and the programme was set accordingly. Examples of this include the Financial Controls Audit, Information Security Audit, Contract Management Audit and a number of smaller assurance requirements undertaken such as regular data analysis on duplicate payments, payment anomalies, sample review of changes to the supplier master file, and a number of probity audits.
<p>Edit access to the supplier masterfile</p> <p>We recommended that editing, processing and posting access to the supplier masterfile is restricted to appropriate staff, reflecting the roles and responsibilities of those who are given access, so proper segregation of duties is in place.</p> <p>We also recommended that a regular review is completed of staff with access to the supplier masterfile so that access rights are appropriate and staff no longer working at the Council are deactivated.</p>	2016 or earlier	Necessary	<p>A review was undertaken of those staff members with edit access to the supplier masterfile and, as a result, the number of staff with access was reduced from 11 to 6 (this includes a number of systems administrators from the IT team).</p> <p>The Systems Analyst responsible for TechOne undertakes an annual review of access to ensure this reflects job profiles.</p>

Recommendation	First raised	Priority	Outcome
Expenditure without purchase orders We recommended that: <ul style="list-style-type: none"> • purchase order controls be enforced, where possible, and staff are given additional training as required; and • the exemption list is reviewed and updated as required. 	2016 or earlier	Necessary	We have closed this item on the basis that progress is being made, with more expenditure expected to be processed through the Purchase Order (PO) system. We understand that: <ul style="list-style-type: none"> • purchase order training was undertaken for staff throughout 2018; • a new field within supplier codes enables a report to be run which identifies payments made without a PO that should have had a PO. This report is being run on a regular basis by the Management Information Team and exceptions are being referred back to staff members and their managers.
Impairment assessment - intangible asset work in progress We recommended that management performs an annual impairment assessment for intangible assets which are not yet ready for use.	2017	Necessary	Management performed an assessment as part of the 2017/18 financial statement preparation process.
KeriKeri financial guarantee We recommended that the Council re-measure the financial guarantee each balance date.	2017	Necessary	Refer to section 3 of this report.
Assumptions made in estimating the landfill aftercare provision Management should review the appropriateness of significant assumptions made in estimating the landfill aftercare provision as part of each annual reporting cycle.	2017	Necessary	Management reviewed the appropriateness of the significant assumptions when preparing this year's financial statements.

Recommendation	First raised	Priority	Outcome
Accuracy of the number of sewerage connections We recommended that the number of sewerage connections is reviewed and verified annually (ideally by 30 June each year).	2017	Necessary	The number of sewerage connections was determined based on the number of ratepayers being billed.
Quality control processes We recommended that management improves its annual reporting processes, with a focus on implementing a robust quality control regime.	2017	Necessary	Information provided for audit this year was of a higher quality than in prior years. While improvements can continue to be made, and we will work with management on this as part of our planning for next year's audit, we have closed this item.
Completion of a rates collection analysis We recommended that management completes a rates collection analysis as part of each annual reporting cycle to inform its impairment assessment for rates debtors.	2017	Necessary	A rates collection analysis was performed for the 2017/18 financial statements.
Sensitive expenditure approval We recommended that appropriate approvals are obtained for all transactions that are of a potentially sensitive nature, including those that could be seen to contain an element of personal benefit.	2016 or earlier	Necessary	<p>We have closed this on the basis that we have found isolated instances in our testing where appropriate approval has not been obtained for sensitive expenditure transactions.</p> <p>However, we reiterate that the general principal is that approval of sensitive expenditure should be given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure. In the case of people in very senior positions, the principle of approval by a more senior person (the "one-up" principle) should be applied to the maximum extent possible. However, there will be some instances where an alternative approach will be required because there is no more senior person. In such instances, it is essential that</p>

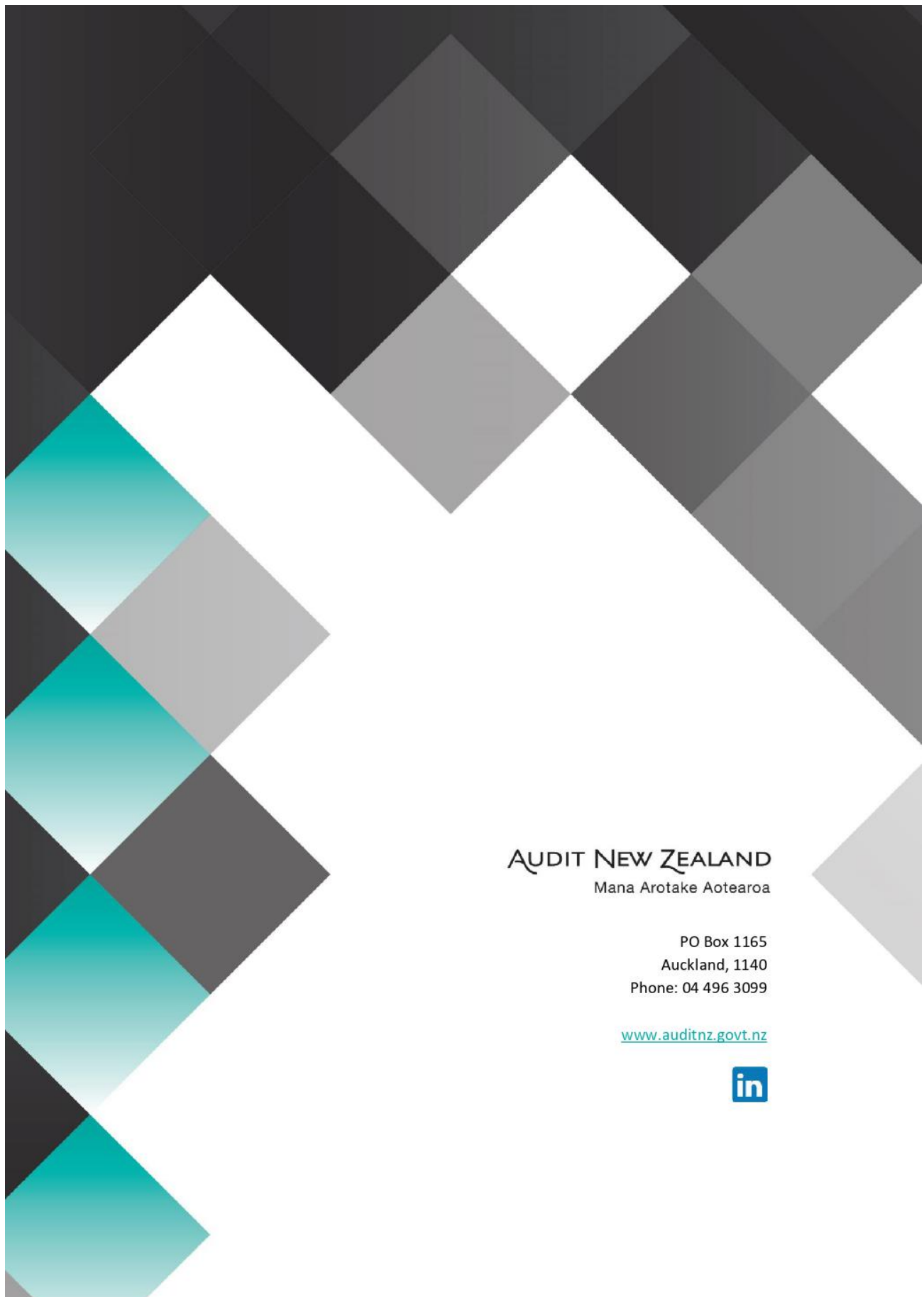
Recommendation	First raised	Priority	Outcome
			there should be no reciprocal arrangement for approving sensitive expenditure (that is, with a person approving expenditure having their own expenditure approved by the person whose expenditure they are approving). This should be set out in the Council's policy. Where it is not possible for approval to be given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure, this fact should be recorded, and any such expenditure should be subject to some form of monitoring and reporting. The monitoring and reporting regime to be applied should be set out in the Council's policy.
Supporting documentation for sensitive expenditure We recommended that the Council reminds staff of its Sensitive Expenditure Policy, particularly the requirement that appropriate supporting documentation is maintained.	2016 or earlier	Beneficial	Based on the testing that we performed as part of this year's audit, no issues were identified with the appropriateness of supporting documentation.
Timely review of supplier masterfile change report We recommended that the review of the supplier masterfile change report is performed on a timely basis, preferably soon after the end of each month.	2016 or earlier	Beneficial	This is now being done on a monthly basis by the Management Information Team.
Regular review of network user log on accounts We recommended that the Active Directory is regularly reviewed to verify that user log on accounts comply with Council password rules and that the accounts have not become redundant.	2016 or earlier	Beneficial	We found that the incidence of non-expiring passwords has been reduced to specifically approved accounts only. Additionally the incidence of dormant accounts has reduced as a result of ongoing review of network accounts. We understand that the IS Team

Recommendation	First raised	Priority	Outcome
			have it on their work programme to conduct this annual review going forward.

Recommendation	First raised	Priority	Outcome
Access to the Pathway system We recommended that the access levels for external Pathway system users are reviewed and changes made so that access is provided in accordance with Council policy and that their privileges within the system are appropriate for the work being undertaken.	2016 or earlier	Beneficial	We have closed this item on the basis that management has accepted the risk. The Council has investigated this and found that it is a feature of Pathway that cannot be changed. The current design of the system does not allow the restriction of access for contractor accounts. IT User Acceptance Forms and Confidentiality Agreements are being reviewed for these external users to ensure they are in place and remain current.
Accuracy of prepayments We recommended that an independent review is performed of the prepayment balance at year end to make sure an appropriate cut-off has been applied. This should include checking balances back to underlying supporting documents.	2017	Beneficial	No cut off issues were identified in the testing that we performed as part of this year's audit. We have therefore closed this recommendation.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our annual audit, we have audited the District Council's 2018-28 long term plan, and performed a limited assurance engagement related to the District Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$171,598 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$113,000 for the audit of the LTP (with a variation to this currently under discussion), and \$6,675 for the assurance engagement related to the District Council's reporting certificate for the year ended 30 June 2017 in connection with its 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 the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>



5.3 EXTERNAL AUDIT ARRANGEMENTS FOR 2018-2019

File Number: A2473423

Author: Angie Thomas, Chief Financial Officer (Acting)

Authoriser: Janice Smith, General Manager - Corporate Services (Acting)

PURPOSE OF THE REPORT

This report presents the draft external audit proposal, plan and engagement letter from Audit NZ. The Audit proposal includes fees for 2018/19.

EXECUTIVE SUMMARY

- Far North District Council is required to be audited by the auditor appointed by the Office of the Auditor General, which for Far North District Council is Audit NZ.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report “External Audit arrangements for 2018-2019”.

BACKGROUND

Far North District Council, in compliance with the Local Government Act 2002, prepares an Annual Report at the end of each financial year. This is required to be audited by the appointed Auditor, which for Far North District Council is Audit NZ. The schedule of dates agreed with Audit NZ for the financial year 2018/2019, are as follows:

- Interim Audit 1 – 25 March 2019 to 29 March 2019
- Interim Audit 2 – 6 May 2019 to 10 May 2019
- Pre final Audit – 17 June 2019 to 21 June 2019
- Final Audit – the two weeks commencing 17 August 2019

Adoption of the Annual Report is anticipated to be at the 3 October 2019 Council meeting so that the process is complete prior to the election.

DISCUSSION AND NEXT STEPS

Attached to this report are the proposed audit plan, the audit proposal letter for the financial years 2018/19 and the audit engagement letter.

The relevant legislation in relation to this issue is as follows:




- a) Local Government Act 2002, Part 6, Section 98, Subpart 2 which requires Local Authorities to prepare and adopt an Annual Report in respect of each financial year; and
- b) Local Government Act 2002, Part 6, Section 99, which requires the Annual report to include the Auditors Report outlining the authority's compliance with Schedule 10 of the Local Government Act 2002.

It is recommended that the audit plan and the audit proposal and engagement letters be received.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or the need for budgetary provision.

ATTACHMENTS

1. **Audit proposal letter for June 2019 audit - A2473409** [!\[\]\(86b7331e04fe40a56bcff2e9c065738b_img.jpg\)](#) 
2. **Audit engagement letter for June 2019 audit - A2473406** [!\[\]\(497b6684f704c0aa6fbea9f0fd4d56c7_img.jpg\)](#) 
3. **Audit Plan for June 2019 - A2473412** [!\[\]\(25e9c4c673069177325c65bf4771169e_img.jpg\)](#) 



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

17 April 2019

Level 6, 280 Queen Street, Auckland 1010
PO Box 1165, Auckland 1140

The Honourable John Carter
Mayor
Far North District Council
Private Bag 752
Kaikohe 0440

Copy:

Ref: EN/LCA/3-0009
Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington

Dear John

Proposal to conduct the audit of Far North District Council on behalf of the Auditor-General for the 2019 financial year

1 Introduction

The Auditor-General has appointed me to carry out the audit of your organisation. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the 2019 financial year. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the 2019 financial year and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under section 15 of the Public Audit Act 2001, which states that "the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audit of the Far North District Council only.

4 Key members of the audit team

Appointed Auditor	David Walker
Engagement Quality Control Reviewer	Chantelle Gernetzky
Audit Manager	Trevor Rusling
Senior Auditor	Francois Steyl

5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2018 budget	2018 actual	2019 budget
Appointed Auditor	63	69	63
EQCR Director	13	11	13
Audit Manager	106	161	106
Other staff	672	1,049	672

Audit team member	2018 budget	2018 actual	2019 budget
Other specialists			
• Sector specialist support	10	10	10
• Information systems	54	28	54
• Specialist assurance services	8	9	8
• Tax	2	1	2
• Hedge accounting	12	7	12
Total audit hours	940	1345	940

6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2018 budget fees	2018 actual fees charged	2019
	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	158,190	209,256	160,065
OAG overhead charge	13,408	13,408	13,810
Adjustment to fee/balance written off	0	(51,066)	0
Total audit fee (excluding disbursements)	171,598	171,598	173,875
Estimated disbursements	20,000	23,326	20,000
Total billable audit fees and charges	191,598	194,924	193,875
GST	28,740	29,239	29,081
Total (including GST)	220,338	224,163	222,956

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.1 Reasons for changes in audit fees

The cost impacts resulting in changes between years are shown in the table below.

Reasons for increased audit fees compared to previous period <i>budgeted</i> fees	2019
Predicted staff salary cost movements	1,875
Total increase in audit fees	1,875

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including the financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's Annual Report will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work;
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

8 What the OAG overhead charge provides

Parliament has indicated that it expects the **full cost** of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the Council, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



David Walker
Director
Audit New Zealand

I accept the audit fees of the 2019 financial year as stated above.

Full name:

John Carter

Position:

Mayor

Authorised signature:



Date:

3/5/19

Entity name:

Far North District Council

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:
David Walker
Audit New Zealand
PO Box 1165
Auckland 1140



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

17 April 2019

Level 6, 280 Queen Street, Auckland 1010
PO Box 1165, Auckland 1140

The Honourable John Carter
Mayor
Far North District Council
Private Bag 752
Kaikohe

Dear John

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Far North District Council (the Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of Far North District Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the year ending 30 June 2019.

This letter outlines:

- to provide an independent opinion on the Far North District Council's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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The Council's responsibilities

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;

- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of the Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and

- complies with generally accepted accounting practice in New Zealand

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the organisation as a whole have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council; including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the Council from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully



David Walker
Appointed Auditor
On behalf of the Auditor-General

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

Signature:



John Carter
Mayor
Far North District Council

Date:

3 / 5 / 19

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; and • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the Long-Term Plan and Annual Plan for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and • complies with generally accepted accounting practice in New Zealand. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of the Council; enable you to monitor the resources, activities, and entities under your control; enable the Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the Council has systems, policies, and procedures (appropriate to the size of the Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Far North District Council

For the year ending 30 June 2019

Audit plan

I am pleased to present our audit plan for the audit of Far North District Council (Council) for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process	7
Reporting protocols	10
Audit logistics	11
Expectations	13


The contents of this plan reflects the discussions we have had with the Mayor, the Chief Executive and management.

