

# MEETING – AGENDA –

Ngā Take

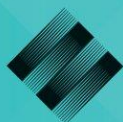


# AUDIT AND RISK COMMITTEE

Komiti Taiwhenua

---

**AR21-2**  
**Thursday, 20 May 2021**  
**Council Chambers**  
**Barkes Corner, Tauranga**  
**1.30pm**



*Western Bay of Plenty  
District Council*

# Audit and Risk Committee

## Membership

<b>Chairperson</b>	Cr James Denyer
<b>Deputy Chairperson</b>	Cr Murray Grainger
<b>Members</b>	Cr Grant Dally Cr Mark Dean Cr Monique Gray Cr Anne Henry Cr Kevin Marsh Cr Margaret Murray-Benge Deputy Mayor John Scrimgeour Cr Allan Sole Cr Don Thwaites Mayor Garry Webber  Mark Maloney – Independent Member
<b>Quorum</b>	6
<b>Frequency</b>	Quarterly

## Role

To provide assurance and assistance to the Western Bay of Plenty District Council on management of Council's risk, financial control and compliance framework, and its external accountability responsibilities.

## Scope

- Recommend to Council an appropriate risk management strategy and monitor the effectiveness of that strategy.
- Monitor the Council's external and internal audit process and the resolution of any issues that are raised.
- Review key formal external accountability documents such as the Annual Report in order to provide advice and recommendation in respect to the integrity and appropriateness of the documents and the disclosures made.
- Provide a forum for communication between management, internal and external auditors and the governance level of Council.
- Ensure the independence and effectiveness of Council's internal audit processes
- Oversee the development of the council's Annual Report.
- Oversee the development of financial policies.
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities.
- Support measures to improve management performance and internal controls.

## Responsibilities:

### External Audit and External Accountability

- Engage with Council's external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit in relation to the Annual Report.
- To recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council.
- Review of the effectiveness of the annual audit.
- Monitor management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

### Internal Audit

- In conjunction with the Chief Executive and the Group Manager Finance and Technology Services, agree the scope of any annual internal audit work programme and assess whether resources available to Internal Audit are adequate to implement the programme.
- Monitor the delivery of any internal audit work programme.
- Assess whether any significant recommendations of any internal audit work programme have been properly implemented by management. Any reservations the Internal Auditor may have about control risk, accounting and disclosure practices should be discussed by the Committee.

### Risk Management

- Review the risk management framework, and associated procedures to ensure they are current, comprehensive and appropriate for effective identification and management of Council's financial and business risks, including fraud.
- Review the effect of Council's risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.
- Review Council's fraud policy to determine that Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

### Other Matters

- Review the effectiveness of the control environment established by management including computerised information systems controls and security. This also includes a reviewing/monitoring role for relevant policies, processes and procedures.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies
- Engage with internal and external auditors on any specific one-off audit assignments.
- Consider financial matters referred to the committee by the Chief Executive, Council or other Council committees.

## Power to Act:

The Committee is delegated the authority to:

- Receive and consider external and internal audit reports.
- Receive and consider staff reports on audit, internal control and risk management related matters.
- Make recommendations to the Council on financial, internal control and risk management policy and procedure matters as appropriate.
- To approve the Auditors' engagement and arrangements letters in relationship to the Annual Report.

Notice is hereby given that an Audit and Risk Committee Meeting will be held  
in the Council Chambers, Barks Corner, Tauranga on:  
Thursday, 20 May 2021 at 1.30pm

## Order Of Business

<b>1</b>	<b>Present .....</b>	<b>5</b>
<b>2</b>	<b>In Attendance .....</b>	<b>5</b>
<b>3</b>	<b>Apologies .....</b>	<b>5</b>
<b>4</b>	<b>Consideration of Late Items .....</b>	<b>5</b>
<b>5</b>	<b>Declarations of Interest .....</b>	<b>5</b>
<b>6</b>	<b>Public Excluded Items .....</b>	<b>5</b>
<b>7</b>	<b>Public Forum.....</b>	<b>5</b>
<b>8</b>	<b>Presentations .....</b>	<b>5</b>
<b>9</b>	<b>Reports .....</b>	<b>6</b>
9.1	Summary of Audit and Risk Agenda Topics May 2021 .....	6
9.2	External Audit Update - Audit New Zealand .....	9
9.3	Treasury Update .....	64
9.4	Update on Outstanding Audit Items (Internal/External) May 2021 .....	66
9.5	Quarterly Review of Risk Profile.....	76
9.6	Health and Safety Report .....	95
<b>10</b>	<b>Information for Receipt.....</b>	<b>98</b>
<b>11</b>	<b>Resolution to Exclude the Public .....</b>	<b>98</b>
11.1	Litigation Updates .....	98



**1 PRESENT****2 IN ATTENDANCE****3 APOLOGIES****4 CONSIDERATION OF LATE ITEMS****5 DECLARATIONS OF INTEREST**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest that they may have.

**6 PUBLIC EXCLUDED ITEMS****7 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

**8 PRESENTATIONS**

## 9 REPORTS

### 9.1 SUMMARY OF AUDIT AND RISK AGENDA TOPICS MAY 2021

**File Number:** A4046404

**Author:** Kumaren Perumal, Group Manager Finance and Technology Services

**Authoriser:** Miriam Taris, Chief Executive Officer

#### EXECUTIVE SUMMARY

1. The purpose of this report is to provide the Audit and Risk Committee (the Committee) with an overview of the content of the reports relating to risk, treasury, external and internal audit, and other organisational matters covered in the meeting agenda.

#### RECOMMENDATION

That the Group Manager Finance and Technology Services report dated 20 May 2021 titled 'Summary of Audit and Risk Agenda Topics May 2021' be received.

#### BACKGROUND

2. The purpose of the Committee work plan is to coordinate the delivery of the Committee's role to provide assurance and assistance to Council on the management of Council's risk, financial control and compliance framework and its external accountability responsibilities. An updated Work Plan for 2021 is attached to this report (**Attachment 1**)

#### AUDIT NEW ZEALAND REPORTS

3. Representatives from Audit New Zealand will attend the Committee meeting to present the following documents:
  - Report to Council – Audit of 2021-31 Long Term Plan Consultation Document;
  - Audit Plan Letter for the Audit of Council for the Year Ending 30 June 2021;
  - Proposed Audit Fees Letter for the 2021 and 2022 financial years. The Audit proposal letter dated 6 May 2020 as referred to in the letter has been provided for reference only; and
  - Audit Dashboard Agreement Letter

A separate report titled 'External Audit Update – Audit New Zealand' outlining the content of these documents is provided as part of the agenda.

#### TREASURY UPDATE

4. A report on the treasury related risks in the current economic climate and its impact on Council's operating environment is provided separately.

#### AUDIT MONITORING REPORT (EXTERNAL/INTERNAL)

5. The Audit Monitoring Report provides a status update on management's response to outstanding audit recommendations raised by Audit New Zealand, as part of the external audit process and KPMG's internal audit review of Council's asset management planning processes and key financial controls. This has been included as part of the agenda.

#### QUARTERLY REVIEW OF COUNCIL RISK PROFILE

6. Council's risk profile report provides a background to the existing top eleven organisational risks that have been identified by Council. Status updates on the top eleven risks are reported on a quarterly basis.
7. The purpose of the report is to present the top eleven risks for the Committee to consider, discuss and advise on potential changes for future risk reporting.

### TAX GOVERNANCE FRAMEWORK

8. Council has engaged PwC (Pricewaterhouse Coopers) to undertake a review of Council's tax governance framework and to establish a tax risk management strategy in order for Council to proactively manage its tax related risk. This work is currently underway and PwC will present this to the Audit and Risk Committee later this calendar year.

### HEALTH AND SAFETY REPORT

9. A separate report has been submitted by the Group Manager for People and Customer Services on health and safety matters.

### LITIGATION REPORT

10. A separate report has been submitted by the Group Manager for Policy, Planning and Regulatory Services on litigation matters.

### ATTACHMENTS

1. **Audit and Risk Committee 2021 Workplan (updated)** [!\[\]\(2a133ebb0337313d16cc068f19494aa2\_img.jpg\)](#) 

# Western Bay of Plenty District Council

## Audit and Risk Committee

### 2021 Work Plan (Draft)

Workstream	Committee meeting dates				
		Feb 2021	May 2021	Aug 2021	Nov 2021
Risk Management					
Quarterly review of Risk Profile		✓	✓	✓	✓
Annual Refresh of Risk Profile (Top-down strategic risk identification & assessment – our top 11 risks.			✓		
Internal Audit (KPMG)					
Internal Audit Reporting / Monitoring		✓	✓	✓	✓
Policy / Strategy Input					
Review and input into various policies and strategies		✓	✗	✓	✓
Insurance / Treasury / Tax					
Treasury Update		✓	✓	✓	✓
Tax Governance Framework		✗		✓	
External Audit and External Accountability					
Audit Arrangements Letter 2020-2021			✓		
Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results			✗	✓	
Approval of Draft Annual Report 2020-2021				✓	
Interim Audit Management Report 2020/21			✗		
Final Audit Management Report 2020/21					✓
LTP <del>Interim</del> Audit Management Report 2021/31			✓		
Audit Management Monitoring Report [LTP and Annual Audit]		✓	✓	✓	✓

A3925183

## 9.2 EXTERNAL AUDIT UPDATE - AUDIT NEW ZEALAND

**File Number:** A4067851

**Author:** Carolyn Irvin, Senior Governance Advisor

**Authoriser:** Kumaren Perumal, Group Manager Finance and Technology Services

### EXECUTIVE SUMMARY

Representatives from Audit New Zealand will attend the Audit and Risk Committee meeting to present the LTP Audit Management Report, Audit Plan, Audit Fee and Audit Dashboard Agreement letters and respond to any questions Elected Members may have.

#### RECOMMENDATION

1. That the Senior Governance Advisor's report dated 20 May 2021 titled 'External Audit Update – Audit New Zealand' be received.
2. That the Committee endorse the Proposed Audit Fee letter dated 6 May 2021 relating to audit fees for the 30 June 2021 and 2022 financial years to be signed by the Mayor.

