



Annual Reports

Innovative Waste Kaikoura Ltd
For the year ended 30 June 2020

Prepared by WK Advisors and Accountants Limited

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Directory

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

Date of Incorporation

30 June 2000

Company Number

CH1045695

Registered Office

Innovative Waste Kaikoura Limited
82 Scarborough Street
Kaikoura

Company Status

Registered Company

Issued Capital

100 Shares

Shareholders

Kaikoura Enhancement Trust - 100 Ordinary Shares

Directors

J Parfitt	Appointed on 16 October 2017 - Resigned 18 July 2019
NS Pablecheque	Appointed on 10 March 2017 - Resigned on 27 July 2017, Re-appointed on 16 October 2017
CM Gregory	Appointed on 16 October 2017 - Resigned 30 June 2019
GC Harmon	Appointed on 06 May 2018
JM Howden	Appointed 01 May 2019 - Resigned 28 July 2020
GR Hughes	Appointed 20 July 2018

LJ Buurman - Appointed 21 July 2020

Business Location

82 Scarborough Street
Kaikoura 7300

Nature of Business

Operation of Kaikoura Recovery Centre & Landfill.

Contracted maintenance service for Council's 3 waters assets.

IRD Number

076-884-188

GST Status

Payments Basis, Two Monthly Returns, Coinciding with Balance Date

Chartered Accountants

WK Advisors and Accountants Limited
P O Box 349
Blenheim 7240
Contact - Neil Sinclair

Auditors

Audit New Zealand on behalf of Auditor-General

Barrister and Solicitors

Duncan Cotterill
148 Victoria Street
Christchurch

Bankers

Bank of New Zealand
Kaikoura

Directors Report - Disclosure

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

The Directors present their annual report including the financial statements of the company for the year ended 30 June 2020.

Principal activities

The business of the company is operation of the Kaikoura resource recovery centre & landfill. The company also has a five year contract to provide contractual maintenance services in Kaikoura for the Council for storm water, waste water and water supply.

The nature of the company's business has not changed during the year.

Auditors

The company's Auditors were Audit New Zealand on behalf of Auditor-General.

Audit New Zealand are willing to continue as the company auditors.

Directors Disclosures

There were no entries recorded in the Register of **Interests**.

No Director acquired or disposed of any interest in shares in the company.

The following Directors held office:

J Parfitt
NS Pablecheque
GC Harmon
GR Hughes
JM Howden

No other person was a Director at any time.

Directors' Remuneration

No Directors remuneration was paid by the Company during the year.

The following Directors resigned:

	Date of Resignation
J Parfitt	18 July 2019

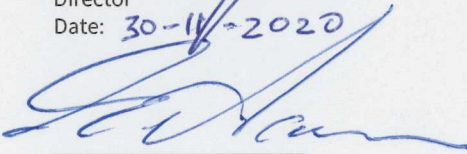
The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

Signed for and on behalf of the Board of Directors



Director

Date: 30-11-2020



Director

Date: 30.11.20.

Statement of Profit or Loss

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

	NOTES	2020 (\$)	2019 (\$)
Revenue			
Revenue	1	2,268,731	2,513,723
Direct Costs			
Direct Costs		1,515,547	1,719,271
Total Direct Costs		1,515,547	1,719,271
Gross Surplus		753,184	794,452
Other Income			
Wage Subsidy		151,822	-
Total Other Income		151,822	-
Expenses			
Operating Expenses	2	679,965	745,192
Finance Costs	3	2,743	4,912
Depreciation	7	117,332	105,563
Loss / (Gain) on disposal of Property, Plant and Equipment		151	(478)
Total Expenses		800,191	855,188
Operating surplus / (deficit) before Tax		104,815	(60,736)
Income Tax			
Income tax for the year	19	(56,916)	(15,273)
Net Surplus/ (deficit) after Tax		161,731	(45,463)
Total comprehensive surplus/ (deficit) after tax		161,731	(45,463)

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report.

Statement of Movement in Equity

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

	NOTES	2020 (\$)	2019 (\$)
Equity at Start of Year			
Opening Balance		712,970	758,433
Total Comprehensive Revenue and Expense		161,731	(45,463)
Equity at End of Year		874,701	712,970

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report.

Balance Sheet

Innovative Waste Kaikoura Ltd As at 30 June 2020

	NOTES	2020 (\$)	2019 (\$)
Assets			
Current Assets			
Cash & Cash Equivalents	4	251,300	94,471
Debtors & Other Receivables	5	84,172	184,557
Work in Progress	6	50,805	-
Total Current Assets		386,277	279,028
Non-Current Assets			
Property, Plant & Equipment	7	864,221	904,084
Total Non-Current Assets		864,221	904,084
Total Assets		1,250,498	1,183,111
Liabilities			
Current Liabilities			
Trade & Other Payables	8	109,155	106,848
Employee Benefit Liabilities	9	170,286	165,482
Income Tax	19	35,069	-
Loans	10	14,854	40,098
GST		23,326	42,621
Total Current Liabilities		352,690	355,049
Non-Current Liabilities			
Deferred Tax Liability	19	23,107	115,092
Total Non-Current Liabilities		23,107	115,092
Total Liabilities		375,798	470,142
Net Assets		874,701	712,970
Equity			
Share Capital	13	100	100
Retained Earnings	14	874,601	712,870
Total Equity		874,701	712,970

Signed by:

Director

Director

Date:

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report.

