



F13/13 – D21/6841

11 March 2021

AUDIT & RISK COMMITTEE MEETING

Notice is hereby given that the **Audit & Risk Committee Meeting of Council** will be held in the **Council Chambers, Stratford District Council, Miranda Street, Stratford** on **Tuesday 16 March 2021 at 2pm.**

Timetable for 16 March 2021 is as follows:

1.45pm	Afternoon tea for Councillors
2pm	Audit & Risk Committee meeting

Yours faithfully



Sven Hanne
CHIEF EXECUTIVE

2021 - Agenda - Audit & Risk - March (16/03/2021)

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AUDIT & RISK COMMITTEE MEETING
TUESDAY 16 MARCH 2021 AT 2.00 PM

A G E N D A

1. **WELCOME**
2. **APOLOGIES**
3. **ANNOUNCEMENTS**
4. **DECLARATION OF MEMBERS INTEREST**
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.
5. **ATTENDANCE SCHEDULE**
Attendance schedule for 2021 Audit and Risk Committee meetings.
6. **PROGRAMME OF WORKS**
D21/6382 (Page 8)

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

/_____
Moved/Seconded

7. **CONFIRMATION OF MINUTES**
 - 7.1 **Audit and Risk Committee Meeting Minutes – 1 December 2020**
D20/35439 (Pages 9-15)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 1 December 2020 be confirmed, with any amendments, as a true and accurate record.

/_____
Moved/Seconded

8. **MATTERS OUTSTANDING**
D18/27474 (Page 16)

RECOMMENDATION

THAT the matters outstanding be received.

/_____
Moved/Seconded

9. INFORMATION REPORT – HEALTH AND SAFETY REPORT

D21/6775

(Pages 17-20)

RECOMMENDATION

THAT the report be received.

/_____
Moved/Seconded

10. INFORMATION REPORT – CYBER RISK PREVENTION UPDATE

D21/7313

(Pages 21-27)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

The report provides the Audit and Risk Committee with information on how cyber risk is currently being managed and outlines further work that can be done to reduce cyber risk.

/_____
Moved/Seconded

11. INFORMATION REPORT – RISK REVIEW

D21/7044

(Pages 28-50)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

/_____
Moved/Seconded

12. **INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT**

D21/7303

(Pages 51-56)

RECOMMENDATION

THAT the report be received.

Moved/Seconded

13. **INFORMATION REPORT – WATER SUPPLY – HEAVY METALS MONITORING**

D21/6867

(Pages 57-62)

RECOMMENDATION

THAT the report be received.

Recommended Reason

The Audit and Risk Committee has a responsibility to monitor Council's management of risk, of which Council's practice of heavy metals monitoring in drinking water supplies is one.

Moved/Seconded

14. **INFORMATION REPORT – LONG TERM PLAN – ASSUMPTIONS & RISKS**

D21/6973

(Pages 63-86)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Audit and Risk Committee considers the assumptions made in preparation of the Long Term Plan 2021-31, and whether the risks that may result from making these assumptions are being managed adequately.

Recommended Reason

The Committee has a responsibility to monitor Council's risk management processes.

Moved/Seconded

15. **INFORMATION REPORT – BUILDING CONSENT AUTHORITY ACCREDITATION REPORT**

D21/6864

(Pages 87-90)

RECOMMENDATION

THAT the report be received.

Recommended Reason

As an accredited Building Consent Authority the Stratford District Council must ensure its procedures and practices for building consent matters meet legal requirements.

Moved/Seconded

16. **INFORMATION REPORT – ANNUAL REPORT 2019/20 – PROGRESS ON AUDIT ISSUES**

D21/6662

(Pages 91-95)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Audit and Risk Committee of the issues identified in the final Audit New Zealand Management Report for the 2019/20 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Moved/Seconded

17. **AUDIT NZ CORRESPONDENCE**

- [Audit NZ – Audit Engagement Letter \(Pages 96-113\)](#)
- [Audit NZ – Report to Council on the Audit of Stratford District Council For the Year Ended 30 June 2020 \(Pages 114-143\)](#)

18. **GENERAL BUSINESS**

19. **QUESTIONS**



Health and Safety Message

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Please exit through main entrance.

Once you reach the footpath outside please turn left and walk towards the Bell tower congregating on lawn outside the Council Building.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Stay indoors till the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

Attendance schedule for 2021 Audit and Risk Committee meetings.

<u>Date</u>	<u>19/03/2021</u>	<u>18/05/2021</u>	<u>20/07/2021</u>	<u>21/09/2021</u>	<u>16/11/2021</u>	<u>Attendance</u>	<u>Percentage</u>
Meeting	A	A	A	A	A		
Neil Volzke							
Grant Boyde							
Rick Coplestone							
Peter Dalziel							
Jono Erwood							
Amanda Harris							
Alan Jamieson							
Vaughan Jones							
Min McKay							
John Sandford							
Gloria Webby							
Philip Jones (Chair)							

<u>Key</u>	
A	Audit & Risk Meeting
	Non committee member
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sickness
(AV)	Meeting held by Audio Visual Link

Audit and Risk Committee - Programme of Works

	Mar-21	May-21	Jul-21	Sep-21	Nov-21	Mar-22	May-22	Jul-22	Sep-22	Nov-22	Mar-23	
Standing Items	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters Outstanding	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised
Annual Items	-Cyber Risk prevention update -Committee Self-Review	-Civil Defence Readiness -Approve Internal Audit Plan	- Review of Insurances (include summary of risk modelling report)	-Annual Report update -Internal Audit Report (outcomes)	-Committee Self-Review	-Cyber Risk prevention update	-Civil Defence Readiness	- Review of Insurances	-Annual Report update	-Committee Self-Review	-Cyber Risk prevention update	
One-Off Items	-Payroll Tax Audit Report (Independent)* - Long Term Plan - Risks and Assumptions, with infrastructure focus - IANZ Audit, building control accreditation -Water Contamination Risk (deep dive)	- Treasury Policy review**	-Review Risk Management Policy, Risk Appetite Statement, and Risk Management Framework		-Tax audit report							

*This item has been removed from the agenda and will no longer be going ahead due to net cost vs risk mitigation (benefit) - as advised by PWC. Council will engage a wider tax audit, focusing on GST, PAYE and FBT to be completed by October 2021.

**The policy will be removed from agenda as it has already been reviewed by Council and amendments adopted in February 2021. It was adopted with the provision that delegations within the policy be transferred to Council's Delegations Policy and then removed from the Treasury Policy.

MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 1 DECEMBER 2020 AT 3PM

7.1

PRESENT

P Jones (the Chair) [by audio visual link], the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors J M S Erwood and M McKay.

IN ATTENDANCE

The Chief Executive – Mr S Hanne, the Director Community Services – Ms K Whareaitu, the Director Corporate Services – Mrs T Radich, the Director Environmental Services – Mr B Sutherland, the Director Assets – Mrs V Araba, Councillors G W Boyde, G M Webby, W J Sandford and A K Harris, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall, the Information Management Specialist – Ms Anna Officer and one member of the media (the Daily News).

1. WELCOME

The Chair welcomed the District Mayor, Councillors and staff to the meeting.

2. APOLOGIES

An apology was noted from Councillor P S Dalziel.

RECOMMENDATION

THAT an apology be received from Councillor Dalziel.

JAMIESON/McKAY
Carried
A&R/20/45

3. ANNOUNCEMENTS

No announcements were made.

4. DECLARATION OF MEMBERS INTEREST

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

5. **ATTENDANCE SCHEDULE**

The attendance schedule for Audit and Risk Committee meetings was attached.

6. **PROGRAMME OF WORKS**

D20/33069 Page 7

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

ERWOOD/McKAY
Carried
A&R/20/46

The Director – Corporate Services noted that the updated programme of works provides for more visibility in the coming years of what the Committee will be focusing on. The LTP – Infrastructure Delivery is currently under preparation and will be brought to the next council workshop. The committee self-review will be informally discussed at the next Audit and Risk committee, at the Chair's suggestion.

Questions/Points of clarification:

- It was clarified that Council had not yet received Audit NZ's letter of engagement for the LTP and that this would be circulated via email amongst committee members when it is received.

7. **CONFIRMATION OF MINUTES**

7.1 **Audit and Risk Committee Meeting Minutes – 6 October 2020**

D20/28222 Pages 8-18

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 6 October 2020 be confirmed, with any amendments, as a true and accurate record.

JAMIESON/ERWOOD
Carried
A&R/20/47

7.1

8. **MATTERS OUTSTANDING**

D18/27474 Page 19

RECOMMENDATION

THAT the matters outstanding be received.

JONES/McKAY
Carried
A&R/20/48

7.1

9. **INFORMATION REPORT – HEALTH AND SAFETY REPORT**

D20/32914 Pages 20-23

RECOMMENDATION

THAT this report be received.

McKAY/JAMIESON
Carried
A&R/20/49

The Health & Safety and Emergency Management Advisor noted that the long year had taken its toll on staff and was notable in council officer's demeanour.

Questions/Points of clarification:

- It was noted that near miss reporting at the Council farm was not reported to this forum. Councillor Boyde undertook to pass this data on to Mr Bestall following the bi-monthly Farm & Aerodrome Committee meetings.
- The Chief Executive noted, in response to a question from the Chair, that staff took a break during Council's mandatory shutdown period between Christmas and New Year (with the exception of a skeleton crew providing essential services). Mr Hanne was not convinced that this is sufficient time enough for key staff to recover however, there were a number of external pressures following reviews or funding streams. While external consultants were considered, Mr Hanne's view was that they would not assist to mitigate the workload. The Chair noted that knowledge was held reasonably closely in small councils and this was part of the challenge (of staff management).

10. **INFORMATION REPORT – RISK REVIEW**

D20/33057

Pages 24-28

RECOMMENDATION

THAT the report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

VOLZKE/McKAY
Carried
A&R/20/50

7.1

The Director – Corporate Services noted the following:

- With regards to the Top 10 Risks, it was discussed at the last meeting whether Council had any top 10 risks with an equal residual risk score and raw risk score. Risk 73 (water supply network is contaminated) fits into this category as the risk mitigation (back flow prevention device installation) is not yet complete. The risk remains as a raw risk in the meantime.
- There have been a few occurrences which fit within the Top 10 Risks – the contractor truck near miss, Covid, elected members decision making and the liquor bylaw lapse.

Questions/Points of clarification:

- Mayor Volzke, in referring to page 26, risk 72 (elected members decision making) asked whether there was an intention to note the loan to the Stratford A&P Association as a separate risk. Mrs Radich clarified that the A&P Association’s ability to service the loan would be added as a separate risk, to the risk register. Councillor Erwood supported this suggestion as did the Chair. Mrs Radich added that she would bring a risk analysis back before this committee in March and this was added to matters outstanding.
- The Chair, commenting on workload and stress, asked whether in the current environment, the residual risk is too low. Mr Hanne clarified that a risk assessment would be completed. This matter has been added to the matters outstanding.
- Mayor Volzke, in referring to page 27, risk 78 (liquor bylaw lapse) asked whether a need to review the bylaw had been established. The Director – Environmental Services clarified that this assessment was currently underway and he expected that need could be demonstrated as had previously been done.

11. INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT

D20/33009

Pages 47-53

RECOMMENDATION

THAT the report be received and the Audit and Risk Committee acknowledge that the Council is operating outside of the Treasury Management Policy with regards to investments.

JONES/JAMIESON
Carried
A&R/20/51

The Director – Corporate Services noted the following points:

- Seven per cent of the capital expenditure budget has been spent to date. It is unlikely to reach 100% as the swimming pool, for example, is a two year project.
- In terms of investment, the Council is operating outside of its Treasury Management Policy by investing \$7 million with one bank (currently providing the highest consistent interest rates).

Questions/Points of clarification:

- The Chair considered that this committee should note that Council is operating outside of its Treasury Management Policy and a change to the wording of the drafted recommendation was suggested. There was no further discussion on the resolution.

12. INFORMATION REPORT – PRIVACY ACT CHANGES

D20/31415

Pages 54-57

RECOMMENDATION

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of how Council has prepared for the upcoming changes to the Privacy Act. These come into effect on 1 December 2020.

ERWOOD/VOLZKE
Carried
A&R/20/52

The Information Management Specialist noted the following points:

- Of the notable changes to the Act, it is the new rules around breach notifications which will affect us the most. It is now compulsory for us to alert the Privacy Commissioner and affected parties of any breach that we will or may cause serious harm. To that end, policy updates, guidelines and training around privacy breaches have been developed for staff.

7.1

- The Association of Local Government Information Management (ALGIM) had requested Stratford District Council to sit on a Privacy Act 2020 Local Government Panel Discussion as one of the few councils in the country to have produced guidelines in time for the commencement of the new Act.

Questions/Points of clarification:

- It was clarified that a breach had only to be notified (to the person) after consideration to risk of reputation and breach severity, following a question from Councillor McKay. Mrs Officer confirmed that it was a business decision but legislation states that notification only needs to be made in a serious breach situation, possibly to avoid the risk of loss of reputation for non-serious breaches which do not cause harm. She gave the example of cancelled library membership forms being deleted from the library system but not council's content management system. In this situation, we are holding the information for longer than the purpose it was collected for, however it was considered that no benefit would be gained to notifying each affected party. Instead, the organisation has created a process going forward to ensure personal information is not held for longer than is required for the specific purpose for which it was collected.
- Councillor McKay sought clarification about who makes the assessment about whether a breach had occurred. Mrs Officer clarified that this decision was made by the Privacy Officer based on the guidelines produced by the Privacy Commissioner.
- The Chair asked for clarification around the process for managing the risk of reputational damage as a consequence of a serious privacy breach. The Chief Executive responded that the factual, open and honest approach on such matters is the ideal way of dealing with damage which is likely to cause very public harm to the council. This would include notifying elected members.

13. INFORMATION REPORT – IANZ AUDIT

D20/32892

Pages 70-73

RECOMMENDATION

THAT the report be received.

Recommended Reason

As an accredited Building Consent Authority the Stratford District Council must ensure its procedures and practices for building consent matters meet legal requirements.

McKAY/JAMIESON

Carried
A&R/20/53

The Director – Environmental Services noted the following points:

- The audit was completed during a very busy period for the team. Several areas for improvement have been identified however these non-compliances are general rather than serious. An action has been approved and half of the non-compliances have been finalised with the remainder in progress and the team is on track to achieve the 23 December deadline.

7.1

Questions/Points of clarification:

- The Chair sought clarification on the notified 11 January 2021 deadline, referred to on page 26. Mr Sutherland clarified that the initial plan was 11 January but this had been pushed back to 23 December by the council team and agreed to by IANZ.

14. GENERAL BUSINESS

No general business was discussed.

The meeting closed at 3.44pm.

P Jones
CHAIRMAN

Confirmed this 1st day of December 2020.

N Volzke
DISTRICT MAYOR

7.1

AUDIT & RISK COMMITTEE MATTERS OUTSTANDING INDEX

REF NO.	ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
	Tax Review – external tax auditor or reference group (to be investigated in 2021)	6 October 2020	Tiffany Radich	Will conduct regular tax reviews. To be investigated in 2021.	
	Backup testing (in the future)	6 October 2020	Tiffany Radich	IT Manager to respond with full Cyber Risk report.	March 2021
	Infrastructure Strategy – information report (next meeting)	6 October 2020	Victoria Araba	Report to be withdrawn.	December 2020
	Risk analysis – A&P Association’s ability to service loan	1 December 2020	Tiffany Radich		Refer to risk 85 in Risk Review Report, March 2021
	Risk assessment – workload and stress on staff (in current environment)	1 December 2020	Sven Hanne	To be completed.	

INFORMATION REPORT



TO: Audit and Risk Committee

FROM: Health and Safety/Emergency Management Advisor

DATE: 16 March 2021

SUBJECT: REPORT FOR THE AUDIT & RISK COMMITTEE

F19/13/04-D21/6775

RECOMMENDATION

THAT the report be received.

/
Moved/Seconded

This report presents a summary of the three monthly progress and any highlights for the main areas of activity within for the period to 28 February 2021.

1. **HIGHLIGHTS**

No major injuries to date with staff or contractors.

2. **EXECUTIVE SUMMARY**

2.1 This report provides an overview of Council's health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the three months ending 28 February 2021.

2.2 Results of data analysed since 1 December 2020 show that there have been a total of 21 events logged in Vault. This includes 15 pool events that are now being logged in Vault.

The change in this committee's meeting schedule has had an impact on this report. Moving forward these reports will be quarterly and be based on financial years.

Incidents (1 December 2020 – 28 February 2021)

	Period 1 December 2020	Year Ending 31 December 2020
Total Events	15	113

	Period 1 January – 28 February 2021	YTD (1 January – 31 December 2021)
Events	7	7
<i>Of which:</i>		
Injury	0	0
ACC Claims	0	0
Notifiable	0	0
Near Miss	1	1
Observations	1	1
Type of Incident		
Slips/Trips/Falls (no injury)	-	
Sprains/Strains	2	
Cuts/Abrasions/ Bleeding nose	1	
Bruising	1	
Near Miss	1	
Aggressive/Abusive Customer	1	
Vehicle Damage	-	
Insect Stings	-	
Other	1	
Level of Treatment		
No Treatment	6	
First Aid	1	
Medical Centre	-	
Hospital	-	
Level of Investigation		
No Investigation		
Formal Investigation	2	
WorkSafe Investigation		
Health and Wellbeing		
Workstation Assessments	2	
Employee Assistance Programme (EAP) Referrals	3	
Health Monitoring Assessments	-	
Health and Safety Committee Meeting	1	
Site Reviews	1	

2.3 Incidents

Numbers of incidents remain steady particularly from the TSB Pool Complex. Incidents range from slip/trip falls, bleeding noses and asthma attacks to dealing with public aggression, boys fighting and intellectual disability issues. We have seen a vast array of incidents from the pool since Vault reporting commenced. This shows that pool staff are required to have a range of skills and abilities to deal with such events as they present themselves.

2.4 Civil Defence

COVID-19 outbreaks continue to ensure that we are continually revisiting and reviewing our resurgence plans. Staff training in civil defence functions has been slower over the last quarter but this did of course include the holiday season. Numbers of trained staff members continues to fluctuate with staff resignations. It would be desirable to practice an activation-based scenario to ensure we have the capability and capacity to run all functions under the CIMS functions.

2.5 Contractors

With the onset of improved weather, all our contractors are keeping very busy which has ensured a strong and vigilant focus for the Advisor. A recent site audit of the bike park development gave an encouraging result ensuring that most contractors are in fact doing their best to ensure safety is paramount. Safety days have been held by two of our main contractors. The purpose of these days is to reiterate safety messages and ensure that staff are mentally prepared to return to work after the holiday season, to minimising risks such as fatigue, deadlines and stress.

Investigations

There were three formal investigations. The main investigation centred around a chlorine leak at the pool. This was due to a malfunctioning valve which remained open as a result of dust accumulation, releasing continuous chlorine gas. Dust had been allowed to accumulate as fine gauze inside the regulator was missing and overlooked during a cylinder change by a staff member. WorkSafe were notified of the incident but after subsequent discussion did not find it necessary to investigate further.

Corrective actions from the incident have resulted in ensuring that our standard operating procedures reflect that the gauze must be sighted before the regulator is attached; that there are sufficient “approved” handlers on site; and the purchase and installation of emergency shut off valves.

A second investigation involved the dog pound with the feeding of animals and cleaning of the site. Council learned that a non-inducted contractor’s staff was on site carrying out these tasks. The contractor was reminded of their obligations to their staff in this case.

The last formal investigation involved an aggressive action by a pool patron toward a staff member. This again reinforces the need to avoid staff working by themselves and shows that we are exposed to many external factors. The patron is yet to be trespassed.

2.6 Site Reviews

One review has been carried out and reported regarding the bike park (refer to paragraph 2.5).

2.7 Wellbeing Strategy

The Wellbeing Strategy continues to be discussed at Senior Leadership Team level and by the Health & Safety Committee. The survey that was completed at the beginning of the wellbeing journey will be resent to staff so that progress can be tracked. The questions have been only slightly altered ensuring that their meaning and relevance is retained from the previous questionnaire.



M Bestall
HEALTH AND SAFETY/ CIVIL DEFENCE ADVISOR



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

INFORMATION REPORT



STRATFORD
DISTRICT COUNCIL
F19/13/04 – D21/7313

TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 16 March 2021
SUBJECT: **CYBER RISK PREVENTION UPDATE**

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

The report provides the Audit and Risk Committee with information on how cyber risk is currently being managed and outlines further work that can be done to reduce cyber risk.

_____/_____
Moved/Seconded

1. **PURPOSE OF REPORT**

This report provides the Audit and Risk Committee with information on how cyber risk is being managed and outlines further work that can be done to reduce cyber risk.

2. **EXECUTIVE SUMMARY**

This report presents a summary of considerations and actions to reduce the risk of a potential cyber-attack and ensure the safety of Council's Information Technology systems. A cyber-attack is defined as an attempt by hackers to damage or destroy a computer network or system or unlawfully obtain organisational information using technology.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

Information Technology underpins Council’s ability to provide for the purposes of local government.

4. **BACKGROUND**

With an increasing reliance on information technology, and the development of more sophisticated hacking methods, Council staff are required to report to elected members on cyber risk management.

This report is a follow on from the December 2019 Audit and Risk Committee Cyber-Risk Information Report and is an opportunity for the Information Technology Manager to explain the further work being carried out to reduce the likelihood and severity of a cyber-attack.

