

# Audit and Risk Committee

## AGENDA

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### Notice of Meeting:

A meeting of the Audit and Risk Committee will be held on:

**Date:** Wednesday 27 March 2024  
**Time:** 2.00pm  
**Venue:** Hine Paaka Council Chamber, Te Whare Whakaterere  
2 Baring Square East, Ashburton

### Membership

Chairperson	Russell Ellis
Deputy Chairperson	Leen Braam
Members	Carolyn Cameron Liz McMillan Richard Wilson Murray Harrington (external appointee) Mayor Neil Brown (ex-officio)

## Audit & Risk Committee

### Timetable

2.00pm Meeting commences

### ORDER OF BUSINESS

- 1 Apologies
- 2 Extraordinary Business
- 3 Declarations of Interest

### Minutes

- |   |                                    |   |
|---|------------------------------------|---|
| 4 | Confirmation of Minutes – 14/02/24 | 3 |
|---|------------------------------------|---|

### Reports

- |   |   |    |
|---|---|----|
| 5 | EA Networks Centre Poolsafe Audit                           | 5  |
| 6 | EA Networks Centre financial report                         | 19 |
| 7 | NZTA Waka Kotahi Investment Audit Report                    | 20 |
| 8 | Ashburton Contracting Ltd Draft Statement of Intent 2024-25 | 36 |
| 9 | Transwaste Interim Dividend 2024                            | 55 |

### Business transacted with the public excluded

- |    |  |      |
|----|--|------|
| 10 | Minutes 14/02/24   | PE 1 |
|    | <ul style="list-style-type: none"><li>• Earthquake-prone buildings      Section 7(2)(h) Commercial activities</li><li>• Health &amp; Safety      Section 7(2)(a) Protection privacy of natural persons</li></ul> |      |
| 11 | Health & Safety Report      Section 7(2)(a) Protection privacy of natural persons  | PE 2 |

### ***4. Audit & Risk Committee Minutes - 14/02/24***

Minutes of the Audit & Risk Committee meeting held on Wednesday 14 February 2024, commencing at 1.00pm, in the Hine Paaka Council Chamber, Te Whare Whakatere, 2 Baring Square East, Ashburton.

#### **Present**

Mayor Neil Brown; Councillors Russell Ellis (Chair), Leen Braam, Liz McMillan, Richard Wilson and Murray Harrington.

#### **Also present:**

Councillors Phill Hooper, Lynette Lovett, Rob Mackle and Tony Todd.

#### **In attendance**

Hamish Riach (CE), Leanne Macdonald (GM Business Support), Sarah Mosley (GM People & Facilities) and Carol McAtamney (Governance Support).

Staff present for the duration of their reports: Katie Perry (People & Capability Manager) and Julie Crahay (Safety & Wellness Lead), Michael Wong (Building Services Manager), Lauretta Smith (Accountant)

#### **1 Apologies**

Cr Cameron

Sustained

#### **2 Extraordinary Business**

Nil.

#### **3 Declarations of Interest**

Nil.

#### **4 Confirmation of Minutes – 29/11/23**

**That** the minutes of the Audit & Risk Committee meeting held on 29 November 2023, be taken as read and confirmed.

McMillan/Braam

Carried

Murray Harrington joined the meeting at 1.09pm

#### **5 Management of Accounts Receivable**

A new report providing an update on the management of outstanding receivables. Officers are seeing Councillor feedback on the content of the report.

Outstanding debtors (three months) is stated at \$49k. It was felt that this figure was high and it is to be checked.

The resource consent amounts currently include development contributions, a request was made for these to be reported separately.

**That** the Audit & Risk committee receives the current accounts receivable.

McMillan/Braam

Carried

**6 Civic Financial Services – Statement of Intent for 2024**

**That** the Audit & Risk committee receives the Civic Financial Services Ltd 2024 Statement of Intent.

Wilson/McMillan

Carried

**7 Bancorp Treasury Report – December 2023**

**That** the Audit & Risk committee receives the Bancorp Treasury report for the December 2023 quarter.

Braam/Harrington

Carried

**Business transacted with the public excluded – 1.19pm**

That the public be excluded from the following parts of the proceedings of this meeting, namely – the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>Item No</b>	<b>General subject of each matter to be considered:</b>	<b>In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:</b>	
<b>8</b>	<b>Audit &amp; Risk Committee minutes</b>	Section 7(2)(a)	Protection of privacy of natural persons
<b>9</b>	<b>Earthquake-prone buildings</b>	Section 7(2)(h)	Commercial activities
<b>10</b>	<b>Health &amp; Safety</b>	Section 7(2)(a)	Protection of privacy of natural persons

McMillan/Braam

Carried

The meeting concluded at 2.23pm.

## **5. EA Networks Centre – Poolsafe Audit Outcome**

Author	<i>Ellen Nicol, Recreation Services Manager</i>
Activity Manager	<i>Richard Wood, Sport &amp; Recreation Manager</i>
Executive Team Member	<i>Sarah Mosley, GM People &amp; Facilities</i>

### **Summary**

- The purpose of this report is to inform the Audit & Risk Committee of the annual Poolsafe Audit Outcome.
- Poolsafe is the annual industry best practice programme implemented by Recreation Aotearoa.
- EA Networks Centre has received Poolsafe accreditation every year since opening and officers are pleased to confirm the recent onsite audit resulted in a further year's accreditation.

#### **Recommendation**

- 1. That** the Audit and Risk Committee receives this report on the EA Networks Centre annual Poolsafe Audit.

### **Attachment**

**Appendix 1**      Assessor Report

## Background

### The scheme

1. Poolsafe accreditation shows their community that the facility is designed and operating in accordance with NZ Industry best practice standards. Poolsafe is an auditing process by which the facility is required to upload documentation around normal operating procedures, emergency management, health and safety, pool/plant management and also water quality.
2. It's purpose is to promote good aquatic operating practices which in turn reduces the likelihood of events occurring within aquatic facilities. It is an industry led, voluntary management system.
3. EA Networks Centre has received Poolsafe accreditation every year since opening.
4. Provision of lifeguards and meeting the NZ standard for water quality (NZS5826:2010.) are key components of the accreditation. Therefore Council's community pools (Rakaia, Hinds, Ruapuna, Mayfield & Mt Somers) currently do not satisfy the criteria and although Tinwald Pool (when operating) has lifeguards, it does not meet the NZ standard for water quality (NZS5826:2010.), therefore officers have never sought Poolsafe accreditation for Tinwald Pool.
5. There are currently 111 Poolsafe accredited facilities in New Zealand.

### The audit

6. The assessor reviews both the uploaded information and verifies this information on site.
7. Staff onsite during the visit are questioned to ensure their knowledge of operating procedures and emergency management is of a high standard.
8. A facility may be granted immediate accreditation or, more likely, be given corrective actions(s) to complete prior to accreditation being granted.
9. Officers are pleased to confirm the recent onsite audit resulted in a further year's accreditation and there were only minor corrective actions required in the documentation.

## Legal/policy implications

### Legal

10. The Health & Safety at Work Act 2015 sets out duties related to the management of risks. Council and it's officers (as a PCBU) have a duty to eliminate risks to health and safety at EA Networks Centre, so far as is reasonably practicable. And if it is not reasonably practicable to eliminate risks to health and safety, to minimise those risks so far as is reasonably practicable ([section 30](#)).

11. The Poolsafe scheme sets out specific criteria to be met and provides a method for independent assessment of the facility to allow us to validate our health and safety practices and is one of the steps we can take to ensure we are eliminating and minimising risks so far as is reasonably practicable.

## Strategic alignment

12. Receiving a Poolsafe accreditation contributes to our community outcome of ‘a district of great spaces and places’ because it illustrates that we are providing a safe and fit for purpose facility to allow people to enjoy a positive and healthy lifestyle.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	√	Having a Poolsafe accreditation may help to increase usage and therefore economic benefit for the Council and the community.
Environmental	√	The Poolsafe accreditation shows that our built environment is safe and fit for purpose.
Cultural		
Social	√	A Poolsafe accreditation illustrates to the community that Council is providing a safe facility for users to enjoy.