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

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

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

Yours sincerely



David Walker
Appointed Auditor
17 April 2019

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Carrying value of assets (subject to periodic revaluations)	
<p>Far North District Council recognises a range of asset classes at fair value in its financial statements.</p> <p>The Council is required to carry out valuations with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Given the ongoing movements in construction costs, there is a risk that the fair value is materially different from carrying value.</p> <p>The Council will therefore need to formally assess whether fair value is materially different from carrying value and whether a valuation is required. This assessment needs to be completed early in the audit process so that, if a full valuation is required, there is sufficient time for this to be completed, and the accounting entries processed.</p>	<p>We will review Council's assessment of whether a full valuation of various asset classes is required as at 30 June 2019.</p> <p>If a revaluation is undertaken, we will:</p> <ul style="list-style-type: none"> review the valuation process, including source data collection, methodologies, and the reasonableness of any significant assumptions applied; obtain confirmation from the valuer(s) that the valuations comply with relevant accounting and valuation standards and are appropriate for inclusion in the financial statements; and check that Council has correctly accounted for the revaluations in its financial statements. <p>We will also review any disclosures made by Council in the notes to its financial statements for compliance with PBE IPSAS 17, <i>Property, Plant and Equipment</i>.</p>
Carrying value of property, plant and equipment measured at cost and intangible assets	
<p>For property, plant and equipment (PPE) held at cost and intangible assets, Council is required to undertake an annual assessment for indicators of impairment in accordance with the accounting standards. The bar is even higher for intangible asset work in progress, which is required to be tested for impairment.</p>	<p>We will determine whether:</p> <ul style="list-style-type: none"> assets have been appropriately assessed by management for impairment; and any impairment charges have been accounted for in accordance with PBE IPSAS 21, <i>Impairment of Non-cash Generating Assets</i>.

Audit risk/issue	Our audit response
<p>Due to the subjectivity involved in making this assessment, there is an inherent risk that the carrying values of PPE measured at cost and intangible assets are overstated.</p> <p>In recent years there has been an increase in severe weather events. These have had an impact on local infrastructure in the far north. It has not always been clear how the Council has considered this when valuations have been undertaken or when it has been undertaking its impairment assessments.</p>	
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Accounting for controlled entities	
<p>The wider Council Group is made up of a number of entities with the potential for additional entities to be established prior to the end of the financial year.</p> <p>As Council is the ultimate parent entity in the group, there is a need for determining what entities need to be accounted for in Council's group financial statements as well as ensuring there are appropriate processes in place with these entities to get relevant information for inclusion in Council's parent and group financial statements.</p> <p>Council will also need to assess the impact of the different accounting frameworks that are in place across the Far North District Council group and ensure appropriate adjustments are made in the group financial statements. This is especially important this financial year given the implementation of new For-Profit accounting standards that may impact on Council's subsidiary entities.</p>	<p>We will review management's considerations on whether an entity is controlled by Council for financial reporting purposes.</p> <p>If Council has elected to not consolidate a controlled entity on the basis of materiality then we will look to review management's assessment of the entities financial statements for this financial year. It will be important that management has processes in place to obtain this information in preparation of this year's financial statements.</p> <p>As new entities are established we will need to consider if these fall within the legal mandate of the Auditor-General and if a subsequent audit of these entities is required.</p>

Audit risk/issue	Our audit response
Kerikeri Civic Centre Trust loan guarantee	
<p>In 2003, the Council agreed to be a guarantor for the loan that the Trust had obtained from Westpac. A Memorandum of Understanding (MoU) was put in place between the Council and the Trust.</p> <p>The Council has recognised this financial guarantee at fair value in its financial statements.</p> <p>We understand that the Trust may have received a significant bequest which could enable the Trust to repay the loan and that the likelihood of Council's guarantee being called on may therefore have reduced, however it was unclear whether there were conditions attached to the bequest that would restrict the use of these funds.</p> <p>The Council will need to re-measure the financial guarantee at balance date.</p>	<p>We will consider whether the Council has measured the financial guarantees in accordance with PBE IPSAS 29, Financial Instruments: Recognition and Measurement, which requires financial guarantees to be measured, after initial recognition, at the higher of the:</p> <ul style="list-style-type: none"> • present value of the estimated amount to settle the guarantee obligation if it is probable that there will be an outflow to settle the guarantee; and • amount initially recognised less, when appropriate, cumulative amortisation as revenue. <p>We will also review the disclosures made by the Council in the financial instruments note included in the financial statements.</p>
Effective corruption prevention and detection controls	
<p>Parliament's Finance and Expenditure Committee are interested in understanding whether the public sector has effective corruption prevention and detection processes in place. As a result, the Office of the Auditor-General (OAG) is gathering initial information relating to how public entities address these risks, including what processes are used to prevent bribery and corruption. This work will be used to inform whether further investigation is undertaken by the OAG.</p>	<p>We will discuss with management and the Board what processes are in place to reduce the risk of bribery and corruption. Our findings will be reported to the OAG.</p>

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

Fraud risk

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

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

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

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Group audit



The group comprises:

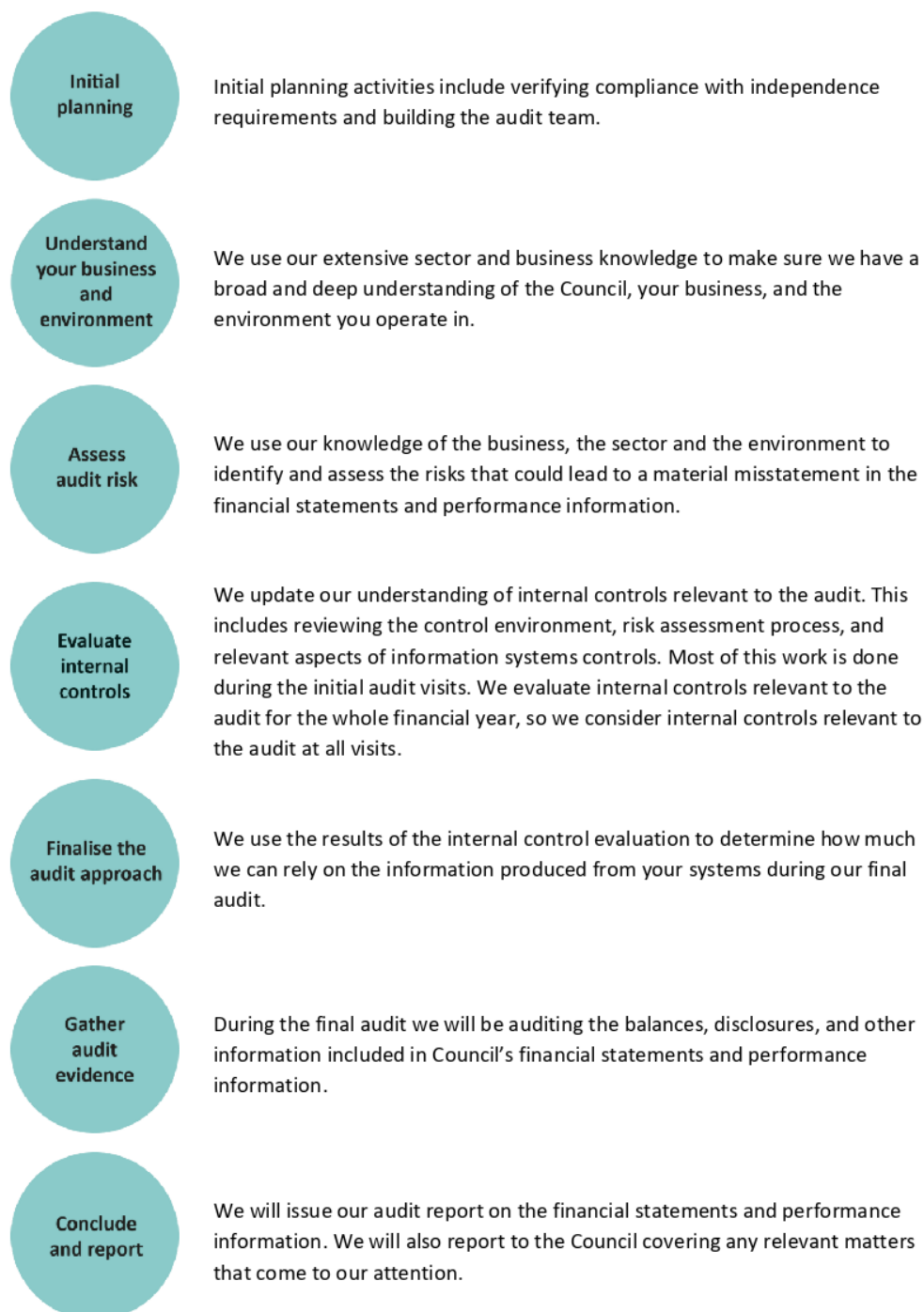
- Far North District Council;
- Far North Holdings Limited; and
- Te Ahu Charitable Trust.

In addition to these entities, we understand that there may be new entities established that may form part of the financial statements for the first time this financial year. Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement within each entity and at this stage considered only the Council to be a significant component of the group. We do consider that the recent growth of Far North Holdings Limited could become significant to the group in the near future. This will need to be assessed based on the 30 June 2019 results.

For non-significant components, we will perform analytical procedures at the group level to identify any unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group.

Our audit process



Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Council or by one or more of its members or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members or employees.

Reporting protocols

Communication with management and the Council



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

We will hold regular meetings with the CFO and General Manager of Corporate Services throughout the audit.

Reports to Council



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

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

David Walker	Appointed Auditor
Chantelle Gernetzky	Engagement Quality Control Review Director
Trevor Rusling	Audit Manager
Francois Steyl	Senior Auditor
Clive Shazell	ISAA Specialist, Information Systems Audit and Assurance

The Engagement Quality Control Review (EQCR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQCR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQCR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable is:

Interim audit 1 begins (one week)	25 March 2019
Interim audit 2 begins (one week)	6 May 2019
Draft interim report to Council issued	24 May 2019
Management comments received on interim report to Council	7 June 2019
Final Interim report to Council issued	10 June 2019
Pre-final visit begins (one week)	17 June 2019
Final audit begins (two weeks)	19 August 2019
Draft financial statements (including notes to the financial statements) with actual year-end figures and draft statement of service performance made available to audit	21 August 2019
Final financial statements and statement of service performance available, incorporating all the amendments agreed to between us	11 September 2019
Annual report available, including any Chair and Chief Executive's overview or reports	11 September 2019
Verbal audit clearance given	19 September 2019
Audit opinion issued	3 October 2019
Draft final report to Council issued	11 October 2019
Management comments received on final report to Council	25 October 2019
Final report to Council issued	29 October 2019

Expectations



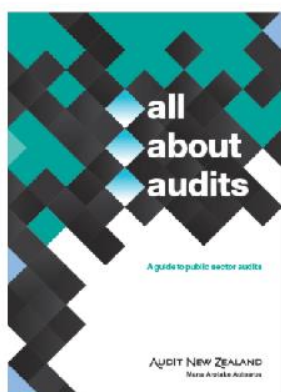
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements;
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us; and
- where there have been major changes in the Councils operations, levels of risk or in the makeup of the Annual Report account balances, we will be advised of these changes and the rationale for them.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:



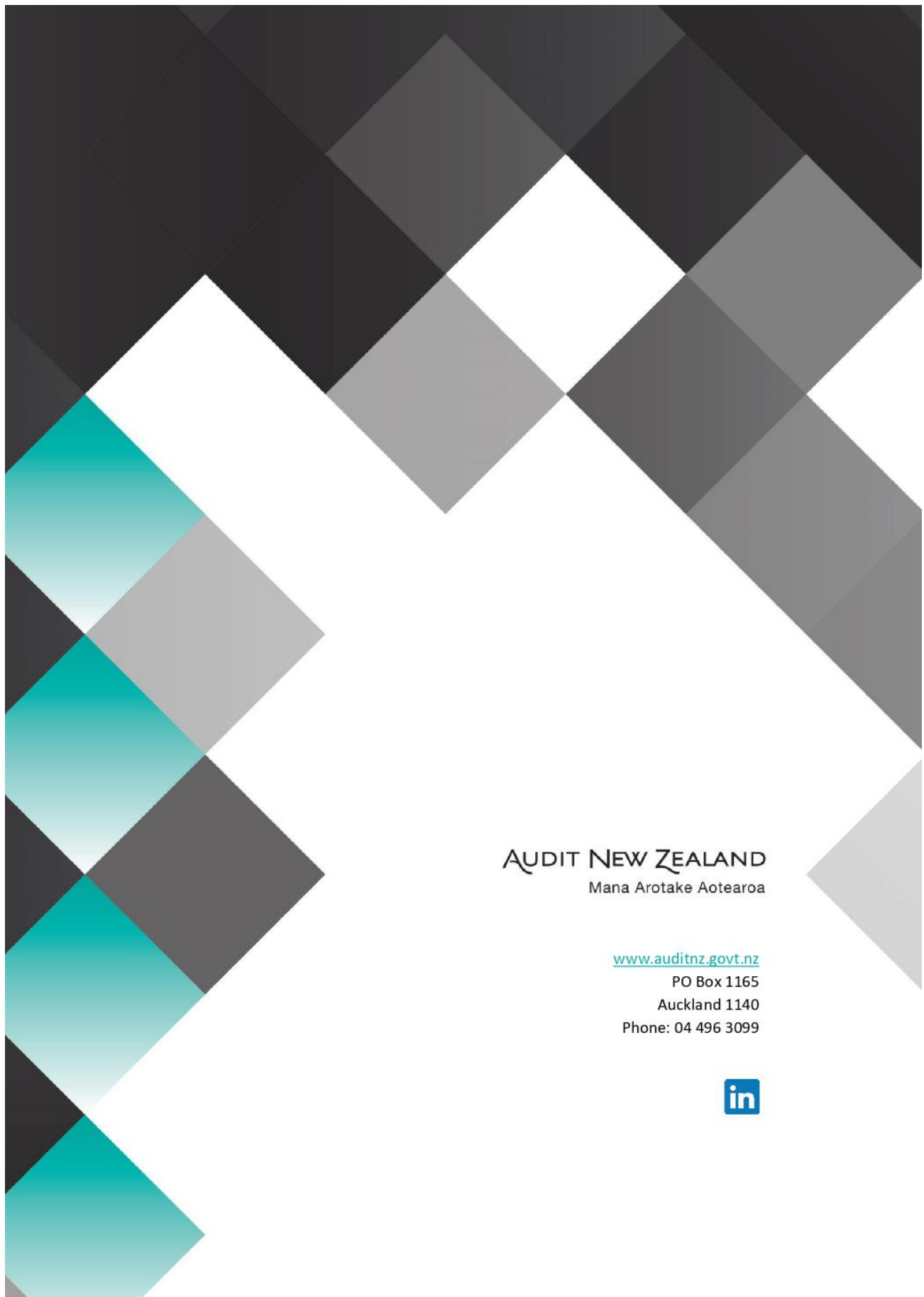
Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



5.4 LEVEL OF SERVICE KPI QUARTER 3 PERFORMANCE REPORT**File Number: A2476462****Author: Kaela Allison, Systems and Project Accountant****Authoriser: Janice Smith, General Manager - Corporate Services (Acting)****PURPOSE OF THE REPORT**

The purpose of this report is to present the Level of Service KPI Performance Report for Committee's consideration.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report "Level of Service KPI Quarter 3 Performance Report".

BACKGROUND

An overview of staffing and financial data is included to give an overall picture of the activity groups and what factors may have an influence upon performance.

DISCUSSION AND NEXT STEPS

This report is for information only.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or budgetary provision needed as a result of this report.

