

Audit and Risk Committee

21 June 2023

Now in open meeting (21/06/23)



7. *2021/22 Audit Report to Council*

Author *Erin Register: Finance Manager*

GM responsible *Leanne Macdonald: Group Manager Business Support*

Summary

- The purpose of this report is to receive Audit New Zealand's Report to Council issued as a result of the 2021/22 Annual Report Audit.
- The report contains commentary on the key areas of the audit findings and has audit recommendations and staff comments addressing those recommendations.

Recommendation

1. **That** the Audit and Risk Committee receives the 2021/22 Audit New Zealand Report to Council.

Attachment

Audit NZ report to Council on the audit year to June 2022

Background

The current situation

1. Audit New Zealand has issued its Report to Council after completing the 30 June 2022 Annual Report audit.
2. Audit New Zealand issued an unmodified audit opinion dated 21 December 2022. This is within the legislative timeframe of 31 December 2022.
3. Included within the audit opinion is an “emphasis of matter” around the Government’s Three Waters Reform Programme. This is not dissimilar to the prior year. The emphasis refers to changes in legislation from 01 July 2024, however, this will need to be updated in this year’s audit opinion to reflect the recent reset of the Water Reform programme.
4. Matters identified during the audit include:
 - Improvement on the way the property, plant and equipment is revalued,
 - Accounting for investments in other entities,
 - Supporting documentation from the TechOne system for accounts payable and receivables balances,
 - Audit New Zealand also identified weaknesses in the internal controls for disclosing commitments.
5. Clause 2.2 confirms the financial statements are free from material misstatement. However, there were two misstatements not corrected as found in 2.2. These were deemed immaterial by officers.
6. A significant change for the year end 30 June 2022, was the way in which Audit NZ challenged Council’s methodology to account for their investment in associated entities and joint ventures (clause 4.1). While Group Manager Business Support carried out a desktop assessment of Eastfield’s assets and RDRML assets to address this change, it was acknowledged that it was a short-term solution. Officers have put in place a plan to manage the variance between the respective entities accounting for their assets, and the methodology Council must use under PBE IPSAS 17. This may involve incurring additional revaluation costs for ADC with the cost to revalue both RDRML and Eastfield’s assets if the two entities choose not to carry out a full revaluation of their Property, Plant and Equipment assets, to reflect fair value.
7. Clause 4.5 was of a similar nature where Council will now need to carry out a revaluation on an annual basis of Transwaste assets to again ensure they are reflected at fair value. Group Manager Business Support has reached out to two other District Councils (Selwyn and Waimakariri District Council) to see if they wish to share in this cost as they should also be impacted by this accounting requirement. At the time of writing this report there has been no support to this, meaning ADC may bear a full cost of revaluation of this set of assets as well.

8. Clauses 4.2, 4.3 and 4.4 reflect shortfalls in the current technology in place.
4.2 is a reflection of reporting deficiencies with TechOne, which the Finance team are working closely with the TechOne team to resolve ahead of the 2022/23 annual report process. Clauses 4.3 and 4.4 reflect that there is no Contract Register. This will be investigated as part of the 2023/24 work programme but will not be resolved in time for the 2022/23 annual report audit.
9. Clause 4.6 and 4.7 are noted and the Finance team will work with managers in an effort to prevent these type of findings for the 2022/23 annual report.
10. Finally clause 4.8 was a challenging one for the Finance team. This has been an historic practice which includes overheads and the use of external income (from dividends and reserves) to offset rates. Hence the negative rate. The Finance team are investigating alternative methodologies, noting this practice is right through the current LTP.
11. Pages 28 to 34 reflect prior year outstanding recommendations, of which the relevant activity managers have updated and also notes the six outstanding actions that have been resolved.
12. The 2022 audit was difficult on both sides. There were a number of new staff on Audit NZ's side, all appeared to be unfamiliar with Ashburton District Council, which resulted in a lack of consistency from prior year approach and transfer of prior year knowledge and experience. Many were not familiar with Local Government business, which further added to the complexity. The Finance team were challenged by this and the mannerism in which some issues were handled. The team also struggled with understanding when the auditors would be on site as this was never consistent to the messaging and booking of rooms. This made it challenging for the wider Council team. Audit NZ also found challenges with the Finance system supporting documentation from the system, and their own reporting portal. This caused frustration across the teams, which resulted in duplication in explanations, repeating of work, and opposing instructions being issued to the Finance team.
13. With the legislation changing and the 2022/23 Annual Report having to be adopted before 31 October 2023, it is important the challenges are not replicated in the 2022/23 audit programme. The Director of Audit NZ and Group Manager: Business Support, plus the key staff on both sides have met to discuss a way forward to ensure there is not a repeat of the confusion, duplication and challenging behaviour mentioned above. The Finance team also have a schedule to resolve the issues raised by Audit NZ in this report and are already preparing the for the 2022/23 audit. Audit NZ plan to be on site to commence the audit during the third week of September 2023.