The following reports received from Audit New Zealand are attached for the Committee's information and endorsement of Audit fees.

#### 1. Report to Council – Audit of 2021-31 LTP (Attachment 1)

This report sets out the audit findings from the 2021-31 Long Term Plan Consultation Document audit and recommendations for improvement. Management comments have been provided on the audit findings. The next step in the audit process will be the audit of the final LTP. This is scheduled to be undertaken over a two-week period commencing 7 June 2021.

#### 2. Audit Plan for the Year Ending 30 June 2021 (Attachment 2)

The Audit Plan sets out the arrangements for Council's end of financial year audit. It outlines the audit process and focus areas, reporting protocols, logistics and expectations as well as details of the proposed audit timeline.

#### 3. Audit Fee Letter (Attachment 3, 4)

The Audit Fee letter proposes the audit fees for the 2021 and 2022 financial years, the planned audit hours for the audit team and proposed audit fee increases. The proposed audit fee is based on the assumptions included in the Audit Proposal letter dated 6 May 2020. This is also attached for reference.

#### 4. Audit Dashboard Agreement Letter (Attachment 5)

Audit New Zealand have engaged Audit Dashboard Incorporated to provide a client portal named Audit Dashboard, a secure online tool specifically for sharing files between Council and Audit New Zealand. An agreement letter signed by Council's CEO is attached for reference.

### ATTACHMENTS

1. Report to Council - Audit of 2021-31 LTP CD [!\[\]\(472116f6451ae553840da463c6a16a85\_img.jpg\)](#) [!\[\]\(6bd71b6af56c97d7587d6545acfea46d\_img.jpg\)](#)
2. Audit Plan - 30 June 2021 [!\[\]\(1aed3d51e4e9dd2c9a51e3823c902632\_img.jpg\)](#) [!\[\]\(183233a8514ddeb5555bc11c1d382b34\_img.jpg\)](#)
3. Audit fee letter - 30 June 2021 and 2022 [!\[\]\(8336c835c8eb9084d66f23015024a7f2\_img.jpg\)](#) [!\[\]\(be81b69be6b2c6339c5222f2e93b3562\_img.jpg\)](#)
4. Audit New Zealand Proposal Letter 2020-2022 6 May 2020 [!\[\]\(ff2ac7a75ba8760cf6f69ec0b61cee55\_img.jpg\)](#) [!\[\]\(bcc436e87bdf3866574b81ae937b1b3c\_img.jpg\)](#)
5. Audit Dashboard Agreement Letter [!\[\]\(a26f7537620c226dddb17f7a85bafdca\_img.jpg\)](#) [!\[\]\(f74a9c5677ff954287cda42b79d32c91\_img.jpg\)](#)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# **Report to the Council on the audit of**

Western Bay of Plenty District  
Council's Long Term Plan  
Consultation Document

For the period 1 July 2021 to 30 June 2031

Contents

Key messages .....	3
1      Our audit report.....	5
2      Matters raised in the Audit Plan .....	6
3      Other matters .....	12
Appendix 1: Disclosures .....	14

## Key messages

This report sets out our findings from the Long Term Plan Consultation Document (CD) audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement. In addition, this report also provides information on the next step in the audit process, being the audit of the final Long Term Plan (LTP).

Overall, we have the view that the Council has produced a CD that fulfils its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD includes all the major matters that we expected, provides preferred and alternative options to address these issues and encourages the community to provide feedback.

The development of the LTP is a significant undertaking. The Council provided high quality underlying information documents and CD, all within the planned timeframes. This was due to the Council implementing effective project management and quality assessment processes and maintaining an effective control environment.

## Audit opinion

We have completed the audit of the Council's CD for the period 1 July 2021 to 30 June 2031 and issued an unmodified opinion on 23 February 2021. We included an emphasis of matter paragraph drawing readers' attention to the uncertainties of the three water reforms.

## Matters identified during the audit

The majority of our recommendations we made were implemented prior to the Council adopting the CD. There are a number of recommendations that had no significant impact on the CD (but will impact on the LTP) that management has agreed to consider and/or implement for the LTP including:

- the statement of financial position balances should be based on reasonable assumptions rather than being flat lined across the forecast period (refer to 2.6);
- the financial forecasts should meet the current and liquid ratios set out in the Council's liability management policy (refer to 2.6);
- capital expenditure in the funding impact statements should be classified in line with the definition in the Local Government (Financial Reporting and Prudence) Regulations 2014 rather than the Council's own definition used for other supporting information (refer to 3.3);
- the financial forecasts and accounting policies need to be updated to reflect the adoption of IPSAS 41 financial instruments (refer to 3.4);
- the transportation asset management plan should be reconciled to the approved project listing and financial model (refer to 2.5); and



- the infrastructure strategy could be enhanced by including more information around infrastructure issues, significant decisions, and significant issues in years 11 to 30, the approach to service delivery, levels of service targets and references to the financial strategy (refer to 2.3).

**Future focus**

As well as the opinion issued on the CD we will issue an opinion on the final LTP that will be adopted before 1 July 2021.

**Thank you**

We would like to thank the Council, management and staff for their assistance during the audit.



Clarence Susan  
Appointed Auditor  
20 April 2021

## 1 Our audit report

### 1.1 We issued an unmodified audit report



We issued an unmodified audit opinion on the CD on 23 February 2021.

This meant we were satisfied that the Council's CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2021-31 LTP.

We found the underlying information and assumptions used to prepare the CD provided a reasonable and supportable basis for the preparation of the LTP.

We included an emphasis of matter paragraph drawing readers' attention to the uncertainties of the three water reforms.

### 1.2 Uncorrected misstatements

The consultation document is 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.

The majority of these misstatements which are summarised in section 2 and 3 below were amended prior to the Council adopting the CD.

There are a number of misstatements that have not been corrected because they had no significant impact on the CD (but will impact on the LTP). These have been provided to and discussed with management who have agreed to consider and/or correct them for the LTP.

### 1.3 Project management, reporting deadlines, and audit progress



The development of the CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

The Council had a detailed project plan which included key milestones, deadlines, and the work-stream responsible. This contributed to producing high quality underlying information documents and enabling the Council to meet all key deadlines.

The Council continues to be receptive of our recommendations and is open to continuous improvement. In addition, the Council's staff were available throughout the audit and provided the information requested promptly. Overall, the audit progressed smoothly with no significant issues.

## 2 Matters raised in the Audit Plan



In our audit engagement letter we identified the following matters as the main audit risks and issues:

### 2.1 The content of the Consultation Document (CD)

We found the CD provides an effective basis for public participation in the Council's decision making about the proposed content of its LTP, facilitates the right debate with the community, and meets the legislative requirements of the Local Government Act 2002.

The CD is easy to read with a good amount of contextual information and has been presented in four sections: the big picture, key proposals, what does it mean for you, and have your say. It is clear which issues are being consulted on (including a range of options, the consequences of these choices, and the Council's preferred option) and highlights the critical parts of the proposed financial and infrastructure strategies.

### 2.2 Financial Strategy

We concluded that the financial strategy is reasonable, financially prudent, based on the financial forecasts, and complies with relevant legislation. The Council has forecasted operating surpluses each year.

The overall structure and key principles that drive the financial strategy have not significantly changed from the previous LTP. The Council has the strategic goals of continuing to manage levels of service, manage rates, and invest in communities and the future of the district. Previous financial strategies have been adopted against the backdrop of high debt, with an emphasis on debt reduction. The Council is no longer operating in the same environment and has adopted a deliberate approach to take on more debt to fund capital expenditure.

### 2.3 Infrastructure Strategy

We found the infrastructure strategy is reasonable, aligned with other underlying information, and complies with relevant legislation.

The infrastructure strategy has not significantly changed from the previous LTP. The strategy is to continue with a business-as-usual approach for infrastructure activities. This means looking after existing assets by ensuring they continue to meet the needs of the community and providing infrastructure to enable further growth to occur.

We provided detailed feedback to the Council for consideration. Our key recommendations were:

- more clarification on the infrastructure issues and significant decisions covered in years 11 to 30;
- clearer statements about the approach to service delivery (particularly in transportation where decision-making is devolved to the contractor within the bounds of the performance framework);
- better detailing of the levels of service targets to determine how the designated levels of service projects are expected to impact on improved levels of service; and
- reference to the financial strategy with more detail on how the Council intends to fund its capital expenditure programme.

These recommendations are considered good practice and as such would help improve the usefulness of the document to readers. The Council should consider these recommendations when preparing the final version of the infrastructure strategy which forms part of the final LTP.

#### **Management comment**

*Consideration will be given to the recommendations provided in developing the final content of the LTP.*

## **2.4 Assumptions**

The significant forecasting assumptions are appropriate, complete, adequately disclosed, and comply with relevant legislation. In addition the underlying information has been prepared using the material assumptions disclosed.

Our review was focused on the assumptions relating to the population growth, climate change, Covid-19, inflation, interest rates, three-waters reform, and capital expenditure do-ability assumptions. Further comments on specific assumptions are included below.

### **2.4.1 Growth**

The growth assumption is reasonable. The Council plans for growth in collaboration with Tauranga City Council, Bay of Plenty Regional Council, iwi and Waka Kotahi and we have confirmed both growth and demographic change assumptions to NIDEA SmartGrowth statistics (which have been further refined based on internal knowledge of planned developments).

The National Policy Statement on Urban Development 2020 classified the Council as a Tier 1 local authority. The Council meets the competitive margin requirements as it is able to

provide sufficient development capacity to meet expected demand for housing and business land over the short, medium, and long term.

#### **2.4.2 Covid-19**

The Covid-19 assumption is reasonable. The Council has made the assumption that the greatest impacts of Covid-19 will be on the economy and population growth, but this will be short-term.

The District's economy has been cushioned from some of the impacts of Covid-19 due to a diverse economy, strong rural sector, low reliance on international tourists and strong population growth. Currently the Council is expecting economic impacts in 2020 and for these to be largely recovered by the close of 2022.

We recommended, and the Council subsequently included, disclosure around the risks and possible impacts of material supplies from overseas being disrupted and the supplier market potentially being unable to cope with the increasing demand.