ATTACHMENTS

1. LOS KPI Performance Report Q3 - A2477847  



Quarterly Performance Report:

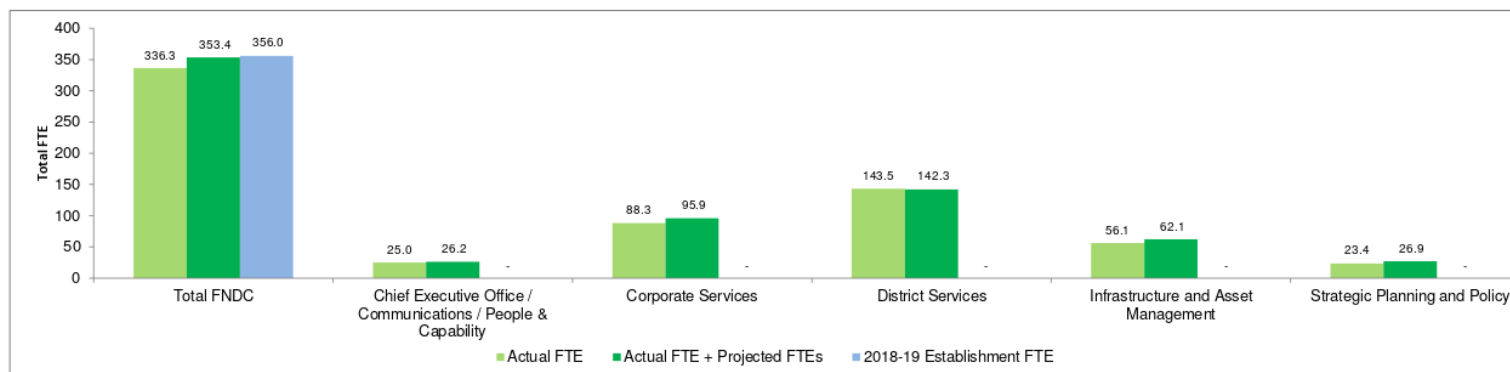
Quarter 3: January – March 2019

Performance of Service Levels Results

Staffing Data - Quarter 3

as at 31 March 2019

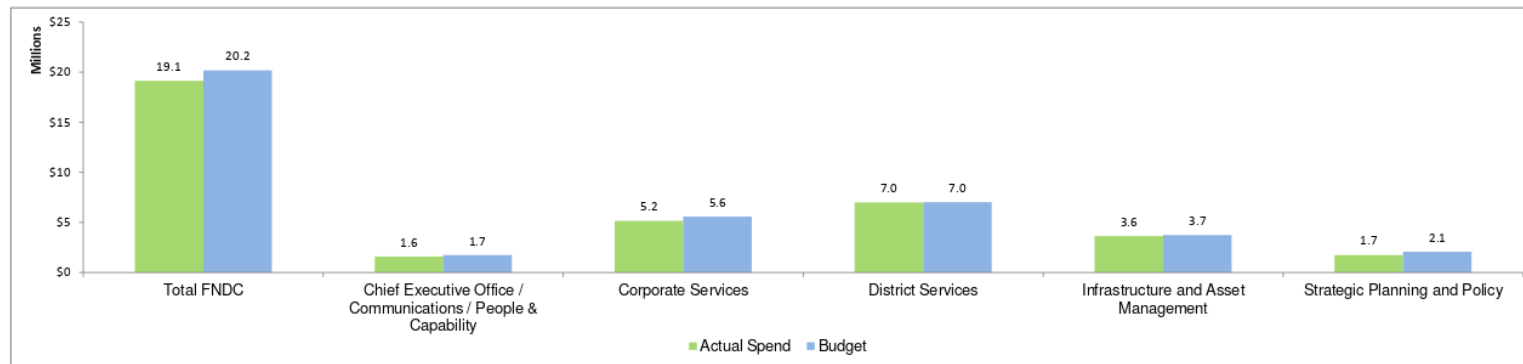
Department	Actual Head Count	Actual FTE	Projected increase in FTEs (excludes fixed term)	Actual FTE + Projected FTEs	2018-19 Establishment FTE	Change in FTE + Projected FTE at 30 September against the 18/19 FTE Establishment
Total FNDC	352.0	336.3	17.1	353.4	356.0	- 2.6
Chief Executive Office / Communications / People & Capability	26.0	25.0	1.2	26.2	-	-
Corporate Services	91.0	88.3	7.6	95.9	-	-
District Services	154.0	143.5	1.2	142.3	-	-
Infrastructure and Asset Management	57.0	56.1	6.0	62.1	-	-
Strategic Planning and Policy	24.0	23.4	3.5	26.9	-	-



Salary Data - Quarter 3

as at 31 March 2019

Department	Actual Spend	Budget	Actual vs Budget	Total FY19 Salaries budget
Total FNDC	\$ 19,135,595	\$ 20,170,477	\$ 1,034,882	\$ 27,595,979
Chief Executive Office / Communications / People & Capability	\$ 1,602,194	\$ 1,742,336	\$ 140,142	\$ 2,383,747
Corporate Services	\$ 5,158,083	\$ 5,580,915	\$ 422,832	\$ 7,635,478
District Services	\$ 6,997,075	\$ 7,026,781	\$ 29,706	\$ 9,613,607
Infrastructure and Asset Management	\$ 3,632,260	\$ 3,743,791	\$ 111,531	\$ 5,121,994
Strategic Planning and Policy	\$ 1,745,983	\$ 2,076,654	\$ 330,671	\$ 2,841,153



Roading

To maintain the District's roading network in a satisfactory condition and in accordance with national safety and engineering standards

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	Fatalities/serious injury crashes 2018/19	No data available this quarter.				Increase of 7 fatal and serious injury crashes	No increase	Data not available at time of reporting
	Fatalities/serious injury crashes 2017/18							
	Variance							
Percentage of fatal and serious crashes on the District's roading network where the road condition is the main contributing factor, in relation to vehicle km travelled on our roads	No. crashes caused by road condition per km travelled 18/19	No data available this quarter.				No crashes caused by road condition	< previous year	Data not available at time of reporting
	No. crashes caused by road condition per km travelled 17/18							
	%							
The percentage of the sealed local road network that is resurfaced	Length resurfaced	0.6	1.6	19.0	21.1	72.3km 8.1%	≥9% of the sealed network resurfaced per annum	4.1%
	Total length sealed road network	862.1	862.1	862.1	862.1			
	%	0.1%	0.2%	2.2%	2.4%			

Q3 Performance Comments:

Reseal sites progressing anticipated completion of programme April/May 2019.

Resurfacing of the roading network as outlined in the Council's roading programme	Length completed work	0.6	1.6	19.0	21.1	N/A	≥95% of planned work completed	85.6%
	Total length planned	41.4	41.4	41.4	41.4			
	%	1.4%	3.8%	45.8%	51.0%			

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result		
The percentage of customer service requests relating to roads to which the territorial authority responds within the time frame specified:										
Emergency / Public Safety - within 3 hours	No. responded within timeframe	14	11	6	31	93%	≥95%	96.6%		
	Total incidences	14	11	6	31					
	%	100.0%	100.0%	100.0%	100.0%					
Urgent - within 7 days	No. responded within timeframe	18	24	17	59	87%		≥95%	84.4%	
	Total incidences	18	29	24	71					
	%	100.0%	82.8%	70.8%	83.1%					
Non-urgent - within 14 days	No. responded within timeframe	138	189	217	544	93%			≥95%	87.7%
	Total incidences	167	224	256	647					
	%	82.6%	84.4%	84.8%	84.1%					

Q3 Performance Comments:

Contractors and Team have been encouraged to make contact with the customer in the first instance. Team is under resourced and extremely busy.

The Hokianga Ferry Service will run in accordance with the advertised timetable	No. runs on time	860	790	903	2553	99%	≥95%	99.4%
	Total scheduled crossings	860	794	910	2564			
	%	100.0%	99.5%	99.2%	99.6%			
Our sealed and unsealed network will meet the agreed Council's levels of service specified in our roading contracts and the network is at least 95% compliant at all times	North (fixed and repaired)	No data available this quarter.				91%	≥95%	Data not available at time of reporting
	South (fixed and repaired)							
	Total							

Footpaths

To maintain the District's footpath network and infrastructure to high standards

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result		
The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (such as its annual plan, activity management plan, asset management plan, annual works program or long term plan).	Footpaths standard met	No data available this quarter.				N/A	Year 1: Baseline to be established and targets established	Data not available at time of reporting		
	Total Footpaths									
Resurface and extend the footpath network as planned	Length completed work	80.0	33.0	304.0	417		≥95% of planned work completed	6.1%		
	Total length planned	6,827	6,827	6,827	6,827					
	%	1.2%	0.5%	4.5%	6.1%					
The percentage of customer service requests relating footpaths to which the territorial authority responds within the time frame specified:										
Emergency / Public Safety - within 3 hours	No. responded within timeframe	0	0	0	0		≥95%	No RFS received YTD		
	Total incidences	0	0	0	0					
	%	0.0%	0.0%	0.0%	0.0%					
Urgent - within 7 days	No. responded within timeframe	0	0	0	0			≥95%	No RFS received YTD	
	Total incidences	0	0	0	0					
	%	0.0%	0.0%	0.0%	0.0%					
Non-urgent - within 14 days	No. responded within timeframe	10	22	14	46				≥95%	87.0%
	Total incidences	11	23	15	49					
	%	90.9%	95.7%	93.3%	93.9%					

Q3 Performance Comments:

All RFS are now managed by contractors. This is a new activity within the contracts. Efficiencies expected in response times as contractual obligations are understood and put in place.

Water Supply

To provide reliable and sustainable water supply, ensuring sustainable development and adequate water supply in times of emergency.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The extent to which the local authority's drinking water supply complies with: (a) part 4 of the drinking-water standards (bacteria compliance criteria)								
Kaikohe	Compliant Y/N	Yes	Yes	Yes	Yes	All schemes compliant	Each scheme continuously meets the required standards for drinking water	Yes
Kerikeri	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Paihia	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Kawakawa	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Kaitaia	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Opononi	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Rawene	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
The extent to which the local authority's drinking water supply complies with: (b) part 5 of the drinking-water standards (protozoal compliance criteria)								
Kaikohe	Compliant Y/N	Yes	Yes	Yes	Yes	All schemes compliant	Each scheme continuously meets the required standards for drinking water Each scheme to be reported on separately	Yes
Kerikeri	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Paihia	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Kawakawa	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Kaitaia	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Opononi	Compliant Y/N	Yes	Yes	Yes	Yes			Yes
Rawene	Compliant Y/N	Yes	Yes	Yes	Yes			Yes

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this)	Total Net Metered	2,334,864	2,337,397	2,338,086	7,010,347	32% water loss	<26%	32.7%
	Total Net Production	3,516,696	3,552,035	3,528,528	10,597,259			
	Real water loss	1,181,832	1,214,637	1,190,442	3,586,912			
	%	33.6%	34.2%	33.7%	33.85%			
Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:								
(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	Median attend time	0.8	0.9	0.8	0.8	0.9 hours	< 2 hours	0.8
(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	Median response time	2	2.1	2.4	2.4	2.7 hours	< 4 hours	2.4
(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and	Median attend time	0.1	0.1	0.1	0.1	0.1 working days	< 2 working days	0.1
(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	Median response time	0.2	0.3	0.2	0.2	0.2 working days	<3 working days	0.2

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (a) drinking water taste (b) drinking water odour (c) drinking water pressure or flow (d) continuity of supply, and (e) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.	Monthly complaints	139	90	78.0	307	71.1 complaints per 1000	100	72.80
	Number connected properties	9,561	9,561	9,561	9,561			
	Total per 1000 properties	14.5	9.4	8.2	32.1			
The average consumption of drinking water per day per resident within the territorial authority district	Volume consumed this month	3,516,696	3,552,035	3,528,528	3,532,420	414L per person per day	≤ 350L per person per day	442.65
	No of residents	21,808	21,808	21,808	21,808			
	Consumption per resident	442	446	443	444			

Wastewater

To provide reliable waste water infrastructure, protecting the environment and community

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	Number affected	11	0	1	12	0.9 per 1000 connections	≤ 12 per 1000 connections	1.9
	Number connected properties	10886	10886	10886	10886			
	Total per 1000 properties	1.01	-	0.09	1.10			
Compliance with the territorial authority's resource consents for discharge from its sewerage system, measured by the number of:								
(a) abatement notices	Number of notices	0	0	0	0	2	1 or less	0
(b) infringement notices	Number of notices	0	0	0	0	0	0	0
(c) enforcement orders	Number of notices	0	0	0	0	0	0	0
(d) convictions	Number of notices	0	0	0	0	0	0	0

Q3 Performance Comments:

Paihia WWTP under suspended orders from Environment Court, not Enforcement Order.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following MEDIAN response times are measured:								
a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site	Median attend time (hours)	0.5	0.4	0.4	0.4	0.4 hours	≤ 2 hours	0.4
b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	Median response time (hours)	3.4	3.4	3.5	3.5	2.9 hours	≤ 4 hours	3.50
Where Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following response times are measured:								
a) attendance	No. attended in 2 or less hours	3	0	0	3		≥ 95% responded in ≤ 2 hours	78.6%
	Total incidences	4	0	1	5			
	%	75.0%	100.0%	0.0%	60.0%			
b) resolution to prevent overflow	No. resolved in 4 or less hours	2	0	0	2		≥ 95% responded to in ≤ 4 hours	71.4%
	Total incidences	4	0	1	5			
	%	50.0%	100.0%	0.0%	40.0%			
The total number of complaints received by the territorial authority about any of the following: (a) sewage odour (b) sewerage system faults (c) sewerage system blockages, and (d) the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system	Number affected	21	27	18	66	18.2 per 1000 connections	≤ 50 per 1000 connections	15.70
	Number connected properties	10886	10886	10886	10886			
	Total per 1000 properties	1.93	2.48	1.65	6.06			

Stormwater

To enable sustainable development through urban storm water infrastructure, protecting the environment and community

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The number of flooding events that occur in a territorial authority district	Number of events	No events	No events	No events	No events	2	0	No flooding events
For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's Stormwater system.)	Number affected	0	0	0	0	0.07 per 1000 properties	0 per 1000	0 per 1000
	Number connected properties	16078	16078	16078	16078			
	Total per 1000 properties	-	-	-	-			
Compliance with the territorial authority's resource consents for discharge from its Stormwater system, measured by the number of:								
(a) abatement notices	Number of notices	0	0	0	0	0	1 or less	0
(b) infringement notices	Number of notices	0	0	0	0	0	0	0
(c) enforcement orders	Number of notices	0	0	0	0	0	0	0
(d) convictions	Number of notices	0	0	0	0	0	0	0
The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site	Median response time (hours)	N/A	N/A	N/A		2/2 Achieved	≤ 48 hours	No flooding events
	Comments	No events	No events	No events				
The number of complaints received by a territorial authority about the performance of its Stormwater system, expressed per 1000 properties connected to the territorial authority's Stormwater system	Number complaints	39	41	34	114	33.8 RFS per 1000 properties	0	20.02
	Number connected properties	16078	16078	16078	16078			
	Total per 1000 properties	2.43	2.55	2.11	7.09			

Q3 Performance Comments:

Responses have again been delayed due to excess workload in other areas. Urgent responses are still handled in a timely manner.

10

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
The response time to attend a flooding event resulting from the failure of Council's urban storm water system. Measured from the time that the Council receives notification to the time that service personnel reach the site. Response time is set at 2 working days.	No. responded within timeframe	0	0	0	0	N/A	≥ 95% responded to within set timeframe	No flooding events
	Total incidences	0	0	0	0			
	%	100.0%	100.0%	100.0%	100.0%			

Solid Waste Management

To decrease the proportion of waste sent to landfill and increase the proportion of waste that is sent for recycling, promoting the sustainable management of resources and benefitting future generations

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Percentage by tonnage of waste from refuse transfer station that is recycled/ reused	Tonnage recycled/reused	1,199.47	757.14	704.02	2,660.62	62.3%	63%	62.5%
	Total Tonnage	1,829.62	1,220.21	1,124.60	4,174.42			
	%	65.6%	62.0%	62.6%	63.7%			

Q3 Performance Comments:

A warm holiday season resulted in good glass tonnages for January. End of recycling plastics 3-7 will impact during the cooler months

Add at least one new community recycling facility	Number completed	0	0	0	0	N/A	Minimum of 1 per year	2 in negotiation stage
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Q3 Performance Comments:

There are ongoing negotiations at two sites (Rawhiti and Waitangi), awaiting community approval and commitment.