## Financial implications

Requirement	Explanation
What is the cost?	\$0 to receive this report.
Is there budget available in LTP / AP?	Yes, the current level of service within the aquatic area of EA Networks Centre is funded.
Where is the funding coming from?	N/A
Are there any future budget implications?	No
Reviewed by Finance	<i>Leanne Macdonald, Group Manager – Business Support</i>

## Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	Receiving a report about maintaining current accreditation is an operational matter.
Level of engagement selected	1. Inform
Rationale for selecting level of engagement	Operation matter that highlight a quality service and facility is being provided to the community.
Reviewed by Strategy & Policy	<i>Mel Neumann; Policy Advisor</i>



## Appendix 1.

Facility: EA Networks Centre Ashburton Pool  
 Assessor name: Stephen Cook  
 Pool manager name: Ellen Nicol  
 Date: 02 Feb 2024

<b>Supervision</b>	
<b>CRITERIA:</b> All lifeguards must hold current & valid PLSA or PLPC	
<b>HOW:</b> Sight current & valid PLSA or PLPC qualifications for all lifeguards (can be on paper or online)	
<b>ESSENTIAL COMPONENTS:</b>	
<ul style="list-style-type: none"> <li>Evidence that all staff have undergone PLSA or PLPC training and assessment</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Evidence that all lifeguards have completed an induction PRIOR to working on Poolside</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>The PLPC assessment has taken place and credit reporting sent to Skills Active within one month of starting work on Poolside (Evidence of credit reporting is kept for 2 years)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>NOP must clearly state that lifeguards or staff members, who do not hold a current and valid PLSA (for one month from date of starting on poolside) or PLPC will not be included in any supervision ratios.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>All qualified lifeguards must have completed First aid units 26551 and 26552 (6400, 6401 &amp; 6402) as a minimum first aid qualification</li> </ul>	Achieved
<b>NOTE:</b> Assessors must be satisfied that the correct process has occurred and an honest attempt has been made by the Facility to provide evidence of their staff qualifications.	
<b>CRITERIA:</b> Every body of water is supervised by a qualified lifeguard (when open for use) at all times. Qualified means holding a current PLSA (within one month of training) or PLPC.	
<b>HOW:</b> Review facility normal operating procedures (NOPs) relating to supervision.	
<b>ESSENTIAL COMPONENTS:</b>	
<b>NOP must detail:</b>	
<ul style="list-style-type: none"> <li>A PLPC lifeguard must be rostered on and available at all times and able to respond to an emergency. (This is the minimum, it is recommended that a PLPC lifeguard is rostered on and POOLSIDE at all times)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>All lifeguards must be able to retrieve an object from the deepest part of the pool</li> </ul>	Achieved
<b>NOP must detail the way in which the pool should be supervised including reference to:</b>	
<ul style="list-style-type: none"> <li>The minimum number of lifeguards</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>The area of water and physical obstacles each lifeguard supervises (E.G glare, dead water)</li> </ul>	Achieved

• Supervision techniques and supervision of different activities	Achieved
• How lifeguards communicate	Achieved
• Leaving poolside procedures	Achieved
• After-hours groups must be lifeguarded within supervision ratios by a facility employed PLPC lifeguard	Achieved
<b>A facility schematic/s should be included detailing:</b>	
• Recommended Static Positions	Achieved
• Patrolling routes	Achieved
<b>Comments:</b> No clear patrolling routes only static positions.  Please add patrolling routes into plan and upload to Poolsafe IMS.	
<b>The NOP should give poolside lifeguards as much information as they need to make informed minute-by-minute decisions on supervising the pool without being over prescriptive and too lengthy. The following are some useful headings:</b>	
• Personal appearance and conduct of lifeguards (talking, grooming, uniform etc)	Achieved
• Identification of hazards/risks	Achieved
• Poolside first aid	Achieved
• Customer behaviour - acceptable behaviour	Achieved
• Customer behaviour - unacceptable behaviour	Achieved
• Supervision of different customer groups, (children, youth, special needs etc)	Achieved
• Supervision of different activities, (lane swimming, diving boards etc)	Achieved
<b>It is desirable that the normal operating procedures be cross referenced to any other similar procedures, EG:</b>	

<ul style="list-style-type: none"> <li>EAP</li> </ul> <p><b>Comments:</b> Cross reference the EAP in the NOP at the start e.g. the NOP is to be used in conjunction with the EAP and Health and Safety Manual/Policy.</p> <p>Please add into NOP, and upload to Poolsafe IMS.</p>	Achieved
<ul style="list-style-type: none"> <li>Health and Safety policies</li> </ul> <p><b>Comments:</b> Cross reference the EAP in the NOP at the start e.g. the NOP is to be used in conjunction with the EAP and Health and Safety Manual/Policy.</p> <p>Please add into NOP and upload to Poolsafe IMS.</p>	Achieved
<p><b>NOTE: Evidence will be required to back up the written policies in the NOP – eg training schedule showing induction. How the pool determines its supervision policies and sets out its plan are the domain of that particular pool. The assessors' task is to verify that the essential components are present. Some pools do not publish detailed supervision policies. If this is the case an oral description backed up with poolside observations and lifeguard questioning will suffice.</b></p>	
<p><b>Spas, saunas, steam rooms and private pools within and Aquatic Facility</b></p>	
<ul style="list-style-type: none"> <li>NOP must clearly state procedures for dealing with the spa and sauna/steam rooms and private pools relative to the facility, including (but not limited to)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Time restriction advice</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Hydration advice</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>How these are monitored (eg, alarms, regular checks)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Minimum age for use (i applicable)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Minimum number of people (if applicable e.g. private spa)</li> </ul>	Achieved
<p><b>Learn to Swim Pools within an Aquatic Facility (only when being used for Learn to Swim)</b></p>	
<ul style="list-style-type: none"> <li>Learn to Swim Pools must have signage clearly visible to say the area of water is not supervised by a lifeguard</li> </ul>	Not applicable
<ul style="list-style-type: none"> <li>NOP must clearly state procedures for dealing with the Learn to Swim Pool relative to the facility, including (but not limited to)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Who is in charge in an emergency</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>How staff communicate with each other (E.G Teachers from the LTS pool communicate to the lifeguards in the main pool)</li> </ul>	Achieved

<b>Stand Alone Learn to Swim Facilities</b>	
<ul style="list-style-type: none"> <li>NOP must clearly state either qualified lifeguards are on pool deck OR LTS instructors are qualified lifeguards, in the water teaching but within the supervision ratios</li> </ul>	Not applicable
<ul style="list-style-type: none"> <li>Signage to say the area is not actively supervised by a lifeguard</li> </ul>	Not applicable
<ul style="list-style-type: none"> <li>NOP must clearly state procedures for the facility, including (but not limited to)</li> </ul>	Not applicable
<ul style="list-style-type: none"> <li>What happens if an instructor has to leave the water</li> </ul>	Not applicable
<ul style="list-style-type: none"> <li>Who is in charge of an emergency situation</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>How staff communicate with each other</li> </ul>	Not applicable
<i>The above list is a guide only – the detail is the domain of that particular pool.</i>	
<b>Emergency Action Plan</b>	
<b>CRITERIA: Existence of an Emergency Action Plan</b>	
<b>HOW: Site current EAP at facility (can be on paper or online)</b>	
<b>ESSENTIAL COMPONENTS</b>	
<b>EAP must succinctly specify the actions to be taken in every reasonably foreseeable emergency. In most cases this will be limited to pool and facility emergencies. It should include reference to the following:</b>	
<ul style="list-style-type: none"> <li>Who is in charge</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Nature and location of emergency equipment</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Key steps in dealing with an emergency</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Pool rescue</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Medical alert, (choking, asthma, angina/heart attack, serious cuts, fractures and dislocations etc)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Building evacuation</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Major first aid</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Spinals for minimum number of lifeguards</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Aftercare for victims and staff</li> </ul>	Achieved

<ul style="list-style-type: none"> <li>• A flowchart summary of the key steps in dealing with an emergency should be available to lifeguards</li> </ul>	Achieved
<b>• Evidence that regular (minimum quarterly) staff training occurs including:</b>	
<ul style="list-style-type: none"> <li>• Staff training plans</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• Signed staff training records</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• Guidelines on what occurs if staff regularly do not attend training and evidence that this is being enforced</li> </ul>	Achieved
<b>Pool Alone</b>	
<b>CRITERIA: Existence of a policy relating to child supervision</b>	
<b>HOW: Review facility NOPs relating to child supervision</b>	
<b>ESSENTIAL COMPONENTS:</b>	
<ul style="list-style-type: none"> <li>• NOP must set an age below which a child may not swim unaccompanied and thus becomes a pool alone. Minimum age is under 8 years</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• NOP must detail supervision of under 5's in the pool</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• NOP must include provision for ratios of adult to child(ren) as appropriate for your facility. (If the facility does not have ratios there needs to be a statement on why they have chosen not to have them and how they manage the risk).</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• NOP must set a minimum age for a caregiver to supervise a child who is unable to swim alone. Minimum age is 16 years</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• NOP must give some guidelines on effective enforcement</li> </ul>	Achieved
<b>Pool Water Risk Management Plan</b>	
<b>CRITERIA: Existence of a pool water risk management plan.</b>	
<b>HOW: Site current PRMP at facility (can be on paper or online)</b>	
<b>ESSENTIAL COMPONENTS:</b>	
<ul style="list-style-type: none"> <li>• PRMP has been reviewed annually (evidence of completed review) &amp; updated where necessary.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• PRMP identifies all of the significant risks for each element of the pool system.</li> </ul>	Achieved