#### **2.4.3 Climate change**

We found the climate change assumption is reasonable. The Council has formalised a climate change action plan and overall expects there will be more extreme weather and storm events, and increased risk from natural hazards such as coastal erosion and inundation.

The Council is budgeting \$200k each year for the next three years to carry out risk assessments on Council and community assets. This will consider potential climate changes, the impacts of those changes and what that means for those assets. The Council will then use this information to identify adaption actions (the major impacts of climate change are expected outside the 10-year planning horizon).

#### **2.4.4 Three-water water reform**

The three-waters reform assumption is reasonable. The Council has made the assumption that there is currently insufficient detail regarding the possible changes to services and, therefore, it is prudent to plan on a business-as-usual approach to service delivery (as the decisions are still pending).

There is no impact on the financial model, however, an allowance has been made for staff time for the initial phases as indicated by Central Government and the Council proposes to utilise the funding allocation relating to the three-waters review for projects such as reticulation of the Te Puna commercial area and improving marae wastewater services.

#### **Management comment**

*Council has followed sector guidance regarding our Three Waters Reform assumption.*

There is no impact on the financial model, however, an allowance has been made for staff time for the initial phases as indicated by Central Government and the Council proposes to utilise the funding allocation relating to the three-waters review for projects such as reticulation of the Te Puna commercial area and improving marae wastewater services.

#### **2.4.5 Capital expenditure do-ability**

The Council has not included a capital expenditure do-ability assumption. We found this to be reasonable as the Council has a good track record with regards to the delivery of its capital programme. This is supported by an average actual to budget capital expenditure forecast for the last three years of 101% (excluding March 2020 to June 2020 which had a sudden reduction attributed to Covid-19).

The LTP contains a step-change in the capital programme primarily related to projects that are “shovel-ready” from the Government's Covid-19 response, or CIP funded projects designed to increase housing supply in Omokoroa (the majority of which have contracts in place). The Council has a programme to resource these projects, is utilising smart procurement procedures, and has increased its staffing levels specifically to manage these projects. The Council is also in constant communication with external suppliers in order to understand market capacity and has built strong relationships with key market suppliers.

#### **2.5 Quality of asset-related forecasting information**

Asset management planning processes at the Council provide an appropriate basis for the CD and underlying information.

The Council's infrastructure network is made up of water supply, wastewater, storm water, transportation, solid waste, parks and reserves assets. The most significant asset area is transportation comprising 60% of all infrastructure assets. Our review was focused on transportation pavement rehabilitation and resurfacing, growth projects in Omokoroa, and the Te Puke wastewater treatment plant upgrade.

The Council engaged independent parties to peer review the asset management plans for this LTP which we were able to rely on in determining whether they represent appropriate underlying information to support the CD financial forecasts.

The Council was unable to reconcile the financial forecasts in the transportation asset management plan to the approved project listing or financial model (either in total or at project level). The Council explained this is because the projects have been costed by the alliance partner using their own modelling systems and measures contained in the One Network Roding Contract. While we were able to gain audit assurance by way of evidence and confirmation from the alliance partner, the Council should undertake an exercise to ensure the transportation asset management plan aligns to the project listing and financial model.

**Management comment**

*Council is comfortable with the approved project lists and the process undertaken by our alliance partner. Additional information will be included in the transportation asset management plan.*

**2.5.1 Condition and performance information for critical assets**

The Council's documented knowledge of its infrastructure networks indicates:

- large portions of the three-waters networks are relatively new;
- the Council has been investing appropriately in renewal/growth, such that there is no catch-up investment required;
- all networks are performing well; and
- the Council's renewal plans are based on good data and meet the future needs of the District.

There is a well-documented record of each of the infrastructure networks which will enable the Council to form evidence-based decisions about its approach to the operation, maintenance, and renewal of these networks.

The assessment of asset condition and performance is included in the asset management plans. With regards to its critical asset activities, the Council graded as follows:

- Water – intermediate;
- Wastewater – advanced; and
- Storm water – intermediate (lower-end) (considered common in local authorities).

For transportation, asset information is maintained in RAMM by the alliance partner as work is completed. There are performance metrics in the contract related to updating the asset data (including condition and performance). The transportation asset management plan includes good historical data on performance of the network across a number of measures collated and reported through the RCA dashboard.

**2.6 Financial model and forecasts**

We found the financial model is reasonable, reduces the risk of misstatement, and is accurately reflected in the CD, infrastructure strategy and financial strategy.

We adopted a substantive approach undertaking a variety of data logic, metric, integrity, analytical review, spreadsheet, and data flow testing. Our review identified some deficiencies, the most significant included:

- receivables and prepayments should have a relationship to revenue movements rather than being flat-lined across the forecast period;
- payables should have a relationship to expenditure movements rather than being flat-lined across the forecast period;
- employee entitlements should have a relationship to employee cost movements rather than being flat-lined across the forecast period;
- available for sale assets should be aligned to planned asset sales and then flow through as funding in the following year rather than being flat-lined across the forecast period;
- the current ratio in Council's liability management policy is not forecast to be met;
- The liquid ratio in the Council's liability management policy is not forecast to be met; and
- capital projects related to renewals and growth are incorrectly classified under "to improve levels of service" in the funding impact statements (see 3.3 for further details).

The Council chose not to adjust these deficiencies because they had no significant impact on the CD (but will impact on the LTP). Details have been provided to and discussed with management who has agreed to correct these deficiencies for the LTP.

#### **Management comment**

*Council's financial model is being updated to include the balance sheet elements described above for inclusion in the final LTP document.*

## **2.7 Performance management framework**

The forecast performance framework is appropriate, complies with relevant legislation, and complies with generally accepted accounting practice.

The performance framework remained relatively unchanged from prior years with no significant changes to levels of service or activity structure. There were some performance measures that were revised, removed, and added. However, this was simply to better align the framework to the Council's strategy.

We recommended, and the Council subsequently made adjustments to the framework for improved clarity and to better align measures to the DIA mandatory measures.



### 3 Other matters



In this section, we have detailed our key findings from the audit. We have also detailed our findings in relation to other areas of focus:

#### 3.1 Publication of the Consultation Document (CD) on the Council's website

If the Council intends to publish the CD electronically, please allow time for us to examine the final electronic file version of the audit report before its inclusion on your website.

We need to ensure consistency with the paper-based documents that have been subject to audit. Changes may also be needed to parts of the audit opinion, for example page number references and the inclusion of additional information to readers of the electronic report.

#### 3.2 Audit of the final Long Term Plan

The next step in the audit process will be the audit of the final LTP. This is scheduled to be undertaken over three weeks commencing 14 June 2021. To ensure our audit of the LTP is efficient we expect the Council to prepare a schedule of changes to the financial forecasts, draft LTP, and performance framework that were the basis of the CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2021 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting scheduled for 29 June 2021, at which time the 2021-31 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision-making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes, and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

#### 3.3 Funding impact statements classification of capital expenditure

The form of the funding impact statements is prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014. The Council has misclassified a significant amount of capital projects under "to improve levels of service" rather than "to

meet additional demand” and “to replace existing assets”. This creates an inconsistent message between the funding impact statements showing a significant portion of the capital expenditure programme being used to improve levels of service and the CD stating that there have been minimal changes to levels of service.

This misclassification came about because in the Council’s underlying information (such as asset management plans, infrastructure strategy, etc.) capital projects are classified under the levels of service category when the project delivers on the Council’s adopted level of service and are not growth-related or renewals (it is not about new levels of service or any specific change in levels of service).

While the Council’s definition is appropriate to use for the other underlying information, this is different to the definition required to be used in the funding impact statements where only capital projects that improve levels of service are to be classified under this category.

The Council chose not to adjust this deficiency because it has no significant impact on the CD (but will impact on the LTP). This information has been provided to and discussed with management who have agreed to consider it for the LTP.

**Management comment**

*Council staff are assessing project classifications in the Funding Impact Statements for the final LTP document.*

**3.4 IPSAS 41 financial instruments**

PBE IPSAS 41 *financial instruments* becomes effective for the year ending 30 June 2023, or the second year of the LTP. The LTP is required to be prepared in accordance with the accounting policies expected to be used in the future which means that the LTP will need to reflect this new accounting standard.

The Council has performed a high level assessment of the impact of PBE IPSAS 41 and concluded that no adjustment was required to the forecast financial statements included in the underlying information to support the CD (as the Council is not consulting on a matter that may be affected by the application of PBE IPSAS 41).

We understand the Council has decided to early-adopt PBE IPSAS 41 so it takes effect from 1 July 2021, or the first year of the LTP. For the final LTP audit the Council will need to:

- perform a more detailed and robust assessment of the impact of PBE IPSAS 41 on the financial forecasts;
- ensure any material measurement adjustments are made that arise on transition to PBE IPSAS 41 that may affect the forecasts;
- ensure the financial instrument accounting policies disclosed are updated to be consistent with the requirements of PBE IPSAS 41;

- ensure disclosures are made about the change in accounting policy; and
- consider whether the decision to early-adopt PBE IPSAS 41 for the LTP will impact the preparation of the financial statements for the year ending 30 June 2022.

