
Thursday, 8 December 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
Hastings District Council
Council Meeting

Kaupapataka

Agenda Item 12

Adoption of the Annual Report and Summary 2021/22

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TE KAUNIHERA Ā-ROHE O HERETAUNGA

Thursday, 8 December 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
Hastings District Council: Council Meeting

Item 12

Te Rārangi Take

Report to Council

Nā: Aaron Wilson, Financial Controller
From: Jess Noiseux, Financial Improvement Analyst

Te Take:
Subject: Adoption of the Annual Report and Summary 2021/22

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to obtain a decision from Council on the adoption of the 2021/22 Annual Report and 2021/22 Summary Annual Report.
- 1.2 Attached as **Attachment 1** is the Closing Report to Council for the year ended 30 June 2022 from Council's auditors EY.
- 1.3 The adoption of this Annual Report is later than normal due to staff shortages with our former auditors Audit New Zealand and the late change to our new auditors Ernst Young (EY). Prior to the previous Council completing its triennium, Council acknowledged that the completed and audited Annual Report was not available to adopt but did provide the following resolution supporting its adoption when the audit process had been completed.

That the Council receive the report titled Draft Annual Report and Summary for the Year Ended 30 June 2022 dated 4 October 2022.

That the Council endorse the adoption of the Annual Report and Summary for the year ended 30 June 2022 subject to any changes as required through the audit process.

2.0 Recommendations - Ngā Tūtohunga

- A) That Council receives the report titled Adoption of the Annual Report and Summary 2021/22 dated 8 December 2022.
- B) That Council adopts the 2021/22 Annual Report with any minor amendments made at the meeting and any necessary drafting corrections delegated to the Chief Executive.
- C) That Council adopts the 2021/22 Summary Annual Report with any minor amendments made at the meeting and any necessary drafting corrections delegated to the Chief Executive.

3.0 Background – Te Horopaki

- 3.1 This report enables Council to meet the legislative requirements of the Local Government Act 2002 which requires Council, through section 98 of the Local Government Act 2002, to adopt the Annual Report within four months of the end of the financial year (by 31 October). This normal deadline has, however, been extended to 31 December 2022 due to the impacts of COVID and the shortages of audit staff.
- 3.2 Council is also required to produce an Annual Report Summary that must represent fairly and consistently, the information regarding the major matters dealt with in the Annual Report.
- 3.3 The reports must comply with generally accepted accounting practice as determined by various financial reporting standards. A number of other statutory requirements must also be met.

4.0 Discussion – Te Matapakitanga

- 4.1 Now that the financial result has been audited a summary table below has been added, this updates the result provided for the Council meeting dated 4th October 2022.

Statement of comprehensive revenue and expense for the year ended 30 June 2022	Actual Council 2022 \$'000
Revenue	167,911
Expenses	135,397
Surplus/Deficit	32,514
Revaluations & other movements	550,439
Total Comprehensive revenue & Expense	582,953

Audit Opinion

- 4.2 Council has received an unqualified audit opinion on the financial statements and other statutory reporting. However, audit will be required to issue a qualified opinion over performance information in relation to certain 3 Water performance information as a consequence of the matters highlighted in 2021's audit report that in one circumstance remains in place in 2022.

- 4.3 The comparative information, which received a qualified opinion in 2021, related to how 3 waters complaints were recorded, and the accuracy of the reported water loss in the service performance measure section of the Annual Report. The performance matter remaining in 2022 relates to 3 Waters Customer complaints.
- 4.4 Attached as **Attachment 1** is the Closing Report to Council for the year ended 30 June 2022 from Council’s auditors EY. This level of reporting from Council’s auditors is new and provides Council with a good overview of the audit process and outcomes.
- 4.5 Without modifying their opinion, audit have also added an emphasis of matter paragraph, drawing attention to the disclosure in Note 8 on the “Three waters reform programme” which outlines the impact of the reform once legislated. All councils impacted by the 3 waters changes are receiving this modification.
- 4.5.1 Water Loss – staff have undertaken to improve the quality of the information gathered to support the amount of water loss that is estimated to occur. However, despite those efforts, it is currently not feasible to accurately report that information and the most effective way of improving that data is to install a large number of water meters. An installation programme of water meters across the district for this purpose is currently underway and will take at least two years to complete.
- 4.5.2 3 Water Complaints – as discussed above, audit have qualified their opinion on this matter, and while audit found improved mechanisms have been put in place by management to collect and collate complaints, the afterhours call service by Palmerston North City Council has not moved to providing complaint information on a call by call basis and remains focused on service requests.
- 4.5.3 Revaluations – The 2021/22 year end process included two substantial revaluations for Three Waters and Transportation assets. With regard to the transportation revaluation audit have noted that the revaluation of the roading assets reflects movements in line with their expectations. With regards with the 3 waters revaluation there has been a significant uplift in value and audit have placed increased focus on gaining assurance on the appropriateness of those numbers. At the time of writing audit have noted that they are comfortable with the underlying assumptions that have informed the value of this asset class. Audit have however recommended that Council include some further independence into the revaluation process to further support valuation uplifts, particularly when those increases are substantial.
- 4.6 Infrastructure assets are the most significant balance on Council’s balance sheet with a 30 June 2022 carrying value of \$2,640 million (2021: \$2,044 million).
- 4.7 Through the audit process a number of adjustments have been identified as is quite normal through the audit process and explanations for these are provided in the attached report from EY.
- 4.8 The 2021/22 Annual Report (**Attachment 3**) is circulated under separate cover. At the time of preparing this report, the Annual Report was in the final stages of review with EY. If any further changes are required, they are expected to be minor and will be available at the Council meeting.
- 4.9 The 2021/22 Summary Annual Report (**Attachment 2**) is attached.

Attachments:

1	HDC Final Audit Close Report 2022 - EY	FIN-07-01-22-471	
2	Summary Annual Report 2022	CG-16-2-01297	
3	Annual Report 2022	CG-16-2-01296	Under Separate Cover