<ul style="list-style-type: none"> <li>PRMP identifies the critical points of the pool system.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>PRMP identifies the barriers to contamination (including staff training and/or qualifications, staffing levels, sampling programmes, calibration of analysers).</li> </ul> <p><b>Comments:</b> Expand on barriers to contamination list to also include water testing, backwashing/filter cleaning, microbiological testing, analyser calibration etc.</p> <p>Expanded list to be underneath table with critical points, update and upload to Poolsafe IMS.</p>	Achieved
<ul style="list-style-type: none"> <li>PRMP quantifies the risks.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>PRMP identifies measures to prevent, reduce or eliminate the risks.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>PRMP identifies necessary improvements to the pool to manage the risk. Improvements are prioritised &amp; there is a timetable for implementing the improvements. (eg. Staff training in water treatment).</li> </ul>	Achieved
<b>Health and Safety</b>	
<b>CRITERIA: Confirm the operation of a health and safety management process</b>	
<b>HOW: Review facility NOPs relating to health and safety</b>	
<b>ESSENTIAL COMPONENTS:</b>	
<ul style="list-style-type: none"> <li>Documented process whereby hazards/risks are identified and recorded, they are managed by being minimised or eliminated</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Documented process for recording and investigating employee accidents and notifiable death, injury, illness and incident</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Documented process for recording customer accidents</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Documented process for recording customer notifiable death, injury, illness and incident</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Documented process for wet and dry rescues</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>A record is kept of all customer accidents requiring further medical attention</li> </ul>	Achieved

<ul style="list-style-type: none"> <li>There is documented evidence that the information gathered from the above reporting procedures is scrutinised and used to make changes (if necessary) designed to improve safety for example facility or organisation Health and Safety Meeting minutes or minutes of staff meetings where Health and Safety matters are discussed. Evidence sighted of last four meetings.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Provide up to date chemical inventory for all chemicals on site as per Health &amp; Safety at Work Act (Hazardous Substance Regulation 2017)</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Annual Incident Review has been uploaded to the PoolSafe IMS</li> </ul>	Achieved
<p><b>NOTE: This section is not designed to supersede any more thorough HEALTH AND SAFETY PROCESS a pool may have. It is not designed to fulfil legislative or contractual obligations under the HSE Act or OSH. It is a few fundamental pointers to assist the pool manager in providing a safe environment for employees and customers.</b></p>	
<p><b>Water Quality</b></p>	
<p><b>CRITERIA:</b> Water testing programme compliant with NZS 5826:2010.  <b>HOW:</b> Review facility NOPs relating to water quality.</p>	
<p><b>ESSENTIAL COMPONENTS:</b>  <b>NOP must specify:</b></p>	
<ul style="list-style-type: none"> <li>Lowest and highest values for the relevant chemical constituents within the parameters contained in NZS 5826:2010</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>A frequency of testing that meets the minimum set in NZS 5826:2010</li> </ul>	Achieved
1. Microbiological tests must be scheduled a minimum of monthly	Achieved
2. Microbiological tests must include: <ul style="list-style-type: none"> <li>Faecal Coliforms or E. coli</li> <li>Staphylococcus aureus</li> <li>Pseudomonas aeruginosa</li> <li>Standard plate count</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Four weeks water chemical value tests as specified by the assessor must confirm the presence of chemicals between the lowest and highest values set in NZS 5826:2010</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Four separate sets of microbiological tests as specified by the assessor must confirm the absence of pathogens of the time above the highest value set in NZS 5826:2010</li> </ul>	Achieved

<ul style="list-style-type: none"> <li>Must detail the water treatment qualifications held by the relevant staff in accordance with NZS5826:2010 Role and qualification to be detailed.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Procedure must cover actions in response to – faecal solids, vomit, diarrhoea, blood and an incident in a confirmed cryptosporidium outbreak and notifiable disease outbreak and reporting requirements..</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Procedure must specify – type of contamination and response, removal of solids and semi-solids (Vacuuming), filtration and turnover, evacuation times, disinfection for each pool.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>That faecal accident, especially those involving diarrhoea, are recorded.</li> </ul> <p><b>Comments:</b> Process should include recording the incident</p> <p>Please add in process to record incident by completing a faecal incident form and upload to Poolsafe IMS.</p>	Achieved
<b>Water Quality (On site)</b>	
<b>Water Quality Including Pool Contamination</b>	
<b>CRITERIA:</b> Confirmation that staff understand and apply the faecal accident procedure. <b>HOW:</b> Questioning to verify that staff understand the faecal accident procedure.	
<b>ESSENTIAL COMPONENTS:</b> <ul style="list-style-type: none"> <li>A visual check of records and equipment.</li> <li>Questioning of frontline staff to determine that if a faecal accident occurred it would be dealt with in accordance with the procedure</li> <li>Visual check of records, testing procedures and pool laboratory to confirm that written evidence does correspond to what actually does occur at the facility.</li> </ul>	Achieved
<b>NOTE:</b> Every lifeguard is not expected to know the entire procedure. They must be able to perform the first response to avoid contamination of pool customers and then know where to access further information or advice.	
<ul style="list-style-type: none"> <li>PRMP is onsite and easily accessible to staff</li> </ul>	Achieved
<b>Supervision (On site)</b>	
<b>CRITERIA:</b> Confirmation that all pools are supervised according to NOP. <b>HOW:</b> Visual check and questioning to verify that staff understand and apply pool supervision policy.	



<p><b>ESSENTIAL COMPONENTS:</b></p> <ul style="list-style-type: none"> <li>• All water open for use is supervised by a lifeguard</li> <li>• Any closed water is closed with a barrier or its access is supervised by a lifeguard</li> <li>• Lifeguards must have an understanding of the rationale behind the individual pools procedures and a grasp of the information contained in the procedures; at a level whereby they are able to make sound decisions on how they supervise the pool on a minute by minute, second by second basis</li> <li>• Lifeguards are not required to know or even recognise the technical terms or even names of procedures</li> <li>• Lifeguards should be asked to quote actual examples of the application of pool supervision procedure (unless they just do not happen)</li> <li>• Lifeguards should be given hypothetical situations and asked for their response. The response should mirror the rationale behind procedures</li> <li>• Lifeguard in charge must have an understanding of the rationale behind the procedures and a grasp of the information contained in the procedures</li> <li>• Lifeguard in charge should be asked to quote pool supervision ratios</li> <li>• PLSA Lifeguards will be asked to confirm a PLPC staff member is always rostered on with them</li> <li>• Lifeguards should be asked about after-hours bookings and who is rostered on.</li> </ul>	<p>Achieved</p>
<p><b>Spas, saunas, steam rooms and private pools within an Aquatic Facility</b></p>	
<ul style="list-style-type: none"> <li>• Private pools/spas must have signage clearly visible to say the area of water is not supervised</li> <li>• Lifeguards should be familiar with the guidelines of use as per the NOP</li> </ul>	<p>Achieved</p>
<p><b>Learn to Swim Pools within an Aquatic Facility</b></p>	
<ul style="list-style-type: none"> <li>• Lifeguards and/or instructors should be familiar with the guidelines of use as per the NOP</li> <li>• Signage clearly visible to say that the facility is not supervised by a lifeguard</li> </ul>	<p>Achieved</p>
<p><b>Stand Alone Learn to Swim Facilities</b></p>	

<ul style="list-style-type: none"> <li>• Signage clearly visible to say that the facility is not supervised by a lifeguard</li> <li>• Instructors/staff should be familiar with the guidelines of use as per the NOP</li> </ul>	Achieved
<b>Emergency Action Plan (On site)</b>	
<b>CRITERIA:</b> Confirmation that staff understand and apply the pools EAP. <b>HOW:</b> Visual check and questioning to verify that staff understand EAP.	
<b>ESSENTIAL COMPONENTS:</b> <ul style="list-style-type: none"> <li>• Lifeguards must be able to outline the essential elements of the appropriate response to every reasonably foreseeable emergency.</li> <li>• That the assessor is satisfied a victim would receive care expected from an entry level lifeguard using Pool Lifeguard Practising Certificate as the benchmark.</li> <li>• Lifeguards are not required to know or even recognise the technical terms or even names of procedures.</li> <li>• Lifeguards should be asked to quote actual examples of the application of the pool EAP (unless they just do not happen).</li> <li>• Lifeguards should be given hypothetical situations and asked for their response. The response should mirror the rationale behind procedures.</li> <li>• Senior lifeguards should know the plan backwards and be able to adapt it to cater to the more unlikely situations, e.g. multiple casualties.</li> <li>• Formal EAP training is given regularly (minimum quarterly).</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• All lifeguards must have easy access to a current EAP</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• EAP must be in manual format with poolside emergency signage to compliment procedures</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• The health and safety manual, Normal Operating Procedures and Emergency Action Plan should be available to lifeguards giving them one-stop-shop access to the "big picture"</li> </ul>	Achieved

### **Pool Alone (On site)**

**CRITERIA:** Confirmation that staff understand and apply the pools child supervision policy.  
**HOW:** Visual check and questioning to verify that staff understand child supervision policy.

**Item 6 - EA Networks Centre  
financial report to be  
circulated**

## 7. ***NZTA Waka Kotahi Investment Audit Report***

Author *Mark Chamberlain; Roading Manager*

Executive Team Member *Neil McCann; Group Manager Infrastructure and Open Spaces*

### Summary

- The purpose of this report is to receive the NZTA Waka Kotahi Investment Audit Report.
- This is a report on the procedural audit of Ashburton District Council for the 2021-2024 NLTP carried out from 8 to 10 January 2024.

### Recommendation

1. **That** the Audit and Risk Committee recommends to Council that the NZTA Waka Kotahi Investment Audit Report be received.