Options analysis

14. There are no options for this report. The Audit and Risk Committee is simply receiving the Audit Report to Council.

Legal/policy implications

15. There are no legal implications in receiving the report, and none of the audit findings have policy implications.

Strategic alignment

16. The recommendation relates to Council's all community outcomes.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	The audit and audit findings are part of the accountability process in delivering all council outcomes.
Environmental	✓	
Cultural	✓	
Social	✓	

Financial implications

Requirement	Explanation
What is the cost?	The costs of annual audits are included in the annual plans.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	This cost sits under the Treasury activity.
Are there any future budget implications?	No
Reviewed by Finance	Leanne Macdonald; Group Manager: Business Support

Significance and engagement assessment

17. The recommendation and the recommendations within the report are not considered significant.

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	The recommendation is simply to receive the audit report to Council. The significant document is the Council's Annual Report and the Audit Opinion placed on that report.
Level of engagement selected	Inform –One way communication
Rationale for selecting level of engagement	Covered above
Reviewed by Strategy & Policy	Toni Durham: GM Democracy & Engagement



**Report to the Council
on the audit of**

Ashburton District Council

For the year ended 30 June 2022

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Key messages

We have completed the audit for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the Ashburton District Council and the group (the District Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion dated 21 December 2022. Our audit report included an emphasis of matter paragraph regarding Government's Three Waters Reform programme.

Matters identified during the audit

Valuation of property, plant and equipment (PPE)

The District Council revalued most of its property, plant and equipment (PPE), including its infrastructure assets, at 30 June 2022. In our review of the valuation work, we noted areas for improvement that we have highlighted in section 3 of this report. Notwithstanding the noted matters, we concluded that the District Council assets are appropriately valued and reported in the financial statements in accordance with the applicable financial reporting standards.

Accounting for investments in other entities

The financial reporting requirements for investments in other entities have significantly changed over the past few years. In our view the District Council is currently not complying with certain financial reporting standards' requirements for how investments in other entities must be accounted for. We note that this is a significant matter to be address for the upcoming year-end of 30 June 2023.

Supporting accounts receivables and accounts payable balances

We had difficulties to obtain reliable and complete reports to support the District Council's reported balances of accounts receivables and payables. We understand that this was primarily due to system limitations of the District Council's primary financial management information system, Technology One. We have highlighted how this limitation affected our audit and what we would expect from the District Council for our next audit. Details of this matter are included under section 4.2 of this report.

Internal controls over commitment information

We noted significant misstatements in the underlying records informing the District Council's disclosures regarding commitments at 30 June 2022. We have highlighted the internal control weaknesses that need to be addressed by the District Council to avoid similar material misstatements in our next audit.

Thank you

We would like to thank the District Council, management and staff for their assistance and the open and constructive working relationship during the audit.

A handwritten signature in black ink, appearing to read 'Dereck Ollsson', written in a cursive style.

Dereck Ollsson
Appointed Auditor
22 May 2023

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.

Explanation	Priority
<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>	Urgent
<p>Address at the earliest reasonable opportunity, generally within six months</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>	Necessary
<p>Address, generally within six to 12 months</p> <p>These recommendations relate to areas where there is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Accounting for investments in associated entities and/or joint ventures</p> <p>We recommend that management ensure that investments in Rangitata Diversion Race Management Limited (RDRML) and Eastfield Investments Limited JV, are accounted for in accordance with all the relevant requirements for the year ending 30 June 2023.</p>	4.1	Urgent
<p>Reliable listings and reporting to support the District Council's receivables and payables balances</p> <p>We recommend management take the necessary actions to ensure standard debtor and creditor reports are made available to audit for the year ending 30 June 2023.</p>	4.2	Urgent

Recommendation	Reference	Priority
<p>Inadequate internal controls over registers underlying significant disclosures in the financial statements</p> <p>We recommend management to address inadequate internal controls over registers underlying information required for significant disclosures in the financial statements regarding the District Council's commitments at 30 June 2023.</p>	4.3	Urgent
<p>No central contracts register</p> <p>We recommend management to implement a central contracts' register.</p>	4.4	Necessary
<p>Accounting for investment in equity instruments</p> <p>We recommend management to recognise the District Council's investment in Transwaste at fair value through Other Comprehensive Income. This would require the District Council (in conjunction with other Councils affected) to engage and obtain an independent valuation from Transwaste Limited.</p>	4.5	Necessary
<p>Late invoicing of completed work</p> <p>We recommend that all completed work are invoiced on a timely basis.</p>	4.6	Necessary
<p>Duplicated assets on the asset register</p> <p>We recommend management formalise the process of checking for duplicates in IPS and the Geographical Information System (GIS) to ensure the asset register is accurate.</p>	4.7	Beneficial
<p>Negative rates in Funding Impact Statements (FIS)</p> <p>We recommend that negative rates in the Economic Development and Miscellaneous GOA Funding Impact Statements are addressed in the next long-term plan round.</p>	4.8	Beneficial

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	1	8	5	14
Implemented or closed recommendations	–	4	3	7
Total	1	12	8	21

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 21 December 2022. 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.

Emphasis of matter – The Government's Three Waters Reform programme

Without modifying our audit opinion, we drew attention to the disclosures in the financial statements, which outlines the announcement made by the Government to introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

The impact of these reforms, once legislated, is significant as it will mean that the District Council will no longer deliver three waters services or own the assets required to deliver this service or own the assets required to deliver these services and transfer all assets and liabilities to the water services entities from 1 July 2024.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

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 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)
Rates receivables Subledger to General Ledger Variance					
Rates receivables	1	561			
Rates income					(561)
Restricted Land incorrectly recorded as additions to Land					
Operational Assets – Freehold Land	2	(1,455)			
Restricted Assets - Land		1,455			
Total parent and group		561	0	0	(561)

Explanation of uncorrected misstatements

- 1 Rates receivable subledger to general ledger variance, \$561k. Audit New Zealand used the aged trial balance to perform a test of details and the variance remained unreconciled on audit completion.
- 2 Noted in FY15, three assets were incorrectly recorded as additions to Land in the financial statements instead of Restricted Land.