Statement of Cash Flows

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

	2020 (\$)	2019 (\$)
Cash Flows from Operating		
Cash was provided from		
Receipts from customers	2,359,066	2,137,470
Grants received	-	381,488
Interest Received	72	46
MSD Wage Subsidy	151,822	-
Total Cash was provided from	2,510,960	2,519,003
Cash was applied to		
Payments to suppliers and employees	(2,234,660)	(2,433,397)
Interest paid	(2,743)	(6,703)
Net GST	(5,299)	(7,408)
Income Tax Paid	-	(6,501)
Total Cash was applied to	(2,242,701)	(2,454,008)
Total Cash Flows from Operating	268,259	64,995
Cash Flows from Investing		
Cash was provided from		
Receipts from sale of property, plant and equipment		
Motor Vehicles	24,000	-
P&E Yard Disposals	-	1,026
Total Cash was provided from	24,000	1,026
Cash was applied to		
Payments to acquire property, plant and equipment	(110,185)	(159,064)
Total Cash was applied to	(110,185)	(159,064)
Total Cash Flows from Investing	(86,185)	(158,038)
Cash Flows from Financing		
Cash was provided from		
Proceeds from loans borrowed from other parties	12,718	-
Total Cash was provided from	12,718	-
Cash was applied to		
Repayments of loans borrowed from other parties	(37,963)	(30,616)
Total Cash was applied to	(37,963)	(30,616)
Total Cash Flows from Financing	(25,244)	(30,616)
Net Increase/ (Decrease) in Cash	156,830	(123,659)
Cash Balances		
Cash and cash equivalents at beginning of period	94,471	218,130
Cash and cash equivalents at end of period	251,300	94,471
Net change in cash for period	156,830	(123,659)

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report.

Statement of Accounting Policies

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

Reporting Entity

The financial statements are of Innovative Waste Kaikoura Limited ("the Company"). Innovative Waste Kaikoura Limited is a company incorporated in New Zealand registered under the Companies Act 1993. Innovative Waste Kaikoura Limited is engaged in the business of operation of Kaikoura resource recovery centre & landfill. The company secured a five year contract in July 2015 to provide contractual maintenance services in Kaikoura to the Council for the storm water, wastewater and water supply. The company is wholly owned by Kaikoura Enhancement Trust, a subsidiary of Kaikoura District Council, therefore the company is a council controlled organisation as defined in section 6 of the Local Government Act 2002.

The financial statements of Innovative Waste Kaikoura Limited have been prepared in accordance with the reporting requirements of Section 11 of the Financial Reporting Act 1993.

The objectives of the company are to deliver excellent services, educate the community, be a good employer, be innovative and consider expansion and diversification within the District. Accordingly, the company has designated itself as a public benefit entity for financial reporting purposes.

The financial statements for the company are for the year ended 30 June 2020 and were authorised for issue by the directors on the 30 November 2020.

Measurement Base

The financial statements of Innovative Waste Kaikoura Limited have been prepared on an historical cost basis, except as noted otherwise below. The statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements have been prepared in accordance with NZ PBE IPSAS Tier 2 RDR accounting standards. They comply with New Zealand generally accepted accounting practices (NZ GAAP). The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Significant Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

1. Property, Plant & Equipment

The entity has the following classes of Property, Plant & Equipment. Depreciation is calculated using the straight line basis, apart from site development, to allocate their cost over their useful life. The following rates have been used:

Asset type	2020 (%)
Site development	0.0%
Buildings	2.0% - 22.65% SL
Motor vehicles	6.5% - 13.5% SL
Office equipment	5.0% - 67.0% SL
Plant & equipment	4.0% - 33.0% SL

All property & equipment is stated at cost less depreciation and impairment, except for land that is not depreciated.

Leased assets are depreciated over the unexpired term of the lease or over the estimated useful life, whichever is shorter.

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

An item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

2. Impairment

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits or service potential. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment is recognised in surplus or deficit.

3. Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net GST paid to, or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

4. Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

5. Leases

Operating Leases

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the company recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

6. Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

7. Work in Progress

Work in progress is stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

8. Financial Assets

Financial assets are initially recognised at fair value on the trade date, which includes transaction costs when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

Impairments

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the surplus or deficit. Impairment is established when there is evidence that the company will not be able to collect amounts due according to the original terms.

De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the company sells the instrument, or all cash flows attributable to the instrument are passed to an independent third party.

9. Revenue

Revenue is measured at the fair value of consideration received.

Grants

Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Other Revenue

Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in gate expenses.