### Attachment

**Appendix 1** NZTA Waka Kotahi Investment Audit Report

## Background

### The objective of the procedural audit

1. The objective of the procedural audit is to provide assurance that the NZTA Waka Kotahi investment in Council's land transport programme is being well managed and delivering value for money.
2. It is also to seek assurance that the Council is appropriately managing risk associated with NZTA Waka Kotahi investment with recommended improvements made where appropriate.

## Options analysis

### Option one – Receive the NZTA Waka Kotahi Investment Audit Report (recommended option)

<b>Advantages:</b> The report and its recommendations are used to improve Council's management of the NLTP.	<b>Disadvantages:</b> No disadvantages to receiving the report.
<b>Risks:</b> No risks with receiving the report.	

### Option two – Not receive the NZTA Waka Kotahi Investment Audit Report

<b>Advantages:</b> No advantages to not receiving the report.	<b>Disadvantages:</b> Loss of reputation with NZTA Waka Kotahi.
<b>Risks:</b> Funding for the NLTP may be affected if the report and recommendations from NZTA Waka Kotahi are not accepted.	

## Legal/policy implications

### Land Transport Management Act 2003

3. Report of the investment audit carried out under Section 95(j)(ii) and (iii) of the Land Transport Management Act 2003.

## Climate change

4. No climate change considerations for this procedural audit report.

## Strategic alignment

5. The recommendation relates to Council's community outcome of a district of great spaces and places because the audit reviews the management and delivery of the land transport programme and makes recommendations for improvement.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Support the local economy through transportation of produce to markets.
Environmental		
Cultural	✓	Connect communities to enable business, leisure and social activities
Social	✓	Footpaths and cycleways promote active transport, enhancing our communities' physical and mental health

## Financial implications

Requirement	Explanation
What is the cost?	\$0 This audit is carried out by NZTA Waka Kotahi, at their expense.
Is there budget available in LTP / AP?	N/A
Where is the funding coming from?	N/A
Are there any future budget implications?	N/A
Reviewed by Finance	Erin Register; Finance Manager.

## Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	Routine NZTA Waka Kotahi procedural audit

Level of engagement selected	Inform – one way communication
Rationale for selecting level of engagement	Low level of community interest in a routine audit.
Reviewed by Strategy & Policy	Toni Durham: GM Democracy & Engagement

# INVESTMENT AUDIT REPORT

## Procedural Audit of Ashburton District Council

### **Monitoring Investment Performance**

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Tony Pinn

2 February 2024



<b>Approved Organisation (AO):</b>	Ashburton District Council
<b>NZ Transport Agency Waka Kotahi Investment (2021 – 2024 NLTP):</b>	\$ 28,872,569 (budgeted programme value)
<b>Date of Investment Audit:</b>	8 <sup>th</sup> - 10 <sup>th</sup> January 2024
<b>Auditor(s):</b>	Tony Pinn - Senior Investment Auditor
<b>Report No:</b>	RATPI-2301

## **AUTHORITY SIGNATURES**

**Prepared by:**



\_\_\_\_\_  
Tony Pinn, Senior Investment Auditor

**Approved by:**



\_\_\_\_\_  
Sean Rainsford Acting Practice Manager Audit &  
Assurance

2 Feb 2024

\_\_\_\_\_  
Date

### **DISCLAIMER**

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

## EXECUTIVE SUMMARY

NZ Transport Agency Waka Kotahi funds Ashburton District Council's (the Council) land transport activity through its National Land Transport Programme (NLTP). Ashburton District Council is responsible for the management of the land transport activity, excluding the state highways, within the Ashburton District.

There were six recommendations resulting from the previous Procedural Investment audit undertaken in November 2021. All were addressed except the requirement to advertise financially assisted contracts on the Government Electronic Tenders website (GETS).

Claims for funding assistance for the two financial years 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2023 were reconciled against the Council's General Ledger. Sufficient audit trail was evident, along with successful transaction testing across work categories. The reconciliation process was a significant improvement over the previous audit. We also noted Council's expenditure significantly exceeded its funding allocation across each of the two years audited.

The balance of the retentions account was confirmed and there were no outstanding retentions being held by the Council.

Ashburton District Council has a current NZ Transport Agency Waka Kotahi endorsed Procurement Strategy. This Strategy expires on 23<sup>rd</sup> June 2025. The Strategy is not published on the Council's website as per rule 10.6 of the Waka Kotahi Procurement Manual.

A review of six contracts revealed non-compliance issues, including absence of Conflict of Interests declarations, deviations in evaluating tenders for two contracts and incomplete advertising on GETS. The review also highlighted an unsigned contract (Contract ROAD0313 Kerb and Channel 2023-2024). Council is also reminded to consider the condition related to the Procurement Strategy this year.

Ashburton District Council needs to formally document its costs for in-house professional services, including how associated overheads and administration, are determined.

## AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Effective
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Some Improvement Needed
Overall Rating		Some Improvement Needed

\* Please see Introduction for Rating Assessment Classification Definitions

Before being finalised the draft report was referred to the Ashburton District Council for comment. Council's responses are included in the body of the report.

## RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Ashburton District Council:		Implementation Date
R2.1	Implements control measures to ensure all late eligible expenditure is captured in claims for funding assistance	Immediate
R2.2	Meets the conditions of funding for the Low Cost-Low Risk Programme by regularly updating project expenditure.	Immediate
R3.1	Publishes its endorsed Procurement Strategy through Council's website.	28 Feb 2024
R3.2	Ensures evaluation team members fully complete conflict of interest declarations and that any mitigation measures taken to remedy potential conflicts are documented	Immediate
R3.3	Seeks NZ Transport Agency Waka Kotahi approval if it intends using any advanced procurement procedure as described in the Procurement Manual.	Immediate
R3.4	Confirms all future subsidised contract proposals will be advertised through the GETS site.	1 Feb 2024
R3.5	Ensures Contract ROAD313 Kerb and Channel 2023-2024 (let October 2023) is signed	30 Jan 2024
R4.1	Confirms completed exemption declarations will be filed when it has decided a road safety audit is unnecessary at key stages of any non-maintenance project.	Immediate
R5.1	Reviews the professional services costs and apply the actual costs of administration to financially assisted activities The methodology for calculating overheads and administration must be documented for audit purposes.	30 June 2024

# 1. INTRODUCTION

## 1.1. Audit Objective

The objective of this audit is to provide assurance that the NZ Transport Agency Waka Kotahi investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with NZ Transport Agency Waka Kotahi investment. We recommend improvements where appropriate.

## 1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
<b>Investment management</b>	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
<b>Compliance</b>	NZ Transport Agency Waka Kotahi and legislative requirements met.	Some omissions with NZ Transport Agency Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of NZ Transport Agency Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of NZ Transport Agency Waka Kotahi or legislative requirements.
<b>Findings/ deficiencies</b>	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going NZ Transport Agency Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going NZ Transport Agency Waka Kotahi funding will be at risk.

## 1.3. Council Comments

## 2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

### 1. Previous Audit Issues

The previous Procedural Audit was in November 2021. There were six recommendations:

R2.1 Implements a process for ensuring the Job Ledger and General Ledger are reconciled on a regular basis.

R2.2 Provides Waka Kotahi with reconciliation documentation to support its final claim for 2021/22.

R3.1 Advertises its tenders through the GETS as defined in section 10.6 of the Procurement Manual and Government Rule 56.

R3.2 Seeks approval from Waka Kotahi and considers publishing ownership of Ashburton Contracting Limited in the Procurement Strategy to ensure "Fair Competition".

R3.3 Ensures Safe System, audits are carried out by evaluators who are independent to Council as defined in the "Road Safety audit procedures for projects – guidelines" (interim release May 2013).

R4.1 Implements a process for ensuring all procurement and contract management documentation is retained in the Council's files.

Council has addressed all recommendations except R3.1. Financially assisted contracts reviewed were still only advertised on Tenderlink (see section 3).

Ashburton District  
Council's comment

Contracts will be advertised on GETS from 1 February 2024 as well as Tenderlink.

\* \* \*

### 2. Financial Processes

Effective

Claims for funding assistance for the two financial years 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2023 were reconciled against Council's final claim submissions. The structure of Ashburton District Council's General Ledger mirrors NZ Transport Agency Waka Kotahi work categories and is easy to follow. This was a significant improvement from the previous audit where claims were difficult to reconcile based on the information provided.

We noted Council's expenditure exceeded its funding allocation across each of the two years (approx. \$10M overall). Whilst we could not confirm if this expenditure would have otherwise been eligible for funding assistance, we encourage Council to keep recording this expenditure, particularly when the next NLTP programme is submitted to Waka Kotahi for consideration.

Transaction testing was conducted across multiple Local Road Maintenance, Operations and Renewal (MOR), Low Cost-Low Risk (LC-LR), and Emergency Works work categories. All transactions tested were eligible for funding assistance and claimed under the correct work category.

The 30/70 split for street cleaning was tested. The split is completed through the maintenance payment certificate on a monthly basis. The split \$'s was confirmed.

We noted late transactions (typically journals) were not recognised in the claims. The build-up of claims could be further enhanced by performing a final reconciliation after the GL has closed and the audited set of accounts has been confirmed.

There were no historic or excessive retentions relating to financially assisted contracts being held by Council. Retentions are reconciled monthly. This account appears well maintained.