## Appendix 1: 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 CD and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 28 August 2020 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</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 CD. The Council 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 Council 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>In addition to this audit and our audit of the Council's annual report, we have carried out engagements in the areas of debenture trust deed assurance engagement and LTP amendment audit, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council.</p>
Fees	<p>The audit fee, covering both the CD and the LTP for the period is \$108,900 (excluding GST and disbursements), as detailed in our audit engagement letter dated 28 August 2020.</p> <p>Other fees will be charged in the period for the annual report audit and debenture trust deed assurance engagement.</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 Council that is significant to the audit.</p>

	We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.
--	--



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

PO Box 621, Tauranga 3144  
Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit Plan

## Western Bay of Plenty District Council

For the year ending 30 June 2021

## Audit Plan

I am pleased to present our audit plan for the audit of Western Bay of Plenty District Council for the year ending 30 June 2021. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Our audit process.....	9
Reporting protocols .....	15
Audit logistics .....	16
Expectations.....	19

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Clarence Susan  
Appointed Auditor  
6 May 2021

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
<b>Revaluation of assets – Revaluation year</b>	
<p>The District Council periodically revalues its asset classes. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>We understand that the District Council will revalue the following assets:</p> <ul style="list-style-type: none"> <li>• Land.</li> <li>• Buildings.</li> <li>• Roading.</li> <li>• Water supply.</li> <li>• Wastewater.</li> <li>• Storm water.</li> <li>• Coastal and marine structures.</li> </ul> <p>The asset classes being revalued are a significant portion of the Council's assets and there is a risk that errors in the process or calculation could result in a material misstatement.</p> <p>Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of asset classes being revalued.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• reviewing the information and instructions provided to the valuer;</li> <li>• assessing relevant controls that management has put in place for the valuation;</li> <li>• evaluating the qualifications, competence and expertise of the external valuer used;</li> <li>• reviewing the method of valuing the assets and assessing if the applicable method used is in line with public sector accounting standards (PBE IPSAS 17, <i>Property, Plant and Equipment</i>), including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; and</li> <li>• assessing whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul>



Audit risk/issue	Our audit response
<b>The risk of management override of internal controls</b>	
<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.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</p>
<b>Major capital projects</b>	
<p>The District Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence of which the major ones are:</p> <ul style="list-style-type: none"> <li>• Water: Eastern Alternative Supply.</li> <li>• Wastewater: Te Puke Treatment Plant Upgrades.</li> <li>• Transport: Raniguru Business Park Interchange.</li> <li>• Storm water: Omokoroa growth projects.</li> </ul> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> <li>• project costs are reviewed to ensure these are appropriately classified as capital or operational in nature;</li> </ul>	<p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> <li>• the correct classification of costs as either capital or operational in nature;</li> <li>• appropriate capitalisation point for completed assets, including transfers from work in progress;</li> <li>• the reasonableness of depreciation rates and useful lives applied to asset components; and</li> <li>• the disclosures included within the financial statements, including those relating to capital commitments.</li> </ul>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> <li>work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation;</li> <li>WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner;</li> <li>asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion;</li> <li>the value and remaining useful life of existing assets remains appropriate given replacement projects underway; and</li> <li>capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements.</li> </ul>	
<b>Fair value assessment for assets - non-revaluation year</b>	
<p>The District Council periodically revalues certain asset classes, including land, buildings and infrastructure. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>We note no asset classes not being revalued in the current year. For those asset classes with an effective revaluation date of 1 July 2020, fair value assessments will need to be completed for classes of assets to confirm that there is no material difference between their carrying amount and their fair value.</p> <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the District Council to comply with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p>	<p>We will review the District Council's significant variance threshold and assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. We will consider the reasonableness of assumptions and judgements applied in making the assessments</p>

Audit risk/issue	Our audit response
<b>Rates</b>	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The District Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>For 2020/21 we will again consider the District Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We will also review selected differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council is responsible for ensuring that it complies with applicable laws and regulations.</p>
<b>Impact of three waters reform</b>	
<p>The three waters reform programme is one of the most significant policy programmes affecting local authorities. This is a three-year programme of work in three tranches.</p> <p>During 2020/21, the District Council signed a non-binding Memorandum of Understanding (MOU) with Crown. By signing this MOU, the District Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>On signing of the MOU, the District Council subsequently received a share of \$761 million Crown stimulus funding, which was the first tranche of funding that was provided under the reform programme. It is important that the District Council is appropriately accounting for this funding and is meeting the obligations of the funding agreement.</p> <p>Much of the policy is still to be developed, with significant announcements about the form of future water services entities expected in year one of the 2021-31 long-term plan period (2021/22).</p>	<p>We will continue to monitor developments related to the three waters reform. If any substantive announcements are made before the financial statements are authorised for issue, we will discuss the implications of these on the District Council and on our audit report with management and the Council.</p> <p>We will gain an understanding of the water stimulus funding agreements signed by the District Council. If water stimulus funding is material to the financial statements, we will review this to ensure that revenue recognition is in line with PBE accounting standards.</p>

Audit risk/issue	Our audit response
<p>The District Council will then need to decide whether to opt out of the proposed new service delivery model. There is still considerable information to come as to what these reforms may mean for the District Council before this decision will be made.</p> <p>We would expect the District Council has taken steps to:</p> <ul style="list-style-type: none"> <li>consider the implications of any government announcements about three waters reform up to the date of authorisation of the financial statements. This includes the impact on financial statements and disclosures, including subsequent events disclosures.</li> <li>ensure any crown stimulus funding resulting from the three waters reform programme received by the District Council has been appropriately accounted for in accordance with PBE accounting standards and the terms of the agreement.</li> </ul>	
<b>Impact of Covid-19 pandemic</b>	
<p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, it is likely that the uncertainties in the economic environment will increase the risk of material misstatement in financial statements. These effects might include uncertainties relating to revenue and asset valuations.</p> <p>Some local authorities have received funding from central government (such as "Shovel Ready" funding, or "infrastructure recovery" funding). If the District Council has received such funding, it is important that the District Council is appropriately accounting for this funding, taking account of any obligations of the funding agreements.</p> <p>We would expect the District Council has taken steps to:</p> <ul style="list-style-type: none"> <li>reconsider the risks that the District Council faces;</li> <li>reconfirm that reporting and internal control systems are in place and functioning effectively; and</li> </ul>	<p>As part of our audit response, we will:</p> <ul style="list-style-type: none"> <li>gain an updated understanding of the impact of Covid-19 on the District Council's operations, financial statements, and performance story;</li> <li>establish if management has identified and recorded any additional Covid-19 related revenue, receivables, and costs, including as a result of shovel ready or recovery funding, and whether these are recognised in line with PBE accounting standards; and</li> <li>assess the completeness and reasonableness of disclosures contained within the Annual Report relating to the impact of Covid-19.</li> </ul> <p>If we identify additional Covid-19 related audit risks or issues, we will advise you of these separately.</p>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> <li>ensure any “shovel ready” or “infrastructure recovery” funding received by the District Council has been appropriately accounted for in accordance with PBE accounting standards.</li> </ul>	

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

### **Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management’s investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

### ***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

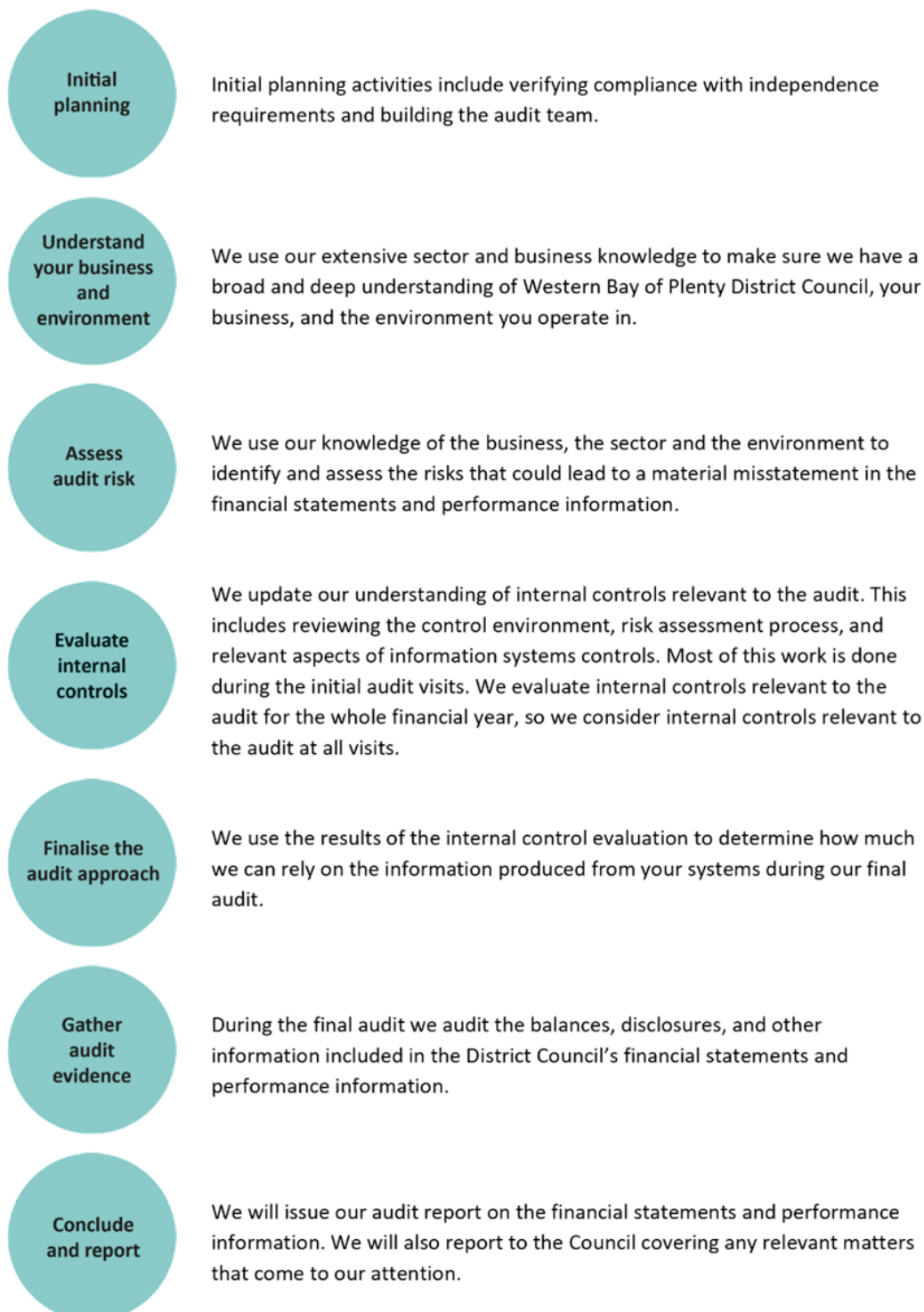
- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and

- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).