All refuse transfer stations to be open on time	Percentage open on time	96.6%	100.0%	100.0%	98.9%	N/A	99.5%	99.6%
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Q3 Performance Comments:

One late opening of the Rawhiti seasonal recycling centre in January

Attending to RFS relating to illegal dumping								
Offensive waste: pick up within 24 hours	No. collected within timeframe	1	1	0	2	N/A	95% within set timeframe	85.7%
	Total incidences	1	1	0	2			
	%	100.0%	100.0%	0.0%	100.0%			
Standard waste: pick up within 4 days	No. collected within timeframe	34	29	38	101	N/A	95% within set timeframe	88.5%
	Total incidences	36	33	44	113			
	%	94.4%	87.9%	86.4%	89.4%			

Q3 Performance Comments:

8 overtime due to weekends- otherwise would comply. 2 due to difficulties in contacting customer for more info. 1 due to remote location. 1 due to poor contractor performance.

District Facilities

Cemeteries

To ensure cemeteries are operated in a way that meets the community's needs

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
All preparations are in place in time for the funeral services to take place (plots dug, and in the right place etc.)	No. complaints received	0	0	0	0	N/A	No complaints are received regarding the preparations for our funeral services	No complaints received

Q3 Performance Comments:

Gravediggers are preparing the graves as per the contract - no issues or complaints received.

Civic and Community Buildings

To provide buildings for public recreation and leisure

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Number of community halls per ward per annum modified to improve disability access								
Northern Ward	Number completed	0	0	0	0	0	1 hall per ward per annum	1
Eastern Ward	Number completed	0	0	0	0	3	1 hall per ward per annum	2
Western Ward	Number completed	0	0	1	1	2	1 hall per ward per annum	3

Q3 Performance Comments:

Annual target met for the Northern and Eastern Ward. Rawene Library is a work in progress.

13

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
All Civic and Community buildings are safe for Community use and meet all statutory legislation levels	Number uncertified	0	0	0	0	N/A	All halls have appropriate certificates including BWOFF for those that require them	All buildings are certified

Q3 Performance Comments:

All 18 Council building's have current BWOFF certificates

Housing for the Elderly

To provide housing for the elderly that is affordable, safe, well maintained, and strategically located

To provide housing for the elderly that is affordable, safe, well maintained, and strategically located								
Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Occupancy of available units	Occupied Units	139	139	139	417	97%	95%	96.7%
	Total Units	147	147	147	441			
	%	94.6%	94.6%	94.6%	94.6%			
Percentage of faults responded to within agreed timeframes:								
Emergency - 12 hours	No. responded within timeframe	3	6	2	11	N/A	100%	100.0%
	Total incidences	3	6	2	11			
	%	100.0%	100.0%	100.0%	100.0%			
Urgent - 2 days	No. responded within timeframe	3	5	3	11	95%	100%	70.8%
	Total incidences	6	5	3	14			
	%	50.0%	100.0%	100.0%	78.6%			
Non Urgent - 7 days	No. responded within timeframe	24	20	18	62	100%	≥95%	75.0%
	Total incidences	25	22	19	66			
	%	96.0%	90.9%	94.7%	93.9%			

Q3 Performance Comments:

Emergency - Preferred contractors available to respond to urgent request

Urgent and Non Urgent - Improved process has lifted LOS

Public Toilets

Council will provide well maintained and accessible public toilets in high use areas.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Increase the number of public toilets with disabled access per annum in line with facility renewal/upgrades	Number completed	0	0	1	1	2 new 2 upgrades	2	1 completed 5 in progress

Q3 Performance Comments:

Works completed at Ahipara. Work in progress at Taupo Bay, Te Ngaere, Perehihi, Ohaeawai, Tokerau & Tauranga Bay

Ensure that public toilets are maintained to an acceptable standard as per contract	Number of audits met	0	2	1	3	N/A	≥90%	81.8%
	Total number of audits	1	2	2	5			
		-100.0%	100.0%	50.0%	60.0%			

Q3 Performance Comments:

Contract specification not met for 2 toilets, notice of performance issued to contractor.

Car Parks

Council will provide well maintained public car parks

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Provide additional disability parking spaces in each ward								
Northern Ward	Number completed	3 new disabled carparks - PO issued contractor engaged			0	0	2 per annum	3
Eastern Ward	Number completed	6 new disabled carparks - PO issued contractor engaged			0	0	2 per annum	6
Western Ward	Number completed	Nil			0	0	2 per annum	Nil

Customer Services

Council provides the right services, in the right places, to the agreed standard

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Percentage of abandoned calls (Contact Centre)	Abandoned calls	2726	2887	2610	8,223	N/A	8%	21.7%
	Total calls received	8298	8715	8596	25,609			
	Percentage %	32.9%	33.1%	30.4%	32.1%			

Q3 Performance Comments:

Recruitment process completed in February and new agents commenced mid March- however still in training so team resources still low. Higher than usual sick leave also impacted Q3 results.

Percentage of Ask.U.s emails processed within 5 working days	Processed within 5 days	1,618	1457	1687	4,762	N/A	Year 1: Baseline and targets to be established	100.0%
	Total emails received	1,618	1457	1687	4,762			
	Percentage %	100.0%	100.0%	100.0%	100.0%			
Service Centre users' satisfaction	User satisfaction 2018/19	88.0%	88.0%	84.0%	86.7%	N/A	Year 1: Baseline and targets to be established	1.3%
	User satisfaction 2017/18	77.0%	82.0%	82.0%	80.3%			
	Percentage change %	11.0%	6.0%	2.0%	7.9%			

i-SITEs**To provide booking and information services through the District's Information Centres, influencing visitors to stay longer and spend more**

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Number of visitor bookings through the Information centres will show an increase each year	Visitor bookings 2018/19	11,984	8,362	9,249	29,595	N/A	≥2.5%	12.7%
	Visitor bookings 2017/18	10,331	7,072	7,044	24,447			
	Percentage change %	16.0%	18.2%	31.3%	21.1%			

Q3 Performance Comments:

Booking numbers in the Bay of Islands were high. Bigger cruise ships and more tourists

Increase net profit on retail sales by 1.5% per year (profit increase on previous year)	Percent net profit 2018/19	47.8%	41.1%	39.2%	43.6%	0.0188	Retail sales net profit ≥1.5%	1.0%
	Percent net profit 2017/18	42.9%	39.5%	42.7%	41.8%			
	Change in percent net profit	4.9%	1.6%	-3.5%	1.8%			
Customer/Visitor satisfaction	Visitor satisfaction 2018/19	100.0	100.0	98.0	99.3	N/A	≥1% increase on previous year	-1.7%
	Visitor satisfaction 2017/18	No surveys returned for Q3			0			
	Percentage change %				0			

Q3 Performance Comments:

There were no surveys returned for this quarter for the 2017/18 year.

Libraries

To provide quality library services for the benefit of all of the community

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Customer/Visitor satisfaction	Visitor satisfaction 2018/19	92.1%	93.0%	93.6%	92.9%	N/A	Year 1: Baseline and targets to be established	94.9%
Increase the percentage of online library service use	Online hits 2018/19	33,343	41,522	33,266	108,131	13% increase on 2016-17	≥1% increase on previous year	8.4%
	Online hits 2017/18	28,644	28,418	39,646	96,708			
	Percentage change %	16.4%	46.1%	-16.1%	0			
Increase the total library membership relevant to the population of the District	Membership numbers	26898	27117	27300	27,105	N/A	Year 1: Baseline and targets to be established	31.6%
	District population	63,200	63,200	63,200	63,200			
	Percentage %	42.6%	42.9%	43.2%	0			

Environmental Management

Animal Control

To ensure animal related activities are managed in accordance with legislative requirements

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Respond to reported incidents by contacting customer and arranging next steps within the following timeframes:								
Urgent within 2 hours	No. responded within timeframe	40	43	21	104	89% (recorded as one measure)	≥90%	44.5%
	Total incidences	53	53	26	132			
	%	75.5%	81.1%	80.8%	78.8%			
Non-urgent within 10 days	No. responded within timeframe	298	269	257	824	89% (recorded as one measure)	≥90%	86.7%
	Total incidences	322	321	294	937			
	%	92.5%	83.8%	87.4%	87.9%			

Environmental Health

To monitor food premises in accordance with the requirements of the Food Act, 2014.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Food Control Plan and National Programme audits completed as scheduled	No. completed as scheduled	12	18	13	43	50%	≥85% of all food control plans and national programs assessed	71.3%
	Total scheduled	14	23	18	55			
	%	85.7%	78.3%	72.2%	78.2%			

Monitoring and Enforcement

To ensure compliance with Resource Management Act relating to noise pollution

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Respond to noise complaints within the following timeframes:								
In urban areas: 1 hour	No. responded within timeframe	98	89	101	288	N/A	≥85% within set timeframe	78.3%
	Total incidences	144	111	123	378			
	%	68.1%	80.2%	82.1%	76.2%			
In rural areas: 2 hours	No. responded within timeframe	6	6	8	20	N/A	≥85% within set timeframe	82.1%
	Total incidences	7	9	10	26			
	%	85.7%	66.7%	80.0%	76.9%			

District Licensing

To license and monitor the sale of liquor in accordance with the Sale and Supply of Alcohol Act, 2012.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
All licensed premises to be visited for Host Responsibility inspections at least once every four years.	No. premises visited	1	2	0	3	26%	≥25% of premises visited annually	2.2%
	Total premises	267	267	267	267			
	%	0.4%	0.7%	0.0%	1.1%			

Resource Consent Management

To administer and enforce the Resource Management Act 1991.

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Respond to compliance incidents within 10 working days	No. responded within timeframe	14	23	20	57	85%	≥91%	72.7%
	Total incidences	19	33	28	80			
	%	73.7%	69.7%	71.4%	71.3%			
Process applications made under the Resource Management Act 1991 within statutory timeframes	No. processed within timeframe	25	59	70	154	N/A	≥95%	58.0%
	Total applications	39	98	102	239			
	%	64.1%	60.2%	68.6%	64.4%			

Building Consent Management

To comply with current legislative requirements with regards to processing building consent applications

Performance Measure	Measures	Jan-19	Feb-19	Mar-19	Q3 Total Performance	2017/18 Result	2018/19 Target	YTD Result
Process building consents within statutory timeframes	No. processed within timeframe	52	47	84	183	83%	≥95%	49.0%
	Total applications	111	116	178	405			
	%	46.8%	40.5%	47.2%	45.2%			

5.5 REVENUE RECOVERY REPORT - MARCH 2019

File Number: A2479959

Author: Margriet Veenstra, Manager - Transaction Services

Authoriser: Janice Smith, General Manager - Corporate Services (Acting)

PURPOSE OF THE REPORT

The purpose of this report is to provide quarterly reporting to the Far North District Council Audit, Risk, and Finance Committee.

EXECUTIVE SUMMARY

This is the third report for the financial year 2018/19 and provides information on action taken to collect the current and arrears balances for rates, water and Sundry Debt, and to provide information on how collection is tracking against targets.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report “Revenue Recovery Report - March 2019”.

BACKGROUND

This document has been prepared to outline current and arrears balances for rates, water and Sundry as at 31 March 2019 and the actions taken by the Debt Management Team for the collection of the General Title rates and Water and Sundry Debt.

This information is part of the standing items reported to the Committee on a regular basis

DISCUSSION AND NEXT STEPS

The information has been identified for General Title rate and water accounts as well as Maori Freehold Land rates and water accounts. Sundry debtors, which are other fee generating areas of council, are shown in a separate table.

The General Title rates arrears balance reduced by \$579k quarter on quarter and water arrears by \$36K.

Below were the actions and focus areas for the third quarter for the Debt Management Team for the collection of the General Title rates and Water and Sundry Debt.

- Instructions to initiate legal action for the recovery of rates have been submitted with external law firm.
 - Commencing with Group 1 Residential Single Units - Single Ownership (14 properties)
 - Abandoned Land properties have also been identified to commence court proceedings.
 - Request for authorisation report submitted to this committee.
- 90% external collection agency accounts have been taken back to Council.
 - 47% first and/or second letters sent as part of the Urgent Demand process.
 - 17% have either returned mail and/or need further investigation.
 - 8% accounts are now paid and/or have a payment plan in place.
 - 8% are abandoned land or deceased rate payer
 - 10% are Maori Freehold Land
- Balance to be collected by other means
 - \$215K letters sent to rate payers by external law firm.
 - \$905K with external law firm to proceed once first group completed

- \$200K now identified as abandoned land
 - \$670K now at Stage 2 of Final Demand process
 - Debt Management have started with 200 new accounts to review
- Continuous audit of existing Arrangements to Pay to ensure the agreements are being met. Contacting the customer where this is not the case and either reschedule the agreement or cancel and move to next recovery step.
- The ongoing promotion of the Internal Affairs Rates Rebates Scheme in day to day communications with customers and regular meetings with relevant community organisations is another key focus.

Additional focus areas quarter three:

- Sundry Debtors review
 - Small Bad Debt and Credit Write-off journals preparation and approval
 - Initial contact with all customers by email, mail and/or telephone
 - Monthly meetings in place with Environmental Services for issue resolution to ensure debts are cleared/paid.
- Prepayment process for licence renewals launched.
 - All licences and renewals for Monitoring, Food Business, Health & Food registrations and Liquor and licenced premises are now managed as prepayment only – reducing aged debt.
 - Environmental Services to manage audit of all aged debt due to non-payment of licence renewals and arrange reversal where renewals were not required

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Provision is made annually for doubtful debts in relation to the arrears owed to council. A higher provision for Maori Freehold land rates and water is made in comparison to General Title rates and water due to the difference in collection options available to Council.

ATTACHMENTS

1. **Revenue Recovery Report March 2019 - A2476845** [↓](#) 

General Title rates and water rates analysis by age at 03 April 2019

General Title Rates and Water Arrears 2018-19							
General Title Rates 18-19 March 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Abandoned Land	61,784	60,412	58,440	55,599	98,523	334,759	61
Payment Arrangement	97,777	43,170	28,046	20,518	14,021	203,532	237
Deceased Rate Payer	77,034	68,318	60,103	53,013	87,303	345,771	61
External Collection Agency	3,154	3,145	2,980	4,760	4,155	18,193	2
2017-18 Mortgage Run	574,886	122,305	63,625	14,310	21,699	796,825	448
Legal Action Commenced	52,892	47,091	45,764	47,216	79,705	272,668	26
Liquidation	-	-	-	-	-	-	-
Direct Debit - no REP	2,602	-	-	-	-	2,602	84
Direct Debit - REP	42,948	10,371	4,188	2,580	1,303	61,391	237
Balance collected by other means	1,458,044	840,024	570,118	418,557	557,935	3,844,678	23,335
Rates Total	2,371,120	1,194,837	833,263	616,553	864,645	5,880,418	24,491

General Title Water 18-19 March 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Abandoned Land	313	296	262	336	371	1,578	1
Payment Arrangement	8,202	1,274	1,380	1,266	175	12,296	35
Deceased Rate Payer	16,050	12,954	5,219	4,503	7,989	46,715	15
External Collection Agency	-	-	-	-	-	-	-
2017-18 Mortgage Run	78,846	11,645	6,356	765	5,814	103,426	111
Legal Action Commenced	4,187	5,548	5,876	5,941	7,529	29,082	11
Liquidation	256	-	-	-	-	256	1
Direct Debit - no REP	285	240	-	-	-	525	7
Direct Debit - REP	17,374	3,606	1,403	980	1,339	24,701	288
Balance collected by other means	333,505	84,488	50,895	31,793	55,040	555,720	2,854
Water Total	459,017	120,051	71,392	45,583	78,256	774,299	3,323

Maori Freehold Land rates and water analysis by age at 03 April 2019.