Where a physical asset is donated or vested in the company for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the company are recognised as revenue when control over the asset is obtained.

Volunteer services received are not recognised as revenue or expenditure as the company is unable to reliably measure the fair value of the services received.

Interest income is recognised using the effective interest method.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year end balance date.

10. Receivables

Trade and other receivables are recorded at their fair value less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

11. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected using an appropriate discount rate.

12. Employee Entitlements

A liability for holiday pay entitlements is recognised in the balance sheet.

Where the payment is expected to be longer than 12 months of balance date, the liability is recorded at its present value. Where the payment is expected to be less than 12 months, the provision is the amount expected to be paid.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

13. Finance Costs

Finance costs are recognised as an expense in the period in which they are incurred.

14. Creditors and Other Payables

Short-term creditors and other payables are recorded at their face value.

15. Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Borrowings where the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date are classified as non-current liabilities.

Notes to the Financial Statements

Innovative Waste Kaikoura Ltd For the year ended 30 June 2020

	2020	2019
1. Operating revenue		
Sales		
Contract Income - Fixed	495,722	445,723
Contract Income - Variation	354,749	402,126
Landfill management fee	180,000	180,000
Other Maintenance Services	30,272	23,363
Landfill sales and services	752,173	849,445
Trees for Travellers	5,618	16,515
Resource Recovery Centre	93,979	85,714
3 Waters Recovery	356,146	128,997
Total Sales	2,268,659	2,131,883
Other Revenue		
Grants Received	-	381,488
Interest Income	72	353
Wage Subsidy	151,822	-
Total Other Revenue	151,894	381,841
Total Revenue	2,420,553	2,513,723

The Company's non-exchange revenue transactions this year include wage subsidy income. This revenue has conditions attached which specify that the future economic benefits or service potential is required to be consumed as specified (used to retain and pay employees) or must be returned to the transferor.

	2020	2019
2. Operating expenses		
General Expenses	616,085	685,081
Audit Fees	24,910	23,035
Bad Debts written off	741	-
Insurance	32,042	31,940
Rents	6,188	5,136
Total Operating expenses	679,965	745,192

Direct costs and administration expenses comparatives have been restated. 2019 direct costs have been decreased by \$203,000 of indirect personnel expenditures and 2019 administration expenses have been increased by \$203,000 of indirect personnel expenditure. This reclassification enabled comparison of direct and administration costs between the years.

	2020	2019
3. Finance Costs		
Interest Charges	2,743	4,912
Total Finance Costs	2,743	4,912

	2020	2019
4. Cash and cash equivalents		
BNZ Bank Account	254,538	90,826
BNZ - Credit Card	(3,447)	3,535
Cash Float	210	110
Total Cash and cash equivalents	251,300	94,471
	2020	2019

5. Debtors and other receivables

Accounts Receivable	70,845	169,936
Payments in advance	13,326	14,622
Total Debtors and other receivables	84,172	184,557

Trade debtors are shown net of impairment losses arising from the likely non payment of a small number of customers. As at 30 June 2019 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables are as follows:

	2020			2019		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due - under 30 days	64	-	64	140	-	140
Past due - 30 to 60 days	3	-	3	15	-	15
Past due - 60 to 90 days	-	-	-	3	-	3
Past due - over 90 days	4	-	4	12	-	12
	71	-	71	170	-	170

Movement in the provision for impairments of receivables as follows:

	2020	2019
Opening balance	-	-
Plus: Increase of provision		-
Less: Receivables written off		-
Balance as at 30 June	-	-

All receivables are from exchange transactions. No receivables are considered impaired (2019: nil).

	2020	2019
6. Work in progress		
Work in Progress	50,805	-
Total Work in progress	50,805	-

7. Property, Plant & Equipment

	2020	2019
Buildings		
Cost		
Balance at 1 July	431,820	419,330
Additions	-	12,490
Closing Balance at 30 June	431,820	431,820
Depreciation		
Balance at 1 July	152,210	144,131
Current year depreciation	8,391	8,079
Balance at 30 June	160,601	152,210
Total cost less accumulated depreciation	271,219	279,610
	2020	2019
Motor Vehicles		
Balance at 1 July		
Opening Balance	347,570	347,570
Additions	52,418	-
Disposals	(39,700)	-
Balance at 30 June	360,288	347,570
Depreciation		
Balance at 1 July	153,866	126,104
Current year depreciation	24,610	27,762
Depreciation recovered	(15,549)	-
Balance at 30 June	162,927	153,866
Total cost less accumulated depreciation	197,360	193,704
	2020	2019
Equipment		
Cost		
Balance at 1 July	153,293	85,971
Additions	10,983	67,321
Balance at 30 June	164,275	153,293
Depreciation		
Balance at 1 July	44,733	29,985
Current year depreciation	25,461	14,749
Balance at 30 June	70,195	44,733
Total cost less accumulated depreciation	94,080	108,559