5. **INFORMATION SUMMARY**

5.1 A number of initiatives planned for between January 2020 and December 2020 are complete or are still in progress.

These initiatives have helped identify what Council are doing well in regards to cyber risk and have identified areas that require a focus on improvement.

5.2 **Cyber Security Programme**

Council is a subscribed member of the Association of Local Government Information Management (ALGIM) Cyber Security Programme, Self-Assessment and Management (SAM) for compliance purposes.

This is a cloud-hosted service developed by standards and security specialists that is used to assess, manage, improve, report against external and internally defined standards within local government.

The self-assessment and recommendations have been worked through during last year and in November 2020, we were awarded fifth place in the ALGIM Cyber Security Awards for showing significant improvement in cybersecurity compliance over twelve months.

A regular fortnightly programme of work has been scheduled whereby our Information Technology staff meet, review and work towards further improvement within the SAM for compliance framework.

5.3 **Email phishing, communication and staff education**

Council employees continue to be targeted with email, web and phone scams and so from a cyber-risk perspective it is vital we keep everyone engaged in cyber security education and training.

In order to mitigate risk within this space we have deployed a number of solutions and initiatives. Working alongside our email filtering service provider SMX, we have deployed improved Whale Phishing filters to combat suspicious targeted emails. Whale Phishing is a specific email attack that targets high profile employees such as the Chief Executive, Directors and councillors.

We have also deployed an email Phish Threat simulator which is designed to test and educate staff. This is achieved through automated email attack simulations, security awareness training and reporting analytics. Five campaigns have been run over the past 12 months with all staff and councillors involved in the simulation. 94 per cent identified the emails as suspicious with the remaining 6 per cent failing the test by clicking on suspicious links within the email.

Staff who failed the test simulation were identified and training has been provided to improve their awareness. Campaigns will continue running on a regular quarterly basis.

We continue to contribute cyber risk content to the staff newsletter alongside emails sent out to staff when relevant security exploits are announced.

Staff awareness around cyber security has improved considerably within the past year, which has been evident by the number of people engaging with IT to report instances of suspicious activity.

5.4 **Cloud vendor cyber risk strategy and disaster recovery**

Council is committed to a number of cloud service providers. Four service providers were asked to provide evidence that their cyber risk strategies and disaster recovery plans were in place and current. Diligent Boards, Vault and Nintex all replied promptly with relevant material. This information was reviewed and no concerns raised.

Civica provided a cyber-security policy statement that the processes, policies and systems are in place but failed to provide documented evidence of these documents. Civica have been contacted again and asked to provide the relevant information promptly.

A schedule of work to audit Catalyst who are hosting Council's library system in Wellington will be carried out in the second quarter of 2021.

5.5 **Onsite disaster recovery plans**

Improvements have been made to our onsite disaster recovery plans recently in order to replicate backup images of key onsite servers to offsite secure storage outside of the Taranaki region.

Full and incremental backup images are encrypted then automatically replicated twice a day to a secure TIMG datacentre in Auckland.

Images are retained on a 2-week overwrite cycle and there is an ability to start the servers up in the datacentre to access systems should we lose our onsite servers through an event.

Further testing of system start up access in the datacentre is scheduled in the second quarter of 2021 to ensure this is working as expected.

5.6 **Contract breach**

There has been a recent breach of contract with one of our cloud service providers, Civica.

Secondary backups were moved from an approved tier 3 datacentre in Melbourne to an unapproved datacentre in Sydney without consent.

Initial investigations consider the risk as low due to encryption of the data and the tier 3 rating of the datacentre.

We are currently working through a process with the vendor to resolve the situation and hope to complete this in the first quarter of this year.

5.7 **Cloud vendor network account risk**

An audit of the Civica user accounts within the Civica managed service environment discovered three user administration accounts still enabled for staff who had departed.

Further audits provided showed evidence the accounts had not been accessed after departure however, Civica have been asked to tighten up their departure procedure and advise Council's IT Department when Civica staff depart.

5.8 **Asset inventory monitoring**

IT asset management software has been implemented on the network to better track network assets and software.

This allows us to have a real-time overview of critical information such as unapproved devices trying to connect to our environment and helps ensure operating system software / firmware patch levels are up to date.

This is monitored in real time with alerts sent to the administrators via email and via the management console.

5.9 **Cyber Insurance**

The Cyber Insurance Policy is current until July 2021. This policy is in place to protect Council from hefty expense should a data breach occur.

The insurance policy will be reviewed in June 2021 for the following financial year commencing 1 July.

5.10 **IT Acceptable Use Policy**

Council has an IT Acceptable Use Policy, which stipulates the constraints, and practices that a user must agree to before gaining any access to the Council network.

All new employees are required to sign a copy and this is placed on their personnel file.

This policy was reviewed and updated in February 2020. The next review date is February 2022.

5.11 **Cyber risk support agencies**

As well as being subscribed to a number of cyber risk support agencies (namely CERT NZ and the National Cyber Security Centre); in the past 12 months we have attended cyber risk and security webinars with ALGIM, Taituarā (formerly SOLGM) and various security vendors.

These are viewed as an important avenue to stay abreast of current cyber threats and best practice.

Many conferences were cancelled due to Covid-19 Alert Levels but moving forward we will continue to attend webinars regularly.

5.12 **Network Edge firewall upgrade**

The main network edge firewall appliance refresh and software upgrade was carried out midway through 2020.

The current hardware and software will be supported for a minimum of five years plus.

Periods below relate to Council's Financial Year 1 January – 31 December 2021

Activities	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Compliance	SAM for compliance	SAM for compliance	SAM for compliance	SAM for compliance
Policy		Renew Cyber Risk Insurance Policy		Review Cyber Risk Insurance Policy; complete IT Acceptable Use Policy review
Seminars, Workshops and Forums	Identify cyber risk webinars to attend 2021			
Cloud Vendor Security and Disaster Recovery Assessment	Continue review of vendor (Civica)	Review of Catalyst Library System; review TIMG datacentre server boot up		
Staff Education	Staff newsletter; staff test exercise	Staff newsletter; staff test exercise	Staff newsletter; staff test exercise	Staff newsletter; staff test exercise

6. STRATEGIC ALIGNMENT**6.1 Direction**

Not applicable.

6.2 Annual Plan and Long Term Plan

Not applicable.

6.3 District Plan

Not applicable.

6.4 Legal Implications

Not applicable.

6.5 Policy Implications

Internal policy implications.



Brendan Coles
IT MANAGER



[Endorsed by]
Tiffany Radich
DIRECTOR CORPORATE SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

INFORMATION REPORT



F19/13/04 – D21/7044

TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 16 March 2021
SUBJECT: RISK REVIEW

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

_____/_____
Moved/Seconded

1. PURPOSE OF REPORT

This report is part of the Committee’s regular Programme of Works. It includes a review of any changes made to the Council’s Risk Register, and informs the Committee of any incidents in relation to the Top Ten Council risks since the last Audit and Risk Committee meeting, held in December 2020.

2. EXECUTIVE SUMMARY

The Council maintains a Risk Register within the online risk management software program *Vault*. The risk register is reviewed weekly by the Senior Leadership Team (“SLT”) to ensure such things as the risk scores are appropriate, control measures are adequate, and that we have captured all real risks to Council.

Changes to the risk register are discussed and agreed to by SLT before coming into effect. In the past quarter, one new risk was added to the risk register – “Failure of a Financial Investment”.

As changes are made to the register with new additions, amalgamation of risks, and changes to the risk ratings, there may also be changes to what is deemed to be a Top Ten Council risk. There have been no changes to the Top Ten Risk Register since the last Committee meeting. However, there has been a change to *Risk 73 – Water Supply Network is Contaminated*”.

In relation to incidents or real threats that have occurred specifically relating to the Top Ten Risks, there have been three, and these are discussed in further detail in section 5.3 of this report.

The Corporate Services team are currently working on an Internal Audit Plan which will involve selecting ten risks from the Council risk register and investigating whether 1) the risk control measure is in place and fully implemented, and 2) the current risk control is effective in mitigating risk. The draft Internal Audit Plan will be brought to the May 2021 Audit and Risk Committee for final approval before audit work commences.

3. **LOCAL GOVERNMENT ACT 2002: SECTION 10**

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service? **AND**
- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

Active management and monitoring of council risks will enable more stable provision of public services for the community, and an improved ability to respond to risk events.

4. **BACKGROUND**

The Risk Register was first presented to the Audit and Risk Committee at the June 2018 meeting and subsequently adopted by Council. It followed the approval of the Council’s *Risk Management Policy* and *Risk Management Framework*, which details how the Council will manage and monitor risk.

The *Risk Management Framework* reads:

“Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are, so that we can make informed decisions in areas of uncertainty.”

The Risk Register also includes control measures to mitigate the likelihood of a risk occurring, and/or the impact of an adverse event.

“The outcomes and benefits expected from applying effective risk management are:

- *Improved achievement of the Stratford District Council’s strategic direction, objectives and priorities.*
- *Reduced risks – significant risks are identified and managed and early warning of problems and emerging risks are addressed, with appropriate design and operation of internal controls.*
- *Improved decisions – decisions are made after analysis of risk.*
- *Improved planning and resource allocation – risks are prioritised and included in business planning so that resources are better managed.*
- *Increased accountability and transparency – clarity of key risks and the responsibility and accountability for their management.”*

The Top Ten Risk Register is solely for risks where the combination of severity and probability of occurrence gives a raw risk score rating of “very high”. These risks are monitored more regularly and in more depth than the other risks by SLT.

5. INFORMATION SUMMARY

5.1 New Risks identified and added to the Risk Register

Risk 85 – Failure of a significant Financial investment

IF a Council financial investment fails or devalues significantly, Council's assets reduce, resulting in lower revenues in future and potentially higher rates increases.

The raw risk rating is 12 – Very High, with a residual risk score of 8 – High.

The control measure to mitigate the effects of this risk is “*Ensure security is taken over assets where applicable, regular reporting requirements and audits are met where applicable, and adhere to Treasury Management Policy at all times unless approval is given by the Audit and Risk Committee.*”

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	Low	1-Low	1-Low	4-Moderate	5-High

5.2 Changes to the Top Ten Risks

There have no recent changes to the Top Ten Risks.

Although not a top ten risk, the Senior Leadership Team, with guidance from the Director – Assets, are currently reviewing *Risk 73 – Water Supply Network is Contaminated* as the risk mitigations currently in place do not effectively reduce the raw risk score.

The water services team and building team are working together to identify high risk properties that do not have back flow preventers installed and rectify where possible. The residual risk score is likely to reduce as a result of this work.

Additionally, with the recent publicity about lead contamination in some areas of the Dunedin City public water supply, it is timely that the control measure for this risk is updated. Therefore, Council has updated the control as per below:

Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.

5.3 **Incidents or Threats in relation to the Top Ten Risks**

Risk 32 – Lone Worker

A lone staff member at the TSB Pool was confronted with adverse behaviour by a known member of the public who was swinging nunchucks.

Although nobody was hurt, the TSB Pool has now implemented a two person at all times roster, and trespassed the individual.

Refer to Health and Safety report in this agenda for further information.

Risk 55 – Building Control functions undertaken negligently

A separate information report will be provided to the Committee on this matter (in this agenda, March 2021).

Risk 64 – Infectious Disease Outbreak / Pandemic

Council has responded to the recent shift to Level 2 (twice in February/March 2021) by:

- Reinstalling screens at front counter service desk, along with hand sanitiser and floor markings.
- Ensuring all Council staff come through the back door to avoid cross contamination.
- Requiring contact tracing systems to be used, where able to.
- Encouraging staff to stay at home if unwell.

Risk 16 – Unapproved Online Platforms

Although not a top ten risk, Council's contract for IT Managed Services with Civica was breached by Civica recently when they moved Council's secondary backups to an unapproved data centre. The breach is still being fully investigated, but at this stage no loss to Council has been identified. There is however a breach of trust and confidence. Refer to the Cyber Update for further details on this incident.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

Direction has been taken from the Council's *Risk Management Policy* and *Risk Management Framework*, both of which have been approved by the Audit and Risk Committee.

6.2 **Annual Plan and Long Term Plan**

Not applicable.

6.3 **District Plan**

Not applicable.

6.4 **Legal Implications**

Not applicable.

6.5 **Policy Implications**

No changes are proposed to the *Risk Management Policy*.

Attachments:

Appendix 1 - Top Ten Risk Register

Appendix 2 - Council Risk Register



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE 9 March 2021

APPENDIX 1

Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup, backups stored off-site. Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate

APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data/knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S. 47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High

APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

APPENDIX 2

Stratford District Council Risk Register - Detailed

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
1	Compliance and Legislation	Legislation Changes	IF changes to legislation or case law occur and are not implemented by staff, THEN council may be acting illegally and in breach of legislation.	4 High	Regular review and update Legislative Compliance Register. Staff training and attending relevant industry conferences. Regular policy review to ensure policies and procedures are in line with legislation changes.	2 Moderate
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and receive attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	3 Moderate	Quality assurance. Resourcing levels maintained. Schedule of dates and commitments is regularly maintained and updated by Quality Assurance officer. Regular review and update of Legislative Compliance Register.	1 Low
4	Compliance and Legislation	Bylaws and Policies	IF Council fails to keep Policies and Bylaws up to date, THEN the Policies and Bylaws may become unenforceable and irrelevant, and council could be acting illegally, or the policy is not fit for purpose.	8 High	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	3 Moderate
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
6	Compliance and Legislation	Three Waters - Non-Compliance	IF Council does not comply with its obligations under legislation (i.e. Resource Management Act, NZ Drinking Water Standards, Health and Safety at Work Act) THEN administrative fines and penalties may result, in addition to reputational damage if publicised.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with legislative requirements through regular update of Legislative Compliance Register. Subscribe to regular email updates from local government and relevant industry bodies, council listserv to ensure staff are notified of legislation changes.	2 Moderate
7	Compliance and Legislation	Property and Parks - Non-Compliance	IF Council does not comply with its obligations under legislation (eg. Resource Management Act 1991, Building Act 2004, Health and Safety at Work Act 2015) THEN administrative fines and penalties may result, and reputational damage.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with all legislative requirements impacting on property and park assets. Ensure maintenance contracts have robust out-clauses that cover a range of situations where non-compliance or unsatisfactory work is identified. Council has secured public liability insurance and statutory liability insurance.	Low
8	Compliance and Legislation	Annual Report Adoption and Publication	IF the Council's Annual Report is not adopted by 31 October and made publically available by 30 November, THEN there will be additional audit scrutiny and reputational damage within local government. Loss of community trust - the community is unable to assess Council performance in a timely manner.	2 Moderate	Set annual report timetable to ensure statutory deadline is met. Good project management by key staff. Keep updated of possible changes to legislation and plan accordingly. Good communication to all staff, and establish rapport with Audit NZ and respond in a timely manner to all queries.	1 Low
84	Compliance and Legislation	Tax Compliance Breach	IF the Council files incorrect or misleading tax returns (specifically GST, FBT and PAYE), then it may be liable for financial penalties, IRD audit scrutiny, and lack of auditor confidence.	4 High	Ensure staff are properly trained and stay up to date with tax legislation and current topical issues. All tax returns should be reviewed and signed off by someone other than the preparer of the tax return. All property purchases and sales should be reviewed by Finance specifically to check correct GST treatment. FBT on motor vehicles and private use should be reviewed at least annually. All entertainers and individual contractors must be reviewed for correct withholding tax treatment.	3 Moderate
9	Compliance and Legislation	LTP/Annual Plan	IF LTP/Annual Plan is not adopted by 30 June THEN council cannot set rates, statutory breach reported to Minister, unable to commence service delivery, additional audit scrutiny	8 High	Set a timetable to ensure statutory deadline is met. Good project management. Good quality data is provided. Keep abreast of possible changes to legislation and plan accordingly. Good communication to all staff and liaison with Audit NZ.	1 Low

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
10	Data and Information	Systems Down - Natural Disaster	IF there is a natural disaster THEN systems may be down temporarily, reduction in worker productivity, unable to respond to customers, data unavailable, potential permanent loss of data.	8 High	Backups done daily and stored off-site. Most critical data is in the cloud, data centre is overseas so workers can access system remotely from anywhere. Civil Defence will make hardware available for emergency response.	3 Moderate
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup, backups stored off-site. Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
13	Data and Information	Communication to data centre	IF there is a loss of communication to the Data Centre (due to IT failure, power failure, or other damage to link) THEN systems downtime will cause temporary disruption. Council staff will be unable to access data and complete work and respond to customers satisfactorily.	4 High	Can access private link or an internet link - reroute the traffic. Backup generator if power supply lost.	3 Moderate
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records/ files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low
15	Data and Information	Records Handling	IF hard copy protected records are handled in a way that could cause damage, degradation or misorganisation, THEN this could lead to loss of protected records, non-compliance with legislation and potential financial penalties.	3 Moderate	Access to archives is limited to trained staff. Ensure the Information Management Specialist is fully trained in all areas of protected records management. Maintain a register of archived records, and a process by which records will be archived. Storage area must be restricted and temperature controlled.	Low
16	Data and Information	Unapproved online platforms used	IF unapproved online platforms are used for Council business, THEN Council sensitive information and individual private details could be hacked and made available publically.	3 Moderate	All Council information should only be stored on platforms that are approved by IT and gone through proper procedures and checks by IT.	1 Low

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
17	Financial	Roading Annual Work Programme	IF non-availability of labour and plant or weather events affect ability to complete annual programme of work, THEN risk of spend being under budget (over-rating) and unable to access NZTA claims originally budgeted for, and services being unavailable to the public.	3 Moderate	Encourage maintenance contractor to sub-contract out work if they do not have sufficient resources in-house. Ensure there is a clear understanding between Council and Contractor of completion timeframes, as per the Contract. Outsource work to another contractor - this has to be considered carefully due to contract obligations and commitments.	2 Moderate
18	Financial	Accessing Funding	IF incorrect assessment is made to determine required maintenance funding, all funding options are not sought, or insufficient funding is made available THEN Council may miss out on funding and Council has to fully fund projects.	3 Moderate	Ensure funding assessments are carried out by sufficiently experienced personnel and strong cases are made for funding. A system should be established to regularly monitor all available funding for council projects.	1 Low
19	Financial	Internal Financial Controls	IF internal financial controls are compromised and ineffective, THEN possible fraud, budget blowout, delayed service	6 High	Good quality controls. Implement annual external and internal audit recommendations. Adhere to Procurement and Delegations Policy. Communications of internal controls to all staff. Recommend internal audit conducted every year. Annual leave not to accrue > 2 years. Electronic signature images not to be relied upon.	1 Low
20	Financial	Creditor Payments	IF creditors are not paid correctly or on time THEN goods and services delayed, increased costs, reputational damage and possible fraud.	2 Moderate	Ongoing training of competent staff and appropriate staffing levels. Adhere to Procurement Policy. Good planning and time management Creditor statement reconciliations. Cash and treasury management.	Low
21	Financial	Assessment of Rates	IF rates are assessed incorrectly or inaccurately THEN ratepayers could legally challenge the rates assessment and Council could be forced into a legal battle.	4 High	Resourcing and training of competent staff. Test EOY prior to June. Have Civica rectify errors prior to 30 June. Re-test EOY after errors corrected. Check FIS and Rates Resolution align and legal advice taken.	2 Moderate
22	Financial	Rates Invoices Processing	IF rates invoices are not sent out accurately and on time THEN cashflow delayed, legal obligation not met. Can result in reputational damage with ratepayer community.	3 Moderate	Resourcing and training of competent staff. Clear accountability for rates invoicing and appropriate training in systems given. Timetables for processing and posting to be clarified ahead of due dates. Good communication with NZ Post.	2 Moderate
23	Financial	Outstanding Debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	1 Low

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
24	Financial	Direct Debits	IF direct debits are not processed correctly, and on the due date, THEN cash flow delayed, and may result in public distrust of Council's direct debit process resulting in a reduction in ratepayers who choose to pay by direct debit.	2 Moderate	Direct debit processing treated as a daily priority done early as possible in the day. If any IT issues get onto it as soon as possible. Ensure at least 2 staff are trained in processing the direct debits.	1 Low
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low
26	Financial	Credit Risk	IF Council is unable to increase borrowing to fund urgent capital or operational expenditure, or is unable to renew borrowing once it matures, or is called to repay a loan if covenants are breached THEN projects will not proceed, council may have to cease operations, possible replacement of councillors.	8 High	Regularly monitor debt covenants and cashflow forecasts reported monthly to Policy and Services Committee, and quarterly to Audit and Risk Committee.	4 Moderate
27	Financial	Significant Population Reduction	IF there is a significant population reduction, resulting in loss of ratepayer base and reduction in property values - THEN this could result in higher rates for others and significant cost reductions may be required.	5 High	Ensure variable costs are clearly identifiable, and therefore able to be isolated and adjusted if ratepayer base reduced. Council actions to align with council mission and vision to make Stratford a great place to live.	4 Moderate
28	Financial	Interest Costs	IF financing costs increase THEN this results in increased costs to council and budget being exceeded or increase to rates.	4 Moderate	Treasury management programme in place to ensure interest rate maturity risk profile is spread evenly over the next 5 plus years. Could investigate longer term swap options. Borrowings and investments must be maintained within treasury policy covenants. Regular reporting to Policy and Services committee meeting.	2 Moderate
62	Financial	New Regulations require Significant Investment	IF new environmental regulations or legislation imposed on councils requires a significant increase in capital expenditure, THEN ability to finance investment could be compromised and rates increases could breach limits.	6 High	Attempt to keep debt and expenditure low and achieve cost efficiencies regularly so that council can weather any necessary investment in order to be compliant with changing legislative environment.	4 High