2.3 Uncorrected disclosure deficiencies

There were no uncorrected disclosure deficiencies.

2.4 Uncorrected performance reporting misstatements

There were no uncorrected performance reporting misstatements.

2.5 Corrected misstatements

These corrected misstatements had the net effect of increasing Council assets by \$58,175k, increase the associated other comprehensive revenue by \$57,029k and investment revenue by \$1,146k compared to the draft financial statements.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
PPE Revaluation understated					
PPE roading and footpath	1	56,886			
Revaluation surplus				(56,886)	
PPE roading and footpath	1	143			
Revaluation surplus				(143)	
RDRML Investment carried at cost instead of fair value					
Investment RDRML	2	1,146			
Other revenue					(1,146)
Total parent		\$58,175		(\$57,029)	(\$1,146)
Total group		\$58,175		(\$57,029)	(\$1,146)

Explanation of corrected misstatements

- 1 Road and footpath revaluation understated by \$57,029k.
- 2 Investment in RDRML was carried at cost, not fair value as required by PBE IPSAS 36, *Investments in Associates and Joint Ventures* for Tier 1 public benefit entities.

2.6 Corrected disclosure deficiencies

Detail of disclosure deficiency	
There were several corrected misstatements and amended disclosures made through the audit. Examples of corrected errors include:	
1	<p>A number of significant misstatements in note 32, commitments and operating leases including:</p> <ul style="list-style-type: none">• missing contracts from the commitments listing provided to audit. Audit identified these omitted contracts by reviewing the District Council's minutes. Correction of this error resulted in disclosure of an additional \$15 million in outstanding commitments;• error in underlying spreadsheet informing relevant disclosure resulted in certain commitments being overstated in error by \$22 million while other commitments being understated by \$161k; and• we also noted errors in expiry dates of operating lease schedules resulting in the District Council's disclosures regarding timing of future operating leases being incorrect.
2	<p>Amended disclosures in note 23, property plant and equipment (PPE), to correctly disclose land under roads and to include disclosure regarding use of estimation and assumptions when using Depreciated Replacement Cost (DRC) method to value infrastructure assets. Note 23 also required amendment for vested assets being incorrectly shown as 2021 values and wastewater vested assets omitting value of vested pipelines.</p>
3	<p>Useful life information of utilities in note 9, Depreciation, required to be corrected to agree with relevant valuation reports. Note 9 also required adjustment for depreciation rates used for building.</p>
4	<p>The areas of forest asset owned by the District Council, disclosed in note 21, was corrected from 1,013 hectares to 1,030 hectares.</p>
5	<p>Audit fees disclosure were corrected.</p>
6	<p>The impact of early adopting PBE IPSAS 41 was not disclosed in the annual report. Management included the required disclosures to include the omitted information regarding by the financial reporting standards.</p>

2.7 Corrected performance reporting misstatements

Detail of misstatement	
1	Various incorrectly calculated ratios in the Statement of Service Performance (SSP) were corrected.
2	Incorrectly reported visitor numbers in SSP were corrected.

2.8 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 26 September 2022. This included the dates we required the information to be provided to us.

We thank the finance team for supporting us by responding to and actioning our requests promptly. We also received largely a complete draft annual report with supporting work papers on a timely basis.

While the quality of information we received was generally good, we had significant difficulties regarding auditing accounts receivables and accounts payables primarily due to required standard listings and reports (such as aged debtor report, aged creditor reports and detail listing of income in advance by customer) not being available. We understand the root cause of this issue is the limitation of the District Council’s Financial Management Information System (FMIS). Significant reconciliation work is undertaken by the finance team to compensate for this system limitation. However, such reconciliation work is difficult to follow, prone to human error and at times unable to produce the required information (such as, reliable aged debtor and aged creditors report).

Another area where we did not receive all the required information was in relation to revalued assets. This included reliable and well represented reconciliations between the financial statements and the District Council’s Fixed Assets Register (FAR), between FAR and the valuation reports. As discussed under our corrected misstatements, our reconciliation of revalued assets identified a material misstatement to the financial statements.

Finally, we found that the District Council’s use of spreadsheets for collection, maintenance and reporting of information required for certain key disclosures such as commitments requires improvement and that the provided information to audit was not reliable.

We acknowledge management’s assistance with the above, however we will seek approval from the Office of the Auditor-General to negotiate an additional fee recovery.

3 Matters raised in the Audit Plan



In our Audit Plan of 27 July 2022, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Valuation of property, plant and equipment (PPE)	
<p>The District Council’s PPE assets are significant items in its statement of financial position. Many of these asset classes are subject to periodic revaluation in accordance with the Council’s accounting policies.</p> <p>The accounting standard PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value.</p> <p>We understand the District Council plans to revalue the following infrastructure asset classes:</p> <ul style="list-style-type: none"> • roading and footpaths; • water supply; • wastewater; • stormwater; and • stockwater. <p>The revaluations will be prepared internally and will be peer reviewed by an external valuation firm. We consider this to be an audit risk due to the significance of the carrying value and the judgements and estimates involved in determining fair value.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed the valuations to ensure compliance with relevant valuation and accounting standards; • assessed the competence and objectivity of the peer-reviewers used; • obtained an understanding of the underlying data; • performed testing on the valuations; and • confirmed that any fair value movements have been accounted for correctly. <p>The valuation movements were:</p> <ul style="list-style-type: none"> • roading – \$57 million increase; • water – \$24.7 million increase; • wastewater – \$21.3 million increase; • stormwater – \$1.8 million increase; • stockwater – \$3.2 million increase; • solid waste – \$0.5 million increase; and • parks and cemeteries – not revalued, assessed as not material. <p>The significant movements were for roading, wastewater and stormwater. The main reason for these increases was a change in the factors that contribute to the build-up of the unit rates used in the valuation.</p> <p>As a separate exercise, the District Council engaged GHD to complete a detailed review of the unit rates and useful lives for all infrastructure assets. This resulted in a significant increase in the unit rates for</p>