2020 2019

Plant & Equipment Yard

	2020	2019
Cost		
Balance at 1 July	887,529	804,825
Additions	38,221	83,730
Disposals	-	(1,026)
Balance at 30 June	925,750	887,529
Depreciation		
Balance at 1 July	565,319	510,346
Current year depreciation	58,869	54,973
Balance at 30 June	624,188	565,319
Total cost less accumulated depreciation	301,562	322,210
	2020	2019

Total Property, Plant and Equipment

	2020	2019
Cost		
Balance at 1 July	1,820,212	1,657,696
Additions	101,620	163,542
Disposals	(39,700)	(1,026)
Balance at 30 June	1,882,132	1,820,212
Depreciation		
Balance at 1 July	916,128	810,565
Current year depreciation	117,332	105,563
Depreciation recovered	(15,549)	-
Balance at 30 June	1,017,911	916,128
Total cost less accumulated depreciation	864,221	904,084

No impairment losses have been recognised for property, plant and equipment (2019: nil).

2020 2019

8. Trade and other payables

	2020	2019
Accounts Payable	93,339	86,131
Accrued Expenses	15,816	20,717
Total Trade and other payables	109,155	106,848
	2020	2019

9. Employee benefits and liabilities

	2020	2019
Accrued Wages & Salaries	6,514	40,544
PAYE Due	38,353	22,295
Provision for annual leave	125,419	102,643
Total Employee benefits and liabilities	170,286	165,482

	2020	2019
Salaries & Wages		
Salaries & Wages	1,261,360	1,203,438
Increase / (decrease) in employee entitlements	-	30,092
Total Salaries & Wages	1,261,360	1,233,530

	2020	2019
10. Borrowings		
BNZ Term Loans	2,136	27,074
Current Loan - IQumulate Premium Funding	12,718	-
MacQuarie Pacific Funding	-	13,024
Total Borrowings	14,854	40,098

	2020	2019
Repayable as follows		
Not later than 1	14,854	40,098
Total Repayable as follows	14,854	40,098

11. Operating Lease commitments

	2020	2019
Non-cancellable operating leases		
Not later than 1 year	1,086	13,030
Later than 1 year and not later than 5 years	-	1,085
Total Non-cancellable operating leases	1,086	14,115

The lease commitment is the lease of the two motor vehicles. The motor vehicle leases are for a 5 year term commencing 17 July 2015 with no right of renewal.

12. Related parties

The Company is owned by Kaikoura Enhancement Trust, which itself is owned by the Kaikoura District Council. The Company has a landfill management contract with Kaikoura District Council.

As of 01 July 2015 the Company also has a five year contract with Kaikoura District Council to provide contractual maintenance services for Council's storm water, sewerage and water supply infrastructure.

The total value of related party transactions for the current and prior year with the Kaikoura Enhancement Trust and Kaikoura District Council are as follows:

	2020	2019
Sales to Kaikoura District Council		
Landfill management fee	180,000	180,000
Kerbside recycling and public rubbish fee	155,053	127,492
Other sales	949,552	1,278,960
Total Sales to Kaikoura District Council	1,284,605	1,586,452

	2020	2019
Purchases from Kaikoura District Council		
Rent	6,188	5,136
Other purchases	-	91
Total Purchases from Kaikoura District Council	6,188	5,227

Kaikoura District Council receivables of \$13,827 (2019: \$104,433)

Kaikoura District Council payables of \$5,693 (2019: Nil)

Any transactions by or with the directors were at normal terms and this disclosure is made for completeness purposes. No related party debtors have been written off or forgiven during the year.

	2020	2019
Key management personnel		
Key management personnel compensation	244,582	230,670

In the current year Key Management personnel consisted of the Directors, the General Manager and the Utilities Manager.

13. Share capital

	Number of Shares	Amount (\$)	Number of Shares	Amount (\$)
	2020	2020	2019	2019
Balance as at 30 June	100	100	100	100

There was no consideration received for the shares.

	2020	2019
14. Retained earnings		
Opening balance	712,870	758,333
Net profit after tax	161,731	(45,463)
Retained earnings closing balance	874,601	712,870

15. Financial instruments categories

	2020	2019
Financial assets		
Cash and cash equivalents	254,748	90,936
Debtors and other receivables		
Accounts Receivable	70,845	169,872
Total Debtors and other receivables	70,845	169,872
Total loans and receivables	325,593	260,807

	2020	2019
Financial liabilities		
Trade and other payables	109,155	106,848
Borrowings - secured and unsecured	14,854	40,098
Total financial liabilities at amortized cost	124,009	146,946

16. Contingent assets and liabilities

As at 30 June 2020 there are no known contingent assets or liabilities. Innovative Waste Kaikoura Limited has not granted securities in respect of liabilities payable by any other party whatsoever.

As at 30 June 2020 the Company's assets are insured jointly through the wider insurance portfolio of Kaikoura District Council in order to benefit from the Council's combined purchasing power.