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
63	Financial	Theft by Contractors	IF contractors have unrestricted access to council property and/or information, THEN there is an opportunity for theft and consequently loss of Council assets.	4 Moderate	All contractors must go through a pre-qualification process. Visitors to Council buildings must sign in. Access to the building has now been restricted with the use of fobs. Protected records are stored in a safe or locked storage room.	2 Moderate
74	Financial	Inadequate financial provision to fund asset replacement	IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.	3 Moderate	Ensure annual depreciation is based on accurate fixed asset values (replacement cost) and accurate useful lives. Assets should not, unless necessary, be replaced before the end of their useful life.	1 Low
79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate
81	Financial	Management Override of Internal Controls	IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets /funds and incorrect/misleading financial statements.	4 High	Audit and Risk Committee oversight. Internal and External audits annually. Fraud Policy awareness training for all staff at least three yearly. Regular review of policies to ensure in line with best practice. SLT to undergo ethics training. Prior to new employment, full reference checking of at least one recent, direct manager (particularly for financial and management roles). Zero tolerance for any bullying type behaviour.	3 Moderate
85	Financial	Failure of a Financial Investment	IF a Council financial investment fails or devalues significantly, Council's assets reduce, resulting in lower revenues in future and potentially higher rates increases.	12 Very High	Ensure security is taken over assets where applicable, regular reporting requirements and audits are met where applicable, and adhere to Treasury Management Policy at all times unless approved by Audit and Risk Committee.	8 High
29	Health, Safety, and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
31	Health, Safety, and Wellbeing	Abusive Customers	IF abusive customers come into any of the Council's service centres, THEN there is the risk that council staff or the general public could be harmed or exposed to violence.	4 High	Staff have personal alert alarms if in danger, customer service training and policies on how to deal with situations so they do not escalate. Security cameras in place. Fob access required to access staff office area. Mayor's office is secured by glass entry way.	2 Moderate
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
34	Health, Safety, and Wellbeing	Food / Health Safety	IF Council doesn't adequately respond to a complaint and a member of the public falls ill or dies, THEN Council is at risk of legal proceedings under the Food Act/Health Act.	4 High	Quality assurance standards and process in place and adhered to by staff. Ongoing training/awareness of HSE requirements and responsibilities. Ensure Food safety bylaw is regularly reviewed.	2 Moderate
35	Health, Safety, and Wellbeing	Parking control	In the process of administering the Parking function, IF a member of the public is injured or vehicle is damaged, THEN possible death or serious injury could result.	4 High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Body cameras to be worn by compliance officer when out on duty.	2 Moderate
36	Health, Safety, and Wellbeing	Council Vehicle accident	IF a staff member has an accident in a council vehicle, THEN this could result in possible death or serious injury and damage to motor vehicle asset.	4 High	All staff must have a full drivers licence, all staff are aware of procedures if there is an accident. Staff driver training to be provided to regular drivers. GPS and mobile phone tracking.	3 Moderate
37	Health, Safety, and Wellbeing	Staff under Stress	IF staff are affected by personal issues or by work pressures and experiencing high levels of stress, THEN work performance may decline and/or fatigue, illness, unsafe work practices may result.	7 High	New Wellbeing Strategy implemented and regularly monitored by the Health and Safety Committee. Managers are responsible for being aware of the wellbeing of their direct reports. There are various options available for relieving the pressure of staff who are overworked including increasing staff or reallocating work - regular wellbeing newsletters emailed out to all staff by H&S officer. EAP service is widely communicated to all staff. All critical staff have a backup option available so they can take annual leave for at least a week at a time.	3 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
38	Health, Safety, and Wellbeing	Exposure to Hazardous Substances	IF staff are affected by exposure to hazardous substances eg chemicals, liquids, fumes and other toxic substances THEN there are possible risks to staff health and wellbeing.	6 High	All hazardous substances are correctly labelled and stored according to best practice safety procedures and guidelines. Training is mandatory for all staff working with hazardous substances. Use appropriate PPE gear at all times in the vicinity of the hazardous substances. Regular health checks for staff. Regular testing of hazardous substances and chemicals LABELLING and STORAGE be carried out RANDOMLY. The Stratford Water Treatment Plant has site licences for the storage of chemicals, these must be kept up to date. Fire extinguishers are on site, all signage is current and covers off on all of the chemicals held on site, labels are all correct and current. We currently have 5 authorised handlers. Ixom also do site audits when their representative is in the immediate area.	3 Moderate
39	Health, Safety, and Wellbeing	Playground Equipment Failure	IF Playground equipment, or other recreational equipment fails THEN a member of the public could be seriously injured or killed.	8 High	Biennial playground inspection report and quarterly compliance checks by contractor to bring any issues to attention of council staff.	3 Moderate
40	Health, Safety, and Wellbeing	Swimming Pool Accident	IF a member of the public has an accident in the water or a medical emergency at the Stratford Pool, THEN this could result in possible death or serious injury.	4 High	Training and qualifications are mandatory for lifeguards, children and elderly are monitored by lifeguard/s at all times. More staff brought on at busier periods.	3 Moderate
41	Health, Safety, and Wellbeing	Workplace Bullying or Harrassment	IF Bullying and harrassment in the workplace occurs THEN it can have an impact on the health and wellbeing of staff subject to the bullying and other staff witnessing the behavior. This may impact on staff productivity and the ability of Council to attract good quality candidates.	4 High	Top down culture against bullying and harassment of any kind, policy is followed through by management, staff are aware of the reporting process. The reporting process to deal with bullying and harassment is fair, transparent, confidential and dealt with in a timely manner.	3 Moderate
61	Health, Safety, and Wellbeing	Asbestos Related Work	IF council buildings are contaminated with asbestos, THEN there is the possibility of asbestos exposure to staff and the public and increased risk of asbestosis and other lung and pleural disorders.	4 Moderate	Asbestos protocols need to be developed in line with the asbestos regulations. Community needs to be made aware of Asbestos disposal guidelines. Staff involved in building compliance or construction work should be appropriately trained in handling of asbestos materials.	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
66	Health, Safety, and Wellbeing	Dog Attack	IF a dog attacks a member of the public and the dog control team have been slow or negligent in responding to complaints, THEN the the council may be liable for costs, and the public safety may be compromised.	4 High	Compliance officer to respond immediately to dog complaints. Ensure all dogs in the district are registered and the dog bylaw is complied with. Dogs are microchipped. Ensure dog pound is secure and access is restricted.	1 Low
67	Health, Safety, and Wellbeing	Muscular discomfort - Ergonomics	IF muscular pain or discomfort or eye strain occurs as a result of the work environment and setting, THEN this will impact on staff health and wellbeing and long term comfort at work.	2 Moderate	Apply ACC Habit At Work guidelines. Workstation assessments should be carried out to reduce the likelihood of onset of long term discomfort and pain conditions.	1 Low
68	Health, Safety, and Wellbeing	Armed Robbery	IF there is an armed robbery at any of council's services centres, THEN there is the potential for death or serious harm.	8 High	Establish emergency procedures, including use of panic buttons. Security cameras in place. Ensure staff are trained to deal with potential threat. Design / limit access to building so that threats are minimised.	4 Moderate
69	Health, Safety, and Wellbeing	Employee Substance Abuse	IF staff are affected by drugs or alcohol while at work, THEN there is an increased risk of an accident or injury, property damage, and reduced work performance.	8 High	Ensure staff are aware of drug and alcohol policy. Initial drug testing done prior to employment to filter out regular users. Utilise EAP.	2 Moderate
70	Health, Safety, and Wellbeing	Dangerous Roads due to weather events	IF there are dangerous road conditions that are not managed and communicated to the public appropriately, THEN there is a higher potential for car accidents and possible road fatalities.	2 Moderate	Ensure standard operating procedures are in place for potential weather events that may cause damage to the roads. This should include timely social media communications, installation of temporary barriers, cordons and signage in affected areas.	1 Low
73	Health, Safety, and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	8 High
80	Health, Safety, and Wellbeing	Fatigue Management	IF Fatigue affects an employee, as a result of working extraordinary hours, THEN the employee may have limited functionality which could result in personal injury or injury to others. It could also lead to stress and long term mental illness if it is reoccurring and could mean Council is in breach of the Health and Safety Act.	3 Moderate	Ensure employees take regular, quality rest breaks during the working day, in line with the Employment Relations Act (HR Policy requires this). Ensure all staff know their responsibilities in terms of managing fatigue. Ensure shift workers rostered times are manageable. The Vehicle Use Policy has limits on driving a Council vehicle after exceeding max number of work hours. Contractor fatigue management to be reported and monitored through regular contractor meetings.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
83	Health, Safety, and Wellbeing	Aerodrome - Unsafe Conditions	IF the Council fails to carry out its legislative responsibilities to ensure aircraft movements are restricted or prohibited in unsafe conditions/areas of the Aerodrome, THEN lives could be put at risk and property damaged.	4 High	Establish operational procedures specific to this risk, and regularly monitor compliance. Council has Airport Owner and Operators Liability insurance cover of up to \$10m for all related costs Council is legally obligated to pay for property damage or bodily injury including death.	2 Moderate
42	Operational	Payroll Processing	IF Staff are not paid correctly or on time THEN staff may become disgruntled and distrustful of their employer, work standards could drop and employment laws could be breached.	3 Moderate	Training of practices and legislation. Staff competent and levels appropriate. Good planning for staff leave in the finance team and time management. External notification of updates and changes. More than one staff member should be fully functional in payroll. Ensure facility available to access cash if Council is short.	1 Low
43	Operational	Roading - other work clashing	IF there is work being carried out by others on/in road reserve, e.g. Broadspectrum, THEN council may not be able to complete its own work programme.	3 Moderate	Co-ordination of planned works with other contractors in the area when planning physical works.	2 Moderate
44	Operational	Road Closures - unplanned	IF there are un-planned road closures due to collapse of culvert/bridges/landslides and so forth e.g. Wingrove Rd culvert collapse THEN access in/out of district could be lost and people could be injured as a result.	4 High	Asset criticality review to identify critical roading assets and increase monitoring activities. Ensure quality workmanship and contractors are aware of their obligations to report and repair any damages to roads. Resources diverted from other planned projects to remediate repairs to enable the road to be re-opened.	3 Moderate
45	Operational	Contractor - Damage to Property	IF maintenance contractor damages council or private property while carrying out contracted work, THEN council could be liable for damages and additional expenditure.	4 High	Stringent Operational procedures: Daily reporting of compliance. Regular liaison with contractor and regulators to monitor performance to ensure compliance. Contractor pre-approval process. Council has material damage insurance policy, excess \$5k.	3 Moderate
46	Operational	Other Contractors in Network Corridor	IF work by others in Network Corridor results in damage to components of the 3 waters infrastructure THEN services to the public may cease or become unreliable or compromised.	3 Moderate	Co-ordination between services before major projects begin. Ensure all works have Corridor Access Requests.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
47	Operational	Attracting Qualified Staff	IF Council is unable to attract suitably qualified personnel, THEN services may become under threat and may cease.	4 Moderate	Internal training and succession planning programs. Ensure market wages are offered for all high demand positions. Recruit off shore option should be available for high-demand positions. Make greater use of consultants if necessary and/or shared services with neighbouring Councils. Make Stratford District Council a great place to work - measure staff engagement and respond to any issues expediently.	2 Moderate
48	Operational	Maintenance Contractor fails to deliver	IF maintenance contractor fails to deliver contractual service necessitating termination of contract and re-tendering, THEN assets may become under threat, unreliable, or unable to meet community needs.	4 High	Careful assessment of tender to ensure contract price viable for contractor to deliver level of service. Regular liaison with contractor to monitor performance and ensure compliance. Contractor pre-approval process must not be bypassed.	3 Moderate
49	Operational	Property design /construction information	IF Council does not have adequate information on original design or construction of asset, THEN there is a greater potential for failure of future work and unsafe future construction.	3 Moderate	Carry out regular condition assessment of assets. Reassess use of asset or redesign to suit.	1 Low
50	Operational	Key Person risk	IF a key person in the organisation could not work for a significant period of time THEN this could affect council's ability to perform core functions and duties.	4 High	Ensure Promapp is up to date with all staff day to day processes, if known absence ahead of time ensure an appropriate training plan in place. Make use of local consultants where appropriate. Connect with colleagues from neighbouring three councils to share resource if needed.	2 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
65	Operational	Biosecurity threat risk	IF there is a biosecurity threat to animals, or plant life THEN this could affect the economic wellbeing of the district and the ability of council to financially meet community needs.	4 High	Ensure council takes a proactive approach to working with Biosecurity NZ, MPI, TRC and the community where a threat is identified.	2 Moderate
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
76	Operational	Heavy/Extreme Rainfall incidents	IF the Stratford District experiences heavy rainfall continually over a period THEN roads may flood, restricting accessibility, landslips and mudslides may restrict road access and cause property damage, productive land areas may flood reducing functions, Stormwater, Wastewater and Water Supply assets may fail from overburdening, and overflows from Wastewater system may result in untreated water entering the Patea River.	8 High	Asset Management Plans and Incident Control Response Plans to document critical asset areas and response plan in the event of heavy rainfall incidents.	3 Moderate
77	Operational	Terrorist Attack	IF a terrorist attack occurred in Stratford, THEN loss of life, property damage, and business discontinuity may result.	4 Moderate	Develop Lockdown procedures for all Council public sites i.e. Library, I-Site, Council Office, TSB Pool. Be alert and aware of potential threats, work closely with Police and establish plan to minimize damage to people and property.	4 Moderate
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
82	Operational	Failure of a Significant Contractor	IF a Contractor's financial situation deteriorates and impacts on their ability to deliver on a procurement contract, THEN the project may be left unfinished, Council may lose out on funds already spent, and may have to put contract out for tender again - resulting in project delays and additional cost.	4 High	Due Diligence required for all significant contracts that are required to go out for tender. Refer process in Procurement Manual (D19/33336), and Due Diligence Checklist (D18/35114).	2 Moderate
33	Reputational and Conduct	Animal Welfare	IF an animal that has been impounded is injured or dies due to maltreatment, THEN this could result in animal welfare agency scrutiny, possible court and legal costs, and reputational damage.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Vet Care/Assessments. Ensure notification is given to new animals being impounded so that compliance officer ensures the animals are being cared for and regularly fed and have access to water. Monthly farm meetings to bring up any animal welfare issues. Property Manager to regularly visit farm and make visual assessment of cow welfare.	2 Moderate
53	Reputational and Conduct	Release of incorrect or confidential information	IF incorrect or confidential information was given out through social media, media releases, staff actions at the services desks, LGOIMA requests, council meetings, and/or functions THEN risk of damaged reputation, ratepayer distrust and actions from Local Government ministry and/or Privacy Commissioner.	8 High	All Media releases are to be checked off by Dir – Community Services, and signed off by CEO or Mayor. Social Media Policy in place for clear guidance of social media use. Front counter training needs and communication guidelines established - a resource centre (knowledge base) maintained for FAQ's from public. Consider implementing a Privacy Impact Assessment for how council handles personal information.	2 Moderate
54	Reputational and Conduct	Building Consent Authority (BCA) Accreditation	IF Council loses BCA accreditation, THEN council cannot perform its building control function and there is no approval process for construction work and building compliance for the Stratford district.	4 High	Ensure best practice processes and procedures are in place and staff numbers and skill levels in the building consents team are appropriate. IAANZ audit recommendations to be taken on board. QA process implemented.	1 Low
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
56	Reputational and Conduct	Building Consent location	IF Council issues consent and/or code compliance and the location of the building or structure that council signs off on is found to be in the wrong location THEN reputation damage could result and legal action may be taken against Council.	4 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. Engage professional surveyor if considered high risk. Council has public liability insurance.	1 Low
57	Reputational and Conduct	Online Passwords	IF online passwords are shared or used inappropriately, THEN there is the risk that staff can access or hack Council owned systems and release sensitive information.	4 High	Ensure that where a staff member leaves and they have access to logins accessible online that the passwords are changed and access ceases. Limit use of online accounts.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
59	Reputational and Conduct	CCO and other Out-sourced Functions	IF Council's non-core activities (farm, aerodrome) or CCO (Percy Thomson Trust) operate in a way that has potential for non-compliance with the law or potential for financial loss THEN there may be legal, financial, environmental and health implications.	4 High	Ensure regular meetings between council staff and external operators are held and there is good reporting and monitoring of key risks and KPI's by council staff. CCO's must report six-monthly to Council. Farm Business plan is prepared annually, separate to the Annual Plan, which contains all other council operations.	3 Moderate
60	Reputational and Conduct	Elected Members Communication	IF elected members disclose incorrect or confidential information to the public or talk about council negatively, THEN this could damage the reputation and public trust of elected members and council staff.	6 High	Ensure elected members have a good awareness and understanding of the SDC Code of Conduct. Induction for new councillors should be thorough and cover communication with the public, in private, and at Council meetings.	3 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High
75	Reputational and Conduct	Council employees abuse members of the public	IF Council employees, during the course of their Council duties abuse members of the public, particularly children, THEN the Council may suffer significant reputational damage and potentially be taken to court.	8 High	All staff in a public facing role, particularly where they must deal with children, must be police vetted before they commence work. Exception is where the role is urgent and requires immediate start - in these situations the employee should not be left alone at any time until a satisfactory police report has been received.	4 Moderate

INFORMATION REPORT



TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 16 March 2020
SUBJECT: FINANCIAL RISK MANAGEMENT REPORT

F19/13/04-D21/7303

RECOMMENDATION

THAT the report be received.

Moved/Seconded

12

1.0 Financial Results Summary

Overall year-te-date (“YTD”) results show revenue is up against budget by \$3,015,309, at \$16,412,085, and expenditure is under budget by \$32,619, at \$11,220,278. With a YTD net surplus of \$5,191,807, compared to a budgeted YTD net surplus of \$2,143,879.

Full financial reports for January 2021 YTD have been provided to the Policy and Services Committee (February 2021 meeting).

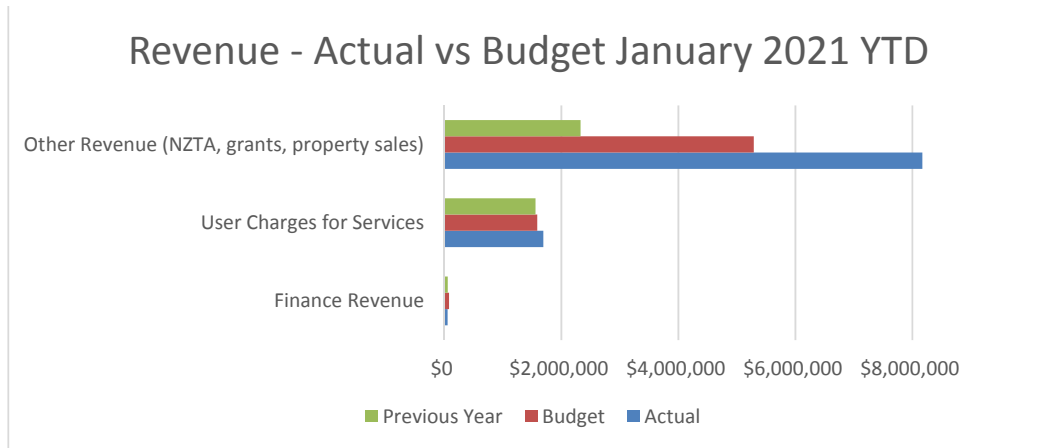
1.1 Operational Results

The YTD net surplus is made up of capital revenue (\$5,615,413) including subdivision section sales \$2.6 million, Provincial Growth Funding \$2.7 million, and Waka Kotahi NZ Transport Agency funding \$300,000.

Revenue

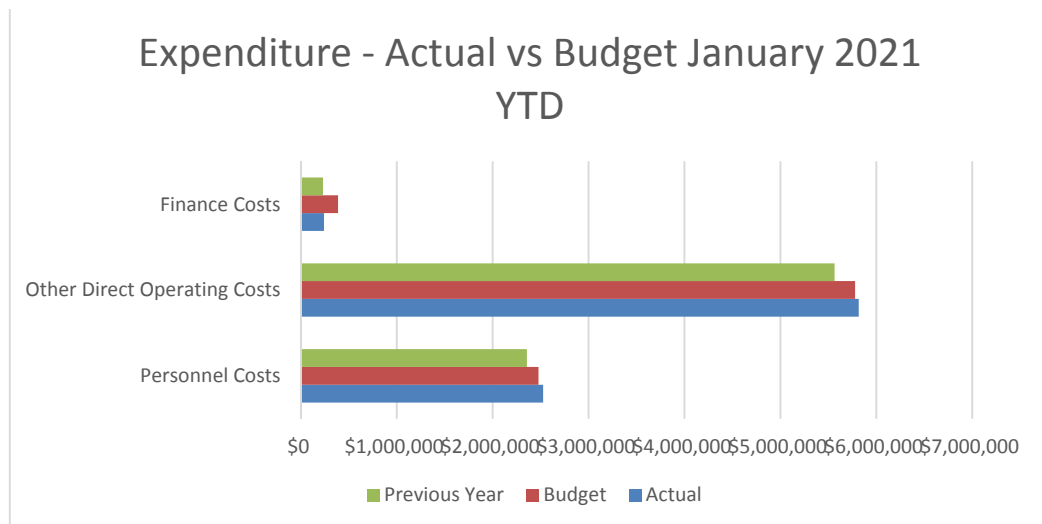
Other revenue relates to Provincial Growth Funding, referred to above, and unbudgeted for.