Overhead costs for inhouse professional services staff were difficult to follow and staff overheads appeared to be applied inconsistently. This is discussed further in section 4.

There are several specific conditions of funding within W/C 341 LC-LR that state that:

- 1) *Each low-cost, low-risk improvements programme must be supported by a list of projects using the NZ Transport Agency Waka Kotahi template, which can be downloaded from Transport Investment Online (TIO).*
- 2) Council have entered a programme line for the Regional Land Transport Programme (RLTP) bid, however as the programme develops into actual projects, the individual projects should be identified in the spreadsheet and actual cost reported against the year in which subsidy was claimed. Funding *“is conditional on each programme being supported by an approved list of projects and on the cash-flows of these projects being captured in the low-cost, low-risk roading improvements template.* Council is not meeting this condition.
- 3) The template list is expected to be *‘maintained and updated regularly’* by the approved organisation. Council is not meeting this condition.
- 4) *‘A condition also exists for claiming in the new financial year and so the template must be updated by 31 August of each year’.*

Council has updated the actual project costs in the template, but they did not balance with the amount claimed in TIO. Council needs to be aware that not meeting the conditions of funding can result in New Zealand Transport Agency Waka Kotahi placing a hold on the processing of claims for payment for Low Cost, Low Risk programmes until the conditions above are met.

Recommendations	<p>That Ashburton District Council:</p> <p>R2.1 Implements control measures to ensure all late eligible expenditure is captured in claims for funding assistance.</p> <p>R2.2 Meets the conditions of funding for the Low Cost-Low Risk Programme by regularly updating project expenditure.</p>
Ashburton District Council's comment	Agree with the recommendations.

\* \* \*

### 3. Procurement Procedures

#### Some Improvement Needed

Ashburton District Council has a current NZ Transport Agency - Waka Kotahi endorsed Procurement Strategy which expires on the 23<sup>rd</sup> June 2025. However, the Strategy is not published on the Council's website as per rule 10.6 of the NZ Transport Agency - Waka Kotahi Procurement Manual which states that, *"An approved organisation must ensure that its current procurement strategy, endorsed by NZ Transport Agency Waka Kotahi, is publicly available and accessible through its website"*.

The Procurement Strategy endorsement noted that Council had entered into a term maintenance contract of 5+2 years. The Strategy was endorsed subject to the following condition:

*"Ashburton District Council noting that a variation to the rules in the Procurement Manual, section 10.2.1 Maximum term of a term service contract for infrastructure or planning and advice to allow Ashburton District Council to use a maximum contract term greater than the five years stipulated in the Procurement Manual for the general road maintenance and operations terms service contract has not been considered at this time. Ashburton District Council is expected to seek approval from Waka Kotahi in year 4 of the contract term prior to extending the contract beyond year 5"*

We remind Council that this condition will need to be considered this year.

We reviewed six (6) contracts for compliance with NZ Transport Agency Waka Kotahi Procurement procedures. On the information provided we noted the following departures:

Conflict of Interests declarations were not cited in the contract files.

Contracts ROAD0298 Road Resurfacing 2023-2025 and ROAD0302 Sealed Road Rehabilitation Rural North 2023-2024 used the price quality method (PQM) to evaluate tenders. We noted that the supplier quality premium was calculated from the lowest submitted conforming price, deviating from the usual practice of using the Council's predetermined estimated value. Whilst the method used was consistent with the request for tender, this represents an alternative version of PQM termed 'Price quality - without disclosure of the estimate'. However, this method is only permitted when procuring public transport services. As outlined in the [Procurement Manual](#) Appendix C – page 199.

Should an approved organisation wish to apply this method for roading related contracts, it falls under a procurement procedure advanced component (refer Procurement Manual section 10.5) and requires approval from NZ Transport Agency Waka Kotahi.

Council's estimate was determined prior to the invitation to tender, and we re-evaluated the two contracts using these estimates. In both cases this did not alter the outcome. Given this we do not propose taking any action in this instance. However, going forward Council must seek approval if it intends to use this advanced procurement procedure in future financially assisted contracts.

Tenders are being advertised only on Tenderlink. Council must also advertise on GETS as this is a funding requirement, as per the previous audit recommendation. Tenderlink can still be used but a link must be set up in GETS directing prospective tenderers to Tenderlink for the relevant documentation. We noted Contract ROAD313 Kerb and Channel 2023-2024 contract (let Oct 23) was not yet signed.

#### Recommendations

That Ashburton District Council:

R3.1 Publishes its endorsed Procurement Strategy through Council's website.

R3.2 Ensures evaluation team members fully complete conflict of interest declarations and that any mitigation measures taken to remedy potential conflicts are documented.

R3.3 Seeks NZ Transport Agency Waka Kotahi approval if it intends using any advanced procurement procedure as described in the Procurement Manual.

	<p>R3.4 Confirms all future subsidised contract proposals will be advertised through the GETS site.</p> <p>R3.5 Ensures Contract ROAD313 Kerb and Channel 2023-2024 (let October 2023) is signed</p>
Suggestions	Considers whether to extend its maintenance contract and seeks NZ Transport Agency Waka Kotahi approval if it intends extending the contract beyond five years.
Ashburton District Council's comment	<p>Do not agree with the Significant Improvement rating. Accept there are several issues raised however they have not individually or collectively affected the outcome of the tender process and will be quickly rectified.</p> <p>The endorsed Procurement Strategy will be added to Council's website in February 2024.</p> <p>Conflicts of interest declarations will be completed by the evaluation team members.</p> <p>ADC will get NZTA approval for any advanced procurement procedures. The estimate will be used for calculating the supplier quality premium for all future contracts.</p> <p>Tenders will be advertised on GETS from 1 February 2024 with a link to Tenderlink. Tenderlink is still considered most appropriate for road contracts.</p> <p>Contract ROAD313 signed by all parties in January 2024.</p> <p>Maintenance contract extension will be requested if that is what Council decides to do.</p>
Auditor's response	The initial "Significant Improvement" rating was influenced by tenders still not being advertised on GETS as recommended in the previous report. However, given Council's comments, the rating has been reconsidered and has been amended to "Some Improvement Needed."

\* \* \*

4. Contract Management		Some Improvement Needed
<p>Monitoring of the network condition and contractor performance is managed in-house through the business unit. Regular monitoring and reporting on the performance of network maintenance and renewal contracts were evidenced through contract files.</p> <p>Council considers Safe System Audits but the two rehabilitation projects selected did not have a Safe System audit report nor exemption declarations to support this decision. Council needs to document this as part of their procedures for non-maintenance activities.</p>		
Recommendation	R 4.1 Confirms completed exemption declarations will be filed when it has decided a Safe System audit is unnecessary at key stages of any non-maintenance project.	
Ashburton District Council's comment	Safe System Audit Exemption Declarations will be completed when a Safe System Audit is considered unnecessary.	



\* \* \*

5. Professional Services		Some Improvement Needed
<p>The delivery of professional services is carried out in-house and supplemented by external expertise as required.</p> <p>As discussed in section 2, the cost recovery multiplier was difficult to determine but overheads appear light compared to peer Councils.</p> <p>We recommend a review of the overhead allocations to ensure all costs of the business unit are being realised and consistently applied. Guidance through General Circulars 14/1 and 14/6 has been provided to Council to assist with this review.</p>		
Recommendation	<p>We recommend that Council:</p> <p>R5.1 Reviews the professional services costs and apply the actual costs of administration to financially assisted activities The methodology for calculating overheads and administration must be documented for audit purposes.</p>	
Ashburton District Council's comment	<p>Will be reviewed with the finance team and in place for 2024-27.</p>	

\* \* \*

## Audit Programme

1. Previous audit November 2021
2. Land Transport Disbursement Account
3. Final Claims for 2021/22 and 2022/23
4. Transactions (accounts payable)
5. Retentions Account
6. Procurement Procedures
7. Contract Variations
8. Contract Management & Administration
9. Professional Services
10. Transport Investment On-line (TIO) Reporting
11. Other issues that may be raised during the audit.
12. Close-out meeting

## Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
ROAD0237	4	Jan 23	Footpath and Kerb & Channel 2022-2023	Fulton Hogan	Estimate Let Price Final Cost	\$1,310,174 \$1,105,153 Ongoing
ROAD0273	2	Nov. 22	Mayfield Valetta Road Seal Widening & Rehabilitation – 2022	Fulton Hogan	Estimate Let Price Final Cost	\$1,119,275 \$1,030,947 Ongoing
ROAD0298	2	Oct 23	Road Resurfacing 2023-2025	Ashburton Contracting Ltd	Estimate Let Price Final Cost	\$5,950,000 \$6,745,354 Ongoing
ROAD0302	3	Sept 23	Sealed Road Rehabilitation Rural North 2023-2024	Fulton Hogan	Estimate Let Price Final Cost	\$1,684,500 \$1,789,159 Ongoing
ROAD0313	3	Oct 23	Capital Footpath Kerb and Channel 2023-2024	Fulton Hogan	Estimate Let Price Final Cost	\$913,440 \$720,411 Ongoing
ROAD0314	3	Oct 23	Sealed Road Rehabilitation Rural South 2023-2024	Ashburton Contracting Ltd	Estimate Let Price Final Cost	\$1,005,382 \$992,831 Ongoing

## **8. Ashburton Contracting Limited – Draft Statement of Intent 2024/25**

Author  
Chief Executive responsible

Leanne Macdonald, Group Manager - Business Support  
Hamish Riach, Chief Executive

### Summary

- The Committee is asked to consider the draft Statement of Intent (SOI) for Ashburton Contracting Limited (ACL) for the 2024-25 year.
- ACL is a Council controlled organisation (CCO) and as such, is required to prepare, adopt and deliver to Council a draft statement of intent by 1 March each year. ACL must then consider any comments that are made by Council on the draft within two months (before 30 April 2024). After considering any shareholder comments, the company must deliver a completed SOI to Council on or before 30 June each year.
- The format and content of the SOI has followed the prior year's format, with one exception. An additional clause added in 2023/24 SOI under Point 4 "Nature and Scope of Activities" has been removed, -

*The company acknowledges that the nature and scope of their Operations and Maintenance contract with Ashburton District Council may change as a result of the three-waters reform. The company is working collaboratively with Council to understand what water reform means for the Ashburton district.*

This clause is no longer applicable with the current Government repealing the previous Government's water services legislation.