Audit risk/issue	Outcome
	<p>wastewater and stormwater assets due to adjustment from previous valuation for additional cost to reflect the current market and economic environment.</p> <p>Therefore, we deemed the unit costs used in this valuation are more robust as it better reflects the current cost of replacing the assets.</p> <p>The value of roading assets have increased due to an increase in the Waka Kotahi New Zealand Transport Agency (NZTA) cost indices used to determine the valuation movement.</p> <p>We have assessed the controls in place and noted certain deficiencies that we communicated with management separately to implement a process to address these.</p> <p>Overall, we concluded that the valuations were prepared in accordance with the relevant accounting and valuation standards and are appropriately reflected in the 30 June 2022 financial statements.</p>
Impairment and fair value assessments of non-revalued infrastructure assets	
<p>In the 2020/21 financial year, the District Council has made the decision to change its revaluation cycle from annual to three yearly. The District Council last revalued all of its infrastructure assets in the 2019/20 financial year.</p> <p>Construction and other price indices have moved significantly since the District Council last revalued their infrastructure assets. As noted above, the District Council plans to revalue the majority of its infrastructure asset classes.</p> <p>The District Council will need to complete a fair value assessment for those asset classes it does not intend to revalue in the current year and provide this to us during the audit.</p> <p>The purpose of the assessment is to determine whether there is a significant difference between the carrying amount and the fair value. If this assessment identifies that there is a material difference between</p>	<p>As noted above, the District Council's infrastructure assets have been revalued in 2022 except for parks and cemeteries. We consider parks and cemeteries assets immaterial.</p> <p>We assessed the change in value due to impairment and fair value of these assets would not materially impact the financial statements.</p>

Audit risk/issue	Outcome
<p>the carrying value and fair value of certain asset classes, these will need to be revalued.</p> <p>In performing this assessment, the District Council may need to identify and apply relevant independent information to support its position. This may include independent input from the District Council's valuers due to their knowledge of market and industry factors as well as the District Council's assets.</p> <p>The District Council will also need to consider whether assets are impaired. The impairment of assets accounting standards require an entity to assess at each reporting date, whether there is any indication that an asset may be impaired. If any such indication exists, the entity is to determine the recoverable amount.</p>	
Capital asset additions and work-in-progress	
<p>The District Council continues to have a significant ongoing capital programme. Accounting for capital projects, that are either completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant effect on the financial statements, including:</p> <ul style="list-style-type: none"> • assessing the nature of costs and either capitalising these as work in progress, or recognising these as expenses; • identifying asset components and assigning appropriate useful lives to these components; and • identifying the appropriate date of capitalising the asset, transferring costs from work in progress to asset additions and the fixed asset register. 	<p>We tested a sample of asset additions and WIP. No misstatements were noted except control deficiencies as noted above.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that</p>	<p>We responded to this risk by:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and

Audit risk/issue	Outcome
<p>otherwise appear to be operating effectively. Auditing standards require us to treat this as a significant risk on every audit.</p>	<ul style="list-style-type: none"> • evaluating any unusual or one-off transactions, including those with related parties. <p>No issues were identified in our testing.</p>
<p>Performance reporting</p>	
<p>Each year, we audit the performance information and report on whether it fairly reflects the achievements measured against the targets and other measures in the District Council's next long-term plan.</p> <p>In November 2013, the Department of Internal Affairs announced the Non-financial Performance Measures Rules 2013.</p> <p>It requires the District Council to measure and report against a number of mandatory measures covering water supply, wastewater, stormwater drainage, flood protection and roading and footpath activities.</p> <p>Safe drinking water measures</p> <p>Up until September 2021, performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer accessible and the DWA role no longer exists.</p>	<p>We reviewed and confirmed a selection of material measures.</p> <p>All measures have been included in the annual report as per Non-financial Performance Measures Rules 2013.</p> <p>The District Council has engaged Becca (external expert) to review their compliance with the safe drinking water measure. Becca confirm that the District Council does not comply with Protozoal. This has been appropriately disclosed in the annual report.</p>

4 Other matters identified during the audit

4.1 Accounting for investments in associated entities and/or joint ventures

The District Council has two investments that are required to be accounted for as investment in associated entities and/or joint ventures. This requires, amongst other things, that the District Council:

- a) uses the equity method of accounting to recognise its share of the associated entities' net assets at 30 June 2022 in its financial statements; and
- b) ensure that the financial position and performance of the associated entities are arrived at using uniformed accounting policies applied by the District Council to similar account balances or classes of transactions.

We noted that the District Council is not using the equity method of accounting to account for its share of RDRML and only carries it at cost. We also note that RDRML carries its PPE at cost, where the District Council carries its similar assets (that is, infrastructure asset) using the revaluation model.