User charges are above budget by \$103,475 for the YTD, due to building control and resource consents revenues up as a result of higher than expected activity in these areas. Rates penalties, solid waste revenue, and roading revenue are also higher than budget.



Expenditure

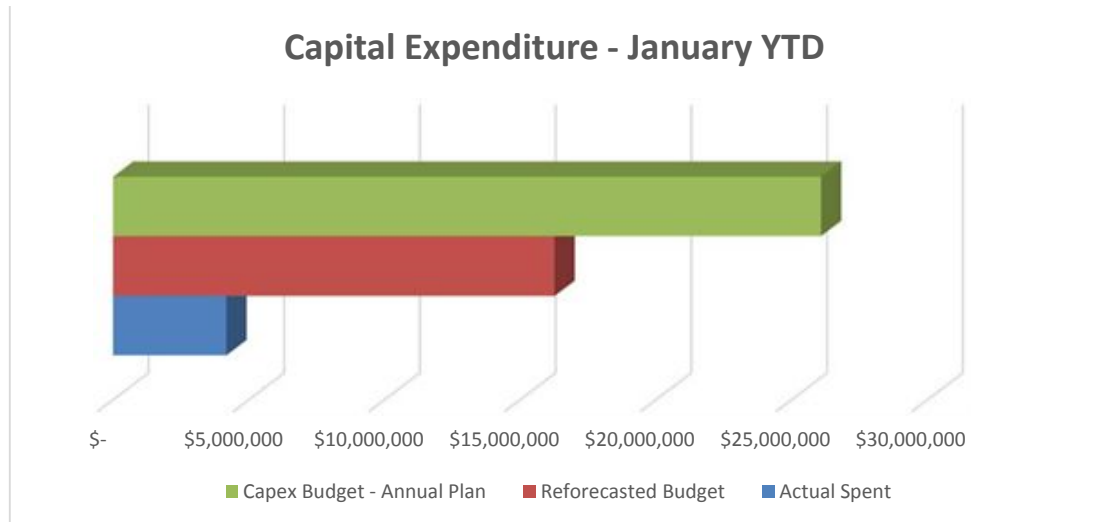
Expenditure is slightly under budget, with finance costs (interest) under budget by \$145,756 due to lower than expected debt levels and interest rates, the variance will reduce going forward with an increase in gross debt. All other categories of expenditure are slightly over budget.



1.2 Capital Expenditure

This financial year 2020/21, marks a significant year for capital expenditure projects, with a total available budget of \$26,086,092. Note – this has now been re-forecasted down to \$16,267,343.

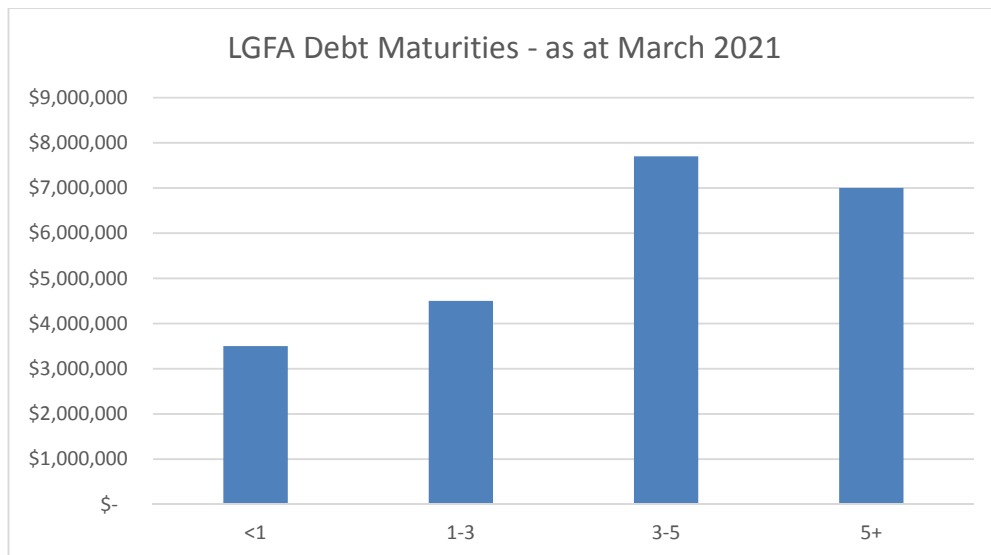
As at 31 January, \$4,176,763 (26%) of the **re-forecasted** capital budget has been spent. It is likely that the re-forecasted capital budget will need to be adjusted downwards again as we are currently 58% of the way through the year already. The capital expenditure report outlines what stage each project is at.



2.0 Treasury Report

2.1 Debt Maturities

The maturity dates are compliant with the Treasury Management Policy. The current weighted average interest rate for gross debt is 2.18% with an average 6 year loan term (since loan start date). There is currently a higher weighting towards the 3 year + maturities, as Council has sought to gain a higher level of future certainty about interest costs, with rates anticipated to rise over the short to medium term. The LGFA forecast rates provided on a weekly basis have been steadily increasing week on week.



Council has **\$2 million of floating debt maturing in April 2021** currently paying 1.09% interest, and **\$1.5 million of fixed debt in maturing May 2021** currently paying 2.62%. It is proposed to refinance \$3 million only.

Current indicative interest rates are leading to a potential scenario for refinancing in April/May 2021 below:

Refinance \$1 million for 6 years at 1.79% fixed
Refinance \$2 million for 5 years at 1.58% fixed

This will increase the weighted average interest rate on debt slightly up to 2.19%, but will provide greater certainty of interest costs over a longer timeframe, and reduce credit (refinancing) risk. Repaying \$500,000 of debt will give Council the capacity in future to borrow more if necessary.

2.2 Covenant Compliance

All internal, and Local Government Funding Agency (“LGFA”), covenants were met as at 28 February 2021, except for the Maximum Investment with Counterparty limit. This limit has been breached as Council officers assessed the risk of doing so, against the benefit of the higher interest rates received and found that the risk was minimal – the term deposits are with Westpac bank and are all maturing within the next 120 days. The Chair of the Audit and Risk Committee and the District Mayor approve any breaches on the day of the investment being made, in line with Council’s Treasury Management Policy.

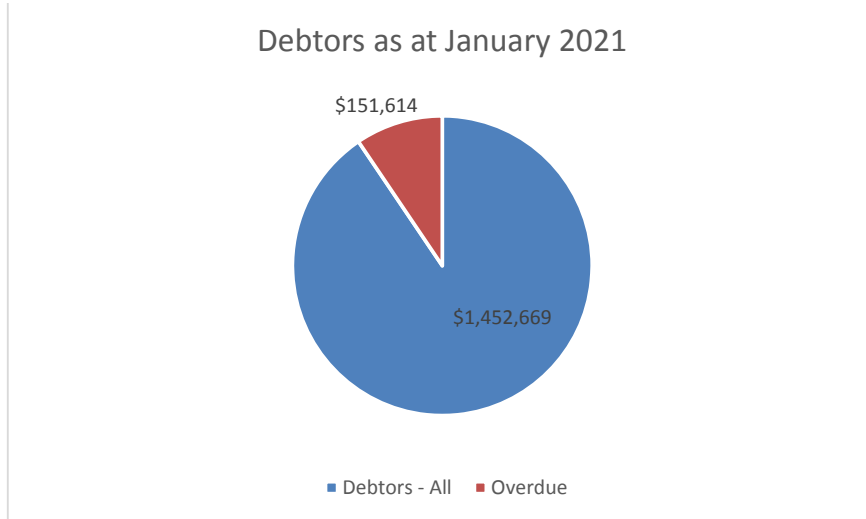
Council currently has \$7,000,000 invested on term deposits (out of a total of \$9,000,000) with Westpac, averaging 121 days.

Actual Fixed Debt	91%	>60%
Actual Floating Debt	9%	<60%
Fixed 1-3 years	20%	10-60%
Fixed 3-5 years	34%	10-60%
Fixed >5 years	31%	5-60%
Debt Matures 1-3 years	20%	10-60%
Debt Matures 3-5 years	34%	10-60%
Debt Matures > 5 years	31%	10-60%
Debt Servicing to Revenue Ratio	2%	<10%
Debt to Revenue Ratio	24%	<130%
Liquidity Ratio	178%	>110%
Net Debt per Capita	\$688	<\$3,000
Net Debt per Ratepayer	\$1,376	N/A
Maximum Investment with Counterparty	\$7,000,000	\$4,000,000

3.0 Accounts Receivable

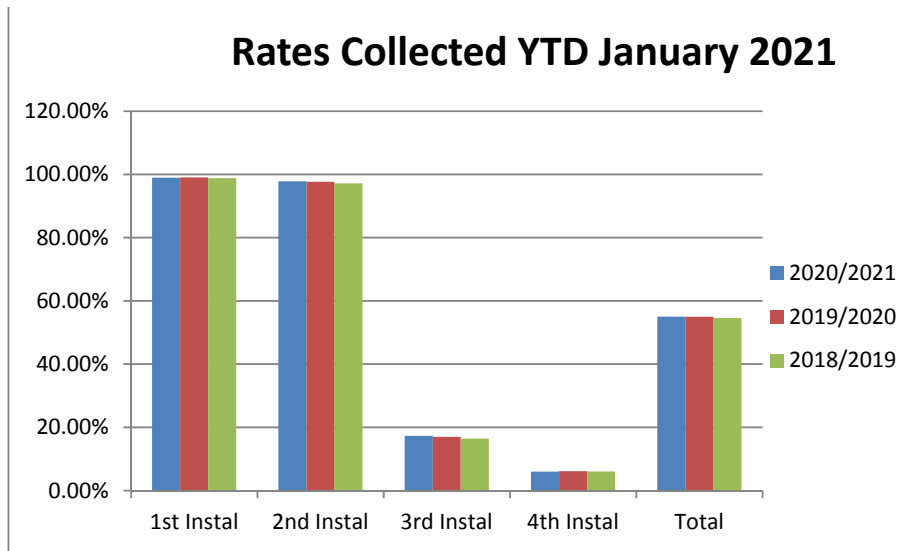
3.1 Debtors

Overdue debtors (excluding rates), is currently at \$151,614. Of this, \$76,462 relates to overdue infringements that are with the Ministry of Justice for collection. Water billing is the next highest category, with \$28,194 overdue. Many of these overdue accounts are either under a payment arrangement or with the debt collector for collection.



3.2 Rates

Total rates collected is slightly higher than previous years, there are no concerns about rates collection.



Tiffany Radich
DIRECTOR – CORPORATE SERVICES

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[Approved by]
S Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

INFORMATION REPORT



**STRATFORD
DISTRICT COUNCIL**

F19/13/04 – D21/6867

TO: Audit and Risk Committee
FROM: Director – Assets
DATE: 16 March 2021
SUBJECT: WATER SUPPLY – HEAVY METALS MONITORING

RECOMMENDATION

THAT the report be received.

Recommended Reason

The Audit and Risk Committee has a responsibility to monitor Council's management of risk, of which Council's practice of heavy metals monitoring in drinking water supplies is one.

_____/_____
Moved/Seconded

1. **PURPOSE OF REPORT**

The purpose of this report is to provide the Audit and Risk Committee with information on Council's practices around the monitoring of heavy metals in the district's water supplies.

2. **EXECUTIVE SUMMARY**

This report outlines Council's practice for monitoring heavy metals in the 3 water supplies for Stratford, Midhirst and Toko.

Heavy metals are highly toxic. When ingested in concentrations above acceptable levels, they lead to health issues, particularly in vulnerable groups such as the young, elderly and pregnant women. When ingested at a community level, a public health issue may ensue.

The Council is responsible for ensuring that public health outcomes supported, and the requirements of the Health Act 1956 are met, including regular monitoring of heavy metals in our drinking water supplies.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

Good risk management and regular monitoring supports the Council’s social, economic, environmental and cultural outcomes.

4. **BACKGROUND**

- 4.1 Heavy metals, which include lead, arsenic, cadmium, nickel, mercury, chromium, cobalt, zinc and selenium are highly toxic, even in minor quantities. When ingested, they bind strongly to human tissues and are not easily excreted by the human body. They are particularly toxic in fast developing cells such as in the young and pregnant women.
- 4.2 Lead is the main cause of *Blue Baby Syndrome* and other developmental issues in infants; it can lead to blood and liver cancers in adults. Therefore, it is a public health issue if lead, or other heavy metals, are found in our water supplies above recommended or acceptable levels.
- 4.3 The Council sources its drinking water supplies from the Pātea River and Konini Stream (Stratford); Te Popo Stream (Midhirst) and from a bore (Toko). Apart from lead quantities occurring in the raw water, the primary source for lead in most drinking water sources is the piping used within a distribution system and storage facilities either for raw or treated drinking water.
- 4.4 It is the Council’s responsibility to regularly monitor the concentration of heavy metals in its drinking water supplies to the community. Section 69U(1) of the Health Act 1956 requires that every drinking-water supplier, being the Council, must take reasonable steps to:
- contribute to the protection from contamination of each source of raw water from which that drinking-water supplier takes raw water; and
 - protect from contamination all raw water used by that drinking-water supplier.
- 4.5 Given the recent lead contamination incident in the Dunedin district where high levels of lead were recorded in the drinking water supplies, this report outlines how the Council monitors heavy metals in the 3 water supplies. It also identifies what further monitoring Council officers are proposing in order to maintain good water quality, provide confidence to its customers and support public health outcomes.

5. **INFORMATION SUMMARY**

Current Situation

- 5.1 Council officers currently carry out sampling and testing for heavy metals in the 3 water supplies (Stratford, Midhirst and Toko) every two years.
- 5.2 A full testing of all 3 water supplies was undertaken in February 2021 (see **Appendix 1**). The heavy metal concentration levels were well below acceptable drinking water limits.
- 5.3 The Taranaki Regional Council (TRC) also periodically collects and analyses water samples for heavy metals in streams and rivers in the Taranaki region. Please see **Appendix 2** for historical information held for catchments upstream of our drinking water source.
- 5.4 There is currently no recorded data or information indicating unacceptable levels of lead or other heavy metals present in the district's water supplies.
- 5.5 There is also no known contaminated current or historical sources upstream of our drinking water intakes, and no known active industrial operations upstream of the intakes.
- 5.6 Following the Dunedin contamination incident, Council officers reviewed the assets inventory in AssetFinda, Council's asset database, to ensure that none of the assets was made from materials or have joints which contained lead. Council officers also reviewed our water treatment processes at the 3 Water Treatment Plants and found them to comply with the requirements of the Drinking Water Standards.
- 5.7 Council officers also reviewed all documented procedures, practices and standards in our Water Safety Plans (x3), relevant Standard Operating Procedures (SOP), the Water Asset Management Plan (WAMP), the NZ Drinking Water Standards and the Water Supply Bylaw.

Future Monitoring Action Plan

- 5.8 The following Monitoring Action Plan is proposed going forward to ensure early detection of heavy metals in our drinking water supplies:
 - A more intensive monitoring to be programmed around heavy metals monitoring in our district's drinking water supplies from March 2021 - it is common practice to undertake monthly testing;
 - Where results are found to have higher readings than the recommended NZ drinking water limits, the appropriate authorities will be notified and further investigation and testing undertaken;
 - Council officers to install online analysers for source and treated water – for organic and heavy metals analysis (eg S::Can); and
 - Council officers to create a database and store all monitoring results, accessible to all 3 waters technicians and their managers.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

This report provides information on how Council currently monitors heavy metals in its 3 water supplies, identifies areas for improvements and outlines the future monitoring programme.

6.2 **Annual Plan and Long Term Plan**

The report is consistent with the legislative requirements of the Health Act 1956 and our Water Safety Plans which support our Annual Plan and Long Term Plan outcomes.

6.3 **District Plan**

No direct relationship with the District Plan.

6.4 **Legal Implications**

No legal impacts.

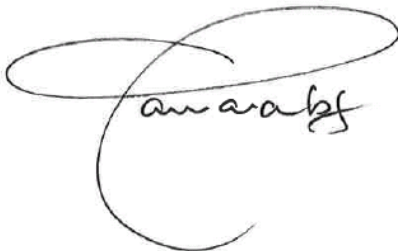
6.5 **Policy Implications**

No policy impacts.

Attachments:

Appendix 1 - SDC Heavy Metals Monitoring Results - February 2021

Appendix 2 - TRC Heavy Metals Monitoring Results in Patea River at Barclays Road



Victoria Araba
DIRECTOR – ASSETS



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

APPENDIX 1

SDC Heavy Metals Monitoring Results - February 2021

Sample Type: **Raw and treated potable water**
 Date / Time Sampled: **12.02.21** Date Received: 12.02.21
 Date Reported: 23.02.21
 Site: **Stratford**

TESTS	Units	Stratford raw	Stratford final	Midhirst raw	Midhirst final	Toko raw	Toko final
Sample time:	hrs	1000	0950	1050	1100	0915	0918
Lab No:		W90724	W90725	W90726	W90727	W90728	W90729
Total Arsenic	g/m ³	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011	< 0.0011
Total Cadmium	g/m ³	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053	< 0.000053
Total Chromium	g/m ³	< 0.00053	< 0.00053	0.00063	< 0.00053	0.00059	< 0.00053
Total Copper	g/m ³	0.00198	< 0.00053	0.0164	0.0115	0.0076	0.00189
Total Lead	g/m ³	0.00034	< 0.00011	0.0039	0.00064	0.00074	0.00013
Total Nickel	g/m ³	< 0.00053	< 0.00053	0.0143	< 0.00053	< 0.00053	< 0.00053
Total Zinc	g/m ³	0.0028	< 0.0011	0.049	0.0104	0.0108	0.0089

APPENDIX 2

TRC Heavy Metals Monitoring Results in Patea River at Barclays Road

			Sampling Date		WHO* Guidelines		NZDWS **
			10-Jul-19	12-Feb-20	MAV***	GV****	MAV***
Total hardness	Hard_gm3 CaCO ₃	g/m ³ as CaCO ₃	17.1	24	-	200	-
Aluminium	Al	g/m ³	0.023	0.016	-	0.1	-
Antimony	Sb	g/m ³	< 0.0002	< 0.0002	0.02	-	0.02
Arsenic	As	g/m ³	< 0.0010	< 0.0010	0.01	-	0.01
Barium	Ba	g/m ³	0.011	0.012	0.7	-	0.7
Beryllium	Be	g/m ³	< 0.00010	< 0.00010	NA	-	0.004
Boron	B	g/m ³	0.009	0.011	1.4	-	1.4
Cadmium	Cd	g/m ³	< 0.00005	< 0.00005	0.004	-	0.004
Calcium	Ca	g/m ³	4.3	6.0	as Hardness	-	-
Chromium	Cr	g/m ³	< 0.0005	< 0.0005	0.05	-	0.05
Copper	Cu	g/m ³	< 0.0005	< 0.0005	2	-	2
Iron	Fe	g/m ³	0.07	0.10	0.2	-	-
Lead	Pb	g/m ³	< 0.00010	< 0.00010	0.01	-	-
Lithium	Li	g/m ³	0.0016	0.0025	NA	-	1 *****
Magnesium	Mg	g/m ³	1.55	2.1	as Hardness	-	-
Manganese	Mn	g/m ³	0.0042	0.0033	0.4	-	0.4
Molybdenum	Mo	g/m ³	< 0.0002	0.0003	0.07	-	0.07
Nickel	Ni	g/m ³	< 0.0005	< 0.0005	0.08	-	0.02*****
Potassium	K	g/m ³	2.1	3.2	as Hardness	-	-
Selenium	Se	g/m ³	< 0.0010	< 0.0010	0.01	-	0.01
Silver	Ag	g/m ³	< 0.00010	< 0.00010	NA	-	0.1*****
Sodium	Na	g/m ³	6.7	8.2	as Hardness	-	-
Tin	Sn	g/m ³	< 0.0005	< 0.0005	NA	-	-
Uranium	U	g/m ³	< 0.00002	< 0.00002	0.02	-	0.02*****
Zinc	Zn	g/m ³	< 0.0010	< 0.0010	-	1.5	-

*World Health Organisation; **New Zealand Drinking Water Standards; ***WHO Maximum Acceptable Value;
****WHO Guidelines Value, *****Provisional MAV, due to analytical difficulties, retained by NZDWS either from WHO guidelines or developed by NZDWS.

Notes:

- Where WHO Guideline values are based on 60 kg bodyweight, the DWSNZ uses 70 kg bodyweight. See the datasheets for calculations (WHO 2004).
- MAV retained despite no WHO guideline value.
- WHO guideline PMAV is 0.5 mg/L.

INFORMATION REPORT



STRATFORD
DISTRICT COUNCIL

F1/13/04 – D21/6973

TO: Audit and Risk Committee

FROM: Director – Corporate Services

DATE: 16 March 2021

SUBJECT: **LTP 2021-31 ASSUMPTIONS AND RISK WITH INFRA-STRUCTURE FOCUS**

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Committee considers the assumptions made in preparation of the Long Term Plan 2021-31, and whether the risks that may result from making these assumptions are being managed adequately.

Recommended Reason

The Committee has a responsibility to monitor Council's risk management processes.