- The Audit & Risk Committee will consider the draft Statement of Intent and refer this document and any comment to Council on 17 April 2024.
- Council will approve the draft Statement of Intent, subject to agreed changes, and advise Ashburton Contracting Ltd prior to their Board meeting on 1 May 2024.

### **Recommendation to Council**

- 1. That** the Audit & Risk Committee receives the Ashburton Contracting Limited 2024-25 draft Statement of Intent and refers it to Council for approval.
- 2. That** Council formally advises the ACL Board of any comments on the draft Statement of Intent before 1 May 2024.

### Attachment

#### Appendix 1

ACL draft Statement of Intent 2024-25

## Background

### Background

1. ACL's draft Statement of Intent for the year 1 July 2024 to 30 June 2025 year has been received for Council comment.
2. The draft Statement of Intent sets out ACL's strategic direction for 2024-25 by showing the company's activities and intentions for the year and the objectives to which those activities will contribute.
3. The draft ACL Statement of Intent gives Council the opportunity to influence the direction of the company. It also provides a basis for the accountability of the ACL directors to their shareholders for the performance of the organisation.
4. Council, by resolution, can require the ACL Board to amend the SOI by omitting or including any of the following:
  - Objectives
  - Statements of the Board's approach to governance
  - Nature and scope of activities to be undertaken
  - Ratio of shareholder's funds to total assets
  - Accounting policies
  - Performance targets and measures by which the CCO will be judged
  - Estimates of the amount or proportion of accumulated profits or reserves that may be distributed
  - Type of information to be provided to Council, including the content of the six monthly report
  - Procedures to follow for the CCO to purchase shares in any other venture.
5. As part of its performance monitoring requirements ACL is required to report to Council at a minimum of four times per year that includes a half year report before the end of February each year and an annual report before the end of September each year.

## Options analysis

### **Option 1 – Receive the draft statement of intent with no suggested changes (Recommended)**

6. Council is required to agree to the Statement of Intent (Section 65 (2)(a) Local Government Act (2002)), or if it doesn't agree, must take all practical steps to require the Statement of Intent to be modified.

### **Option 2 – Receive the draft statement of intent and propose amendments**

7. If the Council wished to suggest amendments then these will be forwarded to the ACL Board for consideration and possible inclusion in their final adopted statement of intent.

## Legal/policy implications

8. The Local Government Act 2002 requires a council-controlled organisation to have a statement of intent. Schedule 8 of the Act outlines the content that must be included in the statement of intent including the requirement for performance measures and targets.

1. Sections 66-69 of the LGA 2002 set out the company's reporting requirements.

## Strategic alignment

9. The recommendation relates to Council's community outcome of "*a prosperous economy based on innovation and opportunity*" as Council encourages local economic development for all.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Shareholding in ACL. Council's investments provide a return to the community and contributes to economic development
Environmental		
Cultural		
Social		

## Financial implications

10. There are no future financial implications relating to the content of the Statement of Intent.

Requirement	Explanation
What is the cost?	Council receives a dividend return from ACL
Is there budget available in LTP / AP?	Not applicable
Where is the funding coming from?	Not applicable
Are there any future budget implications?	No
Finance review required?	No

## Significance and engagement assessment

11. The making of this submission is not considered to be significant.

Requirement	Explanation
Is the matter considered <i>significant</i> ?	No
Level of significance	Low
Level of <i>engagement</i> selected	1 - Inform
Rationale for selecting level of engagement	The SOI is largely same as the previous year. No wider engagement is required with the community.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

## Next steps

Date	Action / milestone	Comments
17 April 2024	Council will receive the Audit & Risk Committee's recommendation and outcome will be advised to ACL before 1 May 2024.	
By 30 June 2024	ACL to provide Council with the Board's adopted Statement of Intent 2024-25.	



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**ASHBURTON CONTRACTING LIMITED**

**STATEMENT OF INTENT FROM 1 JULY 2024**

**(covering the Financial Year ending 30 June 2025)**



# ASHBURTON CONTRACTING LIMITED

## STATEMENT OF INTENT FROM 1 JULY 2024 (Covering the Financial Year Ended 30 June 2025)

### 1. PREAMBLE

This Statement of Intent (SOI) is required by section 64 of the Local Government Act 2002.

The Board of a Council Controlled Trading Organisation must deliver to the Council a draft Statement of Intent on or before 1 March each year. The Board must;

- a) consider any comments on the draft Statement of Intent that are made to it within two months of 1 March by the Council, and
- b) deliver the completed Statement of Intent to the shareholders on or before 30 June each year.

### 2. GOVERNANCE

#### Role of the Board

The collective responsibility of the Directors is to direct the management of the Company.

The Board carries out its responsibilities by setting the Company's strategic direction, providing leadership to put this into effect, appointing the Chief Executive Officer (CEO), agreeing targets and objectives and monitoring performance. The CEO has been delegated responsibility for the day-to-day management of the Company. He has an executive team to assist him.

#### Board Composition

The Company's Constitution provides the Board will consist of not more than five directors of whom not more than one shall be a member or employee of any Local Authority. Directors of the Company are appointed by the shareholder by notice in writing to the Company. The term of appointment shall be for a maximum period of three years, but may be for a lesser period as specified by Council at the time of appointment. Retiring directors are eligible for re-election.

#### Board Meetings

Each year there are a minimum of eleven scheduled directors' meetings. The Board is able to meet at other times if there is business to be conducted. Any two directors have the power to summon a meeting of the Board.

#### Remuneration of Directors

The Shareholder by ordinary resolution from time to time sets a total maximum amount payable for annual directors' fees divided among the directors as they consider appropriate.

Director's Fees may be reviewed on an annual basis with a maximum review interval of two years. The Directors shall engage an independent consultant to provide a recommendation to the Shareholder.

### **Board Interaction with Management**

Board policy is to make site visits to view Company operations and to familiarise directors with issues associated with the business. These visits usually involve interaction between directors and management and direct access to employees when their particular area of expertise is required. Most contact is with the CEO whom the Directors hold accountable for the operational performance of the Company.

### **Directors Obligations**

#### **Directors' Interests**

A Directors' Interests Register is maintained and records particulars of notices given by Directors in regard to positions and shareholdings held in other companies and entities. The Register is reviewed annually as part of the Company's annual reporting process. All Board Meetings contain an agenda item addressing any changes to Directors Interests or Conflicts of Interest.

#### **Officers Interests**

A Register of interests of senior management is maintained.

#### **Directors' and Officers' Insurance and Indemnity**

The Company has arranged Directors' and Officers' Liability Insurance which ensure directors and officers will incur no monetary loss as a result of actions undertaken by them as directors and officers. Certain actions are specifically excluded, for example, criminal acts and the incurring of penalties and fines which may be imposed in respect of breaches of law.

### **Financial Results**

Management prepare monthly accounts which are provided to the Directors as part of the Board Report for review.

Unaudited half yearly summary reports are prepared for the Ashburton District Council.

The Company prepares Annual Accounts which are audited by Audit New Zealand. The directors review and sign the Annual Accounts which are incorporated in the Annual Report.

### **External Auditor**

Section 70 of the Local Government Act 2002 requires that the Auditor General is the auditor of Council Controlled Organisations.

### **3. OBJECTIVES**

The principal objectives of Ashburton Contracting Ltd are in accordance with section 59 of the Local Government Act 2002 to:

- a) be a successful business; and
- b) be a good employer; and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d) conduct its affairs in accordance with sound business practice.

### **4. NATURE AND SCOPE OF ACTIVITIES**

The nature of the Company's activities are that of civil and roading contracting and associated sectors. Its activities include excavation, transport, construction, drainage, civil works, pipeline installation and surfacing (chip sealing/hotmix).

The company manufactures hotmix and readymix concrete.

The company has vehicle repair workshops which service internal and external customers.

The company carries out quarrying and the supply of aggregates and landscaping products.

The company maintains water, sewer and wastewater facilities.

The company is a partner in the Lake Hood Extension Project (LHEP) joint venture.