Furthermore, we note that while the District Council does apply the equity method of accounting to account for its share of the Eastfield Investments Limited JV, it has not ensured that appropriate adjustments are made for significant accounting policy differences between the District Council and the JV. The JV has significant assets that are included in PPE with buildings being recorded at revalued amounts (using revaluation methods that is not compliant with PBE IPSAS 17 requirements) at 30 June 2022 and undeveloped land carried at cost. The District Council will treat such assets as investment properties which will require these assets (including land) to be measured at fair value at every reporting date.

We recommend that management:

- 1 Identifies all relevant accounting requirements applicable to the District Council's investments.
- 2 Consider seeking accounting advice in relation to this matter.
- 3 For investment in RDRML, to ensure that the Company's assets at 30 June 2023 are appropriately revalued either by the Company itself or by the District Council enabling the District Council to account for its share of the company's assets using the equity method of accounting.
- 4 For investment in the JV, to ensure that either the JV or the District Council measure the fair value of all the JV's investment properties (including land) to be measured at fair value in accordance with the applicable requirements of PBE IPSAS 17. We recommend that management also considers the long-term viability of the JV if the fair value assessment indicates that the JV assets are impaired.

Management comment

Noted: RDRML assets are very unique assets, and staff used RDRML's updated valuation that had been gathered for insurance purposes. Staff will investigate other potential measures, if available.

Regarding the JV, while Group Manager Business Support did carry out an assessment of the JV assets to ensure they were accounted for at fair value for the 2021/22 year, it is noted that this was a short-term solution and will utilise a valuation for the 2022/23 year.

4.2 Reliable listings and reporting to support Council's receivables and payables balances

We had significant difficulties regarding auditing accounts receivables and accounts payables primarily due to required standard listings and reports (such as aged debtor report, aged creditor reports and detail listing of income in advance by customer) not being available.

It should be noted that while the above issues are not new, they are becoming more significant over time and now affecting the District Council's ability to provide us with adequate and appropriate evidence to support its financial statements.

We recommend management:

- 1 To investigate whether there are solutions available to resolve the Technology One limitations discussed above.
- 2 To perform a comprehensive reconciliation of all accounts receivables and payables between the GL and relevant sub-ledger and "quarantine" any historical differences away from current balances so a clearer picture is available of the District Council's payables and receivables.
- 3 To ensure that its reconciliations do not have "unexplained variances" and that there is confidence that all items on a sub-ledger listing report are in fact reflected in the general ledger.

Management comment

The finance team do acknowledge there were some difficulties with reporting and are working with TechOne to solve this in advance of the next annual report and will continue to work on improvements as a priority for our annual report preparation.

4.3 Inadequate internal controls over registers underlying significant disclosures in the financial statements

As highlighted in our corrected misstatements in section 2.6, we identified material misstatements to commitments. We note the following deficiencies in the District Council's system of internal controls that have caused these misstatements to go unnoticed by the District Council:

- Lack of a central contracts register. (See item 4.4 below).
- Inadequate review and checking of spreadsheets used to capture and maintain the necessary information.
- No specific control or reconciliation is performed to ensure that all relevant information is captured.
- Use of spreadsheets instead of more robust applications which increases the risk of errors going unnoticed.

We recommend that management:

- 1 Consider whether existing methods for collecting, processing and reporting of the required information is appropriate.
- 2 While using the existing method, it is important that procedures are introduced to ensure that:
 - All new contracts and amendments to existing contracts are reflected in the spreadsheet accurately and on a timely manner.
 - The spreadsheets are periodically (at least annually) reconciled to appropriate databases to ensure they are complete and accurate.
 - The spreadsheets are regularly reviewed to ensure errors and misstatements are identified and corrected on a timely basis.

Management comment

Noted.

4.4 No central contracts register

During our testing of expenditure and PPE, we noted the District Council do not maintain a central contracts' register for their capital and operating projects. Contracts are managed by the individual business units. While there is a central report that can be sighted on THOR to show contracts, we note this is not maintained on a regular basis and does not include key information relating to the final contract information such as amounts or confirmed contract dates. As a result, we could not rely on the completeness and accuracy of this register for our testing.

Not having a central contracts' register increases the risk that balances reported under Work in Progress (WIP), PPE additions and commitments, could be misstated. We also note that this impacts the capital project reporting process against budget as a full list of the outstanding contracts tied to each business area cannot be reviewed. We note that currently the lack of oversight by finance and the decentralised process for collating information relating to the Council's contracts increases the risk that the financial statements disclosures could be misstated, particularly in relation to commitments.

We recommend management to consolidate their contracts registers which are maintained by the individual business units to ensure they have oversight over the number of contracts they have outstanding and the magnitude of these balances.

Management comment

Noted; this will need to be included in work programmes moving forward.

4.5 Accounting for investment in equity instruments

The District Council are required to recognise its investment in Transwaste at fair value. The Council measures the fair value of its shares by reference to the net asset value of Transwaste's assets as per the company's financial statements at each reporting date.

However, a quick review of Transwaste financial statements shows that the company's net book value is unlikely to be a fair proxy for the fair value of its net assets. This is because the company carries its Property, Plant and Equipment (the company's main assets) at cost.

We recommend that management:

- 1 Assess the fair value of Transwaste shares at 30 June 2023 in accordance with the requirements of PBE IPSAS 29.
- 2 Amend the carrying value of Transwaste shares to their fair value at 30 June 2023.

Management comment

Noted: ADC may need to work with other councils that also have an investment in Transwaste to see if there can be a shared valuation of Transwaste assets in order to account for them at fair value, and hopefully reduce the cost to each council.