## Our audit process



### Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

### Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on reviewing the 1 July 2020 revaluations of property, plant and equipment and year-to-date transactions for revenue and expenditure. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed prior to the final audit. We expect this to reduce the final audit onsite work by 48 hours, as these hours will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

### Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this



guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

#### ***Financial statements materiality***

For planning purposes we have set **overall materiality** for the financial statements at \$124,847,000 based on budgeted total assets. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

Overall materiality	\$124,847,000
Specific materiality	\$2,750,000
Clearly trivial threshold	\$137,500

For this audit we have set a lower, **specific materiality** of \$2,750,000 for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$137,500 to be clearly trivial unless there are qualitative considerations that heighten its significance.

#### **Misstatements**

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

#### ***Materiality for service performance information***

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the District Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the District Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
<b>Water supply</b> - Safety of drinking water. The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> <li>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>(b) part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul>	5% of result  5%
<b>Water supply</b> - Fault response times – resolution of urgent call-outs. Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> <li>(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and</li> <li>(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption. (material component of measure)</li> <li>(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and</li> <li>(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</li> </ul>	n/a  8%  n/a  n/a
<b>Wastewater</b> - System and adequacy. The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	5%

Material measure	Materiality
<b>Wastewater</b> - Discharge compliance. Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (a) abatement notices; (b) infringement notices; (c) enforcement orders; and (d) convictions; received by the territorial authority in relation those resource consents.	5% 5% 5% 5%
<b>Storm water</b> - System adequacy. (a) The number of flooding events that occur in a territorial authority district. (b) For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's storm water system.)	5% 5%
<b>Transportation</b> – Road safety. The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	5%
<b>Regulatory Services</b> - Building services. Percentage of building consent applications and plan checking processed within the statutory timeframes.	5%

### Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

### **How we consider compliance with laws and regulations**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

### **Wider public sector considerations**

A public sector audit also examines whether:

- Western Bay of Plenty District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Western Bay of Plenty District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Western Bay of Plenty District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Western Bay of Plenty District Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Meeting with	Planned timing
Group Manager Finance and Technology Services	Weekly during programmed audit visits and periodically during the year.
Audit & Risk Committee	Attending regular meetings: <ul style="list-style-type: none"> <li>• 20 May 2021.</li> <li>• 12 August 2021.</li> <li>• 8 September 2021.</li> <li>• 4 November 2021.</li> </ul>
Council meetings	Attend relevant meetings to present: <ul style="list-style-type: none"> <li>• Audit Plan; and</li> <li>• Audit Opinion.</li> <li>• Other occasions as requested.</li> </ul>

### Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Clarence Susan	Appointed Auditor
David Walker	Engagement Quality Review Director
Warren Goslett	Audit Manager
Becca Gray	Senior Auditor
Robyn Dearlove	IS specialist

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

## Timetable



Our proposed timetable is:

First interim audit begins	31 May 2021
Second interim audit begins	21 June 2021
Draft Report to the Council on the interim audit issued for management comments	12 July 2021
Revaluation reports and accounting treatment to be reviewed	15 June 2021
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	20 August 2021
Final audit begins	23 August 2021
Final financial statements available, incorporating all the amendments agreed to between us	13 September 2021
Verbal audit clearance given	15 September 2021
Draft Report to the Council issued for management comments	15 September 2021
Annual report available, including any Chair and Chief Executive's overview or reports	15 September 2021
Audit opinion issued	23 September 2021
Report to Council issued with management comments	23 September 2021

There is the possibility that, due to Covid-19, there may be disruptions that will require changes to the timetable proposed above. Where this arises, we will discuss a revised timetable with you.



## **AuditDashboard**

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

During 2021 we are implementing a new online portal called AuditDashboard. AuditDashboard allows for easier collaboration and file sharing between Western Bay of Plenty District Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. More information on this new tool can be found at: [Information about AuditDashboard](#).

### **The benefits of AuditDashboard**

Your team will be invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

Rather than obtaining information from management as we need it, we will send requests in advance. Your team will have time to gather the relevant information, upload the files, and submit them to us at any time that suits them up to the due date. When we start work, we will already have access to this information and can get started straight away.

We intend to start using AuditDashboard at our interim audit stage. We will provide the Group Manager Finance and Technology Services with an overview and agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy. We need to receive the agreement back prior to implementing AuditDashboard on your audit.

We will work with your team to onboard them to AuditDashboard, answer any questions you might have, and ensure your team understand how to use it.



## Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

PO Box 621, Tauranga 3140  
Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)





AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

745 Cameron Road, Tauranga 3112  
PO Box 621, Tauranga 3144  
Telephone (04) 496 3099

6 May 2021

Garry Webber  
Mayor  
Western Bay of Plenty District Council  
Private Bag 12803  
Tauranga Mail Centre  
Tauranga 3143

Tēnā koe Garry

### **Proposed audit fees for the 30 June 2021 and 30 June 2022 financial years**

Our audit proposal letter dated 6 May 2020 for the three financial years ending 30 June 2022 only included audit fees for the 30 June 2020 financial year, and said we would agree the fees for the 30 June 2021 and 30 June 2022 audits at a future date.

The purpose of this letter is to provide information on:

- the hours we plan to spend on the audits and the reasons for any change in hours; and
- our proposed audit fee for each financial year, and the reasons for the proposed change in fee.

Please read this letter in conjunction with our audit proposal letter dated 6 May 2020.

## **1 Background to the fee increases**

In our audit proposal letter dated 6 May 2020, we set out the statutory basis for our audit and how fees are set.

We also referred to a letter that the Auditor-General had sent to councils in April 2020 setting out his thoughts on the matter of council audit fees. He reflected that for a number of years there has been a significant and growing under-recovery of audit fees across much of the local government sector, for a range of reasons. He advised that audit fees will, in the future, need to be increased to reflect the real costs.

The Auditor-General has now agreed to allow us to discuss with you an approach to increasing audit fees to better reflect those real costs.

**Team mix and hours for the years ending 30 June 2021 and 30 June 2022**

Audit team member	2020 budget	2020 actual	2021 proposed	2022 proposed
Appointed Auditor	60	78	60	60
EQR Director	12	16	12	12
Audit Manager	90	144	90	90
Other CA qualified staff	220	527	220	220
Non CA qualified staff	350	348	358	358
Other specialists				
Sector specialist support	8	8	8	8
Information Systems	45	35	25	25
Tax	2	1	2	2
<b>Total audit hours</b>	<b>787</b>	<b>1157</b>	<b>775</b>	<b>775</b>

**2 Proposed audit fee for the years ending 30 June 2021 and 30 June 2022**

Our proposed fees for your audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2020 budget	2020 actual	2021 proposed	2022 proposed
	\$	\$	\$	\$
Net audit fee (excluding OAG ASQS fee and disbursements)	128,418	205,833	137,741	147,063
OAG Audit Standards and Quality Support (ASQS) fee	10,694	10,694	11,470	12,246
<b>Total audit fee (excluding disbursements)</b>	<b>139,112</b>	<b>216,527</b>	<b>149,211</b>	<b>159,309</b>
Estimated disbursements	3,000	1,551	3,000	3,000
Cost absorbed by Audit New Zealand		(78,856)		
<b>Total billable audit fees and charges (excluding GST)</b>	<b>142,112</b>	<b>139,222</b>	<b>152,211</b>	<b>162,309</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fee.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

#### Reasons for the increase in audit fee

The main changes in cost components for future audits are:

Reasons for increased audit fee compared to previous period <i>budgeted fees:</i>	2021	2022
Other changes Please refer to previous Audit Proposal Letter dated 6 May 2020	10,102	10,095
<b>Total increase (decrease) in audit fees</b>	<b>10,102</b>	<b>10,095</b>

### 3 Assumptions relating to our audit fee

Our proposed audit fee is based on the assumptions included in our audit proposal letter dated 6 May 2020.

### 4 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of Western Bay of Plenty District Council, agree with its contents. Please return a signed copy to [confirmationsnorthern@auditnz.parliament.nz](mailto:confirmationsnorthern@auditnz.parliament.nz) and cc met [clarence.susan@auditnz.parliament.nz](mailto:clarence.susan@auditnz.parliament.nz)

This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my contract with the Auditor-General to carry out the audit of Western Bay of Plenty District Council as the agent of the Auditor-General.

Nāku noa, nā



Clarence Susan  
Appointed Auditor  
Audit New Zealand

---

I accept the audit fees for the audit of the two financial years as stated above.

Full name:	<u>Garry Webber</u>	Position:	<u>Mayor</u>
Authorised signature:	<u></u>	Date:	<u></u>
Entity name:	<u>Western Bay of Plenty District Council</u>		



**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

745 Cameron Road, Tauranga 3112  
PO Box 621, Tauranga 3144  
Telephone (04) 496 3099

6 May 2020

Garry Webber  
Mayor  
Western Bay of Plenty District Council  
Private Bag 12803  
Tauranga Mail Centre  
Tauranga 3143

Ref: EN/LCA/3-0051 [T933]  
Copy: Director Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington 6140

Dear Garry

**Proposal to conduct the audit of Western Bay of Plenty District Council on behalf of the Auditor-General for the 2020, 2021, and 2022 financial years**

**1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.



## 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that “the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

## 3 Entities covered by this proposal

This proposal covers the audit of Western Bay of Plenty District Council.

#### 4 Key members of the audit team

Clarence Susan	Appointed Auditor
Maree Procter	Audit Manager
Alan Clifford	Information Systems Specialist
Jason Biggins	Tax Specialist

#### 5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual*	2020
Appointed Auditor	60	43	60
Second Director -Peer Reviewer	-	-	12
Audit Manager	90	90	90
Other CA qualified staff	244	314	220
Non CA qualified staff	244	438	358
Information Systems Specialist	45	30	45
Tax Specialist	2	1	2
<b>Total audit hours</b>	<b>685</b>	<b>916</b>	<b>787</b>

**\*Note** – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

Actual hours were higher due to the additional work we have to do to meet increased audit quality standards and address increasing risk as detailed in section 5.1.