The company supplies goods, materials, services and equipment for sale or hire.

The company engages in any other relevant activity as determined by the directors in consultation with the Shareholder from time to time.

### **5. RATIONALE AND OBJECTIVES FOR ASHBURTON DISTRICT COUNCIL OWNERSHIP**

The rationale for the ongoing ownership of the Company in terms of contributing to the Ashburton District Council Long Term Plan is;

- a) To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure.
- b) To promote competition in the district for civil construction and maintenance activities.

- c) To form part of a balanced portfolio of Council investments.
- d) To provide a commercial rate of return on the Council's investment.
- e) Assist Ashburton District Council in civil emergencies.

## 6. **PERFORMANCE MEASURES**

- a) Budgeted profit before tax for ACL Parent is achieved. ACL Parent excludes LHEP.
- b) The annual rate of return on ACL Parent average shareholder's funds will be a *target* of 10% before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the LHEP).
- c) The Company will achieve its annual budgeted external revenue.
- d) Health & Safety:
  - i. The Company will maintain its ISO 45000 Health and Safety certification.
  - ii. The Company will strive to reduce its lost time injury (LTI) frequency rate year upon year.
  - iii. The Company will strive to reduce its medical treatment injury (MTI) rate year upon year.
- e) Environmental: The Company will maintain its ISO 14001 Environmental certification.
- f) Quality Systems: The Company will maintain its ISO 9001 Quality certification.
- g) The Company will comply with the Resource Management Act.
- h) The Company will ensure business management procedures and practices meet with the requirements of the Auditor such that the Company receives an unqualified audit report of its annual Financial Statements.
- i) Environmental Sustainability: The Company will monitor and work to reduce its carbon outputs.

## 7. **LAKE HOOD EXTENSION PROJECT (LHEP) POLICY**

The Company will actively participate in and manage the performance of its investment in the Lake Hood Extension Project and report on its progress in the Notes to the Financial Statements of the Annual Report.

8. **FINANCIAL FORECASTS**

The budget projection for the year ending 30 June **2025** and forecast projections for each of the years ending 30 June **2026** and 30 June **2027** will be disclosed to the shareholder, on a confidential basis, in a timely manner to enable the Council to incorporate this information in its Annual Plan.

9. **RATIO OF EQUITY TO TOTAL ASSETS**

- a) Equity is defined as the paid-up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".
- b) Total Assets are defined as the sum of all current assets, investment assets and fixed assets of the Company.
- c) The ratio of Equity to Total Assets will be no less than 50%.

10. **DIRECTORS' ESTIMATE OF THE COMPANY VALUE**

The Directors estimate that the commercial value of the shareholder's investment in Ashburton Contracting Ltd will be represented by the opening balance of Equity.

11. **REPORTING TO SHAREHOLDER**

The Company will report to the Shareholder on both a regular basis and as and when necessary. The following information will be available to the shareholder based on an annual balance date of 30 June:

11.1 **Draft Statement of Intent**

The Directors shall deliver to the shareholder a Draft Statement of Intent on or before 1 March each year which fulfils the requirements of section 64 of the Local Government Act 2002.

11.2 **Completed Statement of Intent**

The Directors shall deliver to the shareholder a completed Statement of Intent on or before 30 June each year, which fulfils the requirements of section 64 of the Local Government Act 2002.

11.3 **Reporting**

Within two months after the end of the first half and the second half of each financial year, the Directors will meet with the shareholder and deliver to the Shareholder, a report

containing the following unaudited information as a minimum in respect of the period year under review:

- a) An Income Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous financial year.
- b) A Statement of Changes in Equity with comparative figures for the same period in the previous financial year.
- c) A Balance Sheet period with comparative figures for the same period in the previous financial year.
- d) An abbreviated Statement of Cash Flows with comparative figures for the same period in the previous financial year.
- e) A commentary on the results for the period under review. Where the Report is in respect of the first six months, the report will contain an outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.
- f) Commentary on the Company's performance with regard to Health and Safety including appropriate graphical information on the Company's performance and KPIs.

#### **11.4 Quarterly Reports**

In addition, an abbreviated report, content to be agreed between the Board and the Ashburton District Council to maintain an overview on the Company and its operations, be provided at quarterly intervals between the half yearly report and the annual report.

#### **11.5 Annual Report**

Within three months of the end of each financial year, the Directors shall deliver to the Shareholder, an Annual Report which shall contain audited Financial Statements in respect of the financial year, containing the following information as a minimum:

- a) A Directors' Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- b) An Income Statement disclosing actual and budgeted revenue and expenditure with comparative figures from the previous Annual Report.
- c) A Statement of Changes in Equity at the end of the year with comparative figures from the previous Annual Report.
- d) A Balance Sheet at the end of the year with comparative figures from the previous Annual Report.
- e) A Statement of Cash Flows with comparative figures from the previous Annual Report.

- f) An auditor's report on the above statements and the measurement of performance in relation to objectives.

## 12. ACCOUNTING POLICIES

The accounting policies adopted for Ashburton Contracting Limited are documented in Appendix 1. The Company will report at 30 June 2024 under NZ IFRS Tier 1 of the New Zealand Accounting Standards Framework as a large, for-profit entity that has annual expenses exceeding \$30m.

## 13. DIVIDEND POLICY

- 13.1 ACL is committed to maximising the long-term sustainable distribution flow to the shareholder and maintain a distribution intent of paying 50% of any net after-tax return to the shareholder, subject to capital requirements of the Company. Any distribution needs to be prudent in the circumstances and meet Solvency Tests.
- 13.2 The ACL Parent Profit after Tax excludes any realised capital gains/losses, revaluation movements, any material one-off non-cash items, and any after tax profits/losses arising from the Lake Hood Extension Project.
- 13.3 Some, or all, of the distributions to the Shareholder may be made, with agreement of the Shareholder, by subvention payment or other mutually agreed method after taking account of all tax considerations.

## 14. CHARITABLE GIFTS POLICY

- 14.1 The Company may make charitable gifts to qualifying entities in terms of the 2007 Income Tax Act. Qualifying entities are those entities which are not carried on for private pecuniary profit and whose funds are wholly applied to charitable, benevolent, philanthropic or cultural purposes within New Zealand. The limit of the gifts is the level of taxable income for the Company. Charitable gifts for less than \$20,000 in total in any one financial year will not require prior formal approval of the Ashburton District Council.
- 14.2 Any charitable gift in excess of \$20,000 must have the formal agreement of the Company Directors and the Ashburton District Council regarding the recipient qualifying entity, the project and the amount of the gift.

15. **PROCEDURES FOR ACQUISITION OF INTERESTS IN OTHER COMPANIES OR ORGANISATIONS**

- 15.1 As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the proposed investment(s).
- 15.2 If the directors believe that the Company should invest in, or otherwise acquire, an interest in another company or organisation, the directors will obtain prior approval of the shareholder by special resolution.

16. **SALES OF GOODS/ SERVICES TO LOCAL AUTHORITIES**

- 16.1 The Company will provide goods and services to the Ashburton District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.
- 16.2 Ashburton Contracting Limited, under any contract with Ashburton District Council, will be required to meet levels of service determined by the Council.



## Appendix I

### ACCOUNTING POLICIES

#### Significant Accounting Policies

Ashburton Contracting Limited (the "Company") is a company domiciled in New Zealand.

The Company is a Council Controlled Trading Organisation as defined in Section 6 (1) of the Local Government Act 2002, wholly owned by the Ashburton District Council and is a profit-orientated entity for financial reporting purposes.

The Company's business includes contracting for physical works, both maintenance and construction, offering goods and services for sale and plant and equipment for hire. These activities occur predominantly in the Ashburton district and immediate surrounding areas and may be undertaken in other geographical areas.

#### Statement of Compliance

The financial statements have been prepared in accordance with the Companies Act 1993, Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the pronouncements of the Chartered Accountants of Australia and New Zealand (CAANZ) and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Company is a Tier 1 for-profit reporting entity under the New Zealand Accounting Standards Framework on the basis that it is a large, for-profit entity that has annual expenditure over \$30 million. The Company has in previous years elected to report under the reduced Tier 2 disclosure regime. The Company has in some cases chosen to include information within its accounts used for the financial reporting requirements of its parent.

#### Basis of Preparation

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except for Land and Buildings, Investment Properties, and certain other investments, which are stated at fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where otherwise stated.

#### Changes in Accounting policies and disclosures

##### New and amended standards and interpretations

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### Property, Plant and Equipment

##### Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses, except for Land and Buildings which are valued annually by a registered valuer and are stated at fair value.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### **Subsequent Costs**

Further expenditures are added to cost only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense when incurred.

### **Depreciation**

Depreciation is charged to profit or loss on either straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Lower value assets (cost less than \$50,000) are depreciated at the current maximum rates allowed by the Inland Revenue Department as these rates approximate the useful lives and residual values associated with these assets. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings 30- 50 years
- Plant and Equipment 3-38 years
- Office Equipment & Fixtures 3-10 years
- Land Improvements 20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### **Intangible Assets**

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets with a finite life is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of software is three to ten years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating-unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

### **Inventories**

Inventories are stated at the lower of cost or net realisable value using weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

### **Civil construction and contracting**

Civil construction and contracting services include drainage, sealing, asphalt laying, utilities and rural contracting.