Moved/Seconded

1. **PURPOSE OF REPORT**

This report is being provided to inform the Committee of the risks that have been considered in the preparation of the Long Term Plan 2021-31 ("LTP"), and the assumptions that are underlying the draft LTP to be presented to Council in March 2021. Due to its significance in terms of financial value and rates contribution, this report focuses on infrastructure risks in particular.

2. **EXECUTIVE SUMMARY**

- 2.1 This report presents the significant assumptions made in preparation of the LTP and a risk assessment of how any change in actual outcomes can impact on financial results and/or Council performance.
- 2.2 Particular focus in the area of infrastructure has been on three key areas, being: Asset Condition, Capital Project Delivery, and Certainty of Funding from Waka Kotahi NZ Transport Agency.
- 2.3 As the LTP is already with Audit New Zealand being finalised for release, there is limited scope to change the draft supporting documents that will go out for consultation. However, any recommendations made by this Committee will be considered by Council, and amendments may be made prior to release for consultation if deemed to be minor or at the time of LTP deliberations.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
	x	x	

Good risk management of infrastructure assets and accurate forecasting ensures the economic and environmental wellbeing of the Stratford district.

4. **BACKGROUND**

4.1 Putting together an LTP requires Council officers to make numerous assumptions about the future. Actual future outcomes may vary greatly from what is currently being planned, and this presents risk to Council in that the forecasts may result in negative unplanned consequences.

4.2 The key assumptions made fall into the following categories, and are found in the LTP under the heading “Significant Forecasting Assumptions” (refer to **Appendix 1**):

- Inflation
- External Funding
- Revaluation of Assets
- Capital Expenditure
- Asset Life
- Fonterra Milk Price
- Population Growth
- Societal Changes
- Resource Consents
- Legislative Reform
- Climate Change
- Covid-19
- TET Multi Sports Centre

4.3 The Assets Department also produces Asset Management Plans for the following activities:

- Wastewater
- Water Supply
- Stormwater
- Roading
- Parks, Reserves, and Cemeteries

- Property
- Solid Waste

Section 8.0 of each of these Asset Management Plans details the risks that have been considered in preparing the LTP.

As an example of what is provided, the following excerpt is from the Water Supply Asset Management Plan, Section 8.0:

8.7.2 CRITICAL ASSETS

The AssetFinda database holds a record of the critical water supply assets. The assets are shown in Table 42. The identified critical assets are ranked according to their functional criticality.

Functional Criticality is a product of the Activity Criticality and Corporate Criticality (i.e. Functional Criticality = Activity Criticality x Corporate Criticality). The functional criticality ranking ranks assets from 1 to 5, with 1 being the highest score (the most critical) and 5 being the lowest (least critical).

In 2017, Stratford District Council undertook an internal review of its critical assets. The review identified that there was a need to:

- Document the formula used for identifying criticality in the Asset Management Plans;
- Link criticality and critical assets to incident response; and
- Prioritise critical assets at the Activity level.

Following the review we have undertaken the following:

- Identified the formula used for identifying functional criticality. This formula is shown in the above paragraph in brackets.
- The linking of criticality and critical assets to incident response is currently being considered as part of reviewing our Incident Response Plans. Refer: Section 7.8.4.

Critical assets have been prioritised at the Activity level and added to the asset register (AssetFinda). These critical assets are listed in Table 42.

Table 42 – Critical Water Assets

Activity Priority	Criticality Rating			Asset Description	Criticality Description
	Functional Criticality	Activity Level	Corporate Level		
1	1	1	1	Stratford Trunk Main	Failure would result in the total absence of water supply (2-3 days) causing major disruption to normal community operations - firefighting, drinking water and sanitary services. The event would incur very high recovery costs and could cause significant negative publicity and a loss of faith/good will by community.
2	2	2	1	Midhurst pipe bridge	Failure would result in the total absence of water supply (1-2 days) to the Midhurst community. The event would incur very high recovery costs and could cause significant negative publicity and a loss of faith/good will by community.

Activity Priority	Criticality Rating			Asset Description	Criticality Description
	Functional Criticality	Activity Level	Corporate Level		
3	2	2	1	Stratford Water Treatment Plant	Prolonged failure (approx 4 days) would result in untreated water to be delivered to the community. The event would require a "Boil Water" notice to be issued to mitigate health risks. The event would incur low to medium costs and could cause extensive negative publicity (probably nationally) and a loss of faith/good will by community
4	3	3	1	Loss of both Stratford Reservoirs	Prolonged failure of both reservoirs would result in treated water being delivered directly from the treatment plant to the reticulation. The event would also result in fluctuating supply pressures, minimal firefighting and a slightly elevated health risk. The event would cause incur low to medium costs and could cause significant negative publicity and a loss of faith/good will by community.
5	4	4	1	Stratford Patea Intakes	Failure would necessitate all of the Stratford supply being extracted from the Konini intake which is only capable of delivering approximately 50% of the water required. The event would incur low to medium costs and result in severe water restrictions being introduced.

- 4.4 The Infrastructure Strategy forms part of the LTP and identifies significant infrastructure issues for the Council over the next 30 years, and how those issues will be managed. It also considers a number of asset and lifecycle management issues, including response to growth and service level demands, compliance with legislation, and asset resilience.

The Infrastructure Strategy has its own section on Significant Assumptions – Risks, Uncertainties, Impacts and Mitigation which is attached as **Appendix 2**.

5. **INFORMATION SUMMARY**

- 5.1 Refer to **Appendix 1** for a detailed assessment of the Assumptions under each of the categories referred to in 4.2.
- 5.2 With regards to the particular infrastructure focus areas, the following have been documented in the LTP below.
- 5.3 **Asset Condition**

This is covered in the Significant Forecasting Assumptions section of LTP:

Asset Life

The remaining useful lives of Council assets are recorded in the Infrastructure Strategy and have been taken from the most recent Independent Asset Revaluation.

There is a medium to high level of uncertainty about the expected useful lives which is based upon estimates by actual performance, industry standards,

engineer estimates, and valuers. Plant, equipment and infrastructural assets lives range from 4 years to 120 years and were determined either upon initial recognition, or at the asset revaluation cycles. Depreciation and interest costs would increase if replacement capital expenditure was required earlier than anticipated. However, these impacts could be mitigated as capital projects could be reprioritised in the event of early expiration of assets. It is also possible for assets to last longer than their estimated useful life, again mitigating the effects of asset failure before the expected date. Service disruption may occur where assets fail before their useful life, however, Council are very responsive when it comes to ensuring the core infrastructure services are maintained and operated with minimal disruption. If the three waters reforms were to proceed and water assets are removed from Council, the situation may be different and less priority may be given to restoration of core services in an unplanned event.

There is a low level of uncertainty that Council activities will change and result in decisions not to replace existing assets. Where a decision is made not to replace an asset, this will be factored into capital projections. Council has a comprehensive asset management planning process in place to ensure there is an efficient renewal program.

Council is constantly trying to improve the level and accuracy of asset data for core infrastructure recognising the current information could be improved.

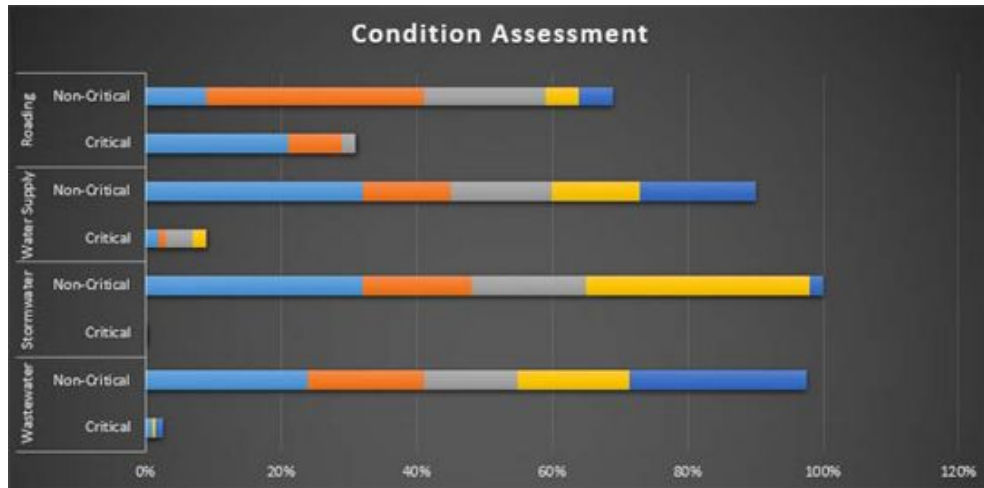
It is also covered in the Infrastructure Strategy, Asset Management Plans and the Consultation Document for the LTP:

Asset Condition Summary

Understanding the condition of assets through targeted condition assessment programmes is a core part of what the Council and its contracting partners do. Sometimes this involves the use of highly advanced and sophisticated technical equipment such as the laser technology we use to assess road surfaces, and sometimes it is as simple as a visual inspection of a standing asset like a pumphead. It is not always possible practical or affordable to routinely gather accurate condition data on all of the Council's assets. Underground assets are more difficult and costly to inspect than those above ground, so often a combination of asset age, analysis of maintenance data and maintenance is used to assess asset condition. This is typically based on risk and asset criticality, with higher risk assets being inspected and assessed more rigorously.

Our Infrastructure Strategy and Asset Management Plans include tables and figures which show the average age of our assets. On average our assets are at or near the midpoint of their standard useful lives/condition/or degradation cycle. In other words about half of the Council's assets are currently ok in terms of condition. But looking at our assets through this lens alone tells only half the story. The reality is that there are number of critical infrastructure assets that are at the end of their useful lives and at high risk of failure.

This places significant focus on our piped infrastructure which is failing in many areas due to age and condition. The charts below provide a snapshot of the condition assessment of our four core infrastructure services.



5.4 Capital Project Delivery

This is covered in the Significant Forecasting Assumptions section of LTP:

Capital Expenditure

Council has forecast for \$125,763,814 of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years.

The key risk is that the Council is unable to deliver the works programmes as outlined. If the risk occurs then this creates a wave and backload of work, in particular continued delays in the delivery of renewals and upgrades, subsequently that may impact on the achievement of levels of service, potential increased costs from delays and risks to the continuity and delivery of services with the risks of assets failing before they can be replaced. This also comes with the risk that Council rates and borrows to fund a program that can't be delivered in the budgeted timeframe.

There is a medium to high level of uncertainty about the delivery of all projects within the years specified. If any replacement projects can be delayed then that will occur, likewise if any projects need to be prioritised due to asset failure, then they may need to be brought forward.

There is also some uncertainty about the capacity to resource each project to completion phase, and Council is taking on extra resource to greater ensure that projects, particularly those that will increase levels of service, can be delivered on time. The budget from Year 1 includes a new Project Manager, Council is currently recruiting for this role which is expected to commence before the end of the 2020/21 financial year.

Skill Shortages

There is a risk that Council will not be able to recruit and retain staff as required. If this occurs then increased reliance may be place don contractors with an impact on costs or there may be a risk to continuity of service and service levels, and loss of institutional knowledge.

The likelihood of this impacting Council increases with the more technical roles, especially roles that are unique to local government – including Regulatory roles such as building control and planning, and certain engineering roles, and Rates.

Council has developed a staff wellbeing strategy to increase staff retention and is investing in refining its performance measurement and remuneration system. In terms of being able to attract new staff, when a vacancy is anticipated, Council's policy is to recruit immediately and as widely as possible. Council has also focused on succession planning in recent years with many low to mid-level positions having a clear career progression path.

Contractor Availability

The ability of Council to deliver many core infrastructure services as well as parks, reserves, cemeteries, and property maintenance depends on the ability of contractors to deliver to agreed expectations. An effective procurement process also relies on there being an adequate number of contractors to bid for Council work, enabling a more competitive process – not just on price but quality of delivery.

There is a low to moderate risk that there will be a shortage of contractors or that contractors will not deliver to the agreed standards and specifications within the agreed time.

Council is supporting local industries by running the Mayors' Taskforce for Jobs programme – matching people in Stratford who aren't currently working with available jobs in an attempt to bridge any shortage gaps.

Cost Certainty

There is a medium level of uncertainty around the cost of significant projects, which can be affected by demand and supply at the time, and a change in requirements either as a result of community feedback or legislative requirements. The projected capital expenditure for Brecon Road bridge of \$11,500,000, is based on a consultants estimate and an estimated cost for a business case for funding and contingency amounts, however, this amount could either go up or down and will not be known until after the business case stage is underway. On this bridge project in particular, there is a high level of uncertainty of whether it will go ahead – refer to External Funding section.

It is expected that the future replacement of significant assets will be able to be funded from reserves.

5.5 Certainty of Funding from Waka Kotahi NZ Transport Agency

This is covered in the Significant Forecasting Assumptions section of the LTP:

External Funding

The Funding Assistance Rate (FAR) government roading subsidy is forecast to be 61% in 2021/22 and to remain at this level over the following nine years. This is based on projections supplied by NZTA. An assumption has also been made that NZTA will fund all roading projects.

There is medium to high level of uncertainty around the FAR rate remaining at 61% over the 10 years of the LTP. The budget for the first 1 – 3 years of the LTP has not yet been approved by NZTA. If the FAR rate reduced by 1%, this would amount to a loss of NZTA subsidy in 2021/22 of \$89,279, and \$1,069,770 over the 10 year LTP period. Therefore, Council will only incur operational and capital expenditure for roading up to the maximum amount approved by NZTA for funding.

There is also a medium risk that NZTA may not fund all of the roading projects proposed from Year 4 onwards. The Brecon Road bridge project, for which Council has budgeted NZTA grant funding from years 5-6 of the LTP of \$7,015,000 has not yet been approved by NZTA. This would have a significant impact on the delivery of the project, and it is unlikely that the project would proceed without the NZTA contribution.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

This report looks at how significant risks are managed so that all Community Outcomes can be achieved.

6.2 **Annual Plan and Long Term Plan**

The assumptions and risk assessment form part of the LTP document.

6.3 **District Plan**

No direct relationship with the District Plan.

6.4 **Legal Implications**

No legal impacts.

6.5 **Policy Implications**

No policy impacts.

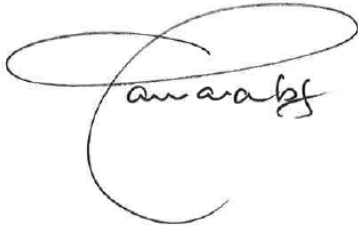
Attachments:

Appendix 1 - Significant Forecasting Assumptions – section in LTP document

Appendix 2 - Significant Assumptions – Risks, Uncertainties, Impacts and Mitigation – excerpt from Infrastructure Strategy



Tiffany Radich
DIRECTOR – CORPORATE SERVICES

A handwritten signature in black ink, appearing to read 'Victoria Araba', with a large, stylized flourish above the name.

[Endorsed by]
Victoria Araba
DIRECTOR - ASSETS

A handwritten signature in blue ink, appearing to read 'Sven Hanne', with a long horizontal stroke extending to the right.

[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

APPENDIX 1

SIGNIFICANT FORECASTING ASSUMPTIONS

Inflation

The forecast financial information includes provision for inflation. We have used forecasts of price level changes prepared specifically for the local government sector by Business and Economic Research Limited (BERL) to calculate the inflation rates for each year of this plan.

In year 1 there has been no inflation applied to operational revenue and costs, except for energy and insurance costs which are based on current plus an inflated rate, as we are reasonably confident in forecasting actual revenue and expenditure figures in the immediate year timeframe.

There is a medium-high level of uncertainty about whether these forecasts will be correct, however unless there is an extraordinary period of sustained high inflation, it is unlikely to have too much of an impact on rates.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Roads	0.00%	3.10%	3.00%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Property	0.00%	2.50%	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Water	0.00%	3.50%	2.60%	2.70%	2.90%	2.80%	3.20%	3.30%	3.40%	3.10%
Energy	4.00%	3.50%	2.60%	2.70%	2.90%	2.80%	3.20%	3.30%	3.40%	3.10%
Staff	0.00%	2.50%	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Other Expenses	5.00%	2.50%	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
The Default No Increase Line	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FMC Contract	0.00%	3.10%	3.00%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Sundry Revenue	0.00%	2.50%	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Waste Index	0.00%	3.50%	2.60%	2.70%	2.90%	2.80%	3.20%	3.30%	3.40%	3.10%

The inflation rates used from years 11 to 30 for the Infrastructure Strategy are based on the 10 year inflation rates.

If the inflation rates tabled above were all to increase by 1% it would impact total operating expenditure for the first three years of the LTP as follows:

	Current (\$000)	1% Increase (\$000)
Year 1	19,930	19,943
Year 2	20,901	21,112
Year 3	21,698	22,090

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Interest

Interest on borrowings is based on the current weighted average rate, plus 0.3% in Year 4, and an increase of 0.5% in Year 7. The average loan term is currently over 5 years and 91% of Council debt is fixed so we do not expect too much fluctuation over the next few years in interest rates.

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2.20%	2.20%	2.20%	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%

Interest on investments is based on a similar methodology to the above, and increases as does interest on borrowings. It is expected that interest on debt and investments will move in a similar direction and at a similar rate over the next ten years.

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
1.84%	1.84%	1.84%	2.14%	2.14%	2.14%	2.64%	2.64%	2.64%	2.64%

There is a high level of uncertainty about the interest rate assumption. With forecast interest expenditure on gross external debt in 2021/22 of \$476,756, an increase in interest rates of 1% will result in an additional \$216,708 in interest expenditure. Over the ten years of the LTP, the additional interest expenditure incurred as a result of a 1% increase in the interest rate assumption is \$3,481,729. The interest rate assumption will be reviewed annually during the preparation of the Annual Plan and updated as more current information provides more certainty.

External Funding

The Funding Assistance Rate (FAR) government roading subsidy is forecast to be 61% in 2021/22 and to remain at this level over the following nine years. This is based on projections supplied by NZTA. An assumption has also been made that NZTA will fund all roading projects.

There is medium to high level of uncertainty around the FAR rate remaining at 61% over the 10 years of the LTP. The budget for the first 1 – 3 years of the LTP has not yet been approved by NZTA. If the FAR rate reduced by 1%, this would amount to a loss of NZTA subsidy in 2021/22 of \$89,279, and \$1,069,770 over the 10 year LTP period. Council will only incur operational and capital expenditure for roading up to the maximum amount approved by NZTA for funding.

There is also a medium risk that NZTA may not fund all of the roading projects proposed from Year 4 onwards. The Brecon Road bridge project, for which Council has budgeted NZTA grant funding from years 5-6 of the LTP of \$7,015,000 has not yet been approved by NZTA. This would have a significant impact on the delivery of the project, and it is unlikely that the project would proceed without the NZTA contribution.

An assumption has been made that up to 100% external funding will be received for certain capital projects – grant funding budgeted of \$8,209,000. There is a high level of uncertainty around whether some of the funding will be received – particularly for the fitness gym (\$84,000), and part of the pool external funding not already confirmed (\$2,500,000), but there is a low level of uncertainty for projects confirmed for Provincial Growth Funding already.

If external funding for the pool of \$2,500,000 is not received, then Council will reduce the pool cost from \$22,500,000 to \$20,000,000.

Revaluation of Assets

It is assumed that the value of Council assets will be consistent with the most recent asset valuation. Assets will be revalued every three years, with the next asset revaluation for infrastructure assets to be in 2021/22, and for property assets to be in 2022/23.

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There is a medium to high level of uncertainty that the asset revaluation forecasts are correct. The value of Council assets and subsequent depreciation expense may change as a result of changes in valuation methodologies, or cost changes being significantly different to what has been forecast. This could lead to an increase or decrease in rates, depending on the outcome at the time. For example, the revaluation for 2021/22 is based on an increase in roading assets of 3.1% and an increase in all other infrastructure assets of 3.5%, resulting in depreciation of \$5,426,000 in 2022/23. If the increase in values was 4.1% and 4.5% respectively, depreciation for 2022/23 would be \$5,463,000

Capital Expenditure

Council has forecast for \$125,763,814 of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years.

The key risk is that the Council is unable to deliver the works programmes as outlined. If the risk occurs then this creates a wave and backload of work, in particular continued delays in the delivery of renewals and upgrades, subsequently that may impact on the achievement of levels of service, potential increased costs from delays and risks to the continuity and delivery of services with the risks of assets failing before they can be replaced. This also comes with the risk that Council rates and borrows to fund a program that can't be delivered in the budgeted timeframe.

There is a medium to high level of uncertainty about the delivery of all projects within the years specified. If any replacement projects can be delayed then that will occur, likewise if any projects need to be prioritised due to asset failure, then they may need to be brought forward.

There is also some uncertainty about the capacity to resource each project to completion phase, and Council is taking on extra resource to greater ensure that projects, particularly those that will increase levels of service, can be delivered on time. The budget from Year 1 includes a new Project Manager, Council is currently recruiting for this role which is expected to commence before the end of the 2020/21 financial year.

Skill Shortages

There is a risk that Council will not be able to recruit and retain staff as required. If this occurs then increased reliance may be placed on contractors with an impact on costs or there may be a risk to continuity of service and service levels, and loss of institutional knowledge.

The likelihood of this impacting Council increases with the more technical roles, especially roles that are unique to local government – including Regulatory roles such as building control and planning, and certain engineering roles, and Rates.