MFL Rates and Water Arrears 2018-19							
MFL rates 18-19 March 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Payment Arrangement	2,681	1,432	19	-	-	4,133	24
Deceased ratepayer, recovery to be investigated	18,282	16,328	14,087	12,164	18,510	79,371	14
External Collection Agency	-	-	-	-	-	-	-
2017-18 Mortgage Run	-	-	-	-	-	-	-
Paying via direct debit	339	-	-	-	-	339	2
Rates Easy Pay	3,583	1,324	236	144	-	5,287	230
Balance collected by other means	3,680,113	3,566,999	3,570,034	2,968,481	4,499,939	18,285,567	3,018
Rates Total	3,704,999	3,586,083	3,584,377	2,980,790	4,518,449	18,374,697	3,288

MFL water 18-19 March 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Payment Arrangement	2,951	266	283	360	-	3,860	3
External Collection Agency	-	-	-	-	-	-	-
Rates Easy Pay	801	511	-	-	-	1,312	2
Balance collected by other means	56,230	35,971	19,685	26,596	46,179	184,661	48
Water Total	59,983	36,748	19,968	26,956	46,179	189,834	53

Sundry Debtors by age for 30 March 2018.

Sundry Debtors Aged Period Report as at 30 March 2018					
Category	30 Days	60 Days	90 Days	90 Days +	Total
Sundry	28,815	109,910	78,416	236,927	454,068
Bookings	180	2,828	-	692	3,700
Septage	-	9,324	2,520	1,904	13,748
Refuse	-	4,213	1,274	7,822	13,309
Building	20,828	55,149	20,851	137,061	233,889
Resource	1,192	43,807	7,420	136,876	189,295
Liquor	-	14,075	10,143	27,140	51,358
Health	-	9,673	6,267	36,022	51,961
Total	51,014	248,979	126,892	584,444	1,011,329

90+ days debt has reduced by \$40,993 quarter and the overall aged debt increased by \$302,913 which has mainly been driven by Sundry, Building and Resource.

5.6 COUNCIL FINANCIAL REPORT AS AT 30 APRIL 2019**File Number: A2480294****Author: Angie Thomas, Chief Financial Officer (Acting)****Authoriser: Janice Smith, General Manager - Corporate Services (Acting)****PURPOSE OF THE REPORT**

To provide an overview and information on the current financial position and performance of the Far North District Council as at 30 April 2019.

EXECUTIVE SUMMARY

This report provides a summary overview, Statement of Financial Performance, Capital Performance and Borrowing and Investment reports.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report “Council Financial Report as at 30 April 2019”.

BACKGROUND

This reports financial information as at 30 April 2019.

DISCUSSION AND NEXT STEPS

This report is for information only.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or budgetary provisions required as a result of this report.

ATTACHMENTS

1. Council Financial Report as at 30 April 2019 - A2480135 [↓](#) 



Council Financial Report

as at

30 April 2019

CONTENTS

Financial Performance

- 1 Financial Report Overview
- 2 Statement of Financial Performance
- 3 Statement of Capital Performance

Borrowings and Investments

- 4 Public Debt
- 5 Cash and Investments

FINANCIAL REPORT OVERVIEW

This report provides a summary on the current financial performance of the Far North District Council as at 30 April 2019. Variances of more than \$500k will be reported on.

Operating position as at 30 April 2019

The net operating position for the year to date is a surplus of \$9.8m, against the year to date budget of a \$7.9m surplus, resulting in a positive variance of \$1.9m. Income year to date is less than budgeted and expenses are less than budgeted year to date, predominantly due to:

- **Operating Income variance of \$4.1m (less than budgeted)**

Main variances are:

- Rates penalties – is lower than expected due to approved customer requests to clear penalties already incurred.
- Fees and charges - water by meter charges have increased due to usage. Building consent applications continuing to increase. Interest charged on postponed rates under the different policies is lower.
- Central govt subsidies – operational –
 - Network Asset Management administration costs have exceeded the budget for this time of year.
 - Offset by, Structures Maintenance and Traffic Services programme of work plan was not provided till March so the expected delivery will be behind.
- Other Income –
 - Payment of contribution received from Heritage NZ for the Cycle Trail.
 - Recovered private plan change costs to the District Plan.
 - Waste disposal level collected from refuse transfer stations.
- Central govt subsidies – new works and renewals -
 - Bridge project work has now commenced for West Coast Road, Otua Road, Sawyers Road and Zidich Road.
 - A number of low cost low risk projects have been delayed due to no work programme provided.
 - Kerikeri Wastewater Treatment Plant subsidy was paid out earlier than planned in 17/18, so we will see a shortfall in the year the project is completed.
 - Rawene/Omanaia Water Treatment Plant subsidy has not been invoiced. Construction has commenced and completion is expected by August 2019.
 - A number of renewal work has been reprioritised due to dry weather, such as, unsealed road metalling

- **Operating Expenditure variance of \$6.0m (less than budgeted)**

Main variances are:

- Payroll related cost - a number of vacancies are in recruitment phase and accrued leave is not being used by staff due to resourcing across the organisation.
- General expenses - doubtful debt penalties are not fully realised due to a number of accounts applying for remissions as well as statute barred write-offs.

- There are a number of budgets that have not yet been fully spent.
- Rates remissions – approved rate remission applications have been applied under the current policies.
- Contractor & professional fees – sludge management budgets are largely committed but the completion of the planned works is subject to weather conditions.
Structures maintenance and traffic services programme of work plan was not provided till March so the expected delivery of work will be behind.
Consultants have not yet been engaged across the organisation, particularly in Infrastructure & Asset Management, Economic Planning and the District Plan.
Offset by, consultants are being engaged in the building consent area which is offset by income received.
Water and Wastewater Alliance has advised that contract overruns are due to increased power usage, operations and maintenance variations as well as chemical invoices were delayed due to their procurement system.
Budget is no longer required due to the closure of the Ahipara Landfill

Capital expenditure as at 30 April 2019

- Capital expenditure as at 30 April 2019 is \$26.3m this is 37% of the Total Annual Budget of \$71m. This is the LTP budget of \$62m and Carried Forward budget from 17/18 of \$9m. Further detail can be found in the Statement of Capital Performance.

Borrowing & Investments**Current Position**

- Total debt is \$66.5m of which \$20m of this has been invested and due to mature in June 2019.
- As at 30 April 2019, there were no funds drawn down on Councils banking \$20m facility. The Audit, Risk and Finance Committee recently agreed to renew the facility for two years to 2020.
- Council's cash position was \$27.6m in the General Fund bank account at month end.

Compliance

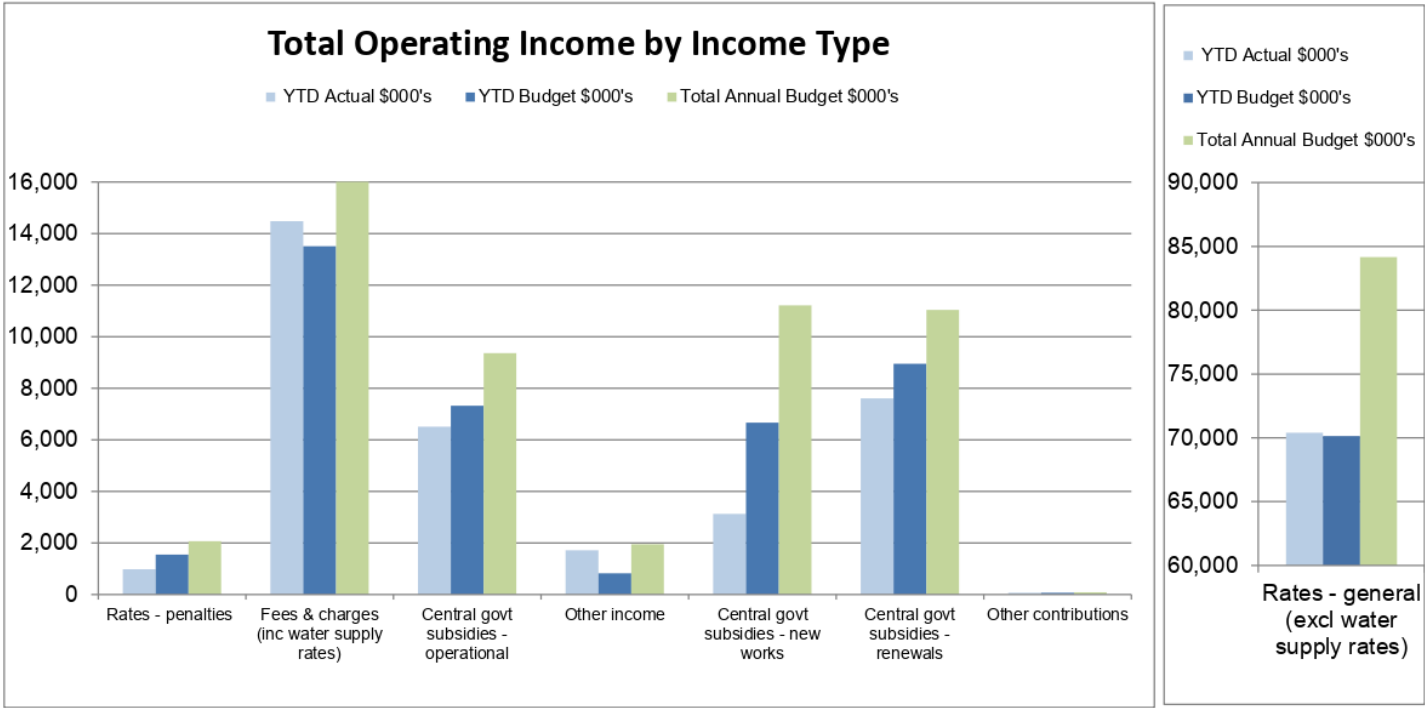
- Our liquidity ratio (access to fund) is at 176% compared to the policy minimum of 110%. This measure is set by the Local Government Funding Agency of which we are a member and defines the Councils ability to access funds.

**Statement of Financial Performance
for the period ending
30-April-2019**

	Year to date			Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Full year		
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's			Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
Operations								
Operational income								
Rates - general (excl water supply rates)	70,390	70,131	260	84%	84%	84,157	84,157	0
Rates - penalties	982	1,555	(573)	47%	47%	2,073	2,073	0
Fees & charges (inc water supply rates)	14,474	13,510	963	89%	88%	16,323	16,537	214
Central govt subsidies - operational	6,508	7,325	(817)	70%	74%	9,358	8,838	(519)
Other income	1,721	830	891	88%	75%	1,954	2,300	345
Capital income								
Central govt subsidies - new works	3,124	6,666	(3,541)	28%	44%	11,211	7,118	(4,094)
Central govt subsidies - renewals	7,603	8,950	(1,347)	69%	64%	11,037	11,854	817
Other contributions	72	71	0	84%	7%	86	1,086	1,000
Development contributions	84	0	84	0%	0%	0	0	0
Total operating income	104,959	109,038	(4,079)			136,199	133,962	(2,237)
Operating Expenditure								
Payroll related costs	21,235	22,295	1,060	77%	76%	27,596	27,859	(263)
Other staffing related costs	1,428	1,594	166	74%	71%	1,932	2,005	(74)
General expenses	6,024	7,858	1,834	64%	64%	9,478	9,393	85
Rate remissions	3,008	2,084	(924)	139%	139%	2,165	2,165	0
Contractor & professional fees	30,785	34,912	4,127	70%	67%	43,798	45,915	(2,117)
Grants and donations	1,596	1,860	264	77%	74%	2,072	2,153	(81)
Allocations (direct and indirect)	0	(0)	(0)	0%	0%	(0)	(0)	0
Interest costs	2,007	2,162	154	77%	77%	2,594	2,594	0
Sub-total	66,083	72,763	6,680			89,635	92,084	(2,450)
Depreciation and other asset costs	27,237	28,396	1,160			34,076	34,076	0
Gain/Loss on Disposal	1,857	0	(1,857)			0	0	0
Total operating expenditure	95,177	101,160	5,982			123,711	126,160	(2,450)
Net operating surplus/(deficit)	9,781	7,878	1,903			12,488	7,802	(4,686)

Analysis of operating income & expenses by LTP Group

	Year to date			Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Full year		
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's			Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
Income								
Customer Services	8,253	8,474	(221)	81%	81%	10,184	10,209	25
District Facilities	13,594	13,565	29	83%	77%	16,362	17,691	1,329
Environmental Management	11,281	10,962	319	86%	82%	13,076	13,717	642
Governance & Strategic Administration	7,052	6,786	266	78%	79%	9,026	8,969	(57)
Roading and Footpaths	31,731	33,164	(1,433)	75%	74%	42,205	42,828	623
Solid Waste Management	4,324	4,595	(271)	79%	83%	5,482	5,187	(295)
Stormwater	3,439	3,541	(103)	81%	81%	4,256	4,256	0
Strategic Planning & Policy	5,170	5,198	(28)	83%	80%	6,247	6,468	221
Wastewater	11,635	13,925	(2,290)	62%	84%	18,810	13,905	(4,904)
Water Supply	8,480	8,828	(348)	80%	79%	10,551	10,731	180
Total Operating Income by LTP Group	104,959	109,038	(4,079)			136,199	133,962	(2,237)
Expenditure								
Customer Services	7,535	8,493	958	74%	75%	10,184	10,047	137
District Facilities	11,460	12,966	1,506	74%	74%	15,592	15,499	93
Environmental Management	10,735	10,658	(77)	82%	77%	13,076	14,008	(932)
Governance & Strategic Administration	6,670	6,348	(323)	89%	81%	7,514	8,286	(772)
Roading and Footpaths	28,260	30,683	2,423	73%	73%	38,862	38,470	392
Solid Waste Management	4,723	4,578	(145)	86%	88%	5,482	5,341	141
Stormwater	2,596	3,123	527	69%	69%	3,763	3,765	(2)
Strategic Planning & Policy	3,798	5,126	1,328	61%	57%	6,247	6,647	(400)
Wastewater	10,492	12,026	1,534	73%	69%	14,383	15,177	(794)
Water Supply	7,050	7,159	109	82%	79%	8,608	8,919	(311)
	93,320	101,160	7,840			123,711	126,160	(2,450)
Gain/Loss on Disposal	1,857	0	(1,857)			0	0	0
Total Operating Expenses by LTP Group	95,177	101,160	5,982			123,711	126,160	(2,450)
Net operating surplus/(deficit)	9,781	7,878	1,903			12,488	7,802	213



INCOME - Variance Commentary is based on the actual income compared to the Budget time for the current reporting period. Significant variance based on either \$ value and/or % of Total Budget received, these are reviewed and commented below.

For the month of April, where activities are predictable we would expect to see approximately 80% of budget received.

Rates Penalties is under budget

- Approved customer requests being applied.