4.6 Late invoicing of completed work

We noted a credit balance of \$315,456 received from Andrew Quigley Contracting Limited sitting in debtors at 30 June 2022. The balance has been sitting in credit for over 90 days and relates to completed work by the District Council for this customer that was not yet invoiced by the projects department.

We recommend that management ensures that all completed work are invoiced on a timely basis.

Management comment

Noted; Finance team will continue to work with relevant managers.

4.7 Duplicated assets on the asset register

We noted the District Council had written off \$1.4 million of its utility assets identified as never existing, or as duplicates within IPS. We note that these were identified following the Council performing data checks within IPS prior to their valuation in the current year. Checks were performed by identifying unique asset IDs with duplicate serial numbers.

Following our discussions with the asset information officer, we note that the District Council do not perform this data checking process on a regular basis. We note there is also no independent review performed of data entry for assets into GIS and subsequently in IPS, as this process is performed solely by the asset information officer. This increases the risk of duplicate assets being recorded in the asset register going undetected for a long period of time.

We recommend management formalise the process of checking for duplicates in IPS and GIS to ensure the asset register is accurate, ensuring an adequate independent review is performed of the analysis prior to writing-off of any assets in the system.

Management comment

Noted, will investigate further how to manage this within existing resources.

4.8 Negative rates in Funding Impact Statements (FIS)

The District Council has negative rates in the Economic Development and Miscellaneous GOA FIS's. We have assessed this not to be material.

We also noted that the Council's allocation of internal charges and overheads between its groups of activities is not correct. Adding up the internal charges and overheads recovered as per each group of activity FIS for 2021/22 actual results amounts to \$4,052 million. However, when the internal charges and overheads applied (which must be the other side of "recoveries") are added up for all group of activities FIS for 2021/22 a sum of \$15,542 million is resulted. The difference of \$11,490 between charged and applied internal charges and overheads is incorrectly reducing the payments to staff and suppliers in group of activities FIS.

We recommend Council address the above errors in the next long-term plan round.

Management comment

Noted; this is an historic practice. The Finance team will investigate alternative ways to reflect external income that offsets rates income.

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 the District Council or by one or more of its members, office holders, or employees.

Nothing came to our attention during the audit that requires reporting to the District Council regarding these matters.

6 Group audit



The significant entities in the group are:

- Ashburton District Council; and
- Ashburton Contracting Limited.

We have not identified any of the following during our audit for the year ended 30 June 2022:

- 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.

Issues arising during the audits of the individual group entities have been reported to their respective governing bodies. There are no significant group matters to include within this report to the District Council.

We comment on the entity below.

6.1 Ashburton Contracting Limited (ACL)

Financial result

ACL revenue grew this year due to new contracts and an increase in work and demand for services. Total revenue increased by approximately \$10.7 million.

Involvement in Lake Hood Extension Project (LHEP)

ACL is the largest joint venture partner in LHEP. The ACL auditors (Audit New Zealand) noted that the audit opinion issued by the auditor of LHEP, was unmodified.

The ACL auditors also confirmed that the Company's investment in the joint venture is fairly stated at balance date and the results have been appropriately accounted for in the financial statements of the Company.

There were no other significant issues.

Audit procedures

We obtained assurance from our ACL audit team that its financial information is materially correct for group reporting purposes and ensured that this was correctly incorporated into the District Council Group.

We have reviewed and confirmed the consolidation adjustments required to consolidate ACL into the group's financial statements. This year, we asked:

- Profit computation for internally constructed assets.
- Inter-company transactions and reviewed all the elimination journals including journals for adjustment of IFRS 16 Finance Leases.
- Accounting for investment in LHEP joint venture.

Misstatements noted were all corrected by management.

7 Useful publications



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

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central Government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local Government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local Government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
<p>The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central Government. Those working in other sectors may also find this useful.</p>	<p>On our website under good practice.</p> <p>Link: Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Covid-19 implications for financial reporting and audit in the public sector	
<p>Audit New Zealand Executive Director ,Steve Walker and Head of Accounting, Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.</p>	<p>On our website under good practice.</p> <p>Links: Covid-19 page Webinar</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>Link: Model financial statements</p>

Description	Where to find it
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice Link: Tax matters</p>
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 collection of resources 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 toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice. Link: Client Substantiation File</p>
Sensitive expenditure	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice. Link: Sensitive expenditure</p>
Conflicts of interest	
<p>The Auditor-General has published 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 material 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. 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.</p> <p>The guide is intended to help public sector employers when considering making a severance payment 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 Office of the Auditor-General's website under 2019 publications.</p> <p>Link: Severance payments</p>
The Auditor-General's report on the results of recent audits	
<p>The Office of The Auditor-General publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Insights into local government: 2021 — Office of the Auditor-General New Zealand (Office of the Auditor-General.parliament.nz)</p>
Good practice	
<p>The Office of the Auditor-General's website contains a range of 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 Office of the Auditor-General's website under good practice.</p> <p>Link: Good practice</p>