Council has developed a staff wellbeing strategy to increase staff retention and is investing in refining its performance measurement and remuneration system. In terms of being able to attract new staff, when a vacancy is anticipated, Council's policy is to recruit immediately and as widely as possible. Council has also focused on succession planning in recent years with many low to mid-level positions having a clear career progression path.

Contractor Availability

The ability of Council to deliver many core infrastructure services as well as parks, reserves, cemeteries, and property maintenance depends on the ability of contractors to deliver to agreed expectations. An effective procurement process also relies on there being an adequate number of contractors to bid for Council work, enabling a more competitive process – not just on price but quality of delivery.

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There is a low to moderate risk that there will be a shortage of contractors or that contractors will not deliver to the agreed standards and specifications within the agreed time.

Council is supporting local industries by running the Mayors Taskforce for Jobs programme – matching people in Stratford who aren't currently working with available jobs in an attempt to bridge any shortage gaps.

Cost Certainty

There is a medium level of uncertainty around the cost of significant projects, which can be affected by demand and supply at the time, and a change in requirements either as a result of community feedback or legislative requirements. The projected capital expenditure for Brecon Road bridge of \$11,500,000, is based on a consultants estimate and an estimated cost for a business case for funding and contingency amounts, however, this amount could either go up or down and will not be known until after the business case stage is underway. On this bridge project in particular, there is a high level of uncertainty of whether it will go ahead – refer to External Funding section.

It is expected that the future replacement of significant assets will be able to be funded from reserves.

Asset Life

The remaining useful lives of Council assets are recorded in the Infrastructure Strategy and have been taken from the most recent Independent Asset Revaluation.

There is a medium to high level of uncertainty about the expected useful lives which is based upon estimates by actual performance, industry standards, engineer estimates, and valuers. Plant, equipment and infrastructural assets lives range from 4 years to 120 years and were determined either upon initial recognition, or at the asset revaluation cycles. Depreciation and interest costs would increase if replacement capital expenditure was required earlier than anticipated. However, these impacts could be mitigated as capital projects could be reprioritised in the event of early expiration of assets. It is also possible for assets to last longer than their estimated useful life, again mitigating the effects of asset failure before the expected date. Service disruption may occur where assets fail before their useful life, however, Council are very responsive when it comes to ensuring the core infrastructure services are maintained and operated with minimal disruption. If the three waters reforms were to proceed and water assets are removed from Council, the situation may be different and less priority may be given to restoration of core services in an unplanned event.

There is a low level of uncertainty that Council activities will change and result in decisions not to replace existing assets. Where a decision is made not to replace an asset, this will be factored into capital projections. Council has a comprehensive asset management planning process in place to ensure there is an efficient renewal program.

Council is constantly trying to improve the level and accuracy of asset data for core infrastructure recognising the current information could be improved.

Fonterra Milk Price

Fonterra sets the milk price for each season. For the purposes of forecasting, Council has used the average of the previous ten years (below) over the next ten years, of \$6.25.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
\$	7.60	\$ 6.08	\$ 5.84	\$ 8.40	\$ 4.40	\$ 3.90	\$ 6.12	\$ 6.69	\$ 6.35	\$ 7.14

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There is a medium risk that the price will drop below \$6.25. A drop in the milk price of \$1 will result in revenue reducing by \$75,000, based on estimated milk production to remain consistent over the next ten years at 150,000 kg/milk solids produced annually.

Population Growth

Population and the number of rateable properties is expected to increase by 0.5% per annum. The *Population Projections 2018-2051* report by Infometrics, dated April 2020, forecasts that the Stratford district population will, under a high growth model, increase from around 10,000 to 11,800 over the next 30 years (18% or 0.6% per annum). Council has noticed the upturn in Taranaki's regional growth which appears to be flowing through most of the provincial areas. In recent years there has been an increase in rating units of around 1%. However, it is not expected that this level of increase will be sustainable over the next ten years and so for the purposes of determining rating unit growth for the Long Term Plan, 0.5% growth has been used as a conservative measure.

This level of growth has also been used for the forecast increase in rating units. There is a medium to high level of uncertainty that population and rating unit growth will increase by 0.5% annually, and it may be higher or lower than forecast.

There is currently provision in the District Plan if new infrastructure is required to respond to new development. Those provisions allow Council to obtain financial contributions from developers to respond to any development work required by Council.

Council has made provision for growth by proposing to invest in a self-funding property development in 2021-23, at a slightly smaller scale to the 2019-21 Council subdivision. The cost proposed is purely an estimate based on the previous Council subdivision and hasn't taken into account the number of sections, change in land prices, and potential development work required. The financial outcomes proposed for the subdivision are purely reliant on there being sufficient demand for all sections Council makes available for sale.

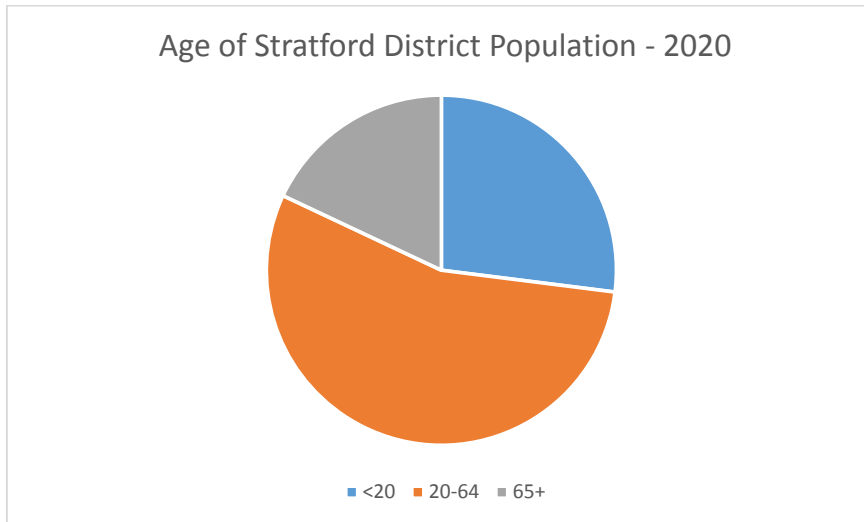
Current assets have the capacity to cope with the moderate growth experienced and forecast. It would take consistent growth of 1-3% for a considerable number of years before this would change.

A lower than expected population growth outcome is considered unlikely, but could result in reduced revenue to Council from funding sources other than rates.

Societal Changes

The average age of Stratford residents is expected to increase over the next 30 years from 40 to 42 years. It is not expected that this increase will have a significant impact on Council services and infrastructure, and there is a low to medium level of uncertainty around this assumption as it is based on Infometrics data and is a trend that doesn't generally change dramatically within 10 years. 580 residents (5% of the district population) are aged 80+.

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There are 1,250 Māori population – 48% are under 20. Māori make up 13% of the district population. This is expected to increase slightly over the next 10 – 30 years.

Resource Consents

The Council regularly reviews regulatory changes that may or will affect the delivery of core services. This primarily includes updates to resource consents and changes to legislation or national standards.

The assumption in the Long Term Plan is that renewed resource consents will have similar conditions as the expiring resource consents and will not include significant cost triggers and additional expenditure. There is a medium level of uncertainty on this assumption as it is dependent to a high degree on the legislative environment and environmental standards and expectations that exist at the time of renewal.

An assumption has also been made that all resource consent conditions will be met by Council. There is a low to medium level risk that Council will face some form of non-compliance or breach consent conditions. Council has suitably qualified and skilled staff and appropriate processes and technology to control, monitor and manage consent conditions.

Legislative Reform

Resource Management Act reform – there is potential for the District Plan to be consolidated into a Regional Plan in the near future however no decision has been made on this yet. At this stage, Council has still budgeted for \$1,500,000 in years 3 to 5 of the Long Term Plan to produce a new District Plan to ensure current legislative timeframes are met. Council will monitor the ongoing situation. There is a high level of uncertainty around this, as the Government has announced legislative reform will occur by 2022 and will involve consolidation of planning documents between territorial authorities.

Three Waters reform - There is potential for the Water Supply, Wastewater, and Stormwater Activities to be removed from Council in 3-4 years and placed under a much larger multi-regional entity. The work on this is still underway and no firm decision has been made yet on what the reforms might look like, so the Long Term Plan does not allow for potential Water Reforms at all. Instead the operating and capital expenditure budget are as per normal with some level of service expenditure required to ensure a sustainable water supply for future generations. If the 3-Water Activities were to be removed from Council, from say Year 4 of the Long Term Plan, this would have an impact on Council assets, debt,

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revenue, expenditure, and treasury covenants. There is a high level of uncertainty around what will happen and by when.

Climate Change

Climate change is expected to affect the Stratford district over the short to long term through an increase in the frequency and intensity of storm events, and a change in rainfall patterns producing more extreme weather events, and an increase in drought events.

Extreme weather events and heavy rainfall would see increases in flooding, landslides, avalanches and mudslides during heavy rainfall events while on the flip side a lack of rain during summer months could see prolonged periods of drought. Both extremes place increased pressure on government, private flood insurance schemes, and disaster relief.

Council responds to and plans for impacts of climate change as part of asset management practices by monitoring NIWA data in order to plan for and make adjustments to infrastructure where and when needed. Where adjustments are needed they are undertaken through New Works and/or Renewal/Replacement.

Council has budgeted for projects that will support the districts response to climate change. These include the Walking and Cycling strategy projects (\$3.35m for 10 years), Water Meter Installation (\$1.94M for 10 years) and the reticulation capacity upgrade for the storm water system (\$1.35M for 10 years).

Although the level of uncertainty around what impact Climate Change will have on the district over the next ten years is high, planned expenditure in the LTP does not include provision for any impacts of a natural disaster event. The costs will be addressed as or when they arise. The Revenue and Financing Policy allows for such expenditure to be loan funded if required.

Insurance cover is in place for above ground and below ground infrastructure assets, and Council has a contingency fund of \$500,000 to assist in initial damage control and restoration work required after any significant weather event. Council has deliberately kept the net debt to revenue limit (130%) below the Local Government Funding Agency (LGFA) net debt covenant of 175% to ensure that if borrowing is required urgently for unforeseen circumstances such as to respond to infrastructure damage from an extreme weather event, Council has the capacity to draw down additional funds through the LGFA.

The Infrastructure Strategy discusses climate change and its effects on the district in further detail. At this stage, no assessment has been done on the potential impact of the expected effects of climate change on the community's social, economic and cultural wellbeing. With the Stratford district being heavily reliant on agriculture, an increase in droughts as a result of climate change will have an impact on the viability of the industry, which would have a social and economic impact. Council is committed to working with Venture Taranaki to develop diversification and innovation in the food production industry via the Food Futures project.

Covid-19

No impact has been factored into the LTP budgets as a result of the Covid-19 pandemic and Council does not anticipate any further lockdowns. There is a low to medium level of uncertainty for this assumption, as the 2020 lockdown did not have a significant impact financially on Council, and is unlikely to occur again now that the Covid-19 vaccine is being administered in New Zealand.

The current situation is indicating only a minor impact overall on the Stratford District Council as a result of Covid-19. Of Council's total revenue, a low portion (10%) is reliant on user fees and charges, the remainder is made up of rates revenue and NZTA funding. Consequently, any future Covid-19

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impact has not been factored into Long Term Plan considerations and no impact on revenue or supply chain availability from overseas is anticipated. The Long Term Plan is based on the assumption that the Council will adequately deal with any extraordinary situations as they arise.

The district is also more reliant on industries that haven't been majorly negatively impacted by the effects of Covid-19 such as agriculture, education, health care and other day to day necessity industries.

The food and service industries may experience sporadic closures or lower activity as the country moves in and out of the Covid-19 levels over the next year or so. This could ultimately result in some permanent closures, and reduced revenue coming in to the district. It may also result in Council being unable to achieve its non-financial performance measures that rely on visitor numbers or bookings e.g. library, pool, War Memorial Centre. Council anticipates no effect from Covid-19 from July 2021 onwards, and will explain any under performance results at the time, as is usually done.

With the border closures and quarantining likely to remain in effect for some time, some industries may also experience short-staffing and an inability to maintain capacity or grow due to some industries previously relying heavily on foreign workers, e.g. contracting industry, agricultural industry.

TET Multi Sports Centre

The TET Multi Sports Centre was vested to Council on 1 July 2018. Although Council has assumed ownership of the TET Multi Sports Centre building, Council has decided not to fund depreciation of the asset. The assumption has been made that Council will take on minor operational costs and expenses associated with the stadium and in addition has budgeted for \$50,000 of capital expenditure on the stadium each year.

As a decision has not yet been made on the ultimate ownership of the Stadium, the budgets assume the Centre will continue to be run as per previous operations, in that the current lessee will manage the majority of the associated running costs of the building.

There is a medium level of uncertainty on this occurring as negotiations are yet to take place, and consultation with the community may be required in future.



8. Significant Assumptions - Risks, Uncertainties, Impacts and Mitigation

Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
1. FINANCIAL ASSUMPTIONS				
<p>Revenue</p> <p>Council revenue will cover expenditure, providing for a balanced budget. The majority of revenue will be raised from rates, user charges and NZTA funding assistance</p> <p>The number of rating units will not change significantly over the period of the Infrastructure Strategy.</p> <p>Sources of funding for operating and capital expenditure do not change, but will remain as per the Revenue and Financing Policy.</p> <p>Funding Assistance from NZTA will remain at 57 % for all works categories.</p>	<p>Council revenue and reserves do not cover expenditure.</p> <p>The predicted rate take is not realised.</p> <p>Sources of funds are not realised.</p> <p>NZTA funding assistance reduction</p>	<p>Low</p>	<p>A significant impact from changes in funding or funding sources may result in a revised operational and capital works programme, or changes in the level of user fees and charges, borrowing or rating requirements.</p> <p>Operating, maintenance, renewal and level of service improvement budgets are affected.</p> <p>Planned capital, maintenance and renewal works deferred or cancelled.</p> <p>Asset ownership may need to be reviewed.</p> <p>Potential social, environmental and public health implications as a result of reduced service levels.</p>	<p>Levels of revenue from user charges have been set at realistic levels in accordance with the ratios outlined in the Revenue and Financing Policy.</p> <p>There is a concentration of risk associated with a small number of industrial consumers for some revenue streams (e.g., extraordinary water charges).</p> <p>Regular liaison is maintained with these consumers.</p> <p>Funding for projects and assets is considered before the commencement of each project or asset.</p> <p>The rating base is reviewed annually when determining the rates for the year.</p> <p>Any changes to NZTA funding have historically been communicated well in advance</p>
<p>Cost</p> <p>Costs will remain stable over the entire period of the Infrastructure Strategy</p>	<p>Costs are higher or lower than anticipated.</p>	<p>Low</p>	<p>Variability of prices, such as for oil, could cause variability in costs.</p> <p>Higher cost of project delivery</p>	<p>The Council and management will review its budget annually through the LTP/Annual Planning process and may adjust work programmes/budgets where necessary.</p>
<p>Inflation Rates</p> <p>The inflation rates remain as indicated in</p>	<p>Inflation rates differ</p>		<p>A significant change in inflation will</p>	<p>The Council will review its budget annually through the</p>

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Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
financial tables.	from those assumed.	Medium	result in changed revenue and expenditure. This could be significant and may adversely affect the ability of the Council to set affordable rates in future	LTP/Annual Plan process and may adjust work programmes /budgets when necessary.
<p>Useful Lives</p> <p>Infrastructural assets useful lives range from 4 years to 120 years were determined during the certified valuations using specifications from suppliers.</p> <p>Depreciation costs are based on their respective lives. Unit cost assumptions used are the same as used during the most recent Certified Valuation and were determined using latest contracts, construction projects and supplier information.</p> <p>No reassessment of useful lives throughout the ten year period.</p> <p>All assets will be replaced at the end of their useful life unless noted otherwise.</p>	<p>Those assets wear out earlier or later than estimated.</p> <p>That the useful asset life information held is incomplete or inaccurate</p> <p>That Council activities change, resulting in decisions not to replace existing assets.</p>	Low	<p>The financial effect of uncertainty is likely to be immaterial.</p> <p>Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated.</p> <p>Subsequent depreciation calculations will result in incorrect revenue setting, resulting in incorrect rates collection and leading to insufficient funds.</p>	<p>Reprioritisation of capital projects</p> <p>Update useful life information of infrastructure assets regularly</p> <p>Council has a comprehensive asset management planning process. Where a decision is made not to replace an asset, this will be factored into capital projections.</p>
<p>Resource Consent</p> <p>Renewed resource consents will have similar conditions as the expiring resource consents and will not include significant cost triggers.</p>	New resource consents to replace expiring consents include significant cost triggers.	Medium	<p>Capital, Operating, maintenance and renewal budgets are affected.</p> <p>Council unable to meet resource consent conditions</p>	The conditions imposed on new consents are dependent upon the legislative environment and environmental standards and expectations that exist at that time.

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Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
2. OPERATING ASSUMPTIONS				
<p>Levels of Service</p> <p>The demand for Council Services and customer expectations regarding levels of service will not change significantly and therefore there will be no significant effects on asset requirements or operating expenditure.</p>	<p>There are significant increases in customer expectations regarding demand for services and/or the level of service provided.</p>	<p>Low</p>	<p>Infrastructure and service provision do not meet customer and stakeholder needs and expectations.</p> <p>Maintenance, renewal/replacement, and performance monitoring requirements increase.</p> <p>Customer and stakeholder needs are not met.</p> <p>Customer confidence is eroded.</p>	<p>Regular reviews of Community expectations against levels of service, via customer surveys as well as feedback received.</p> <p>Minor changes may be made to service levels where budget, contracts and resources allow. These will generally occur within existing budgets.</p> <p>Major changes in service levels will be confirmed with the community via consultation. These will generally require increase to fees or rates, depending on how the service involved is funded.</p>
<p>Legislation</p> <p>It is assumed that there will be no significant legislative changes that affect infrastructure and service delivery.</p>	<p>There are significant changes in legislation that require a different and/or higher level of service delivery, maintenance or performance standard.</p>	<p>Medium</p>	<p>The ability to meet Levels of Service requirements will be altered.</p> <p>Maintenance and renewal planning and funding requirements will be increased</p>	<p>Current infrastructure and service provision meets good practice and will be able to adapt within reasonable timeframes.</p> <p>Ongoing discussion with Elected Members and stakeholders on the implementation of the</p>
<p>Resource Consents</p> <p>Renewed resource consents will have similar conditions as the expiring resource consents and will not be significantly altered.</p> <p>Any resource consents due for renewal during the ten year period will be renewed</p>	<p>Conditions of resource consents are altered significantly.</p>	<p>Low</p>	<p>Council is unable to renew existing resource consents upon expiry.</p> <p>Breach of Consent conditions</p>	<p>Appropriate planning and on-going interaction and/or consultation with regulators and other parties for resource consent applications/renewals should ensure that they are obtained.</p> <p>Monitoring of compliance with existing resource consent conditions will provide a record of compliance for future</p>

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Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
accordingly.				<p>processes.</p> <p>The renewal of consents is dependent upon the legislative and environmental standards and expectations that exist at that time.</p>
3. STRATEGIC ASSUMPTIONS				
<p>Population Growth</p> <p>The current population is projected to increase based an assumption of medium growth by Infometrics Model 2020.</p> <p>Note: Population projections do not represent forecasts, but indicate what the future size and structure will be if the underlying assumptions regarding births, deaths and migration prevail.</p>	<p>That growth is higher than projected thereby putting pressure on Council to provide additional infrastructure and services.</p>	<p>Moderate - High</p>	<p>Accelerated infrastructure deterioration rate;</p> <p>Increased maintenance and renewal/ replacement needs;</p> <p>Maintenance and renewal/replacement requirements exceeds current programme of works and funding allocations;</p> <p>Compromised ability to meet Levels of Service requirements.</p>	<p>Council will continue to monitor population change in the District. Generally, small increases in population can be managed within the existing level of service.</p> <p>Declines in population will not necessarily reflect lower number of ratepayers as the number of people per household is declining but will impact affordability.</p> <p>Where growth requires additional infrastructure (e.g., subdivisions), Council can require financial contributions for this work. Costs over this amount may result in additional Council expenditure which is likely to be funded out of debt.</p>
<p>Asset Management Plans</p> <p>AMPs are complete; they include renewal and capital programmes for all major infrastructural assets and are based on sound assessments of asset condition, lifecycle and demand management.</p> <p>AMPs are peer reviewed in accordance with the Asset Management Policy.</p>	<p>Asset Management Plans are incomplete. Condition ratings and life cycle demand assumptions are erroneous.</p> <p>Asset Management Plans are not peer reviewed.</p>	<p>Low - Moderate</p>	<p>Current Levels of Service are not clearly defined.</p> <p>Improvement planning is not adequately tracked and/or resources and time needed is not adequately allocated.</p> <p>Misalignment between projected and actual budgets</p> <p>AMPs present a weak business case for investment.</p>	<p>Significant investment made in asset management systems and practices as well a condition assessment of assets.</p>

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Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
			AM improvement is inhibited.	
<p>Asset Disposal/Acquisition</p> <p>There are no substantial asset disposals that will impact significantly on the plan.</p> <p>There are no substantial asset acquisitions that will impact significantly on the plan.</p>	<p>Policy changes result in substantial asset disposal.</p> <p>Policy changes result in substantial asset acquisition.</p>	<p>Low</p> <p>Low - Medium</p>	<p>Maintenance and renewal planning and funding requirements will be reduced.</p> <p>Maintenance and renewal planning and funding requirements will be increased</p>	<p>Regular review of levels of service, population growth and legislative environments, which would be the most likely drivers of asset disposal and/or acquisition.</p>
<p>Programming of Works</p> <p>The recommended programme of works will be carried out.</p>	<p>The recommended programmed work is not carried out.</p>	<p>Low</p>	<p>Identified problems/opportunities are not responded to.</p> <p>The rate of deterioration to infrastructure is accelerated.</p> <p>Compromised ability to meet agreed LoS.</p>	<p>On-going monitoring of work programmes.</p> <p>Identification of root-cause of delays / failure to deliver.</p>
<p>Staff</p> <p>Current staff members possess the necessary education and skill sets to adequately perform their designated functions.</p> <p>Current staffing levels are adequate and stable.</p>	<p>Staff leaving results in staff skill levels falling below the standard required.</p> <p>Staffing levels are not adequately maintained.</p>	<p>Low - Medium</p>	<p>Loss of institutional knowledge</p> <p>Inadequate Operating management of infrastructure and/or delivery of service.</p> <p>Demand on Council activities not being met by Council staff.</p> <p>Negative impacts on customer service and reputational damage.</p>	<p>Active training and recruitment programmes ensuring suitably qualified staff</p> <p>Strong relationships with key contractors and suppliers are maintained to ensure availability and competency of critical resources</p>
4. HAZARD ASSUMPTIONS				
Resource Consents				

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Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
Resource Consent Conditions will be understood, met.	Noncompliance with Resource Consent Conditions	Low - Moderate	Breach of Resource Consent Conditions	Suitably qualified and skilled staff Appropriate technology used to control consent conditions; On-going consultation with regulators
Contractors/Suppliers Council contracts out the majority of its operations and services. It is assumed that all contractors will adhere to the terms of the contract	Contractor breaches terms of contract Contractor financial situation declines.	Low	Compromised Asset and/or public safety Substandard completed works Negative publicity eroding public opinion. Unexpected financial costs. Unexpected legal implication for Council.	Regular monitoring of and interaction with engaged contactors to ensure acceptable performance. Healthy contracting environment within the district and region that allows for substitution of any one contactor- if significant issues experienced.
Natural Disasters Current planned Incident Response would be effective until Level 4-5 at which point TEMO takes over management of a District wide emergency.	The current Incident Response Plans are not effective until Level 4-5.	Low	Provision of service is disrupted. Structural integrity of infrastructure is compromised. Public safety is compromised. Recovery from a major event is inhibited.	Infrastructure resilience incorporated into design, planning and maintenance of assets. High-level planning on a regional basis with mutual support during events. Contractual arrangements to ensure resource availability.
Pandemic It is assumed that the current "Service Continuity Plan" would be effective in maintaining continuity of service in a pandemic event.	Service continuity Plan is not effective and continuity of service is unable to	Low	Provision of service is disrupted. Operation and maintenance of infrastructure is compromised.	Infrastructure resilience incorporated into design, planning and maintenance of assets. High-level planning on a regional basis with mutual support during events.