Fees & charges (inc water supply rates) is over budget

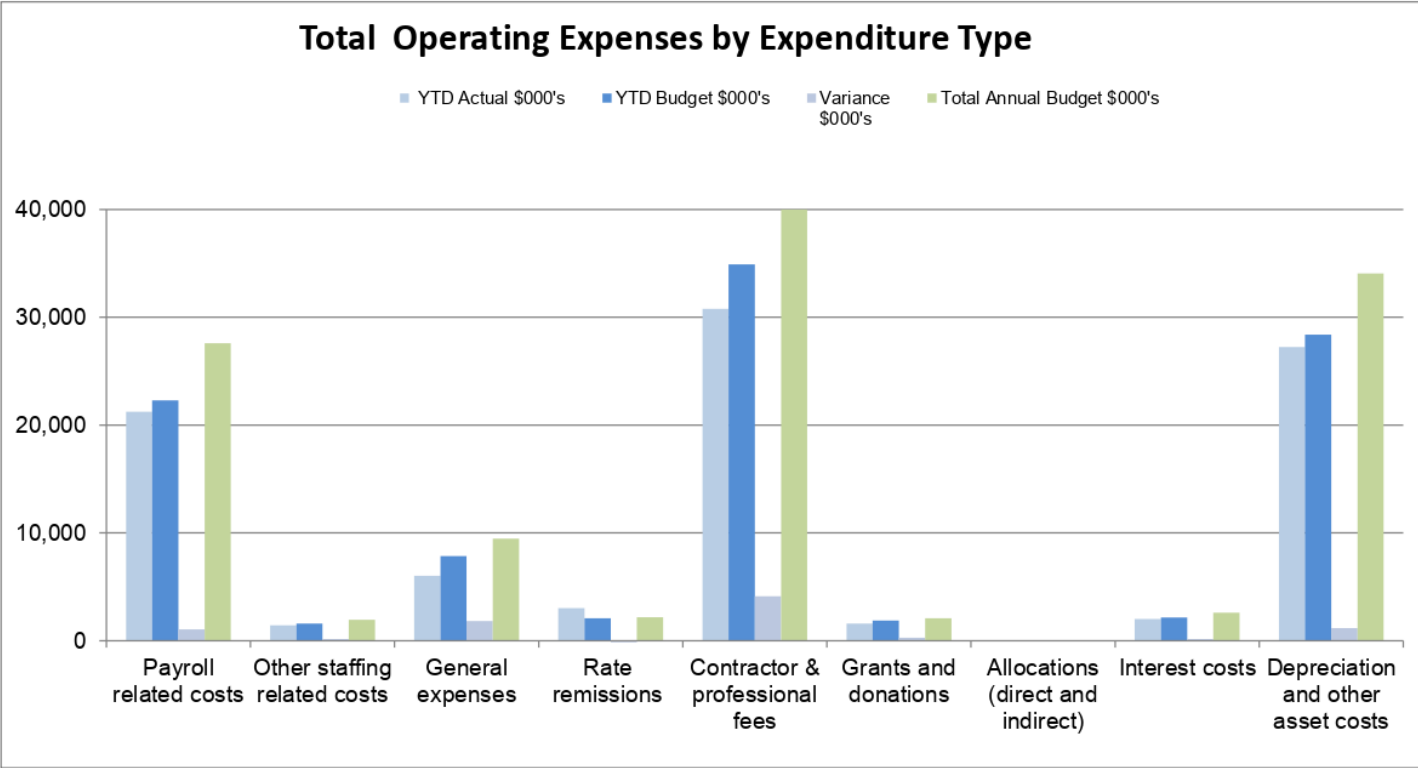
- Water by meter charges have increased due to the usage.
- Building consents have increased and the use of consultants is required to keep up with demand.
- Interest charged on postponed rates under the different policies.

Central Govt Subsidies - Operational is under budget

- Network Asset Management administration costs have exceeded what is expected for this time of year; offset by Structures Maintenance and Traffic Services programme of work plan was not provided till March so the expected delivery will be behind.

Other Income is over budget

- Payment of contribution received from Heritage NZ for the Cycle Trail.
- Recovered private plan change costs to the District Plan.
- Waste disposal levy collected from refuse transfer stations.



EXPENDITURE - Variance Commentary is based on the actual expenditure compared to the Budget timed for the current reporting period. Significant variances based on either \$ value and/or % of Total Budget spent, these are reviewed and commented on below.

For the month of February, where activities are predictable, we would expect to see approximately 82% of budget spent.

Payroll related costs is under budget

- A number of vacancies have not yet been filled across the organisation.
- Accrued leave is not being used by staff due to resourcing across the organisation.

General expenses is under budget

- Doubtful debt penalties are not fully realised due to a number of accounts applying for remissions as well as statute barred write-offs.
- Overall, there are a number of budgets that have not yet been spent.


Rates remissions is over budget



- Approved remission applications have been applied under the current policies.

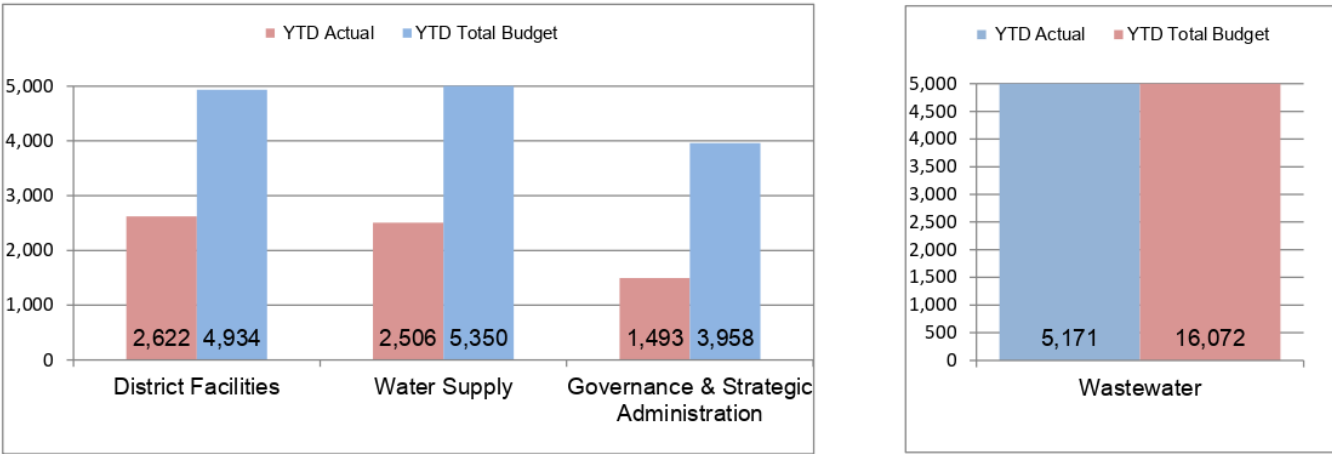
Contractor & professional fees is under budget

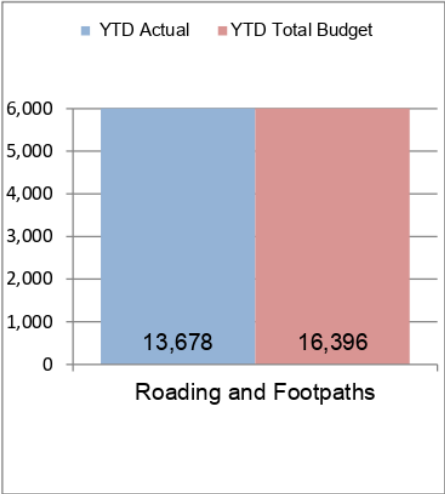
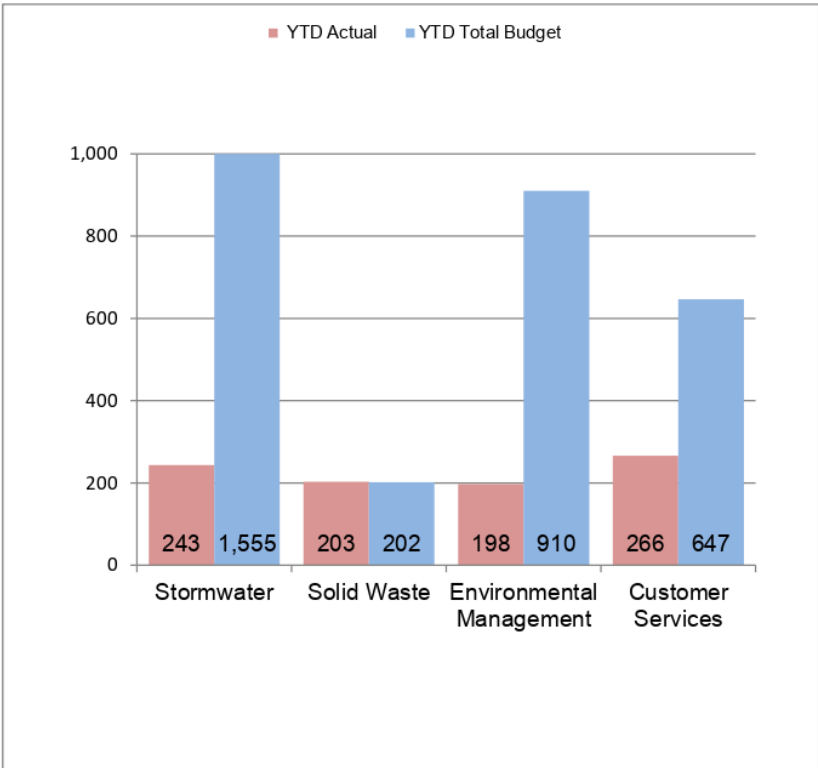
- Sludge management budgets is largely committed but the completion of the planned works is subject to weather conditions.
 - Structures maintenance and Traffic Services programme of work plan was not provided till March so the expected delivery will be behind.
 - Ferries repairs and maintenance scheduled was not required.
 - Consultants have not yet been engaged across the organisation, particularly in Infrastructure & Asset Management, Economic Planning and the District Plan.
- off set by;
- Consultants are being engaged in the Building Consents activity to meet demand.
 - Water and Wastewater Alliance contract had overruns in power, operations and maintenance variations as well as chemical invoices were delayed due to internal systems.
 - The closure of Ahipara Landfill.

Statement of Capital Financial Performance
for the period ending
30-April-2019

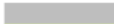

Actuals v Budget (Carry Forward + AP Budget)						
	Year to Date \$000's					Progress to Date
	YTD Actual	Carry Forward Budget	AP Budget	YTD Total Budget	Variance	against full year Total Budget
Capital Works						
District Facilities	2,622	2,334	2,600	4,934	2,313	36%
Stormwater	243	411	1,144	1,555	1,312	14%
Solid Waste	203	59	143	202	(1)	45%
Wastewater	5,171	1,781	14,290	16,072	10,901	23%
Water Supply	2,506	385	4,964	5,350	2,844	36%
	10,744	4,971	23,142	28,113	17,369	6%
Roading and Footpaths	13,678	1,980	14,417	16,396	2,719	56%
Environmental Management	198	289	621	910	713	20%
Governance & Strategic Administration	1,493	993	2,965	3,958	2,464	24%
Customer Services	266	296	351	647	381	33%
Total Capital Works	26,379	8,528	41,496	50,024	 23,646	37%

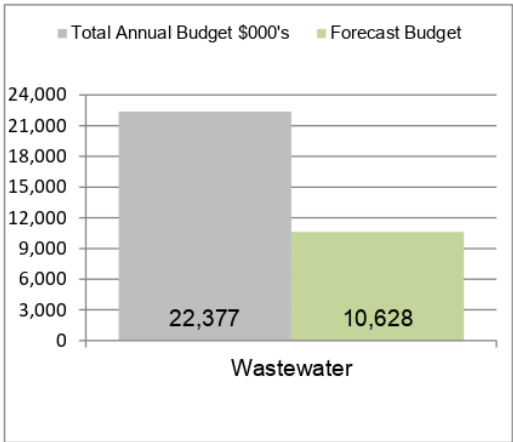
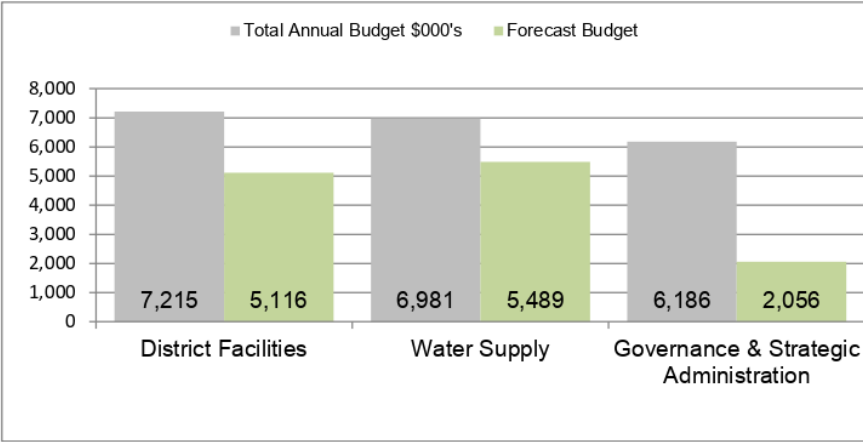
Notes to the Graphs:  What we have spent at report date i.e paid for works completed
 What we expected to have spent of the Annual Plan Budget at report date

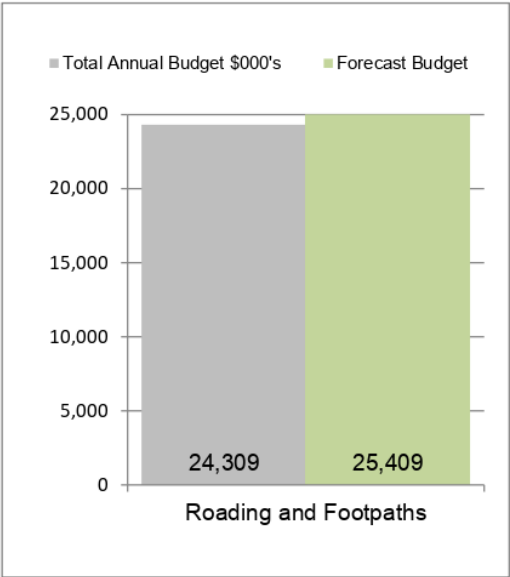
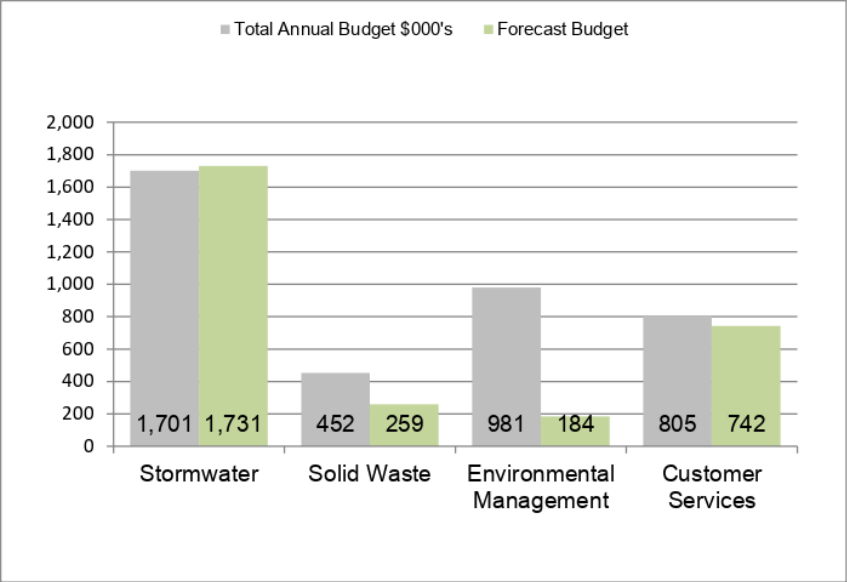




Budget v Forecast Movements					
	Full Year \$000's				Progress to date against full year Forecast
	AP Budget	Carry forward budget	Reforecast Movement	Forecast Budget	
Capital Works					
District Facilities	4,881	2,334	2,099	5,116	51%
Stormwater	1,290	411	(30)	1,731	14%
Solid Waste	393	59	193	259	78%
Wastewater	20,596	1,781	11,749	10,628	49%
Water Supply	6,596	385	1,492	5,489	46%
	33,756	4,971	15,504	23,223	
Roading and Footpaths	22,330	1,980	(1,100)	25,409	54%
Environmental Management	691	289	797	184	107%
Governance & Strategic Administration	5,193	993	4,130	2,056	73%
Customer Services	509	296	62	742	36%
	62,479	8,528	19,393	51,614	51%

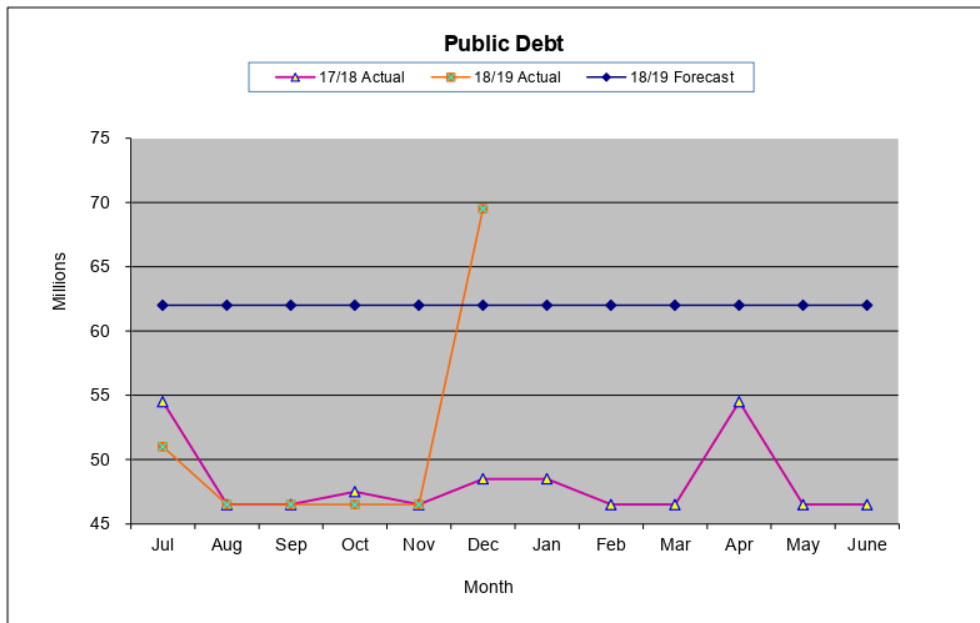
Notes to the Graphs:  Annual Plan Budget 2017/2018 (excludes Carry Forwards)
 Reforecast





Borrowings and Investments

Public Debt as at April 2019



End of Year Borrowing position

As at 30 April 2019, Council borrowings total \$66.5 million as profiled in the Loans by Maturity table below. This is up 20.5 million from 30 June 2018.