Description	Where to find it
Procurement	
<p>The Office of the Auditor-General are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local Government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Prior Year Issue: Periodic review of access rights - application level</p> <p>We continue to recommend that the District Council implement a periodic review of users and users access rights.</p> <p>We wish to emphasise that this review shouldn't be the sole responsibility of the IS department.</p> <p>Periodic review should ideally involve the different business units who are in the best position to confirm to IS department as to whether a user still require access and if the user has the appropriate access rights.</p>	2020	<p>Open</p> <p>Management comment</p> <p><i>Application profiles and roles have been designed to meet the business requirement of the user position, responsibility, and delegation. This specification is set by the business managers who have service responsibility and council delegations. To review general authorisations on a yearly basis would be costly, of low value in an area considered low risk.</i></p> <p><i>We would agree that reviewing financial delegations and administrator access has value and will continue to review on an ongoing basis. We consider this matter closed.</i></p>
Necessary		
<p>Users with "system administrator role" in Technology One</p> <p>We continue to recommend a review of users and their access levels in Technology One and that superuser access to council's live system and data be limited and monitored.</p>	2021	<p>Open</p> <p>We obtained a recent list of users with "All Roles" access in Technology One and noted that there are eight council staff with this access in the finance modules and 11 in the property modules. We consider this is still too many staff with this level of access.</p> <p>Management comment</p> <p><i>Noted; will review to see if it is practical to reduce the number.</i></p>
<p>Infrastructural asset valuation</p> <p>The condition of assets be considered as part of future valuation processes.</p>	2020	<p>Open</p> <p>The District Council has not adequately considered the condition of its revalued assets in 2022 as discussed in section 3.</p> <p>Management comment</p> <p><i>This was an area we were looking to improve in but up until recently had deferred implementing any changes due to the then</i></p>

Recommendation	First raised	Status
		<p><i>imminent Three Waters Reform process. With the Government's most recent announcement to delay the reform for up to a further two years, we will now look to reactivate our programme of condition assessment and develop the appropriate regime to recognise asset condition in the assessment of the asset's remaining life.</i></p>
<p>Capital WIP – second bridge across the Ashburton River</p> <p>Continue to monitor progress on the second bridge, and if there are indications that the project will not proceed, the costs should be immediately expensed.</p>	2020	<p>Open</p> <p>We note that the District Council approved the detailed business case (DBC) for the now \$113.6 million second urban bridge project and it is now in negotiation with Waka Kotahi NZ Transport Agency, to seek project approval.</p> <p>Management comment</p> <p><i>The Detailed Business Case has been submitted to Waka Kotahi for consideration in the next Regional Land Transport Plan. We await their decision to consider budget and funding implications for the project.</i></p>
<p>Preparation of the draft annual report</p> <p>The District Council:</p> <ul style="list-style-type: none"> • performs a QA review of the draft group financial statements prior to providing them to Audit New Zealand; and • review and improve the excel model used for preparation of the group financial statements, including the notes. 	2019	<p>Some progress</p> <p>The quality of the draft financial statements has improved from the prior year. However as noted in sections 2.3 and 2.4 of this report, we are still identifying material changes that need to be made to the draft financial statements as a result of the audit process.</p> <p>Management comment</p> <p><i>Noted, and will continue to work on improving.</i></p>
<p>Approval of Mayors credit card and travel expenditure</p> <p>The Mayor's credit card and travel expenditure be approved by the Chair of the Audit and Risk Committee.</p>	2020	<p>Open</p> <p>We note that the Mayor's expenditure is now approved by the General Manager Business Support as per Council's policy and we understand this is to avoid "circular approval". Although contrary to the best practice advice as outlined by the OAG in their guide, we can accept this as a valid and reasonable business practice.</p> <p>However, we also noted several instances of no evidence of approval of credit card expenditure.</p>

Recommendation	First raised	Status
		<p>Management comment</p> <p><i>The Group Manager Business Support has been signing off the mayor's credit card since arrival as per the Sensitive Expenditure Policy – page 5.</i></p>
<p>Contract management</p> <p>The District Council design and implement a fully functional contract management system.</p>	2019	<p>Some progress</p> <p>We understand that the Technology One contracts module is still to be implemented.</p> <p>Management comment</p> <p><i>Correct.</i></p>
<p>Payroll masterfile</p> <p>The District Council works with Technology One to develop a payroll masterfile change report.</p>	2018	<p>Open</p> <p>No changes from prior year systems. There is still no report that can pick up changes made to bank account numbers.</p> <p>Management comment</p> <p><i>While this was correct, a report has since been identified and will be implemented moving forward.</i></p>
<p>Depreciation on infrastructure assets</p> <p>Depreciate infrastructural additions when they are completed and ready for use.</p>	2009	<p>Open</p> <p>We understand that the new information system depreciates from when the District Council “acquires” the assets, which is 30 June not the date assets are in use.</p> <p>We have assessed that the depreciation that is not recognised is immaterial.</p> <p>Management comment</p> <p><i>In regard to infrastructure assets, for the majority they are not completed until the later part of the financial year, including receiving all invoices from suppliers, so at this stage, the few exceptions of earlier completion remain immaterial. The time to administer a staged process of recognition, reconciliation and capitalisation is not justified. Should materiality change, this process will be reviewed.</i></p>

