

ATTACHMENTS

UNDER SEPARATE COVER 1

Ordinary Council Meeting

30 May 2023

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Taupō District Council (TDC)

Update to the Risk & Assurance Committee on 19 May 2023 (dated 11 May 2023)

Overall audit feedback

Our audit has been completed and we're ready to issue our audit report on the adopted annual report.

Overall, the audit process went well. This was largely attributed to quality checks performed over information provided by TDC staff and timely response to queries raised by the audit team.

The audit team also worked very well with management and staff to ensure we get the audit completed ahead of time for your adoption.

Non-standard Audit Report

- Unmodified opinion on the audited information, excluding the statement of service performance reporting.
- Qualification regarding the Wastewater and Water response time measures in the statement of service performance.
- Emphasis of Matter paragraph drawing attention to the Government's water services reform programme.

Control environment

Overall, we are satisfied that the internal control environment is effective for our audit purposes. During our audit we identified some areas where improvements can be made, which mostly relate to the refine tuning of the newly implemented FMIS, however we have noted that previous recommendations continue to be closed.

We will raise these matters in our final report to the Council.

Update on significant risk and areas of audit focus

- **Property, plant, and equipment – revaluations and fair value assessments**

Asset class	Valuer	Date of valuation	Valuation increase/(decrease)
Land	Quotable Value	30 June 2022	\$8,765,000
Buildings			\$24,962,000
Land Under Roads			\$152,887,000
Infrastructural Buildings			3,609,000

We are satisfied that the revaluations complied with the Standards and the movements were accounted for correctly.

We also reviewed management’s assessment to confirm that there was there an overall material difference between the carrying value and fair value of assets not revalued in FY22 as at 30 June 2022. As a result, management have passed a \$44m adjustment to ensure the carrying value aligns to the fair value as at 30 June 2022.

- **The risk of management override of internal controls**

Our testing found no issues of concern.

- **Performance reporting**

We noted some improvements during the period to attempt to improve the amount of “0 hour” response times. We noted a reduction, however the number of call-outs classified as zero hour mean we continue to issue a qualified audit opinion in respects to the response time measures.

During our planning we also issued an area of focus in relation to the drinking water compliance performance measures (relating to part 4 & 5 of the DWSNZ). Due to the Ministry of Health (MoH) no longer having mandate over DWS, Council employed WaiComply to perform their assessment for the year-ended 30 June 2022.

- **New financial management information system**

During the year Council transitioned part of their systems to the new FMIS CiAnywhere (TechOne). As per our separate audit proposal letter we performed a robust assessment over the migration ensuring that all areas of the migration were managed appropriately, we also ensured all data in the modules transferred (from MagiQ) to CiAnywhere was performed correctly and balances reflective of the old system were included in the new system.

- **Capital work programme**

We reviewed the overall control environment in place in relation to procurement, contract management, project management and asset management. We also considered the progress against budget for the capital works programme, in terms of both the number of projects completed as well as the proportion of actual spend to budget. This year we noted a significant underspend, due a multitude of reasons.

We also reviewed the capital work in progress at year-end and ensured those projects reported as work in progress were not yet completed at year-end, and also completed a review of costs that have been capitalised during the year to ensure they meet the definition of capital expenditure rather than operational costs.

- **Water Services Reform Programme**

We reviewed the accounting treatment of three waters revenue received as a result of the MoU with the DIA, we noted no issues in the classification between revenue and income in advance. We also ensured the annual report contained adequate disclosure around three waters reform, which is documented in our emphasis of matter in the audit report.

For consideration of the Council

Before the approval of the annual report for issue please consider and let us know if you are aware of any:

- Events that have occurred between balance date and the date the accounts are adopted that may require either adjustment to the accounts or disclosure. This would include any significant legislative or contractual compliance issues that could impact on the annual report;
- The Council should re-familiarise themselves with the content and purpose of the letter of representation which will need to be signed by the Mayor and the Chief Executive at the same time the annual report is adopted.
- Unusual transactions that we should be made aware of; and
- Actual or suspected frauds that we should be aware of.

[Taupo DC Letterhead]

30 May 2023

Leon Pieterse
Appointed Auditor
Audit New Zealand
PO Box 621
Tauranga 3144

Tēnā koe Leon,

Representation letter for the year ended 30 June 2022

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements of Taupō District Council and group) and statement of service performance for the year ended 30 June 2022 for the purpose of expressing an independent opinion about whether:

- the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2022; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the statement of service performance:
 - presents fairly, in all material respects, the District Council and group's levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