Total \$000's	Due within 3 months \$000's	Due within 6 months \$000's	Due within 1 year \$000's	Due within 2-3 years \$000's	Due within 3-5 years \$000's	Due greater than 5 years \$000's
66,500	20,000		16,500	20,000		10,000
	30.08%	0.00%	24.81%	30.08%	0.00%	15.04%

Council's total banking facility comprises the ASB facility of \$20 million. As at 30 April 2019, funds drawn down on Council's banking facility was nil, providing a \$20 million headroom. The \$20 million committed facility was extended to November 2020 at the September Audit, Risk and Finance Committee meeting.

The banking facility is used for cashflow management and as such is viewed as an extended overdraft facility. The total sum drawn down is reflected as being due within two years at any given time.

Treasury policy compliance

As at 30 April 2019 the following core policy compliance requirements were achieved as shown in the table below.

Ratio	Policy Limit	Actual	Compliance
Net debt as % total revenue	<175%	29%	Yes
Liquidity (access to funds)	>110%	176%	Yes
Notes: Total revenue is based on 2018/19 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets). Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.			

5.7 CAPITAL PROGRAMME 2018/2019**File Number: A2480371****Author: Angie Thomas, Chief Financial Officer (Acting)****Authoriser: Janice Smith, General Manager - Corporate Services (Acting)****PURPOSE OF THE REPORT**

To inform Elected Members of the movement of capital works as a result of reviewing the 2018/2019 Capital Programme.

EXECUTIVE SUMMARY

The report provides information at project level of the 2018/2019 programme, what is considered to be achievable and deliverable and what is moving out.

RECOMMENDATION

That the Audit, Risk, and Finance Committee receive the report “Capital Programme 2018/2019”.

BACKGROUND

The Capital Programme of works included in the 2018/2019 Long Term Plan was reviewed by Elected Members at a workshop held 24 January 2019 which resulted in the Reforecasting of projects that would not be delivered by 30 June 2019. Managers have then reviewed the remaining programme of works identifying projects that will be not be complete at year end and for which budgets will need to be carried forward. This will be addressed as part of a separate Carry Forward process which is completed after year end.

DISCUSSION AND NEXT STEPS

The 2018/2019 Capital Programme budget is \$62.479m with an additional \$8.528m of carry forward budgets. The total programme is \$71.007m.

In addition to these programmed works unbudgeted expenditure totalling \$4.136m has been approved.

Capital Programme by LTP Group**30-April-2019**

Summary by LTP Group	LTP Budget	Carry forward budget	Original 2018/2019 Capital Programme
District Facilities	4,881	2,334	7,215
Environmental Management	691	289	981
Roading & Footpaths	22,330	1,980	24,309
Wastewater	20,596	1,781	22,377
Stormwater	1,290	411	1,701
Solid Waste Management	393	59	452
Water Supply	6,596	385	6,981
Governance & Strategy	5,193	993	6,186
Customer Services	509	296	805
	62,479	8,528	71,007

The reforecasting process has identified projects with budgets totalling \$10.004m that will not be delivered this year. Some of these projects have been forecast out of the current year for reconsideration in the 2019/2020 Annual Plan process.

The Carry Forward process has identified projects that are not expected to be completed this year for which budgets totalling \$13.399m are expected to be required and added to the 2019/2020 Capital Programme.

Capital projects by LTP GROUP

30-April-2019

Summary by LTP Group	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
District Facilities	7,215	3,238	860	3,116	2,040	5,156
Environmental Management	981	511	286	184	0	184
Roading & Footpaths	24,309	1,733	170	22,406	3,002	25,409
Wastewater	22,377	1,833	9,478	11,067	-439	10,628
Stormwater	1,701	0	165	1,536	211	1,747
Solid Waste Management	452	75	118	259	0	259
Water Supply	6,981	1,248	433	5,300	238	5,538
Governance & Strategy	6,186	1,336	1,807	3,044	-966	2,077
Customer Services	805	29	82	693	49	742
	71,007	10,004	13,399	47,604	4,136	51,741

The budgets identified for reforecasting and carry forward have been removed and will not be included in the opening balances for the Annual Plan.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Budgets for projects that will not be delivered or will not be completed in 2018/2019 have been reforecast out of the 2018/2019 Capital Programme.

This process has been completed to achieve greater accuracy of opening balances used in the 19/20 Annual Plan process.

ATTACHMENTS

1. Capital Project Budget Movements by LTP Group 30 April 2019 - A2480343 [↓](#) 

Capital projects by LTPGROUP
30-April-2019

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
District Facilities						
Pukenui Domain - Playground	3,180	-	-	3,180		3,180
Northern - Playgrounds	56,772	-	(40,000)	96,772	12,800	109,572
Street Lighting - Mangonui	16,510	-	16,510	-		-
Kaitaia Swimming Pools	-	-	-	-	2,369	2,369
Kerikeri Sculpture	-	-	-	-	5,000	5,000
Rawene Township Public Toilets	5,307	5,307	-	-		-
Pukenui Domain Football Field Development	178,631	177,884	-	747		747
Kaikohe Cemetery	13,040	13,040	-	-		-
Halls Eastern	-	747	-	(747)	13,623	12,876
Ahipara Housing for the Elderly	7,291	-	-	7,291		7,291
Waima Housing for the Elderly	9,964	6,416	-	3,548		3,548
Awanui Housing for the Elderly	45,493	-	-	45,493	27,429	72,922
Kaikohe Housing for the Elderly	41,048	-	-	41,048	7,426	48,474
Kaitaia Oxford St Housing for the Elderly	54,841	-	-	54,841	64,841	119,682
Kawakawa Housing for the Elderly	21,370	11,908	-	9,462		9,462
Parks & Reserves Eastern	54,569	4,726	10,000	39,843	-	39,843
Parks & Reserves Northern	54,731	12,804	10,000	31,927		31,927
Parks & Reserves Western	21,358	5,589	-	15,769	3,140	18,909
Kaitaia Carpark	3,280	3,280	-	-		-
Opononi Housing for the Elderly	28,422	-	-	28,422		28,422
Rawene Housing for the Elderly	10,062	-	-	10,062	12,855	22,917
Horeke Housing for the Elderly	14,448	11,891	-	2,557		2,557
Kohukohu Housing for the Elderly	46,020	16,454	-	29,566		29,566
Amenity Lighting Eastern	98,152	24,500	72,745	907		907
Amenity Lighting Northern	62,870	17,600	38,103	7,167		7,167
Amenity Lighting Western	42,127	-	41,241	886		886
Kerikeri Cemetery	18,153	18,153	-	-		-
Kerikeri Housing for the Elderly	6,938	-	-	6,938		6,938
Lindvart Park Pavillion	100,000	100,000	-	-		-
Maromaku Hall	82,546	-	16,212	66,334		66,334
Mangonui Parks and Reserves	12,789	8,890	-	3,899	-	3,899
Kaitaia Airport Runway Marking	149,729	145,229	-	4,500		4,500
Rawene Cemetery	15,087	15,087	-	-		-
Opononi Maritime	29,800	29,800	-	-		-
Russell Maritime	439,022	11,044	-	427,978		427,978

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Taipa Maritime	23,400	-	23,400	-		-
Whangaroa Maritime	1,000	1,000	-	-		-
Horeke Maritime	3,192	-	3,192	-		-
Kohukohu Maritime	34,900	-	34,900	-		-
Omapere Maritime	49,162	49,162	-	-		-
Russell Cemetery	20,972	-	-	20,972	2,000	22,972
Herekino Hall Renewals	-	-	-	-	21,500	21,500
Kaeo Hall Renewals	6,836	-	-	6,836		6,836
Totara North Hall	7,562	-	-	7,562		7,562
Kohukohu Hall	-	-	-	-	146,460	146,460
Oruru Hall	-	-	-	-	99,724	99,724
Horeke Hall	150,000	-	-	150,000	16,008	166,008
Hundertwasser Park Extension	162,473	-	-	162,473		162,473
Accessible Carparks Eastern	10,363	-	-	10,363		10,363
Accessible Carparks Northern	10,363	-	-	10,363		10,363
Accessible Carparks Western	10,363	-	-	10,363		10,363
Kaeo Cemetery	1,710	1,710	-	-		-
Disability Access Halls Eastern	52,000	-	42,000	10,000		10,000
Disability Access Halls Northern	52,000	-	6,000	46,000		46,000
Disability Access Halls Western	52,389	-	28,000	24,389		24,389
Disabled access Toilets Eastern	20,716	-	10,000	10,716		10,716
Disabled access Toilets Western	10,230	-	-	10,230		10,230
Te Hiku Hub Sports Fields	909,210	-	-	909,210		909,210
Kaitaia Parks & Reserves	27,715	-	21,500	6,215		6,215
Kaikohe Parks & Reserves	-	-	-	-	12,964	12,964
Okaihau Parks & Reserves	28,556	-	-	28,556		28,556
Moerewa Parks & Reserves	309,367	-	269,331	40,036		40,036
Paihia Parks & Reserves	23,661	23,583	-	78		78
Rawene Old Courthouse	23,330	12,000	-	11,330		11,330
Kaitaia Puckey Ave Housing for the Elderly	34,026	-	-	34,026	49,479	83,505
Eastern Bin Benches Bollards Signs Tables	100,000	50,000	-	50,000		50,000
Northern Bin Benches Bollards Signs Tables	70,000	-	-	70,000		70,000
Western Bin Benches Bollards Signs Tables	40,000	8,705	-	31,295	2,180	33,475
Towai Maromaku Domain	371,370	352,707	-	18,663		18,663
Kerikeri Skate Park	42,400	3,725	-	38,675		38,675
Disabled access Toilets Northern	33,900	-	-	33,900		33,900
Cherry Park House	11,018	2,518	-	8,500		8,500
Kaikohe Lions Club	95,091	-	-	95,091	48,020	143,111
Kohukohu Library	46,898	19,825	-	27,073	-	27,073

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Kaimaumau Public Toilet	92,756	-	50,000	42,756		42,756
Ohaeawai Public Toilet refurbishment	85,935	-	-	85,935	84,000	169,935
Omapere Freese Park Public Toilet	58,951	58,951	-	-		-
Windsor Landing Carpark and Access Road	595,963	595,963	-	-		-
Marlin Wharf Maritime	115,846	-	115,846	-		-
Clansman Wharf Maritime	77,800	77,800	-	-		-
Mangonui Boardwalk Safety Rail	153,450	-	-	153,450	8,727	162,177
Kerikeri Domain Playground	79,500	79,500	-	-		-
Kerikeri Rugby Pavilion	300,000	249,000	-	51,000		51,000
Opononi i-Site Public Toilet (TIF)	133,000	133,000	-	-	-	-
Mitimiti Toilet (TIF)	131,000	131,000	-	-	-	-
Waitangi Boat Ramp Toilets (TIF)	130,000	130,000	-	-	-	-
Ahipara Parks & Reserves	107,866	-	-	107,866	9,308	117,174
Broadwood Swingbridge	100,000	94,445	-	5,555		5,555
Recreational Walking Tracks	100,000	100,000	-	-		-
Kerikeri Parks & Reserves	93,367	-	91,380	1,987		1,987
Tii Beach Seawall - Paihia	134,611	133,801	-	810		810
Araiawa Domain Sports Hub & Fields	135,089	127,016	-	8,073		8,073
Kororipo Basin (Pear Tree)	-	-	-	-	14,043	14,043
Ramp Road Public Toilet	-	-	-	-	200,000	200,000
Mobile Toilets (Temporary Facilities)	-	-	-	-	147,000	147,000
Rawene Hall	-	-	-	-	17,080	17,080
Paihia Maritime	-	-	-	-	12,000	12,000
Hundertwasser Memorial Park Carpark	-	162,473	-	(162,473)	-	(162,473)
Kaikohe Hub - moved from Governance	-	-	-	-	1,000,000	1,000,000
	7,214,857	3,238,233	860,360	3,116,264	2,039,975	5,156,238
Environmental Management						
Matting Animal Control	2,573	-	-	2,573		2,573
Sound Monitoring Equipment	11,236	-	-	11,236		11,236
Dog Pound Northern	286,535	-	257,397	29,138	-	29,138
Dog Pound Southern	678,263	510,000	28,346	139,917	-	139,917
Kerikeri Level Two	1,978	895	-	1,083		1,083
	980,585	510,895	285,743	183,947	-	183,947
Roading & Footpaths						
4312 - Emergency Works	775,152	-	-	775,152	2,359,227	3,134,379
4313 - Ferries	360,000	-	-	360,000		360,000
4315 - Roads	256,401	-	-	256,401		256,401
4318 - Roading Network	14,828,628	1,715,000	-	13,113,628		13,113,628

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
4319 - Roading Minor Safety	6,683,333	-	170,000	6,513,333		6,513,333
4321 - Cycleway Network	270,353	-	-	270,353	400,000	670,353
Footpaths Districtwide - NZTA subsidy on \$450k	-	-	-	-	243,000	243,000
Mangonui Beach Rd Footpath	100,000	-	-	100,000		100,000
Pukenui Footpaths	17,689	17,689	-	-		-
State Highway 12 Opononi	90,550	-	-	90,550		90,550
Footpaths Eastern Ward	355,000	-	-	355,000		355,000
Footpaths Northern Ward	300,000	-	-	300,000		300,000
Footpaths Western Ward	245,000	-	-	245,000		245,000
State Hwy 11 Haruru Falls Footpath	27,076	-	-	27,076		27,076
	24,309,182	1,732,689	170,000	22,406,493	3,002,227	25,408,720
Waste Water						
Pump Stations Hihi	22,546	7,160	-	15,386		15,386
Wastewater Telemetry	240,555	24,555	-	216,000		216,000
East Coast WWTP Resource Consent	10,000	-	10,000	-		-
District Wide Wastewater Specified Renewals	24,448	24,448	-	-		-
Kohukohu PS	9,000	9,000	-	-		-
Opononi Resource Consent	86,000	-	86,000	-		-
Kawakawa Infiltration & Inflow	100,000	100,000	-	-		-
Wastewater New Minor Capital Works	450,000	-	-	450,000		450,000
Ahipara WWTP	5,000	-	-	5,000		5,000
Russell Wastewater Treatment Plant	6,000	-	-	6,000		6,000
Kerikeri WWTP Consent	18,123	-	-	18,123		18,123
Kaeo Specified Works	32,932	32,932	-	-		-
Kaitaia Specified Works	62,304	62,304	-	-		-
Kawakawa Specified Works	2,506	2,506	-	-		-
Kohukohu Specified Works	11,099	11,099	-	-		-
Kerikeri Wastewater Infrastructre	14,826,160	-	8,925,500	5,900,660		5,900,660
Paihia TP Improvements	2,943,024	-	456,087	2,486,937		2,486,937
Paihia TP Power Supply	387,470	387,470	-	-		-
East Coast Inlet Screen	57,583	-	-	57,583		57,583
Kaitaia Reduction of Wastewater Overflows Option	100,000	100,000	-	-		-
Kaitaia WWTP Inlet Screen	59,792	-	-	59,792		59,792
Kaitaia PS	123,000	123,000	-	-		-
Rangiputa WWTP	5,000	-	-	5,000		5,000
Russell PS	9,000	9,000	-	-		-
Kaikohe PS3 Tawa Street	73,045	-	-	73,045		73,045
Kaitaia PS13 Rugby Park	53,198	-	-	53,198		53,198
Kerikeri PS6	5,864	5,864	-	-		-

