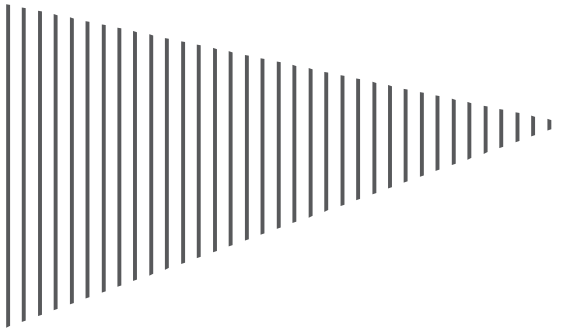


Kāpiti Coast District Council

Report on Control Findings

1 November 2023



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Mark de Haast
Group Manager - Corporate Services
Kāpiti Coast District Council
Private Bag 60601
Paraparaumu 5254

1 November 2023

Dear Mark

Report on Control Findings

We have substantially completed our audit of the financial statements and service performance information of Kāpiti Coast District Council ("Council" or "KCDC") for the year ended 30 June 2023.

This Report on Control Findings includes control matters and issues arising from our audit that we consider appropriate for review by management.

In accordance with the Auditor-General's Auditing Standards we performed a review of the design and operating effectiveness of KCDC's significant financial and non-financial reporting processes. Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data. They have not been designed for the purposes of making detailed recommendations. As a result, our procedures would not necessarily disclose all weaknesses in KCDC's

internal control environment. We wish to express our appreciation for the courtesies and co-operation extended to our representatives during the course of their work. If you have any questions or comments, please do not hesitate to call me on 027 489 9693.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Sam', written in a cursive style.

Sam Nicolle
Partner
Ernst & Young

Contents

| | |
|----------------------------------|---|
| 1. Overview | 2 |
| 2. Detailed recommendations..... | 4 |

1. Overview

1.1 Overview of Risk Ranking System and Recommendations

The following table provides an overview of the number of observations and the associated risk ratings.

| | High | Moderate | Low | Total |
|--------------------------------------|------|----------|-----|-------|
| Open as at 30 June 2022 | - | 1 | 4 | 5 |
| Closed during FY23 | - | - | (3) | (3) |
| New points raised in FY23 | - | - | 1 | 1 |
| Total open points as at 30 June 2023 | - | 1 | 2 | 3 |

Key:

| | |
|---|--|
| ■ | A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months. |
| ■ | Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within 6 months. |
| ■ | Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months. |

1.2 Audit observations

The following table summarises open recommendations at 30 June 2023.

| Observations | High Needs significant improvement | Moderate Needs substantial improvement | Low Needs some improvement |
|---|---------------------------------------|---|-------------------------------|
| Accuracy of response and resolution times | - | ✓ | - |
| Aged work in progress review | - | - | ✓ |
| Overhead rate applied to projects | - | - | ✓ |

1.3 Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2023. Recommendations are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than Council and the management team or for any purpose other than that for which it was prepared.

2. Detailed recommendations

2.1 Moderate Risk

| 2.1.1 Accuracy of response and resolution times | |
|---|--|
| Observation | <p>One of Council's key activities is managing, and responding to, requests for service that ratepayers make of Council. KCDC uses the MagiQ system to record and monitor these requests. When a member of the community makes a request the time of the request, actions taken to respond to and resolve the request, and the time these actions were taken are all recorded in the system. This data then forms the basis for reporting a number of performance measures which relate to how quickly Council have either responded to, or resolved, requests for service relating to a particular area of operations.</p> <p>In completing our testing of performance reporting information, we identified instances where the response times used as a basis for calculating performance measures were identical to the time the request for service was raised with Council. We observed this mostly arises where a request for service is not logged with the call centre immediately. This results in the on call staff member arriving on site before the request for service has been logged in the system. As MagiQ does not allow response times to be before the received time the response time will default to the earliest possible time which will be identical to the received time.</p> <p>For six items tested, we noted the 'response' time was identical to the 'service requested' time (one instance for stormwater services requests, Three times in water management service requests and five instances for wastewater overflow and blockage requests).</p> <p>For water supply, we noted 3 instances of urgent responses (6% of the population) were negative.</p> |
| Implication | <p>There is a risk that Council reports incorrect performance results as a result of not using accurate response times. This can also impact management's ability to understand the team's responsiveness to ratepayer requests and any resourcing or process issues that may need to be remedied to allow timely responses to requests.</p> |
| Recommendation | <p>We recommend the either the process for recording requests for service be updated or that the data used as an input in calculating the request for service-based measures be reviewed prior to being used to calculate performance measures.</p> <p>We recommend Council consider an internal review of the performance measure data prior to finalising the measure and consider anomalies and whether they have a material impact on performance reported.</p> |
| Management Response | <p>Management accepts audit findings and recommendation. An internal review of the performance measure data prior to finalising will be undertaken and the process for recording requests for service will be updated to correct this weakness.</p> |
| Responsibility | <p>Corporate Services</p> |

2.2 Low Risk

2.2.1 Aged work in progress review

| | |
|----------------------------|---|
| Observation | Our testing of infrastructure assets includes a review of work in progress projects that had no further costs incurred in the financial period. There was one material project, the Waikanae duplicate rising main, which commenced in 2017 and had not incurred further cost nor been capitalised in FY23. |
| Implication | The accumulation of capital work in progress in error may result in: <ul style="list-style-type: none">- Delayed commencement of depreciation- impairment |
| Recommendation | We recommend aged WIP projects are reviewed annually and documented. The assessment should consider the age of WIP, whether the asset is ready for use and for an assessment of indicators of impairment. |
| Management Response | Management accepts audit's grading and recommendation. The Waikanae duplicate rising main is planned to be fully complete by 30 June 2024 and depreciation will commence thereon from 1 July 2024. |
| Responsibility | Corporate Services |

2.2.2 Overhead rate applied to projects

| | |
|----------------------------|---|
| Observation | During our testing of the capital grants and capex, we observed that there was change in the method to apply the allocation of overhead staff costs to capital projects. This method allocates based on an approved SLT rate (percentage) that is applied against the budgeted personnel recovery costs. The approved SLT rates are average market recovery rates and are not specific to KCDC. |
| Implication | The Council are using rates that are reasonable in the market but not specific to KCDC. Therefore, there is uncertainty on whether the time and effort recovered at the market rates is reflective of the actual time and effort incurred on the project |
| Recommendation | We recommend KCDC to develop an overhead rate specific to actual time and effort that has been incurred for KCDC projects. |
| Management Response | Management accepts the audit finding and recommendation and commits to exploring options to enhance the overhead recovery methodology to be more KCDC specific as part of developing the 2024-34 Long Term Plan. |
| Responsibility | Corporate Services |

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