Recommendation	First raised	Status
Beneficial		
<p>Sensitive expenditure</p> <p>We reviewed the current ADC policies around sensitive expenditure against good practise guidance issued by the Office of the Auditor-General. We noted the below deviations from good practise:</p> <ul style="list-style-type: none"> • It is not stated in the sensitive expenditure policy that claims relating to sensitive expenditure need to be in English or Te Reo Māori (or independently translated before payment). We believe that this should be explicitly stated in order to avoid confusion or errors in sensitive expenditure. • The policies and procedures to cover rideshare options charged through an app linked to a credit card are not stated within the sensitive expenditure policy. If the app is set up to use a personal credit card, the policy should cover processes to distinguish legitimate work expenses from personal expenses. • We note that clear guidance is not given about what is an acceptable level of expenditure, if any, on seasonal occasions such as a Christmas event. <p>We did not identify a policy on:</p> <ul style="list-style-type: none"> • expenditure on farewells or retirements, requiring it to be pre-approved at an appropriate level of management, and to be moderate, conservative and in-line with the number of years of service; • contributions to social clubs being prudent and reasonable in terms of the benefit obtained by the organisation; 	<p>2020</p>	<p>Open</p> <p>We have reviewed the current ADC policies around sensitive expenditure against good practise guidance issued by the Office of the Auditor-General and note that this matter is still outstanding.</p> <p>Management comment</p> <p><i>Noted, and can review when the next policy review is due.</i></p> <p><i>Noted, and can review when the next policy review is due.</i></p> <p><i>Noted, and can review when the next policy review is due.</i></p> <p><i>Noted, although the principles in the policy are quite explicit and require one-up approval.</i></p> <p><i>Noted.</i></p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> • limiting the sponsorship of a staff member to those that provide publicity for the organisation and its objectives; • explicitly stating that staff cannot use purchasing privileges on behalf of any third party; • assets identified for disposal to staff being valued and subject to a tender or other process; • the accepted level of personal use of ICT resources and that this usage must not be unlawful, offensive, or excessive; • ensuring Koha reflects the occasion and ensuring that koha are not confused with any other payments that an entity makes to an organisation; and • giving gifts, including specifying the purposes for which and occasions on which it is acceptable, and the nature and value of gifts that are appropriate to particular occasions. 		<p><i>Noted.</i></p> <p><i>Noted.</i></p> <p><i>This is covered within the Asset Disposal Policy.</i></p> <p><i>Noted, although the Policy does to refer to the use of Council assets within this policy and what is permitted.</i></p> <p><i>Koha is specifically defined in the Sensitive Expenditure Policy, requires the Chief Executives authority, and is accounted for separately.</i></p> <p><i>Noted.</i></p>
<p>IS – third party acknowledgement of Council’s ICT policy</p> <p>Introduce a formal process whereby third parties such as IT vendors or other non-staff acknowledges that they have received and read the ICT Policy and that they understand their responsibilities under the ICT Policy.</p>	2020	<p>Open</p> <p>This matter is still outstanding.</p> <p>Management comment</p> <p><i>This recommendation is noted, and action will be reviewed in areas of People and Capability, Infrastructure Services and Information Systems which have been identified as potential areas covered by this finding.</i></p>
<p>Reconciliation of NZTA job ledger to general ledger</p> <p>The NZTA job ledger is reconciled to the general ledger on a regular basis.</p> <p>The Council Roding Manager keeps records for subsidies and grants from NZTA including information of actual expenditure against these funds that are recorded in relevant job ledger. Up to 2020, a report was run which reconciled</p>	2020	<p>Open</p> <p>This matter is still outstanding.</p> <p>Management comment</p> <p><i>Noted.</i></p>

Recommendation	First raised	Status
<p>this job ledger to the GL for NZTA purposes.</p> <p>The person who ran that report until 2020 left the Council in 2020 and the Council has been unable to run this report.</p> <p>In response to our audit finding in 2020, management stated: <i>"We will look to reinstate this reconciliation in the future."</i></p>		
<p>Internal audit</p> <p>The District Council continues to formally develop an internal audit function to provide assurance to the governing body and management.</p>	2018	<p>Open</p> <p>This matter is still outstanding.</p> <p>Management comment</p> <p><i>No change.</i></p>
<p>Solid waste fixed asset register</p> <p>Develop a detailed solid waste asset register.</p>	2017	<p>Open</p> <p>The 2022 asset register is still maintained in two excel spreadsheets.</p> <p>Management comment</p> <p><i>We continue to use spreadsheets until a corporate asset management system is in place for Property and Open Spaces, where we hope to include Solid waste asset data.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
<p>Evidence of approval of severance payments</p> <p>Retain evidence of the approval of severance payments made.</p>	2021	In our audit we noted adequate approval for severance payments. We consider this matter as closed.
<p>Prior Year Issue: Policy on the user of cloud computing services</p>		Council's IS policy has been updated to refer to use of cloud technology.
<p>Disposal of revalued PPE</p> <p>The District Council estimates the revaluation surplus for assets disposed of or derecognised and transfers this amount to retained earnings in the next financial year.</p>	2018	Closed

Recommendation	First raised	Status
Necessary		
<p>Prior Year Issue - Log on accounts of third parties (such as contractors, vendors)</p> <p>No further recommendations.</p>	2021	We browsed user accounts on the network with the IT Systems Engineer and noted that improvements have been made to the management of user accounts, including end dating contractor accounts and enforcing password standards. Issue is closed.
Beneficial		
<p>Rates – evidence of checks</p> <p>No further recommendations.</p>	2020	We note that checks are appropriately evidenced.
<p>Completeness of Key Management Personnel disclosures</p> <ul style="list-style-type: none"> • All Councillors complete related party interest declarations. • Finance staff perform a completeness check of related party transactions. 	2020	All Councillors completed a related parties' interest declaration. These were provided to Audit NZ. Staff carry out reviews of the companies register to identify any missed related parties. We consider this matter closed.
<p>Consolidation of Ashburton Contracting Limited</p> <p>Review accounting policies applied to all entities in the Ashburton District Council group to confirm consistency.</p> <p>No further recommendation.</p>	2020	The District Council has correctly accounted for areas where ACL have a different accounting policy and eliminated the affect in the District Council's consolidated.

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 District Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the District 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 District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$135,856, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$6,000 for Ashburton District Council 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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