17. Covid-19 Disclosure

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 4 and 3, we reduced our operations to what was deemed necessary. In level 4 we closed the Resource Recovery Centre (RRC) to the public, operated on an 'on call' basis for 3 Waters and were able to reopen the RRC and start minor renewal works in Waters during level 3.

The Directors have considered the effects on the financial statements caused either directly or indirectly by COVID-19:

- The Company saw a decrease in revenue during the COVID lockdown (due to the operations restrictions) and was granted the Government grant for wage subsidy.
- The effect on the overall revenue and expenses in FY20 was not material because of the very short period of the lockdown within this financial year, government grant for wage subsidy received and increased revenue after the lockdown period.

The Directors also considered the impact of the COVID-19 pandemic going forward and do not believe there will be any further significant effect on the business operations.

The Directors are continuing to closely monitor the COVID-19 situation and the Company is working closely with customers and contractors to ensure the appropriate actions are taken, with people's safety and wellbeing as the priority.

18. Significant events after balance date

No significant events occurred after balance date (2019: nil)

19. Taxation

	2020	2019
Components of tax expense recognised in statement of comprehensive revenue and expense:		
Income tax expense		
Current Taxation	35,069	-
Deferred Taxation	(91,985)	(15,273)
Income tax expense	(56,916)	(15,273)
Income tax expense	(56,916)	(15,273)

2020 2019

Relationship between tax expense and accounting profit

Surplus / (deficit) before tax	104,815	(60,736)
Tax at 28%	29,348	(17,006)
Add/(less) tax effect of:		
Deferred tax adjustment	(86,264)	1,734
Total Add/(less) tax effect of:	(86,264)	1,734
Income Tax Expense	(56,916)	(15,272)
	2020	2019

Movement in tax (refund) / payable:

Balance at start of year	-	6,021
Taxation (paid) / refunded	-	(6,021)
Provided for this year	35,069	-
Balance at the end of the year	35,069	-

Movement in temporary differences

	Balance	Recognised	Recognised	Balance
	30 June 2019	in profit/loss	in equity	30 June 2020
Property, plant and equipment	(164,775)	111,385	-	(53,390)
Losses to carry forward	23,011	(23,011)	-	-
Employee benefits	26,668	3,612	-	30,280
	(115,096)	91,986	-	(23,110)

	Balance	Recognised	Recognised	Balance
	30 June 2018	in profit/loss	in equity	30 June 2019
Property, plant and equipment	(147,513)	(17,262)	-	(164,775)
Losses to carry forward	-	23,011	-	23,011
Employee benefits	17,145	9,523	-	26,668
	(130,367)	15,272	-	(115,096)

Statement of Service Performance

Innovative Waste Kaikoura Ltd
For the year ended 30 June 2020

Target	Performance target to achieve the output	Achievements as at 30 June 2020
Client satisfaction	<p>98% of all urgent or callouts, applicable to the contract are responded to within one hour or two hours respectively from the time of the notification to the time that service personnel depart to the site.⁽¹⁾</p> <p>98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time the notification to the time that service personnel attend site.⁽¹⁾</p> <p>Service requests received about recycling collections is less than 20 per year.</p>	<p><u>Results not available</u></p> <p>All service requests are logged through KDCs Ozone programme and advised via phone and/or email to IWK.</p> <p>All responses are then checked and updated on a weekly/monthly basis with KDC.</p> <p>All Urgent requests are attended to immediately.</p> <p><u>Results not available</u></p> <p>All non-urgent call outs are responded to within 24 hours.</p> <p><u>Achieved</u></p> <p>Service Requests regarding recycling are rung through to KDC to be recorded in Ozone. 3 received</p>

	<p>Compliance with and provision of all KPI information as per contracts</p> <p>Obtaining an unqualified audit opinion</p>	<p><u>Results not available</u></p> <p>No current contracts have any KPIs attached to them</p> <p><u>Results not available</u></p> <p>Audit still to be completed for 2019/20 year, however due to the ongoing issues with capturing the correct information in relation to Service Requests Performance Measures (above).</p>
<p>Service Performance</p>	<p>Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions.</p> <p>The number of complaints received per year being due to a service request not being actioned appropriately is less than 10. ⁽²⁾</p>	<p><u>Achieved</u></p> <p>No non-compliance notices or infringements issued to KDC.</p> <p>0 complaints in total</p>
<p>Health & Safety</p>	<p>5% reduction in TRIF (Total Recordable Incident Frequency) accident rates</p>	<p><u>Achieved</u></p> <p>TRIFR rate for 2018/19 was 18.41 (3 TRI x 200,000/32,590 (hours worked)).</p> <p>TRIFR rate for 2019/20 was 0.00 (0 TRI x 200,000/26,572 (hours worked)).</p>

	LTIFR (LTI per 200,000 hours worked) <6	Achieved LTIFR rate for 2019/20 was 0.00 (0 LTI x 200,000/26,572 (hours worked)).
Staff Engagement	Increase baseline of staff satisfaction through annual survey by 10% (2018/19 4.0)	Not achieved Average engagement score of 4.2
Financial Performance Targets	Revenue	\$2,420,553 Achieved
	NPAT	\$161,731 Achieved
	Return on Equity	8% Achieved ³
	Shareholder Funds/Total Assets	70% Achieved
	Equity	\$874,601 Achieved
	Debt to Debt plus Equity	2% Achieved
	Earnings per Share	\$1,671 Achieved
	Dividend ratio	0% Not achieved

There was 48.01% total diversion of recyclable material from landfill in this financial year against last years 55.18%. Of the 1721.96 tonnes landfilled (440.17kg per head of population (3912)), 970.3 tonnes were from Commercial customers with domestic being 751.63 tonnes for the year.