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Opononi PS6	3,960	3,321	-	639		639
Paihia PS8	40,000	-	-	40,000		40,000
Rawene PS2 Rugby Club	50,000	-	-	50,000		50,000
Russell PS1	53,000	-	-	53,000		53,000
Russell WWTP Inlet Screen	163,545	-	-	163,545		163,545
Russell WWTP Wetland Buffer Storage	69,545	-	-	69,545		69,545
Russell WWTP Decanters	127,037	-	-	127,037		127,037
District Wide Sludge Management	750,000	-	-	750,000	(458,556)	291,444
East Coast Pond 3 Waveband	100,000	100,000	-	-		-
Russell WWTP Backwash Operation	133,136	-	-	133,136		133,136
District Wide Treatment Plant Instrumentation Upgrade	12,600	12,600	-	-		-
East Coast PS Bush Point Rd	30,000	30,000	-	-		-
East Coast PS Leslie Rd	30,000	30,000	-	-		-
East Coast Reticulation Walters Way	100,000	100,000	-	-		-
East Coast Wastewater Pipe Taipa River	90,000	-	-	90,000		90,000
Hihi WWTP Construction	500,000	500,000	-	-		-
Kaikohe Pump Station 9 Upgrade	63,000	-	-	63,000		63,000
Kaitaia WWTP Discharge Flow Meter	15,000	-	-	15,000		15,000
Kawakawa Commercial Street Pipebridge	30,000	-	-	30,000		30,000
Kawakawa WWTP RMU	8,000	8,000	-	-		-
Opononi WWTP Aerators	50,000	-	-	50,000		50,000
Rawene Grundy Street Reticulation	75,000	75,000	-	-		-
Rawene Reticulate Unserved Properties	100,000	75,000	-	25,000		25,000
Russell WWTP Effluent Tanks	60,000	-	-	60,000		60,000
Kawakawa Hundertwasser Memorial Park Pipeline Realignment	-	-	-	-	20,007	20,007
	22,377,472	1,833,259	9,477,587	11,066,626	(438,549)	10,628,077
Stormwater						
Taipa Stormwater	400,000		-	400,000		400,000
Floodgates	94,823		48,230	46,593		46,593
Inlets	3,850		-	3,850		3,850
Stormwater Minor Capital Works	640,611		-	640,611	7,185	647,796
Outlets	2,000		-	2,000		2,000
Renewals Kaitaia	-		-	-	2,000	2,000
Opononi/Omapere Stormwater Imps	-		-	-	42,679	42,679
Kaitaia Commerce Street Stormwater Line	133,118		133,118	-		-
Ahipara Tasman Heights Stormwater Line	83,946		-	83,946		83,946
Stormwater Imps Moerewa	81,840		-	81,840		81,840
LiDAR Renewal	50,722		-	50,722		50,722
Ahipara Kaka Street Stormwater Lines	160,000		-	160,000		160,000

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Moerewa Plunket Street Stormwater Improvements	50,000		-	50,000		50,000
Coopers Beach Lori Lane Pipeline Installation	-		-	-	72,620	72,620
Kerikeri Reinga Rd Pipeline & Outlet	-		-	-	40,244	40,244
Kawakawa Hundertwasser Memorial Park SW Realignment	-		-	-	46,725	46,725
3 Redan Terrace Kaitia Stormwater Diversion			(16,384)	16,384	-	16,384
	1,700,910	-	164,964	1,535,946	211,454	1,747,400
Solid Waste Management						
Ahipara Landfill	223,933.00	-	-	223,933		223,933
Russell Landfill Renewals	16,531.00	15,300	-	1,231		1,231
Kaitia Transfer Station	0.00	-	118,247	(118,247)		(118,247)
Kohukohu Transfer Station Renewals	13,482.00	13,482	-	-		-
Punguru Transfer Station	18,935.00	18,935	-	-		-
Taipa Transfer Station Renewals	19,262.00	16,750	-	2,512		2,512
Ahipara Transfer Station	2,498.00	1,298	-	1,200		1,200
Awanui Transfer Station Renewals	9,471.00	8,800	-	671		671
Herekino Transfer Station Renewals	884.00	600	-	284		284
Kaitia Transfer Station Scrap Shed	41,986.00	-	-	41,986		41,986
Eastern Transfer Station Upgrades	25,000.00	-	-	25,000		25,000
Northern Transfer Station Renewals	25,000.00	-	-	25,000		25,000
Western Transfer Station Upgrades	25,000.00	-	-	25,000		25,000
Kaitia Weighbridge Relocation	30,000.00	-	-	30,000		30,000
	451,982	75,165	118,247	258,570	-	258,570
Water Supply						
Opononi New Water Source	50,000	-	-	50,000		50,000
Water Telemetry	113,225	113,225	-	-		-
District Wide Scheduled Water Renewals	19,999	19,999	-	-		-
Okaihau Supplementary Source	95,000	95,000	-	-		-
Rawene/Omanaia Water Supply Scheme	2,886,494	-	292,000	2,594,494		2,594,494
Water New Minor Upgrades	300,000	-	-	300,000		300,000
Kawakawa Resource Consent	55,302	55,302	-	-		-
Kaikohe Taraira Dam	11,000	11,000	-	-		-
Opononi Raw Water Main Replacement	24,566	-	-	24,566		24,566
Kaikohe Water Meter Renewal	76,394	-	-	76,394		76,394
Kaitia Water Meter Renewal	60,000	-	-	60,000		60,000
Kawakawa Water Meter Renewal	50,000	-	-	50,000		50,000
Kerikeri Water Meter Renewal	60,000	-	-	60,000		60,000
Opononi Water Meter Renewal	20,000	-	-	20,000		20,000
Paihia Water Meter Renewal	60,000	-	-	60,000		60,000
Rawene Water Meter Renewal	17,000	-	-	17,000		17,000

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Kaitaia Te Marie Ave	40,000	40,000	-	-		-
Opononi Mains Replacement	96,000	-	-	96,000		96,000
Kaikohe Scheduled Renewals	99,821	-	-	99,821		99,821
Kaitaia Scheduled Works	78,624	78,624	-	-		-
Kawakawa Scheduled Works	97,360	33,874	-	63,486		63,486
Kerikeri Scheduled Works	13,371	13,371	-	-		-
Okaihau Specified Works	35,503	35,503	-	-		-
Rawene Scheduled Renewals	12,631	12,631	-	-		-
Russell Scheduled Renewals	1,809	1,809	-	-		-
Mains replacement Kaitaia	75,000	-	-	75,000		75,000
Structural works Kawakawa WTP	278,973	(33,874)	-	312,847	38,967	351,814
Mains replacement Kawakawa	77,128	-	-	77,128		77,128
Mains replacement Kerikeri	150,678	-	-	150,678		150,678
Mains replacement Paihia	135,500	53,000	-	82,500		82,500
Mains replacement Rawene	86,000	16,000	-	70,000		70,000
District Wide Reservoirs Structural Works	142,600	-	140,754	1,846		1,846
Kaikohe Main Replacements	108,081	32,000	-	76,081		76,081
Kerikeri WTP Structural Work on Clarifier	156,000	156,000	-	-		-
Ngawha Reservoir	15,000	15,000	-	-		-
Kawakawa Tirohanga Borefield	66,000	-	-	66,000		66,000
Opononi WTP Clarifier Pre-Membranes	100,000	100,000	-	-		-
Paihia Sullivan's Rd PS Overhaul	50,000	-	-	50,000		50,000
Russell Bores Control System Upgrade	13,145	-	-	13,145		13,145
Kaitaia WTP Sludge Disposal Improvements	20,000	-	-	20,000		20,000
Kerikeri Improved Storage Resilience	20,000	-	-	20,000		20,000
Kauri Creek Dam Monitoring Bores	23,880	-	-	23,880		23,880
Districtwide Chlorinator Replacements	39,000	-	-	39,000		39,000
Kaikohe Taraire Hills Reservoir	15,000	15,000	-	-		-
Kaitaia Awanui Intake Improvements	130,000	-	-	130,000		130,000
Kaitaia Water Main Pukepoto Bridge	35,000	-	-	35,000		35,000
Kawakawa TP Clarifier Handrails	75,000	-	-	75,000		75,000
Kerikeri Mawson Ave Reticulation	500,000	150,000	-	350,000		350,000
Kerikeri Reservoir	50,000	50,000	-	-		-
Kerikeri Stream Intake Access	20,000	-	-	20,000		20,000
Paihia Haruru Falls Main Trunk Line	140,000	140,000	-	-		-
Paihia Mains Fire Flows Puketona Haruru Falls	40,000	-	-	40,000		40,000
Rawene Mains Slip Damage	45,000	45,000	-	-		-
Puketotara Stream Access Track				-	54,212	54,212
Kerikeri Water Take Consent				-	47,098	47,098

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
Russell Water Take Consent				-	12,120	12,120
Water Main Greenacres Drive Kawakawa				-	36,613	36,613
Rawene/Omanaia Water Treatment Plant Power Supply				-	48,958	48,958
	6,981,084	1,248,464	432,754	5,299,866	237,968	5,537,834
Governance & Strategic Administration						
Kaikohe Office Carpark upgrade	44,000.00		44,000.00	0.00		0.00
Building Services	1,927.00	1,927.00		0.00		0.00
Proctor Library HVAC	20,627.00			20,627.00		20,627.00
Kaikohe HQ extension	214,100.00			214,100.00		214,100.00
Kaikohe Training Yard	97,836.00	97,836.00		0.00		0.00
Heat Pumps	0.00			0.00	7,740.00	7,740.00
Community Hub Kaikohe - refer District Facilities	1,000,000.00			1,000,000.00	(1,000,000)	0.00
Fire Protection Pioneer House	0.00			0.00	20,939.00	20,939.00
Office Equipment	178,500.00			178,500.00		178,500.00
Pool Vehicles	207,975.00			207,975.00		207,975.00
Upgrade of Computer Systems	342,212.00	38,499.00	131,000.00	172,713.00		172,713.00
Computer Equipment	240,817.00	130,817.00	28,500.00	81,500.00		81,500.00
Interplan System	78,239.00	78,239.00		0.00		0.00
Video Conferencing	82,451.00	24,723.00		57,728.00		57,728.00
Electronic Property Files Project	74,115.00	74,115.00		0.00		0.00
GIS Upgrade	90,041.00		70,041.00	20,000.00		20,000.00
Desktop Environment	20,936.00	20,936.00		0.00		0.00
Telephone Infrastructure Renewals	57,706.00	37,706.00	20,000.00	0.00		0.00
IT Servers & Storage	853,114.00		511,679.00	341,435.00		341,435.00
IT Comms Equipment renewals	6,006.00	6,006.00		0.00		0.00
Chambers Audio Video Equipment Upgrade	18,834.00			18,834.00		18,834.00
Data warehousing & reporting	100,000.00		100,000.00	0.00		0.00
Peripheral Computer Equipment	149,418.00	23,000.00	120,900.00	5,518.00		5,518.00
Desktop Computer Equipment	452,039.00		174,812.00	277,227.00	2,255.00	279,482.00
Contact Centre System	31,000.00			31,000.00		31,000.00
Tablets	72,600.00		12,121.00	60,479.00		60,479.00
Digitisation IT Hardware	62,000.00		62,000.00	0.00		0.00
HR Finance 1 Module	248,055.00	248,055.00		0.00		0.00
Enterprise Budgeting Development	38,000.00			38,000.00		38,000.00
IT Financial Asset Management System New Works	878,000.00	428,000.00	355,000.00	95,000.00	40,000.00	135,000.00
ICT - Activity Based Working	50,000.00	50,000.00		0.00		0.00
ICT Security Enhancements	36,000.00	36,000.00		0.00		0.00
ICT Support for Alliance	100,000.00		97,400.00	2,600.00		2,600.00
IT Online Services Stage 1	138,533.00		48,320.00	90,213.00		90,213.00

	Original 2018/2019 Capital Programme	Reforecast Workshop 24.01.19	Carry Forwards Proposed	After Movements	Unbudgeted Expenditure	Current Annual Forecast
IT Online Services Stage 2	121,235.00		31,022.00	90,213.00		90,213.00
Assetfinda Hardware & Software DW	80,000.00	40,000.00		40,000.00	(40,000)	0.00
Temporary Safety Fencing	0.00			0.00	2,702.00	2,702.00
	6,186,316.00	1,335,859.00	1,806,795.00	3,043,662.00	(966,364)	2,077,298.00
Customer Services						
Library Stocks	11,000	-	0.00	11,000.00		11,000
Libraries Archives Project	213	-	0.00	213.00		213
Hokianga I Site Building	1,328	-	0.00	1,328.00		1,328
Information Centres	19,793	-	0.00	19,793.00		19,793
Library Stocks - Adult Fiction	97,825	-	0.00	97,825.00		97,825
Library Stocks - Adult Non Fiction	77,798	-	0.00	77,798.00		77,798
Library Stocks - Child/Young Adult	46,627	-	0.00	46,627.00		46,627
Library Stocks - Large Print	13,640	-	0.00	13,640.00		13,640
Library Stocks - Talking Books	8,800	-	0.00	8,800.00		8,800
Library Stocks - Archive Collection	1,664	-	0.00	1,664.00		1,664
Library Stocks - Adult DVDs	3,520	-	0.00	3,520.00		3,520
Libraries eBooks	44,495	-	0.00	44,495.00		44,495
Library Other Renewals	6,212	-	0.00	6,212.00		6,212
Horizon Library System Upgrade	137,863	-	0.00	137,863.00		137,863
Paihia I-Site Refurbishment	9,266	-	0.00	9,266.00		9,266
Kaikohe Library	77,914	-	0.00	77,914.00		77,914
Kawakawa Library Renewals	553	-	0.00	553.00		553
Kerikeri Library Renewals	30,047	29,176	0.00	871.00		871
Opononi I Site building	6,000	-	0.00	6,000.00		6,000
Rawene Service Centre	132,680	-	82,467.00	50,213.00	534	50,747
Kaitaia Civic Building	-	-	0.00	0.00	48,941	48,941
Library renewals - Rejuvenation Project	11,000	-	0.00	11,000.00		11,000
Library E-Resources	16,000	-	0.00	16,000.00		16,000
Library Technology Renewals	9,345	-	0.00	9,345.00		9,345
Tsunami Warning System	22,610	-	0.00	22,610.00		22,610
Civil Defence Renewals	18,443	-	0.00	18,443.00		18,443
	804,636	29,176	82,467	692,993	49,475	742,468
	71,007,024	10,003,740	13,398,917	47,604,366	4,136,186	51,740,551

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

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

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Confirmation of Previous Minutes (Public Excluded)	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.2 - Abandoned Land Legal Proceedings	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.3 - FNDC Current Legal Action and Potential Liability Claims	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.4 - Internal Audit and Assurance Report	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would

	activities s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	exist under section 6 or section 7

7 MEETING CLOSE