APPENDIX 2



Significant Assumptions	Risk	Risk and Uncertainty Assessment	Potential Impacts and Implications	Mitigation / Control Description
	be maintained		Public safety is compromised.	Contractual arrangements to ensure resource availability.
<p>Climate Change</p> <p>Climate change will impact on the Council's operations and will require an appropriate response to adapt and prepare for potential impacts.</p>	<p>The effects of climate changes are more or Less severe than expected.</p>	<p>Low – medium</p>	<p>Unrealised effects of climate change are likely to create additional costs to mitigate their impacts, such as improving protection of critical infrastructure.</p> <p>More severe weather events resulting from climate change may increase damage to infrastructure and place pressure on Council finances.</p>	<p>Council activities will build appropriate mitigation responses into infrastructure development.</p> <p>The Council will continue to monitor Climate change science and the response of central government and adapt its response where required.</p>

INFORMATION REPORT



F19/13 – D21/6864

TO: Audit and Risk Committee
FROM: Director – Environmental Services
DATE: 16 March 2021
SUBJECT: BUILDING CONSENT AUTHORITY ACCREDITATION REPORT

RECOMMENDATION

THAT the report be received.

Recommended Reason

As an accredited Building Consent Authority the Stratford District Council must ensure its procedures and practices for building consent matters meet legal requirements.

_____/_____
Moved/Seconded

1. **PURPOSE OF REPORT**

This report provides the Audit and Risk Committee with a summary of the recent monitoring assessment of the Council’s Building Consent Authority by International Accreditation New Zealand (“IANZ”).

2. **EXECUTIVE SUMMARY**

- 2.1 Between 27 and 30 July 2020 the Council’s Building Consent Authority was audited by IANZ. Councils are required to be accredited to operate as Building Consent Authorities and regular auditing is one of the requirements for accreditation.
- 2.2 The audit identified several areas where changes are required to be made to achieve full compliance with the regulations in the Building Act 2004. Since the audit, an Action Plan identifying the specific changes to be made has been prepared, submitted to IANZ and approved. Most of the changes identified on the Action Plan have been made but there are still some to be completed.
- 2.3 In January 2021 IANZ returned for a monitoring assessment to check progress on the matters in the Action Plan.
- 2.4 IANZ has recently reissued a Certificate of Accreditation to continue operating as a Building Consent Authority and will return in April 2021 for another audit.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”.			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:		Operating as a Building Consent Authority supports the economic and environmental wellbeing of the Stratford community.	
Social	Economic	Environmental	Cultural
	✓	✓	

4. **BACKGROUND**

- 4.1 The Council’s Building Consent Authority is required to be audited for compliance with the Building (Accreditation of Building Consent Authorities) Regulations 2006. Audits are a requirement of the Ministry of Business, Innovation and Employment and are undertaken on their behalf by IANZ.
- 4.2 Audits take place on a cycle with varying time periods between audits, but every Building Consent Authority must be audited at least two yearly in order to retain accreditation.
- 4.3 The audits involve examining each Building Consent Authority’s procedures and practices against the requirements in the regulations. Where either a procedure or a practice does not comply with the regulations the Building Consent Authority is required to remedy the non-compliance. Non-compliances are categorised as either serious non-compliances or general non-compliances.
- 4.4 The Council’s Building Consent Authority has been audited several times since 2006 and has successfully retained accreditation to operate following each audit. Each audit has identified a series of non-compliances that have required remediation.

5. **INFORMATION SUMMARY**

- 5.1 The audit ran between 27 and 30 July 2020 and identified several areas of non-compliance. These non-compliances were all general non-compliances; there were no serious non-compliances identified.
- 5.2 The specific areas that the non-compliances relate to are:
- Providing consumer information
 - Administrative procedures
 - Planning and undertaking training
 - Assessment of employees performing building control functions
 - Strategic planning and reporting
 - Internal auditing.

- 5.3 The process for addressing the non-compliances identified during an audit involves preparing an Action Plan which must identify how the non-compliances will be remedied and what evidence will be provided showing the remediation has taken place. The Action Plan must be submitted to IANZ for approval.
- 5.4 The Action Plan has been prepared and has been approved by IANZ. Since the Action Plan was approved we have been working on making the changes needed to our procedures and practices.
- 5.5 Gathering evidence of compliance can be challenging for a small Council that receives a relatively low number of applications. Despite currently receiving more applications for building consent than we ordinarily would, sometimes quite a long time elapses between instances of a particular type of consent or event which makes gathering evidence of compliance more difficult than it otherwise might be. We have also experienced some challenges engaging contractor assistance where we have needed it which has made it take longer than forecast to address some of the non-compliances.
- 5.6 During this period John Richmond, the Council's former Building Services Manager has changed roles as part of a transition to a part-time rather than full-time position. While we recruit for a full-time replacement we have appointed Rose McLaughlan of New Zealand Building Industry Training Limited to act as Building Control Manager. This will ensure continuity while we prepare for the next audit, which is scheduled for the last week of April 2021. IANZ is based in Auckland which is currently in Level 3 lockdown. When travel restrictions are in place at the time of an audit, the audit conducted remotely using Zoom rather than in person, so the audit's timing is unlikely to be altered as a result of Covid-19.
- 5.7 While the audit has identified some areas where our procedures and practices need to be improved, this is a usual outcome of the audit process. We have retained our accreditation as a Building Consent Authority which enables us to continue providing these services to our community.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

Retaining accreditation to operate as a Building Consent Authority is a requirement of the Building Act 2004 and enable the Council to perform a regulatory function.

6.2 **Annual Plan and Long Term Plan**

Operating as a Building Consent Authority is consistent with both the Annual Plan and Long Term Plan.

6.3 **District Plan**

This matter does not give rise to any conflict with the District Plan.

6.4 **Legal Implications**

There is no need for specific legal advice regarding this matter.

6.5 **Policy Implications**

This matter does not give rise to any conflicts with Council policies.



Blair Sutherland
DIRECTOR – ENVIRONMENTAL SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

INFORMATION REPORT



STRATFORD
DISTRICT COUNCIL

F19/13/04 – D21/6662

TO: Audit and Risk Committee

FROM: Corporate Accountant

DATE: 16 March 2021

SUBJECT: ANNUAL REPORT 2019/20 – PROGRESS ON AUDIT ISSUES

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Audit and Risk Committee of the issues identified in the final Audit New Zealand Management Report for the 2019/20 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

_____/_____
Moved/Seconded

1. **PURPOSE OF REPORT**

The purpose of this report is to inform the Committee of the issues identified in the final Audit New Zealand Management Report for the most recent year-end external audit, and summarises the actions that have or are to be taken by Council officers to respond to audit recommendations.

This is in line with the Audit and Risk Committee's Terms of Reference which includes a responsibility "*To review the external audit findings and the annual financial statements and report back to the Council*".

2. **EXECUTIVE SUMMARY**

As at 28 February 2021, there were three new recommendations and another three that had not yet been closed out from previous years. All have actions in progress, but are considered non-urgent.

There is one issue, with the reconciliation between RAMM (roading asset management and maintenance) and the financial software that Council officers do not intend to implement, with the reasons given in **Appendix 1** below. As a result, officers request that this Committee approve the non-compliance with Audit's recommendation.

Audit New Zealand issued an unmodified audit opinion for the year ended 30 June 2020 on 13 October 2020. As a follow up, Audit New Zealand issued a Management

Report setting out the findings from the audit, highlighting areas where Council is doing well, and making recommendations for improvement.

Appendix 1 lists each of the issues identified by Audit New Zealand that came with some form of recommendation, and the current status.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

4. **BACKGROUND**

Audit New Zealand carried out their annual audit of Council’s financial statements for the year ended 30 June 2020, on behalf of the Controller and Auditor-General, from September 2020 to October 2020.

An unmodified audit opinion was issued by Audit New Zealand. This means that, in the auditor’s opinion, the financial statements and commentary within the annual report were presented, in all material respects, in accordance with legislation and the financial reporting standards.

The Annual Report 2019/20 was adopted by Council on 13 October 2020.

It is normal that the auditors will provide recommendations for improvement to ensure a high standard is maintained in terms of internal controls and accuracy in collecting and recording information that is required to be publically reported. A summary of the recommendations is provided in **Appendix 1** to this report. A progress update on these recommendations will continue to be provided to the Committee at each meeting.

5. **INFORMATION SUMMARY**

Refer to **Appendix 1**.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

The Annual Report is a statutory requirement and must include an independent audit report. It is largely reporting historical information, whereas the Annual Plan and Long Term Plan are forward looking and direction setting.

6.2 **Annual Plan and Long Term Plan**

The Annual Report compares the actual results for the year ended 30 June 2020 against the budget as per Year 2 of the Long Term Plan.

6.3 **District Plan**

The Annual Report does not have a direct relationship with the District Plan.

6.4 **Legal Implications**

There are no legal implications - the Annual Report was completed in accordance with the Local Government Act 2002.

6.5 **Policy Implications**

There are no policy implications to consider directly. However, some of the audit recommendations may involve Council having to review particular policies.

Attachment

Appendix 1 - Schedule of Audit NZ Recommendations



C R Craig
CORPORATE ACCOUNTANT



[Endorsed by]
T Radich
DIRECTOR – CORPORATE SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 9 March 2021

APPENDIX 1

Schedule of Audit NZ Recommendations

Recommendation	Current status	Comments	Timeframe
<p>Reconciliation of the trial balance to the financial statements</p> <p>District Council maintain the correct trial balance reporting format in excel and report parameters. The mapped trial balance submitted for audit should be checked against the financials, using a pivot table.</p>	In progress	<i>This will be undertaken in conjunction with the preparation of the 2020/21 annual report.</i>	20 August 2021
<p>Reconciliation between RAMM and fixed asset register</p> <p>We continue to recommend that the District Council review the current processes and consider implementing systems and controls:</p> <ul style="list-style-type: none"> To reconcile the assets / Work in progress (WIP) between the fixed asset register and RAMM / projects both yet captured into RAMM To ensure that information provided for valuation is complete and fairly reflects Council's asset base at the time of valuation. 	Incomplete	<i>At this stage, we are unable to provide a reconciliation between RAMM and Authority – what goes into Authority is what gets paid so we are happy that we have all costs in the financial system, and reporting on the appropriately. The reason we can't reconcile actual project / capital costs and RAMM costs is because there are additional costs that are allocated to projects in Authority that don't go into RAMM – these include consenting fees, design fees, supervision fees and the cost of land for example.</i>	N/A
<p>Impairment of receivables</p> <p>Given the increased economic uncertainty caused by the impact of COVID-19, we recommend that the District Council prepare a detailed impairment assessment of receivables going forward.</p>	Complete	<i>An impairment assessment is carried out on a monthly basis by Director – Corporate Services and Revenue Manager. As a result, the Revenue Manager has developed an internal policy around Debtor Management and Collection, and two debts have been written off in November in line with Council's Delegations Policy and report back to the Audit and Risk Committee.</i>	Complete

Audit Matters raised in previous years' audits outstanding

Recommendation	Current status	Comments	Timeframe
<p>Reconciliation between the general ledger and the asset management system</p> <p>Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset-Finda on a monthly basis. This reconciliation should include a report on the depreciation charged.</p>	<p>In progress</p>	<p><i>Due to existing processes, the only time the two systems are reconciled is at asset revaluation dates. The Corporate Accountant and GIS Officer have a solution that will enable a yearly reconciliation of asset values between AssetFinda and Authority. The GIS officer updates Assetfinda with Authority work order projects, all completed projects are capitalised as at 30 June.</i></p>	<p><i>Partially implemented on 30 June 2020, and will be fully implemented by 30 June 2021.</i></p>
<p>Assessment of asset condition be carried out at valuation cycles</p> <p>Having appropriate information over the condition of assets and taking this into account when revaluing will give the District Council a better picture of their assets. This will also mean the District Council will have better information for asset management planning.</p>	<p>To consider for next infrastructure valuation.</p>	<p><i>Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.</i></p>	<p><i>Next valuation for 2021/22 year.</i></p>
<p>Contract management register</p> <p>Consider improvements to the contract management register and processes to include a whole-of-Council contract management system.</p>	<p>Complete</p>	<p><i>The Contract Register in Authority has now been setup and staff training has been completed.</i></p>	<p>Complete</p>



21 January 2021

Ref: EN/LCA/03-0038 Y04821P

Neil Volzke
Mayor
Stratford District Council
PO Box 320
Stratford 4352

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear Neil

Audit engagement letter: audit of the consultation document and Long-term Plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Stratford District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and Long-term Plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the Council for preparing the consultation document and the LTP

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council’s own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally

accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is 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 prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We have sent the self-assessment and have received the completed assessment.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council’s forecasts

The response to manage Covid-19 has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The impact to the economy is likely to be negative, and share a number of impacts on Council, including on Council’s revenue assumptions and the level of service Council provides in the future. In addition Council will need to consider the impact on their financial and infrastructure

strategies, and key underlying assumptions such as population growth, and revenue from investments.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

We noted in the previous LTP audit, that there were many improvements discussed with the District Council following our review of the first draft of the financial and infrastructure strategy. We recommend these documents are subject to an internal review and the changes recommended in previous audits are taken in to account.

The Office of the Auditor-General has included sector-wide strengths and weaknesses in the publication Matters arising from the 2018-28 local authority LTPs, which is available from <https://oag.parliament.nz/2019/ltps>.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and

- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will be paying more attention to the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 57% of operational expenditure and 92% of capital expenditure.

In previous LTP audits, we identified that the District Council does not have good information about the condition of its underground assets, and was working to improve the condition information over assets. The main focus for condition information is on assets that have been assessed as critical. The District Council's approach to non-critical assets is to let them fail and then replace them. We were satisfied that a reasonable approach was taken to assess the asset condition based on a mix of age, critical importance, and performance information available to the District Council. However, there is a risk to the District Council that as the information about asset condition improves the expected cost of asset renewals could change significantly.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the District Council's asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;

- understand the Council’s assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council’s asset-related information.

5 Other matters

5.1 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 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 integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted LTP on the Council’s website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	21 November 2020
Self-assessment returned to audit team for consideration	18 December 2020
First interim visit (initial assessment)	26 January 2021
Proposed consultation document available	26 January 2021

Audit opinion on consultation document required	09 March 2021
Draft Report to Council on consultation document engagement	16 March 2021
Finalised Report to Council on consultation document engagement	23 March 2021
Proposed LTP for adoption available	25 May 2021
LTP visit	31 May 2021
Audit opinion on adopted LTP required	22 June 2021
Draft Report to Council on LTP engagement	5 July 2021
Finalised Report to Governors on LTP engagement	12 July 2021

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$66,900 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document
- There will be an appropriate level of assistance from your staff.

- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer’s proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the “Council parent” only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
February	33,450
March	11,150
May	11,150
June	11,150
Total	\$66,900

8 Personnel

Our personnel involved in the management of the audit are:

Chris Webby	Appointed Auditor
Jonathan Roylance	Specialist Audit and Assurance Services
Ros Rheeder	Audit Manager
Nicole Cooper	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 6 July 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Nāku noa, nā



Chris Webby
Appointed Auditor

cc Sven Hanne, Chief Executive

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 6 July 2020.

Signed: _____ Date: _____

Neil Volzke
Mayor

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a Report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The Report to the Council communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, 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 a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted LTP

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

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 6 July 2020 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

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

- responsibilities for compliance with laws and regulations; and
- responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:

- correctly record and explain the forecast transactions of the Council;
- enable the Council to monitor the resources, activities, and entities under its control;
- enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
- enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - 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 of representations made to us in connection with the audit.

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.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

	Total hours
Appointed Auditor	70
Sector Specialists	1
Audit Manager	90
Other CA staff	170
Staff not yet CA qualified	140
Other Expert or Specialist Assistance:	
• SAAS	24
Total	495

Fee calculations

	\$
Net fee	66,900
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	<u>66,900</u>
GST	10,035
Audit fee for the LTP for the period commencing 1 July 2021	<u>76,935</u>

* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.

Report to the Council on the audit of

Stratford District Council

For the year ended 30 June 2020

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Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Stratford District Council (District Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion dated 13 October 2020. Without modifying our audit opinion, we included an emphasis of matter paragraph to draw the users' attention to the relevant notes in the annual report that describe the impact of Covid-19 on the District Council. Given the significance of the pandemic, this is a standard addition to audit reports issued on behalf of the Auditor-General in 2020.

Matters identified during the audit

Impact of Covid-19

Since Covid-19 was declared a pandemic in the early part of 2020, it has had and continues to have an impact on the operations and financial results of the District Council.

The District Council prepared an assessment of the impact on its operations including, changes to internal controls, activities, financial and performance results, the assumptions around the fair value of assets and possible impairment. We have reviewed this assessment and related information.

We assessed the District Council's disclosure around these impacts and concluded that it was appropriate.

Subdivision accounting treatment

The District Council subdivided land for resale during the 2019 financial year. Some of these properties were sold in the 2020 financial year. Phase 2 is currently underway.

The District Council recognised the costs associated with the subdivision as inventory in the financials, in terms of *PBE IPSAS 12 – Inventories* and the Council infrastructure created as work in progress.

From our review we identified that the District Council did not recognise the costs associated with properties sold as cost of sales in the first draft of the annual report. This was subsequently corrected.

We are satisfied that after the adjustments, the inventory, council owned infrastructure and land, cost of sales and revenue associated with the subdivision is fairly stated in the financial statements.

Valuation of Property, Plant and Equipment

The District Council periodically revalues its operational and infrastructural assets. *PBE IPSAS 17, Property, Plant and Equipment*, requires that valuations are carried out with sufficient regularity to

ensure that the carrying amount does not differ materially from fair value. The District Council revalued its infrastructure assets in the prior year.

We reviewed District Council's assessment of whether there was any significant difference between the carrying amount and fair value of its revalued assets. Based on the work performed we are satisfied that the fair value is not materially different to the carrying value.

For Land and buildings, a valuation was performed by TelferYoung at 1 January 2020. This was not significant given the value of these asset classes compared to the total asset portfolio.

Based on the work performed, we were satisfied that the land and buildings revaluation was appropriately recognised and disclosed.

Adoption of new group accounting standards

The District Council has adopted PBE IPSAS 34 to 38 in preparing the 2019/20 financial statements. Management prepared an assessment of the impact of introducing these standards and concluded that these standards do not have a significant impact on the financial statements.

We reviewed that the disclosures in the annual report are in line with the requirements of the new standards. We are satisfied the disclosures and transition to the new group standards are appropriate.