## 5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for changes in audit hours compared to estimated audit hours set out in previous APL:	2020
Changes within the council or the broader environment:	
<ul style="list-style-type: none"> <li>Asset revaluations: funding challenges, combined with greater community awareness and expectations over the resilience and performance of core assets, have increased the importance of and risks associated with council's asset related practices. Examples include continually improving its asset condition information and developing more advanced management practices. These in turn increase the complexity of council's asset revaluations and fair value assessments.</li> </ul>	40
<ul style="list-style-type: none"> <li>Non-financial reporting: in the light of recent events, including natural disasters, the results of the Havelock North water enquiry, and the impacts of climate change, ratepayers and other stakeholders focus on local authorities' core services has increased. This has increased our assessment of risk in these areas which in turn has increased both the number of measures we identify as material and the amount of testing we do on these. In addition, the mandatory performance measures present a heightened risk to council's reporting due to the range of interpretation and non-compliance issues that have been identified across the sector in recent years.</li> </ul>	10
<ul style="list-style-type: none"> <li>Rates: Recent court cases have highlighted the risks council faces in relation to its rating processes. Seemingly minor procedural or documentation errors have the potential to undermine council's major revenue stream. Council's increased risks have impacted on our approach to auditing Rates, and we now perform more testing on both individual rates and the information held in the RID.</li> </ul>	10
<ul style="list-style-type: none"> <li>Changes to better reflect the hours and team mix: Relates to additional work from quality assurance and methodology interpretations (for example: untested balances greater than performance materiality).</li> </ul>	8
<ul style="list-style-type: none"> <li>Estimations and judgements: significant accounting estimations, accruals and judgements, (i.e. employee entitlements), are significant to the council's financial statements and present a risk of material misstatement. As council's knowledge of the underlying issues improves, these estimations and judgements become more complex and present a higher risk, which increases our required audit response.</li> </ul>	10
As the total expected time now exceed 750 hours, a second director is required for peer review purposes.	12
<b>Total increase in audit hours</b>	<b>90</b>

## 6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2019 budget fees	2019 actual fees charged*	2020
	\$	\$	\$
Net audit fee	126,520	143,254	128,418
OAG Audit Standards and Quality Support fee	10,536	10,536	10,694
Costs absorbed by Audit NZ	-	(16,734)	-
<b>Total audit fee (excluding disbursements)</b>	<b>137,056</b>	<b>137,056</b>	<b>139,112</b>
Estimated disbursements	2,500	2,790	3,000
<b>Total billable audit fees and charges</b>	<b>139,556</b>	<b>139,846</b>	<b>142,112</b>
GST	20,933	20,977	21,317
<b>Total (including GST)</b>	<b>160,489</b>	<b>160,823</b>	<b>163,429</b>

**\* Note** –These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies.

The estimated cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$148,000- \$153,000 and your audit fees are already close to that range. Other than a small adjustment over the next 1 to 2 years for that, we expect that fee increases, other than for cost inflation, will only be necessary for changes or growth in your Council, or in audit requirements.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees have been held at a 1.5% increase over the agreed audit fee for 2019.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

## 7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- fair value assessments and valuation reports are available for interim audit visits where possible (for example, for 1 July valuations);
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure "no surprises" to either party.

## 7.1 Exclusions

The proposed hours set out in section 5.1, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
  - PBE IPSASs 34 to 38;
  - IFRS 9 – should the Council early adopt; and
  - PBE FRS 48.
- Changes to auditing standards including; NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government's three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council's reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission's review of local government funding and financing.
- The impacts of future growth within the Council's area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

## 8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

## **9 Certifications required by the Auditor-General**

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## **10 Conclusion**

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Please send a copy of the signed letter to me for our records to [confirmationsnorthern@auditnz.parliament.nz](mailto:confirmationsnorthern@auditnz.parliament.nz)

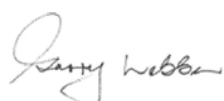
Yours sincerely



Clarence Susan  
Appointed Auditor  
Audit New Zealand

---

I accept the audit fees for the audit of the three financial years as stated above.

Signed:  \_\_\_\_\_

Date: 7 May 2020

Garry Webber  
Mayor  
Western Bay of Plenty District Council





**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

745 Cameron Road, Tauranga 3112  
PO Box 621, Tauranga 3144  
Telephone (04) 496 3099

Date: April 2021

Miriam Taris  
Chief Executive  
Western Bay of Plenty District Council  
Private Bag 12803  
Tauranga Mail Centre  
Tauranga 3143

Dear Miriam

### **Audit New Zealand's client portal: AuditDashboard**

Audit New Zealand has engaged Audit Dashboard Incorporated to provide a client portal, AuditDashboard.

AuditDashboard is a secure online tool that will make it easier for files to be shared between Audit New Zealand and Western Bay of Plenty District Council, and for your people to work with us. We will request and receive files from your organisation through AuditDashboard.

For more information, please refer to: [Information about AuditDashboard](#)

This letter outlines:

- your organisation's responsibilities when using AuditDashboard; and
- Audit New Zealand's responsibilities in respect of AuditDashboard.

Please indicate your organisation's agreement to these responsibilities by signing in the space provided at the end of this letter, and returning a copy to me. Once we have your written agreement, we will activate a user profile for in AuditDashboard.

### **Your organisation's responsibilities when using AuditDashboard**

AuditDashboard implements industry standard encryption and security controls to keep your organisation's data safe. However, each user of AuditDashboard is responsible for ensuring these controls can operate. Your organisation is responsible for your users' use of AuditDashboard.

Upon registering, each user will be required to read and accept individual Terms of Use. These are aligned with your organisation's responsibilities in this letter. The Terms of Use can be viewed at [auditnz.auditdashboard.com/Account/Terms](https://auditnz.auditdashboard.com/Account/Terms).

We expect you to ensure that AuditDashboard users in your organisation know that they must only access AuditDashboard using devices that have been approved for work purposes by your organisation. By using approved devices in conjunction with complying with your organisation's own policy on computer use, users are more likely to comply with the Terms of Use that each user must agree to.

We expect your organisation to provide an environment that supports AuditDashboard users in your organisation to:

- use a secure network with firewall protection;
- use a modern, up-to-date browser, and an operating system that features integrated anti-virus and anti-malware software;
- use their own unique user account each time they access AuditDashboard, and comply with the password security measures in the Terms of Use;
- take the same precautions when using AuditDashboard as they would with other secure online transactions, such as ecommerce and banking;
- logout of AuditDashboard, lock their system and secure their computer when left unattended; and
- not misuse AuditDashboard.

Your organisation must inform Audit New Zealand if a user leaves, or if a change in circumstances (for example, a change in role) means that a user should no longer have access to AuditDashboard. Once we have been informed, we will remove access for that user.

Your organisation must inform Audit New Zealand of any information that should be restricted so it can only be viewed by specified users, such as payroll data.

Your organisation must notify Audit New Zealand immediately of any unauthorised use of an AuditDashboard account or in the event that a user's account details are compromised.

We expect your organisation to maintain the confidentiality and integrity of the content and technology of AuditDashboard to at least the same level of care required by your organisation in respect of its own confidential information, but in no event using less than a reasonable standard of care.

#### **Our responsibilities**

Our responsibilities for your data remain the same as those stated in your audit engagement letter. We are responsible for the security of the data provided by you to us for the purpose of an audit engagement.

We are responsible for obtaining assurance that AuditDashboard is secure for the classification and sensitivity of data that is involved. When we engaged AuditDashboard, we considered risk, security,

privacy, functionality, and business requirements. These are all fundamental requirements for information governance and assurance<sup>1</sup>.

Audit New Zealand does not guarantee the availability of AuditDashboard. We reserve the right to withdraw AuditDashboard at our discretion. Where possible, we will notify your organisation in advance.

If our contract with AuditDashboard is terminated, AuditDashboard will delete your organisation's data, except if you request its return, or such data is required by Audit New Zealand to perform the audit engagement.

#### Next steps

Please indicate your organisation's agreement to the responsibilities in this letter by signing in the space provided and returning a copy to me. We may create AuditDashboard user accounts using your employees' names and e-mail addresses, solely for the purpose of setting up a user profile for your organisation in Audit Dashboard. However, we will only activate the user profile, and send details to your employees about their AuditDashboard user accounts, when we receive the signed copy of this agreement referred to above.

If you have any questions about the use of AuditDashboard, please contact me as soon as possible.

Yours sincerely




Clarence Susan  
Appointed Auditor  
On behalf of the Auditor-General

---

#### Agreement to AuditDashboard responsibilities

Western Bay of Plenty District Council agrees to the responsibilities set out in this letter.

Signature:   
Name: Miriam Taris  
Title: Chief Executive

Date: 10/5/2021

---

<sup>1</sup> NZ Information Security Manual v3 – section 4.1.11 & 4.1.12

### 9.3 TREASURY UPDATE

**File Number:** A4063036

**Author:** David Jensen, Senior Financial Planner

**Authoriser:** Kumaren Perumal, Group Manager Finance and Technology Services

#### EXECUTIVE SUMMARY

1. This report provides an overview of the risks associated with Council's treasury function and the procedures in place to mitigate those risks.

#### RECOMMENDATION

That the Senior Financial Planner's report dated 20 May 2021 titled 'Treasury Update' be received.

#### BACKGROUND

2. This report provides an update on the treasury-related risks presented on 20 May 2021.

#### INTEREST RATE RISK

3. 'Interest Rate Risk' is the risk that either investment returns will fall materially short of forecast, or that financing costs will exceed projections due to adverse movements in interest rates.
4. The Reserve Bank held the Official Cash Rate (OCR) at 0.25% in its Monetary Policy Statement on 14 April 2021, citing uncertainty around New Zealand's economic outlook due to global Covid-19 restrictions and corresponding business and consumer confidence. The April statement also expressed a desire to observe the impact of the Government's new housing policies on New Zealand's housing market.
5. The Reserve Bank noted that temporary factors within our economy are leading to price pressures, particularly due to global supply chain disruptions and higher oil prices. This has been highlighted in the news cycle through the shortages of wood and construction materials, which has led to higher prices for those goods. The Reserve Bank has agreed to maintain monetary policy until it has the confidence that consumer price inflation will be sustained at the two percent per annum target, indicating that they are willing to tolerate instances of short term inflation before they raise rates.
6. Council's interest rate hedging remains within policy, and we have a large degree of price certainty relating to our borrowing costs for the next 12 months due to our mixture of fixed and floating rate debt. Council also continually discusses its risks and potential actions with our treasury advisors. While the longer term requires careful consideration, Council does not view short-term interest rate risk to be significant.