- (1) These measures relate to our water maintenance activity as part of our contract with Kaikoura District Council
- (2) These measures relate to our services provided within the contract with Kaikoura District Council for water maintenance and rubbish collection activity.
- (3) Return on Equity has been calculated after excluding the impact of deferred tax on the Net Profit result

Independent Auditor's Report

To the readers of Innovative Waste Kaikoura Limited's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Innovative Waste Kaikoura Limited (the company). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

We have audited:

- the financial statements of the company on pages 7 to 23, that comprise the balance sheet as at 30 June 2020, the statement of profit or loss, statement of movement in equity, statement of cash flows for the year ended on that date, the statement of accounting policies and the notes to the financial statements that include other explanatory information; and
- the performance information of the company on pages 24 to 27.

Opinion

Unmodified opinion on the financial statements

In our opinion, the financial statements of the company on pages 7 to 23:

- present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Accounting Standards Reduced Disclosure Regime.

Qualified opinion on the performance information – Our work was limited over certain performance information

In our opinion, except for the matter described in the *Basis for our qualified opinion* section of our report, the performance information of the company on pages 24 to 27 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2020.

Our audit was completed on 30 November 2020. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our qualified opinion

The company's statement of service performance includes performance information about its response times to urgent and non-urgent call-outs, service requests received about recycling collection, and complaints received due to service requests not being actioned.

Due to the company not maintaining adequate recording systems for service requests during the year, we were unable to assess the reasonableness of the reported performance for urgent and non-urgent call outs, service requests about recycling collection, and service request complaints.

Consequently, our work was limited and there were no practicable audit procedures we could apply to obtain satisfactory assurance over these performance measures.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in note 17 to the financial statements.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

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

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

**Report to the Board on
the audit of**

Innovative Waste Kaikoura
Limited

For the year ended 30 June 2020

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Key messages

We have completed the audit for Innovative Waste Kaikoura Limited (the Company) for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Company is doing well and where we have made recommendations for improvement.

Audit opinion

We intend to issue a qualified audit opinion with an emphasis of matter paragraph referring to the Company's disclosure on Covid-19 implications.

Our opinion includes a qualification on the statement of service performance because we are unable to verify information reported for urgent and non-urgent call outs, service requests about recycling collection, and service request complaints.

The audit opinion on the financial statements is unqualified. This means that we are satisfied that the financial statements present fairly the Company's activity for the year and its financial position at the end of the year.

An emphasis of matter paragraph draws readers' attention to the financial statement note where information on the Covid-19 impact is explained. We consider this information important in the current market situation.

Matters identified during the audit

Reporting on non-financial performance measures

Similar to the prior year, the inability to provide sufficient supporting documentation on results reported in the statement of service performance was the main issue identified during the audit.

The results of four of the measures are linked to the customer service request system operated by Kaikoura District Council (KDC). The Company's reporting therefore, is impacted by the inability of the Council to accurately capture the actual performance.

The Company has not implemented processes to capture the relevant data by themselves. We continue to recommend implementing improvements in the processes either through the co-operation with the Council or development of own processes.

Thank you

We would like to thank the Board, management and staff for the assistance we received during the audit.

Dereck Ollsson
Appointed Auditor
19 November 2020

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Explanation	Priority
<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the Company to significant risk or for any other reason need to be addressed without delay.</p>	Urgent
<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>	Necessary
<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the Company is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Compliance with legislative requirements</p> <p>Provide Statement of Intent to the shareholders within timeframe required by the Local Government Act 2020.</p>	4.1	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	2	–	1	3
Implemented or closed	–	2	–	2
Total	2	2	1	5

2 Our audit report

2.1 We intend to issue a modified audit report



We intend to issue a modified audit report upon receipt of the signed financial statements and representation letter.

The audit report is unqualified for the financial statements. This means we are satisfied that the financial statements present fairly the Company's activity for the year and its financial position at the end of the year.

We intend to issue a qualified audit opinion on the statement of service performance. During our audit work, we were unable to obtain sufficient audit evidence on results of measures included in the statement of service performance that relate to urgent and non-urgent call outs, service requests about recycling collection, and service request complaints.

In forming our audit opinion, we considered matters included in sections 2 and 3 of this report.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There were no significant misstatements identified during the audit that required correcting.