Thank you

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



Chris Webby
Appointed Auditor
9 December 2020

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	<p>Needs to be addressed <i>urgently</i></p> <p>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.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>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.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>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.</p>

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1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Reconciliation of the trial balance to the financial statements</p> <p>District Council maintain the correct trial balance reporting format in excel and report parameters. The mapped trial balance submitted for audit, should be checked against the financials, using a pivot table.</p>	2.5	Necessary

Recommendation	Reference	Priority
<p>Reconciliation between RAMM and fixed asset register</p> <p>We continue to recommend that the District Council review the current processes and consider implementing systems and controls:</p> <ul style="list-style-type: none"> to reconcile the assets/Work-in-progress (WIP) between the fixed asset register and RAMM/projects not yet captured into RAMM. to ensure that information provided for valuation is complete and fairly reflects Council's asset base at the time of valuation. 	4.1	Necessary
<p>Impairment of receivables</p> <p>Given the increased economic uncertainty caused by the impact of Covid-19, we recommend that the District Council prepare a detailed impairment assessment of receivables going forward.</p>	4.2	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		5	1	6
Implemented or closed	1	5	3	9
Total	1	10	4	15

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 13 October 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our audit opinion, we included an emphasis of matter paragraph to draw the users' attention to the relevant notes in the annual report that describe the impact of Covid-19 on the District Council. Given the significance of the pandemic, this is a standard addition to audit reports issued on behalf of the Auditor-General in 2020.

Impact of Covid-19

Since Covid-19 was declared a pandemic in the early part of 2020, it has had and continues to have an impact on the operations and financial results of the District Council.

The District Council prepared an assessment of the impact on its operations including, changes to internal controls, activities, financial and performance results, the assumptions around the fair value of assets and possible impairment. We have discussed with management and reviewed this assessment and related information. We have not identified any additional risks that have arisen as a result.

The impact includes closure of non-essential facilities during alert levels which saw a reduction in revenue and some levels of service. In addition, the District Council carried forward some capital projects. The overall impact on the financial results was not significant. Some non-financial performance measures were not achieved but the District Council still managed to achieve 79.8% of its targets which was higher than the previous year.

We have reviewed disclosure around the differences of actual financial results against budget and the disclosure around the actual non-financial performance results against targets.

We assessed the District Council's disclosure around these impacts and concluded that it was appropriate.

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

- Revaluation
- Fair value
- Inventory
- Adoption of new group standards

2.2 Uncorrected misstatements

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

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
		'000	'000	'000	'000
Impairment expense	1				63
Property, plant and equipment		(63)			
Rates revenue	2				131
Other expenditure					(131)
Total parent		(63)	-	-	63
Other financial assets	3	178			
Reserve					(178)
Total group		115	-	(178)	63

Explanation of uncorrected misstatements

- 1 Impairment of the Bell Tower not recognised. This was not adjusted due to a difference in opinion on the amount.
- 2 Rates remissions are included in other expenditure instead of netting off rates revenue as per the accounting policy and accounting standard *PBE IPSAS 23*. This was not adjusted due to impact of changes on the accounts.
- 3 The District Council has accounted for the Percy Thomson Trust's (the Trust's) other financial assets at cost in the group figures per the Trust's accounting policy, instead of accounting for these assets at fair value as required by the District Council's accounting policy.

The group figures for other financial assets and revaluation reserve for held for sale assets are understated by \$178,000

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of increasing revenue by \$615k, increasing cost of sales by \$944k and decreasing assets by \$329k.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr) '000	Dr (Cr) '000	Dr (Cr) '000	Dr (Cr) 000
Cost of sales	1				329
Inventory		(329)			
Cost of sales	2				615
Revenue					(615)
Total parent and group		(329)	-	-	329

Explanation of corrected misstatements

- To recognise the costs of inventory (subdivision properties) sold during the year.
- Recognising the cost of inventory sold and revenue for the sale of the house.

2.4 Corrected disclosure deficiencies

Detail of disclosure deficiency
Trade payables - \$752k Revenue in advance – non-exchange \$752k <i>Reclassification of revenue in advance non-exchange.</i>
Salary band disclosure
PPE – estimated replacement cost disclosure
Cash flow statement – various corrections
Benchmarks - correction of debt servicing and operations control

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 23 April 2020. This included the dates we required the information to be provided to us.

The information requested for the audit was provided in a timely manner. We did note concerns, however, about the quality of the information provided for property, plant and equipment. For more details refer to section 4.

Management were proactive in engaging with the requirements listing and client substantiation file which is appreciated.

As in the prior year it took a significant amount of time to work with the trial balance, despite management assisting with this. The mapped trial balance provided by management did not have all the account numbers and did not tie up the GL transactions listing for some accounts or the financials.

We recommend that the correct trial balance reporting format in excel and report parameters are maintained by the District Council. The mapped trial balance submitted for audit, should be checked against the financials, using a pivot table.

Management comment

Management are working on a quarterly trial balance reconciliation back to the profit and loss and balance sheet in the format requested by Auditors, and we will commit to providing a correct trial balance in the requested format for the next end of year audit.

3 Matters raised in the Audit Plan



In our Audit Plan we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Valuation of Property, Plant and Equipment	
<p>The District Council periodically revalues its operational and infrastructural assets. <i>PBE IPSAS 17, Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Infrastructure assets:</p> <p>The District Council revalued its infrastructure assets in the prior year.</p> <p>Management should prepare a formal assessment to ensure that the carrying amount does not differ materially from fair value at 30 June 2020. This should consider any impact from changes in contract rates.</p> <p>Land and buildings:</p> <p>A valuation was performed by Telfer Young at 1 January 2020. The Covid-19 pandemic happened subsequent to this.</p> <p>Due to the judgemental nature of the revaluation there is a risk of bias or error in the assumptions and inputs used. Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a misstatement in the value of land and buildings, although this is unlikely to be material, given the carrying value of land and buildings is not significant in relation to the District Council's total asset portfolio.</p> <p>The District Council will need to review the pre-Covid-19 valuation to ensure</p>	<p>For infrastructure assets:</p> <p>We reviewed District Council's assessment of whether there is any significant difference between the carrying amount and fair value of its revalued assets. Based on the work performed we are satisfied that the fair value is not materially different to the carrying value.</p> <p>For the land and buildings revaluation:</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> assessed relevant controls that management has put in place for the valuation; obtained an understanding of the underlying data; reviewed the accounting entries and disclosure; evaluated the qualifications, competence and expertise of the external valuer used; and reviewed the method of valuing the property, plant and equipment and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used. <p>Based on the work performed, we were satisfied that the land and buildings revaluation was appropriately recognised and disclosed.</p>

Audit risk/issue	Outcome
that it still materially represents fair value at the reporting date.	
Impairment of Property, Plant and Equipment	
<p><i>PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash Generating Assets</i> require assets held at cost to be assessed for indicators of impairment on an annual basis.</p> <p>In addition, the value of work in progress (WIP) on projects that span an extended period of time needs to be assessed for impairment regularly over the period of the project.</p> <p>The relevant standards provide guidance on indicators that an asset may be impaired, and how impairment should be recognised.</p> <p>We expect the District Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	<p>The District Council completed an impairment assessment to determine whether any assets will need to be impaired. We reviewed this assessment and confirmed that no impairment was required.</p> <p>Overall conclusion</p> <p>We are satisfied that there is no evidence of a material impairment of property, plant and equipment.</p>
Risk of management override of internal controls	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; • Reviewed the land and buildings valuation and key assumptions used; and • Maintained awareness of any significant transactions that were outside the normal

Audit risk/issue	Outcome
	<p>course of business, or that otherwise appear to be unusual given our understanding of the Council and its environment, and other information obtained during the audit.</p> <p>Overall conclusion</p> <p>From our testing we did not identify any issues that indicated management override.</p>
New group accounting standards	
<p>Public benefit entities are required to adopt a new suite of IPSAS based group accounting standards for periods beginning on or after 1 January 2019.</p> <p>The standards for adoption are as follows:</p> <ul style="list-style-type: none"> • <i>PBE IPSAS 35 – Consolidated Financial Statements;</i> • <i>PBE IPSAS 36 – Investments in Associates and Joint Ventures;</i> • <i>PBE IPSAS 37 – Joint Arrangements; and</i> • <i>PBE IPSAS 38 – Disclosure of interests in other entities.</i> <p>The key changes arising from these new standards are:</p> <ul style="list-style-type: none"> • varied the definition of control that may result in additional entities which were previously accepted as not controlled now being assessed as controlled; • introduced the concept of an investment entity; • the Joint Arrangement standard has changed the classifications and subsequent treatment of joint arrangements; and • a new standard which is specific to disclosures on an entity's interest in other entities. This has increased the amount of disclosures required in an entity's financial statements. 	<p>The District Council has adopted <i>PBE IPSAS 34 to 38</i> in preparing the 2019/20 financial statements. Management prepared an assessment of the impact of introducing these standards and concluded that these standards do not have a significant impact on the financial statements.</p> <p>We have received the assessment prepared by management on the Stratford Health Trust and the Stratford Community House Trust and agreed with the conclusion that the District Council did not control these entities.</p> <p>We assessed the disclosures in the annual report are in line with the requirements of the new standards.</p> <p>Overall conclusion</p> <p>We are satisfied the disclosures and transition to the new group standards are appropriate.</p>

Audit risk/issue	Outcome
Subdivision accounting treatment	
<p>The District Council subdivided land for resale during the 2019 financial year. Some of these properties are expected to be sold in the 2020 financial year. Phase 2 is currently underway.</p> <p>The District Council recognised the costs associated with the subdivision as inventory in the 2018/19 financials, in terms of <i>PBE IPSAS 12 – Inventories</i> and the Council infrastructure created as work in progress.</p> <p>For the 2019/20 financials, the District Council should calculate the costs associated with properties sold and recognise these as cost of sales (Expenditure - Cost of sales residential development). The remaining costs associated with properties not yet sold, should be recognised as inventory. The Council infrastructure that is completed at year end should be capitalised and incomplete work should be recognised as work in progress.</p> <p>Council should ensure there are accurate records of costs per plot and details of any assumptions made in calculating the amounts.</p>	<p>To cover off our audit risk we reviewed the accounting treatment as part of the final audit. From our review we identified that the District Council did not recognise the costs associated with properties sold as cost of sales in the first draft of the annual report. We identified this error in our testing of the costs included in inventory. We obtained management’s assumptions and calculations for costs related to the subdivision and reviewed these for reasonability. Once we were satisfied with the costs calculated, management recognised the cost of sales in the financial statements.</p> <p>Overall conclusion</p> <p>We are satisfied that after adjustment, the inventory, council owned infrastructure and land, cost of sales and revenue associated with the subdivision is fairly stated in the financial statements.</p>
TET stadium	
<p>The District Council has indicated that the TET stadium building had reverted back to Council as part of the original lease to the Stratford Community Sports Society Inc. It is our understanding that the lease expired at the end of June 2019 with the TET Stadium reverting back to the District Council on 1 July 2019. The District Council has advised the Society of the intention to take ownership of the building and the lease has continued on a month to month basis pending a decision on the future management of the facility.</p>	<p>We requested the District Council to confirm that the asset had been vested by the Stratford Community Sports Society Inc. Once this was confirmed the District Council recognised the vested asset into the financial statements accordingly.</p> <p>The District Council provided evidence of its ownership and correctly recognised the TET stadium at its fair value (valuation was performed as at 1 July 2019 when the asset was vested) and the associated vested asset revenue through the statement of comprehensive revenue and expense.</p>

Audit risk/issue	Outcome
<p>If ownership can be established, the District Council would need to recognise the TET stadium at its fair value as at the date ownership was transferred and recognise an associated vested asset through the statement of comprehensive revenue and expense. To ensure the fair value of the TET stadium is appropriate, we recommend the District Council have the TET stadium revalued as this is material to the audit and could have an opinion impact if not valued correctly.</p> <p>The District Council would need to consider if the month to month lease indicates that ownership had not yet transferred or if the letter issued by Council is a legal document that can alter the terms of the lease (end date) and may need to get a legal opinion in this regard.</p>	<p>We reviewed the supporting documentation provided which included the valuation report, the accounting treatment and related disclosure.</p> <p>Overall conclusion</p> <p>Based on our testing, we concluded that the vested asset revenue, property, plant and equipment are correctly recorded in the financial statements.</p>

4 Other matters



4.1 Reconciliation between RAMM and fixed asset register

We noted from the testing performed that not all additions to the fixed asset register are included in the asset management system.

Roading asset classes are subject to regular valuations, the valuer usually takes the asset information from the asset management system to perform their valuation. The District Council should therefore ensure the fixed asset register is complete.

In 2018/19 we recommended that the District Council should reconcile the financial information system to RAMM to ensure the asset data is accurate and appropriate. Although progress on the reconciliation has been made, we are unable to confirm the reconciliation is performed on a monthly basis as the review is not currently evidenced.

We continue **to recommend** that the District Council review the current processes and consider implementing systems and controls:

- to reconcile the assets/Work-in-progress (WIP) between the fixed asset register and RAMM/projects not yet captured into RAMM.
- to ensure that information provided for valuation is complete and fairly reflects Council's asset base at the time of valuation.

Management comment

At this stage, we are unable to provide a reconciliation between RAMM and Authority – what goes into Authority is what gets paid so we are happy that we have all costs in the financial system, and reporting on them appropriately. The reason we can't reconcile actual project / capital costs and RAMM costs is because there are additional costs that are allocated to projects in Authority that don't go into RAMM – these include consenting fees, design fees, supervision fees and the cost of land for example.

4.2 Impairment of receivables

The District Council has not prepared a formal assessment of whether there is any impairment of receivables. A requirement of the accounting standards is for the District Council to review for impairment each year. Given the increased economic uncertainty caused by the impact of Covid-19, this impairment assessment is even more critical.

We have confirmed that any impairment would not be material.

We recommend that the District Council prepare a detailed impairment assessment of receivables going forward.

Management comment

An impairment assessment is carried out on a monthly basis by Director – Corporate Services and Revenue Manager. As a result, the Revenue Manager has developed an internal policy around Debtor Management and Collection, and two debts have been written off in November in line with Council’s Delegations Policy and advised to the Audit and Risk Committee.

5 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste 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.

We did not identify any instances of waste or concerns around probity.

We have made some recommendations, however, around the policy which we will follow up as part of next year's audit. Refer to Appendix 1.

6 Group audit



The group comprises:

- Stratford District Council
- Percy Thomson Trust

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- 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>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</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. They are a resource to assist in improving 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 good practice.</p> <p>Link: Model Financial Statements</p>

Description	Where to find it
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
Long-term plans and consultation documents	
<p>Having audited long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP.</p> <p>We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to:</p> <ul style="list-style-type: none"> • understand our responsibilities and our main focus areas in the audit; • prepare better documents for their communities; and • develop project plans that make their LTP process go smoothly. 	<p>On our website under good practice.</p> <p>Link: Long-term plans and consultation documents</p>
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: Conflicts of interest</p>

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

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Sensitive expenditure policies and processes		
Consider incorporating further guidance into their next update of its sensitive expenditure policies.	2019/20 interim report	<p>In progress</p> <p>Council indicated these were included in the Procurement Manual and Procurement Policy.</p> <p>We have reviewed our findings against the procurement policy and found that the majority are not included.</p>
Assessment of asset condition		
Asset condition is assessed by the District Council in future revaluations.	2018/19	<p>In progress</p> <p>Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.</p> <p>To consider for next infrastructure valuation in 2021.</p> <p>The District Council has indicated they are making progress on these issues which we will assess as part of the 2021-31 LTP.</p>
Three Waters infrastructure additions		
<p>Reconciliation between the general ledger and the asset management system</p> <p>Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset Finda on a monthly basis. This reconciliation</p>	2018/19	<p>In progress</p> <p>During the audit, we followed up on the progress made on this recommendation. We were unable to confirm the reconciliation is performed on a monthly basis as the review is not currently evidenced.</p>

Recommendation	First raised	Status
Necessary		
<p>should include a report on the depreciation charged.</p> <p>Support for status of completed assets</p> <p>Improve the documentation and processes confirming the status of work-in-progress as complete.</p>		
RAMM database accuracy		
<p>Complete the required cleanse of the RAMM database to ensure the asset data is accurate and appropriate for the 2018-28 Long Term Plan.</p>	2016/17	<p>In progress</p> <p>During the audit, we followed up with management on the progress made on this recommendation. We were unable to confirm the reconciliation is performed on monthly basis as the review is not currently evidenced. Refer to section 4.1</p>
Sensitive expenditure review		
<p>We recommend that the Mayor's expenditure s be reviewed by the Deputy Mayor or Chair of the Audit and Risk Committee.</p>	2018/19 interim report	<p>In progress.</p> <p>Management have indicated this has now been completed and we will verify this during our next audit visit.</p>
Beneficial		
Contract management register		
<p>Consider improvements to the contract management register and processes to include a whole of Council contract management system.</p>	2015/16	<p>In progress</p> <p>Work is being undertaken by IT to link work orders to contracts and set up workflows to enable more effective contract management. Currently awaiting patch from Civica to resolve integration issues. We will follow this up in the next audit.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Lack of evidence of timely review of reconciliations		
<p>We recommend:</p> <ul style="list-style-type: none"> • emails kept as evidence of review are not able to be edited or deleted; and • District Council make back-ups of the emails. 	2019/20 interim	During final audit we noted that all reconciliations were approved on time by email.
Journal system		
<p>We recommend that the reviewer obtain a full journals listing generated from accounting system to ensure completeness. The reviewer should take note of sequence of journals approved to ensure they have reviewed all journals posted to the system and investigate any gaps in the sequence. Alternatively, the District Council could implement a system where the preparer is unable to post a journal they have prepared or a journal must be approved before posting.</p>	2018/19	Confirmed during our journal testing that the reviewer obtains the journal listing from the system and checks the earliest date to the latest date and the previous months report and ensures all sequential journal numbers are on report.
Recording and reporting of mandatory measures not in line with Department of Internal Affairs (DIA) guidance		
<p>Management should ensure the system for recording complaints includes all complaints received for each event.</p>	2018/19	Inspected the spreadsheet which is saved in content manager and the letters that are being handed over to households if there is a total shut down, we are satisfied that this has been closed.
Bribery and corruption		
<p>The District Council should:</p> <ul style="list-style-type: none"> • send policy reminders to key staff members in high risk roles for example those involved in the procurement process; • institute formal awareness related to the policies and guidance for bribery and corruption; 	2018/19	<p>Management consider closed due to the following:</p> <p>Policy reminders to key staff members is raised at SLT or via staff newsletter and/or addressed directly by the Director.</p> <p>Formal awareness and education of Council policies recommended.</p> <p>Formal risk assessment completed.</p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> undertake a formal risk assessment to identify where it is most at risk for bribery and corruption; and ensure there is regular reporting on bribery and corruption and related activities. <p>Implement mechanisms to ensure the controls in relation to bribery and corruption are adequate. These could include - results from any investigations, staff surveys, feedback from training, targeted internal audits.</p>		<p>Reporting to audit and risk committee where there is a need, addressed in July 2020 A&R meeting.</p> <p>Internal audit carried out early 2020 – no incidences of breaches in relation to bribery and corruption were identified.</p>
Implement a formal WIP review process		
The District Council should implement a formal system that easily identifies what makes up the WIP at any given time.	2017/18	During the audit, we noted the monthly reconciliation has been prepared to reconcile the WIP balance in the GL.
Capitalisation of assets		
Capital projects should be capitalised on the date that the asset becomes available for use and a quarterly review of WIP balances be performed by the Asset Managers and the Financial Accountant. This review should focus on the validity of the total WIP balances and whether any of this amount should be capitalised.	2017/18	We noted a monthly WIP reconciliation has been prepared to reconcile the outstanding WIP to WIP balances in the GL.
Impairment of PPE		
The District Council puts in place a formal evidenced process for review of impairment indicators which is in line with the accounting standards.	2017/18	Impairment assessments have been carried out for infrastructure assets.
Compliance with the travel policy		
All international travel should be formally pre-approved by the Chief Executive in line with the District Council's travel policy.	2017/18	<p>No International travel identified during testing at the final audit. All travel and accommodation authorisations were deemed to be satisfactory but we were not able to confirm this has been implemented as there were no items to test.</p> <p>Management have indicated this has now been completed so we have closed.</p>

Recommendation	First raised	Status
Fraud policy awareness and risk assessment		
Complete a formal fraud risk assessment taking into consideration the whole of Council and its operations as well as increase the level of awareness around its fraud policy.	2014/15	A formal fraud risk assessment was completed in June 2020, inspected the fraud risk assessment and closed the finding.

Recommendation	First raised	Status
Procurement (separate report)		
<p>We recommend that the District Council maintains appropriate documentation, proportionate to the value and risk of each procurement, to support planning, evaluation and conflict of interest management processes followed. Appropriate documentation is important to demonstrate that a robust process was followed, which supports accountability.</p>	<p>2018/19 separate report</p>	<p>Management have made some changes to the process and policies and we have verified these against documentation.</p>
<p>We understand that the District Council is in the process of reviewing its procurement manual. We encourage the District Council to consider incorporating sufficient good practice guidance for staff relating to contract management.</p>	<p>2018/19 separate report</p>	

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit for the District Council and its subsidiary we have been engaged to perform a limited assurance engagement related to the District Council's debenture trust deed which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiary.</p>
Fees	<p>The audit fee for the year is \$94,283, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$4,500, for the debenture trust deed audit.</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>

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