Construction services within a contract are deemed to represent a single performance obligation, which is satisfied progressively over the construction period. Performance is measured using an output method, by reference to regular progress claims and assessments by client contract engineers.

Any expected loss on construction contracts is recognised immediately as an expense in profit or loss.

Any variable consideration, such as liquidated damages, included in the Company's revenue contracts is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Payment is due as specified in the payment schedules.

### **Rendering of services**

Contracts for workshop and transport services are comprised of one performance obligation, with revenue being recognised over time. Payment is generally due upon completion and acceptance by the customer. An input method (cost incurred) is used as a measure of progress.

### **Production and sale of goods**

The Company earns revenue from the sale of goods, including ready-mix concrete and aggregates. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Payment is generally due based on standard 30-day trading terms.

### **Contract assets, contract liabilities and trade receivables**

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable. Trade receivables are measured at the transaction price determined under NZ IFRS 15.

When an amount of consideration is received from a customer prior to the Company transferring a good or service to the customer, the Company recognises a contract liability.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

### **Warranties**

The Company provides for defects liability periods in accordance with NZ IAS 37.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 3 months. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **Investments**

#### **Other Investments**

Investments in equity securities held by the Company are recorded at fair value through profit or loss.

### **Advances and other financial assets at amortised cost**

If there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the instrument.

### **Joint Venture**

The Joint Venture has been incorporated into the financial statements using the equity method.

## **Impairment of non-financial assets**

The carrying amount of the Company's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of the indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss. For revalued assets the impairment loss is recognised in other comprehensive income for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss.

## **Reversal of Impairment**

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. For revalued assets the reversal of an impairment loss is recognised in other comprehensive income and credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

## **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates or substantively enacted at the balance date.

Current tax and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the tax is dealt with in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## **Employee Entitlements**

The Company has made provision in respect of entitlements for annual leave, long service leave and retirement gratuities. The provision is calculated on an actual entitlement basis at current rates of pay.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Company anticipates it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

## **Expenses**

### **Net Financing Costs**

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Interest income is recognised in profit or loss as it accrues. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

## **Trade and Other Payables**

Trade and Other Payables are stated at amortised cost. Due to their short-term nature, they are not discounted.

## **Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## **Loans**

Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

## Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

The impact of Covid-19 has been considered in the impairment assessment. The impact on the company was not significant and has not resulted in any impairment of goodwill.

### Impairment of Goodwill

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is measured as the difference between the assets carrying amount and the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

### Calculation of recoverable amount

The recoverable amount of assets is the greater of their market value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### Reversal of impairment

An impairment loss in respect of an asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimated use to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss had been recognised.

## Leases

### Right-of use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

### Lease liabilities

At commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. These lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of an option reasonably certain to be exercised by the Company and penalties for terminating the lease if the lease term reflects the Company's exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses a borrowing rate at the lease commencement that best represents the term of the lease. For plant and vehicle leases the company uses the Bank fixed interest rate for the term of the lease and for property, an appropriate market yield is used. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if

there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

**Short term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases i.e. those with a lease term of 12 months or less from the commencement date with no purchase option.

The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Management has defined this as assets which are, when new, valued at \$7,000 or less.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Goods and Services Tax (GST)**

All amounts are shown exclusive of GST, except for trade receivables and payables that are stated inclusive of GST.

**New Accounting Standards**

Not applicable.

## **9. Transwaste Dividend**

Author *Leanne Macdonald; Group Manager Business Support*  
GM Responsible *Hamish Riach; Chief Executive*

### **Summary**

- The purpose of this report is to update the Council on Transwaste dividends for the year ended 30 June 2023.

#### **Recommendation**

- 1. That** Council receives the Transwaste dividends report.

**Attachment:** Transwaste 2024 Interim Dividend

## Background

1. Council holds 600,000 shares in Transwaste Canterbury Ltd, which equates to 3% of the total shares (total shares being 20,000,000).
2. Transwaste Canterbury Ltd owns Tiromoana Station Ltd, which owns the land at Kate Valley and the landfill site, and the Burwood Resource Recovery Park (BRRP), which was set up to receive and process demolition material from the Christchurch earthquakes.
3. Council has budgeted \$1,200,000 of total dividends in the 2023/24 year, of which \$300,000 was budgeted to be received from Transwaste Canterbury Ltd.
4. The net interim dividend received from Transwaste is \$205,500. The interim dividend does not include an equalisation payment, as this occurs at the end of the year. Council also received a net dividend of \$156,000 in August 2023, being the final dividend for the 2022/23 financial year. In total Council has received \$361,500 against a budget of \$300,000.

## Options analysis

### Option 1 – Receive the Report

5. There are no options other than to receive the report, which is for information only.

## Legal/policy implications

6. There are no legal /policy implications as a result of receiving this report.

## Strategic alignment

7. The recommendation relates to Council's community outcome of Economic and Social because it benefits the rate payers (both commercial and residential) by reducing the reliance on rates to support the districts needs which in turn, supports Ashburton district in being an affordable place to connect, grow, live, work and play.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Dividends reduce reliance of rates, supporting businesses to prosper in Ashburton district.
Environmental		
Cultural		
Social	✓	Dividends offset the cost of rates keeping it an affordable to live for families.



## Financial implications

8. Dividends from Transwaste Canterbury Ltd year are \$361,500, which is slightly above the total annual budget of \$300,000.

Requirement	Explanation
What is the cost?	Not applicable
Is there budget available in LTP / AP?	Not required as receiving funding.
Where is the funding coming from?	Not applicable
Are there any future budget implications?	Additional Dividends will go against the dividend reserve to be used in future years as Council determines.
Finance review required?	Erin Register; Finance Manager.

## Significance and engagement assessment

The report is for information only. There are no significance and engagement issues.

Requirement	Explanation
Is the matter considered <i>significant</i> ?	No
Level of significance	Low
Level of <i>engagement</i> selected	Inform –One-way communication
Rationale for selecting level of engagement	The report is information only.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

## Appendix 1



PO Box 20 166  
Bishopdale  
CHRISTCHURCH

Ashburton District Council  
PO Box 94  
ASHBURTON 7740

29-Feb-2024

### Statement of Dividend Payment

*Declared*  
*Payable*

*29-Feb-2024*  
*29-Feb-2024*

Gross Dividend	285,416.67
Less Imputation Credits	(79,916.67)
Net Dividend	205,500.00
Less RWT	-
	205,500.00

Plus Equalisation per CRLJC advice

CCC	-
Waimakariri DC	-

<b>Net Payable</b>	<b>\$ 205,500.00</b>
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*The payment represents your share of the fully imputed interim dividend for the 2024 year totalling \$6,850,000*

# **Audit and Risk Committee**

## **Terms of Reference**

### **Purpose**

The purpose of the Audit & Risk Committee is to provide oversight of Council's audit processes, statutory compliance and internal risk management in a manner that promotes the current and future interests of the community (Local Government Act 2002).

### **Membership**

Membership of the Committee comprises:

- Cr Russell Ellis (Chair)
- Cr Leen Braam (Deputy Chair)
- Cr Carolyn Cameron
- Cr Liz McMillan
- Cr Richard Wilson
- External appointee – Murray Harrington
- Mayor, Neil Brown (ex-officio)

The quorum is four members.

### **Meeting Frequency**

The Audit & Risk Committee will meet on a six-seven weekly cycle, or on an as-required basis as determined by the Chair and Group Manager Business Support.

Committee members shall be given not less than 5 working days' notice of meetings.

### **Delegations**

The Audit & Risk Committee has no delegated authority to make decisions. Its role is to consider and review matters of strategy, policy or significance in its sphere of Council business, and (if appropriate) to make recommendations to full Council.

### **Sphere of business**

- To receive and consider the project plan and timetable for the following projects –
  - Long Term Plan (LTP) and any amendments
  - Annual Plan & Budget
  - Annual Report and Audit
- To receive progress reports on the above projects, where appropriate, and review significant issues and risks arising.
- To establish and maintain effective relationships with Council's auditors, including meeting with the audit representatives regarding significant policy and planning processes as appropriate, reviewing the Annual Audit Plan, and considering matters of significance raised by Council's auditors and action required.
- To receive reports on all external party audits of any and all Council activities, and review significant issues and risks arising.

- To be the primary monitoring mechanism for Council's Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) and shareholdings. Review the CCOs' draft statements of intent and advise CCOs of any comments.
- To provide overview of Council's performance management framework as included in the Council's LTP and Annual Plan documents.
- To provide overview of Council's statutory compliance and legal matters, monitoring any areas of statutory non-compliance.
- To provide overview of risk management and insurance. Review corporate risk assessment and internal risk management practices. Review insurance arrangements annually and monitor insurance claims.
- Monitor and review Health & Safety related matters. Participate in national risk management practices and implementation of risk management processes.
- To consider matters of organisational services in the area of Health & Safety.
- To receive the EA Networks Centre monthly income and expenditure reports, and any other matters directed to the Committee by Council. [\[21/06/23\]](#)

### **Reporting**

The Audit & Risk Committee will report to the Council.

### **Reviewed**

21/06/23