2.3 Uncorrected disclosure deficiencies

All disclosure deficiencies were corrected by management.

2.4 Uncorrected performance reporting misstatements

All performance reporting deficiencies were corrected by management.

2.5 Corrected misstatements

We have not identified any financial statement misstatements that would need to be corrected by management.

2.6 Corrected disclosure deficiencies

We have identified the following disclosures that have been corrected by management.

Detail of disclosure deficiency
<p>Wage subsidy accounting policy not included</p> <p>The disclosure did not have an accounting policy on wage subsidy as required under the accounting standard, PBE IPSAS 23: <i>Revenue from Non-Exchange Transactions</i>.</p> <p>Covid-19 impact disclosure not included</p> <p>As a result of Covid-19, we requested all of our clients to disclose how Covid-19 impacted their operations. This was communicated with management prior to the audit. The initial draft however, did not include this disclosure. The annual report was subsequently adjusted to include relevant explanations.</p> <p>Minor inconsistencies between comparative figures and prior year audited annual report</p> <p>The annual report was adjusted to correct minor inconsistencies between the comparative figures and the prior year audited annual report.</p>

2.7 Corrected performance reporting misstatements

Detail of misstatement
<p>Health and Safety performance measure</p> <p>The reported measure on total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR) had to be adjusted as incorrect values were being used to calculate the reported rate.</p> <p>Performance measures not included</p> <p>The statement of service performance was adjusted to include financial and non-financial measures set out in the Company’s statement of intent.</p> <p>Minor wording errors in the performance measures</p> <p>The statement of service performance was adjusted to correct minor wording inconsistencies between the statement of intent and the annual report.</p>

2.8 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Company. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 28 August 2020. This included the dates we required the information to be provided to us.

The information received from the management was of a good quality. Management and the accountant responded timely to our audit queries.

3 Matters raised in the Audit Plan



In our Audit Plan, we identified the following matters as the main audit risks and issues.

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a significant risk on every audit.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; and • evaluated the business rationale of any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Company. <p>We found no indications of management override which would result in a material misstatement in the financial statements, due to fraud.</p>
Statement of Service performance	
<p>In the 2019 financial year, the Company was not able to report on all performance measures included in the Statement of Intent.</p> <p>The Company was unable to report results against the measures relating to attendance times for urgent and non-urgent call outs. This is because there are no formal systems in place to record attendance times.</p> <p>Results relating to recycling service request measures may be incomplete. The Company uses information derived from Kaikoura District Council (KDC) customer service requests system – Ozone. However, Ozone was not updated systematically throughout the year for the service requests that were made to the Company directly (instead of to the Council).</p>	<p>Upon of the review of statement of service performance, we found that of the ten non-financial performance measures that the Company has reported against, results for two measures were unavailable, and the results of two others are potentially incomplete:</p> <p>Urgent and non-urgent call outs</p> <p>The Company was unable to report results against the measures relating to attendance times for urgent and non-urgent call outs. This is because there are no formal systems in place to record attendance times.</p> <p>Recycling service request and customer complaints</p> <p>Results relating to recycling service request measures may be incomplete. The Company uses information derived from KDC customer service requests system – Ozone. In 2019, we identified that Ozone was not updated systematically throughout the year for the service requests that were made to the Company directly (instead of to</p>

Audit risk/issue	Outcome
<p>These issues led to a qualified audit opinion.</p> <p>The 2018/19 Annual Report included also waste diversion rate, additional measure to those in Statement of Intent. We were able to confirm the calculation methodology and input data, therefore this measure was no longer qualified in our audit report.</p>	<p>the Council). In 2020, we identified that there has been no changes to the process over the year.</p> <p>These issues led to a qualified audit opinion.</p> <p>In the prior year we raised a recommendation to implement formal systems to capture data relevant to these performance measures. This recommendation has not been addressed.</p>
Innovative Waste Kaikoura Limited's future plans	
<p>The service contract with KDC for the maintenance of the Council's three waters assets is coming to an end. The three waters contract provides approximately 30% of total revenue to the Company.</p> <p>The end of the landfill life is also approaching. There is uncertainty regarding future scope of waste services required from the Company.</p> <p>The Board should prepare a formal going concern assessment to conclude if the financial statements can be prepared on going concern basis.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> • Reviewed the management's forecast for 2021 and 2022 for any indication of going concern issues; • Discussed with the management their views on the Company's ability to going concern; • Discussed with the management on the process of the contract renewal with the Council; and • Confirmed the expected landfill life. <p>Based on the work performed, we assessed the Company to be going concern.</p>
Covid-19 virus	
<p>The announcement that the Covid-19 virus is a global pandemic has had a significant impact on the majority of organisations and its people across the globe. On 11 March 2020, the World Health Organisation declared the outbreak of a coronavirus (Covid-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country entered alert level four, and was in lockdown for approximately five weeks. As a result, economic uncertainties arose which are likely to negatively affect the Company's operations and services.</p> <p>Covid-19 will have many impacts on how the Company carry out its daily business.</p>	<p>Through discussion with management we gained an understanding of how the Company's operations have been impacted by Covid-19.</p> <p>We confirmed that the disclosures included in the financial statements fairly present the Covid-19 implications.</p>

Audit risk/issue	Outcome
<p>This could impact how the Company operates, how the Company accounts for transactions and report on them in the financial statements, potentially the control environment overall, and even financial viability.</p> <p>We will need to get an understanding of what changes are happening as a result of Covid-19 across the Company, and then understand if any of these changes result in new risks or changes to the level of risk we had previously identified.</p>	

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4 Public sector audit



The Company is accountable to Kaikoura District Council and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Company said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Company has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Company carrying out its activities effectively and efficiently;
- the Company incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Company or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We have raised recommendations in prior years regarding the sensitive expenditure policy. Appendix 1 and 1-A include details about the current status of these recommendations.

4.1 Compliance with legislation requirements

Clause 2 and 3 of Schedule 8 in the Local Government Act 2002, requires the draft Statement of Intent (SOI) to be delivered to the shareholders by 1 March and the final Statement of Intent to be delivered by 30 June of each year.

The draft 21J SOI was delivered to Kaikoura Enhancement Trust (shareholder) on 15 March 2020. The completed SOI is however yet to be delivered.

Recommendation

The Statement of Intent is delivered to shareholders within the statutory timeframes.

Management comment

5 Useful publications



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

Description	Where to find it
Covid-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the Covid-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We are developing a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of property, plant and equipment and investment property; • service performance reporting; and • financial reporting. 	<p>On our website under good practice.</p> <p>Link: Covid-19 bulletins</p>
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice.</p> <p>Link: Tax Matters</p> <p>Link: Reduction in deferred tax on buildings</p>

Description	Where to find it
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Measuring service performance		
Implement a formal system to record and monitor attendance times for call-outs.	2019	<p>No progress made</p> <p>Based on discussion with the management, the Company has implemented a new process where the call-outs are attended with Company vehicles with GPS system installed.</p> <p>However, it was identified during our work that in 2019/20, a private car was also used by one of the employees to attend call-outs. As private cars do not have GPS installed, we were unable to confirm the accuracy of the attendance times.</p> <p>Management comment</p>
Measuring service performance		
Establish a system to capture service requests and complaints made directly to the Company.	2019	<p>No progress made</p> <p>Based on discussion with the management, the Company still continues to not have access to KDC's system, Ozone.</p> <p>Management comment</p>

Recommendation	First raised	Status
Beneficial		
Sensitive expenditure		
<p>Update the sensitive expenditure policy to include proper guidance on all relevant matters set out in the OAG guidelines.</p>	<p>2019</p>	<p>Some progress made</p> <p>As part of the sensitive expenditure policy review, we have reviewed the updated policy (as at June 2019) against the OAG guidelines.</p> <p>Based on our review, there has been some progress on the recommendation raised in prior year.</p> <p>However, we have identified areas in which the Company's sensitive expenditure policy could be improved.</p> <p>Please see Appendix 1-A below for the areas of improvement identified.</p> <p>Management comment</p>

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Implemented or closed recommendations

Recommendation	First raised	Status
Accounting policy		
Review and update the Statement of Accounting Policies.	2019	<p>Closed</p> <p>Based on our review of the depreciation expense, we are comfortable that the depreciation rates used are consistent with the rates set out in the Statement of Accounting Policies.</p>
Valuation of year end recycled material stock		
<p>To be able to value the year end recycled material stock:</p> <ul style="list-style-type: none"> • Undertake a year end stock take on recyclable products. • Calculate the labour cost involved in producing a bale of recycled product. 	2018	<p>Closed</p> <p>The management has performed year-end stock take of the recycled materials and have calculated the labour costs.</p> <p>Due to the fact that the value of inventory was highly immaterial we accept that it has not been recorded in the financial statement.</p>

Appendix 1-A

To ensure consistency with the OAG guidelines, we would suggest the following guidelines to be included in the sensitive expenditure policy:

- Process for cancelling and destroying credit cards;
- Credit card limits are set by the entity (not by the cardholder) at the minimum necessary to enable the cardholder to undertake their duties for the Company;
- Consequences of unauthorised use, and who is responsible in the case of misuse of the credit card;
- Credit cards should not be used to obtain cash advances unless cash is required in an emergency, or cash is required for official purposes;
- Internet purchases using credit cards need to reflect good security practice;
- Procedures on the use of telecommunication equipment during travel – including what costs are reimbursable for telephone calls and Wi-Fi usage; and
- Receipt of gifts, except for inexpensive gifts that are openly distributed by suppliers and clients, to be disclosed, to be recorded in a gifts register, and to remain the property of the entity.

We have discussed this with the management and confirmed that they will review the policy and update as required.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Company in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Company.</p>
Fees	<p>The audit fee for the year is \$24,910, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Company that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Company during or since the end of the financial year.</p>

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