#### LIQUIDITY AND FUNDING RISK

7. 'Liquidity Risk' is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations. This is due to the fact that Council's cash flow is dependent on the maturity of cash investments and loans.
8. Council ended the 2019/2020 financial year in a strong cash position and has continued to maintain cash levels through 2020/2021. The 2021/22 budget will be refined and confirmed through May and June which will give Council an understanding of cash requirements for the upcoming financial year.

**FOREIGN EXCHANGE RISK**

9. 'Foreign Exchange Risk' is the risk that volatile movements in foreign currency may adversely affect the cost to Council of entering into arrangements with offshore parties.
10. Council does not enter into significant foreign exchange contracts and this risk remains low.

**COUNTERPARTY CREDIT RISK**

11. 'Counterparty Credit Risk' is the risk of losses occurring as a result of a counterparty default.
12. Council continues to require credit ratings of 'A' or higher when placing funds on deposit. This requirement may need to be revised depending on the current review of bank credit ratings by their respective rating agencies.
13. While there is a possibility that banks may receive a lower rating, they are not yet considered at risk of default. Council continues to view its counterparty risk as low.

#### 9.4 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) MAY 2021

**File Number:** A4061762

**Author:** Kumaren Perumal, Group Manager Finance and Technology Services

**Authoriser:** Miriam Taris, Chief Executive Officer

##### EXECUTIVE SUMMARY

1. The purpose of this report is to provide status updates on management's response to recommendations raised in management reports as part of the following processes:
  - (a) The audit of the Long Term Plan and Annual Report carried out by Council's external auditor Audit New Zealand; and
  - (b) Internal audit reviews carried out by Council's internal auditor KPMG as part of the internal audit work programme.
2. The status updates on external and internal audit recommendations have been amalgamated into one report (**Attachment 1**) with separate sections for external and internal audit items for ease of review.

##### RECOMMENDATION

That the Group Manager Finance and Technology Services report dated 20 May 2021 titled 'Update on Outstanding Audit Items (Internal/External) May 2021' be received.

##### BACKGROUND

###### Audit New Zealand

3. The Local Government Act 2002 requires Local Authorities to have their Annual Reports and Long-Term Plans audited by the Office of the Auditor-General. The Office of the Auditor-General has appointed Audit New Zealand as Council's audit service provider.
4. The process for auditing the Annual Report and Long-Term Plan involves Audit New Zealand issuing an opinion that the information published in these documents fairly presents the Council's financial position and complies with legislation.
5. At the conclusion of each audit, Audit New Zealand provide a management report highlighting any issues they find, the degree of severity of the issue and a recommendation. Issues raised by Audit New Zealand are classed as 'Urgent, Necessary or Beneficial'.

###### KPMG

6. During the 2016/17 financial year KPMG was appointed as Council's internal auditor under a BOPLASS arrangement and worked with staff to establish a three-year internal audit plan. The audit plan was presented at the February 2020 Audit and Risk Committee. The audit plan outlines the intended areas of focus for 2017, 2018 and 2019 with confirmation sought from senior management on an annual basis.
7. The annual internal audit plan review for 2018 identified asset management and key financial controls as areas of internal audit focus. Status updates to the key findings are included in the attached audit monitoring table (**Attachment 1**).

##### ATTACHMENTS

1. **Outstanding Audit Items Monitoring Report (Internal/External)** [!\[\]\(9cc0308e647881098efb3200229312e5\_img.jpg\)](#) 

### Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

2019-2020 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status update
<b>Impairment Assessment</b>			
Accounting standards require that management undertakes an impairment assessment over property, plant, and equipment assets at balance date each year. This usually involves consideration of whether assets are still fully functioning and fit for purpose. It also involves identifying if there are any planned changes to the District Council's operations that could impact the useful life of those assets, such as a decision to change location or method of undertaking tasks which might mean the assets useful lives will be affected.  No formal assessment was undertaken and our high level discussions with management did not identify any indicators of impairment. We recommend management performs a formal impairment assessment over property, plant, and equipment at balance date each year.	N/A	<b>October 2020</b> Council has scheduled assessments as part of the work programme in early 2021.	<b>May 2021 Update</b> Information on how to undertake the assessment has been issued to all asset managers. The assessments are now underway and due at the end of May.  <b>February 2021 Update</b> Due to start by end of March 2021.
<b>Project Management</b>			
Management contracted KPMG to undertake a review of the District Council's Project Management processes during the audit period. The review identified a number of areas for improvement and made recommendations accordingly. We recommend the District Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.	N/A	<b>October 2020</b> Council's response to the KPMG report on project management is ongoing and a workplan for implementation of the recommendations is underway.	<b>May 2021 Update</b> The project management templates are being utilized in parts of infrastructure for new projects. A scoping exercise is underway to develop an organizational process map that shows how and where projects and processes need to fit into the three yearly LTP cycle. A detailed project plan is in place for the Three Waters contract and the Watercare IT integration.  <b>February 2021 Update</b> Project Management templates will be reviewed and fine tuned in March prior to a wider implementation in Infrastructure. The level of project management is based on a project assessment risk matrix that determines the level of management and type of oversight structure required. The template and approach will be modified to ensure an alternative template is suitable for internal projects, consultation and engagement projects and other non-physical works projects.
<b>Accounting Standard Changes – IPSAS 34-38 – Interests in other entities</b>			
This year a suite of changes has been made to accounting standards in relation to how organizations account for their interests in other entities. This meant the District Council had to consider if entities it has interests in, such as the Western Bay of Plenty Tourism and Visitors Trust, BOPLASS Limited and the New Zealand Local Government Funding Agency Limited, were compliant with the new requirements. Management completed a checklist we provided and our review of that confirmed there were no significant changes needed to how these entities were accounted for. However, we did identify potential improvements in the disclosures around these entities, in particular, updating the terminology to align with that in the new standards. We recommend management reviews the disclosures against IPSAS 34-38 interests in other entities and updates the notes in the financial statements as necessary.	N/A	<b>October 2020</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended.	<b>May 2021 Update</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended. This will occur over July/August 2021 during preparation and audit of the 2020/21 Annual Report.



### Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

2017-2018 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status Update
(			
<p>The Council creates a formal asset improvement programme in response to the valuer's recommendations and puts an action plan in place to address the issues in a timely manner.</p> <p>We followed up on this recommendation during our final audit visit and noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report, with the exception of points 3, 4 and 5 which are new.</p> <p><b>2019-2020 Audit Management Report Final – November 2020</b></p> <p>We noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report.</p>	Necessary	<p><b>October 2020</b></p> <p>The Council has a number of workstreams underway to improve processes relating to asset information, including the recommendations made in the Opus Report.</p> <p><b>June 2019</b></p> <p>The Council has a number of work streams underway to improve processes relating to asset information.</p>	<p><b>May 2021 Update</b></p> <p>A meeting has been held with WSP New Zealand (Opus) to discuss the improvement programme in the latest valuation report. We have prioritised the recommendations and have asked them to provide further information about how they can assist with resolving some of the items. One of the recommendations is likely to be removed pending further information which is expected by the end of June 2021.</p> <p><b>February 2021 Update</b></p> <p>The final transportation valuation report has just been received and the improvement programme items are being considered and prioritised.</p>
<b>Incorrect Dates in Accounts Payable (AP) Module</b>			
<p>Care be taken on uploading data files and reviews to be made subsequent to the upload to correct date errors on upload.</p> <p>The Council anticipates the implementation of the new automated AP system (Escher) will occur towards the end of the 2018/19 financial year or at the beginning of the next financial year. This will reduce the risk of manual errors entering dates and will improve the accuracy and integrity of the AP process.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>We again noted date errors in the information provided to us.</p>	Necessary	<p><b>October 2020</b></p> <p>The error described related to the issue raised last year and was in fact the reversal leg of the same journal made in the preparation of the 2018/19 accounts. Staff have been reminded about the care required in journal uploads.</p> <p><b>June 2019</b></p> <p>The Council's staff have been reminded of the importance of taking due care in the uploading of files to the ERP system.</p>	<p><b>May 2021 Update</b></p> <p>Final testing of the automated accounts payable tool is being undertaken week commencing 10 May 2021 with a view to implementation shortly after.</p>
<b>Audit Committee</b>			
<p>The Council reviews the composition, functions, and effectiveness of its current audit committee structure against the Auditor General's good practice guide.</p> <p>The Council has put this on hold until after the 2019 elections. This matter is likely to be resolved in the 2019/20 period.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>After the 2019 elections, Council formed an Audit and Risk Committee with Mayor Gary Webber as the Chair. OAG best practice suggests that the Audit and Risk Committee's Chair be an independent person to Council. We recommend that Council considers the appointment of an Independent Chair to the Audit and Risk Committee ensuring good governance and best practice adopted in regards to the committee's composition.</p>	Necessary	<p><b>October 2020</b></p> <p>The decision not to appoint an Independent Chair for the Audit and Risk Committee was made at a governance level. Audit New Zealand's comments are noted.</p>	<p><b>May 2021 Update</b></p> <p>At an Extraordinary Council meeting held on 5 May 2021, Council appointed Mark Maloney from Mark J. Maloney Consulting Ltd to the Audit and Risk Committee as an independent member. Mr Maloney has been engaged until October 2022 and will participate in Audit and Risk Committee meetings from 20 May 2021. This matter will now be closed pending audit confirmation.</p> <p><b>February 2021 Update</b></p> <p>Council at its 25 February 2021 meeting appointed Cr James Denyer as Chairperson and Cr Murray Grainger as Deputy Chairperson of the Audit and Risk Committee. It was agreed at the meeting to undertake a process to appoint an independent subject matter expert to the Audit and Risk Committee. A procurement process is currently underway for this appointment.</p>



### Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

Audit Recommendation	Priority	Management response	Status Update
<b>GL Reconciliations</b>			
<p>The Council ensures all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early, and rectified.</p> <p>During our interim audit, we reviewed a sample of bank, creditor, debtor, payroll and suspense account reconciliations and found the following:</p> <ul style="list-style-type: none"> <li>In all of the above we noted instances of untimely review.</li> <li>Regarding debtors reconciliations, there was one instance where there was no sign-off by the person preparing the reconciliation.</li> <li>Regarding suspense accounts, there was two instances where there was no evidence of the reconciliation having been reviewed.</li> </ul> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p><b>General Ledger</b></p> <p>We still note instances where reconciliations have not been prepared or reviewed in a timely manner. We identified instances where creditor, payroll clearing accounts, debtor and suspense accounts reconciliations were completed two months after month end.</p> <p><b>No evidence of review for Masterfile change report</b></p> <p>We noted the July 2019 report did not evidence the review from the Finance Manager or Senior Financial Planner. However, other reports we sighted had been appropriately reviewed.</p>	Necessary	<p><b>October 2020</b></p> <p><b>General Ledger</b></p> <p>There are two reconciliation processes that are awaiting fixes from our IT provider, Datacom. Other delays related to handover issues with a departing staff member and Council expects these have been addressed going forward.</p> <p><b>Masterfile change report</b></p> <p>While the reports had been prepared and reviewed, the date was missing from the signature. This has been corrected going forward.</p> <p><b>June 2019</b></p> <p>Monthly finance processes have been strengthened following a number of staff changes. All reconciliations are prepared and reviewed within 20 days of month-end.</p>	<p><b>May 2021 Update</b></p> <p>Reconciliations and training have been completed for all but two areas of the general ledger. It is expected that by Mid May all reconciliations and training will be complete.</p> <p><b>February 2021 Update</b></p> <p>Work on the balance sheet reconciliations is ongoing with reconciliations performed up to January 2021. Staff continue to be trained as this project continues.</p>
<b>Contract Management System</b>			
<p>The Council considers improving the functionality of its contract management system.</p> <p>There has been no progress made to date and no progress is expected until the 2019/20 period.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>Based on our discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.</p>	Beneficial	<p><b>October 2020</b></p> <p>It is expected that Council will seek improvements to the procurement system once a pathway to a new ERP system is established by senior management.</p> <p><b>June 2019</b></p> <p>This will be reviewed as part of the 2019/20 work programme.</p>	<p><b>May 2021 Update</b></p> <p>This matter is on hold and will be considered as part of Council's new ERP project signaled in the LTP.</p> <p><b>February 2021 Update</b></p> <p>Procurement continues to capture all critical contract information in the contracts database. This has recently been expanded to include the earlier stages (e.g. need identification, negotiation/tender) hereby covering the initial elements of the procure to pay process.</p> <p>A contract management function will be investigated as part of the evaluation of a new ERP system under the approved timeframe of the 2021/31 LTP.</p>

### Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

2016-2017 ANNUAL REPORT			
Audit Recommendation	Priority	Management Response	Status Update
<i>High number of 'Superusers' in Ozone and network, including Datacom staff</i>			
<p>Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data. We note that there has been a reduction in the number of Council and Datacom staff with superuser access to Ozone.</p> <p>An automated process disables contractors' access if not used for 41 days.</p> <p>There is still a high number of staff using Domain Administrator access on the network, including staff using the generic "Administrator" login.</p> <p><b>2019-2020 Audit Management Report Final – November 2020</b></p> <p>Work is in progress to reduce network domain administrators.</p>	Necessary	<p><b>November 2020</b></p> <p>The domain administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p> <p><b>June 2019</b></p> <p>The domain Administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p>	<p><b>May 2021 Update</b></p> <p>The generic domain administrator account is disabled. Any changes to the account status (by named administrators) are recorded in the ManageEngine Active Directory Audit Plus tool log. Alerts are also raised for reporting purposes.</p> <p>The IT Team Leader may allow by prior approval the occasional usage of the account (to modify Microsoft file ownership properties).</p>

### Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

<b>CLOSED EXTERNAL AUDIT MATTERS</b>			
<i>Central Database of Contractors</i>	<b>Priority</b>	<b>Responsible</b>	<b>Status Update</b>
Our testing of the process for adding and removing users to the network and applications did not identify any centralized process for recording contractors who are working at the Council and need access to IT systems. The processes for advising IT when contractors cease and access should be removed do not appear to be consistent. This raises the risk that contractors who no longer work for the Council may still have access – including from outside Council's premises. We recommend that a central register be developed of contractors and consultants working for the Council and formalized processes put in place for establishing and removing access to the Council's IT systems.	<b>N/A</b>	<b>October 2020</b> IT now manage a central database of contractors who are managed through a separate classification within our IT systems which enables Council to manage contractor access to IT system.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Property, Plant and Equipment – Cost Transfers</i>			
During our testing of asset additions, we noted two instances where the Council had processed a journal transferring operational costs to capital expenditure for which the Council was unable to provide documentation in support of the transaction.  We recommend that the Council ensures supporting documentation is retained in all instances where a journal is processed to reclassify costs from operational costs to capital expenditure.	<b>Necessary</b>	<b>June 2019</b> Council has established a new journal convention for internal transfers which requires a higher level of documentation. This will be in place for the 2019/20 financial year.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Notifying IT of all Leavers</i>			
The Council ensures that timely requests are placed with IT to remove staff access to systems upon termination of their employment.  Our testing this year noted that HR staff are not always formally notifying IT of staff leaving, and we noted discrepancies in the leaving dates for some staff.  <b>2019-2020 Audit Management Report Final – November 2020</b> HR are still not always advising IT promptly of staff leaving or changing roles. We also note that there are a number of staff who leave but then their access is requested to be left open in case the council wants the person to do further work for them some time in the future.	<b>Necessary</b>	<b>October 2020</b> A new IT access policy has been created to ensure the timely removal of exiting staff from our IT system.  <b>June 2019</b> To safeguard the Council's systems and data, IT are now logging and actioning the removal of staff access based on any information that they can obtain regarding terminations.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Passwords not set to expire</i>			
The finalization of improvements to IT password settings needs to occur and unless stronger passwords are implemented, passwords should be set to expire for all users. An assessment and acceptance of risk by senior management be completed if Council wishes to remain with this type of access to systems.  Access to the system has been sent for users to have 12-character passwords that do not expire; however, all staff are able to log in to their devices using a six-digit numeric pin, without changes or complexity being enforced. No extra level of password security is required to log in to the Council's financial systems.	<b>Necessary</b>	<b>October 2020</b> Noted.  <b>June 2019</b> The internal controls around IT and passwords will be reviewed as part of the Council's 2020 work streams.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.

### Audit Monitoring Table – Outstanding Management Report Items from LTP 2018-2028

2018-2028 LTP AUDIT (MANAGEMENT REPORT ITEMS)		
<i>Update of the Asset Management Plans</i>	Priority	Status Update
<p>During the LTP audit, we noted that the Asset Management Plans (AMPs) will not be updated with resulting changes from the consultation process until after the LTP is adopted.</p> <p>Given the AMPs are intended to drive the strategies and model, it is important that the AMPs reflect the information within the LTP.</p> <p>We recommend that Council updates the Asset Management Plans with changes resulting from the consultation process to ensure there is alignment between the LTP and the underlying information.</p>	Recommended	<p><b>May 2021 Update</b></p> <p>There is a short timeframe between the consultation process and adoption of the LTP and the Asset Management Plans will be updated in line with or immediately following adoption of the LTP.</p>
<i>Modelling of Depreciation</i>	Recommended	<b>May 2021 Update</b>
<p>Through our review of the financial model, we noted that depreciation for existing assets does not take into account effects of the three yearly revaluations and depreciation, nor is it inflated. Management provided Audit NZ with a high-level assessment and we are satisfied that the potential impact of this not to be significant. However, the risk for Council is that should there be a significant increase in revaluations in future years, the annual depreciation may be understated and therefore also impact on the Council's ability to meet its self-established prudence benchmarks.</p> <p>We recommend that Council considers and assesses the potential for significant revaluation movements in future years and, if this is likely, assess the impact on forecasted depreciation and to operate within its prudence benchmark set targets.</p>		<p>IBIS/Breeze Long Term Plan financial modelling tool addresses this matter and this item can be closed once Audit NZ sign off the audit of the final 2021-2031 Long Term Plan.</p>

### Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019			
Audit Finding	Audit Recommendations	Priority	Status update
<b>Strategic Asset Management Plan (SAMP): Absence of a single, council-wide, strategic level asset management plan to sit above each of the portfolio level Asset Management Plans (AMPs)</b>	<ul style="list-style-type: none"> <li>Develop a group level Strategic Asset Management Plan (SAMP) in collaboration with portfolio team leaders, identifying community outcomes and goals across the portfolios and translate these into asset management objectives and priorities for WBOPDC.</li> <li>Include within the SAMP, a strategic level and integrated view of the plan for the asset portfolio (i.e. the high level activities to be undertaken on the assets to enable the delivery of organizational objectives) and the description of the asset management system and plans for system improvement.</li> <li>Include within the SAMP, a diagram to show linkages between contextual documents and how they are used to inform asset management planning.</li> </ul>	Medium	<b>CLOSED – Item has been addressed.</b>  <b>February 2021 Update</b> The overarching Strategic Asset Management Plan has now been completed. The aligning Asset Management Plans have also been completed in readiness for the adoption of the Consultation Document.
	<ul style="list-style-type: none"> <li>Review the alignment of corporate and asset management objectives for all portfolios and derive a series of meaningful high level asset management objectives and updated portfolio level asset management objectives that achieve clear alignment with corporate objectives. Utilise performance monitoring to understand and report on the value realized through asset management activities.</li> </ul>		<b>CLOSED – Item has been addressed</b>
<b>Asset data management processes, systems and analytics: Asset portfolios lacking clarity of data requirements and transition risk during new asset database implementation</b>	<ul style="list-style-type: none"> <li>In parallel with the SAMP development, document the group level asset management processes and the AssetFinda interface requirements for asset data, analytics and information. Reference these processes within the SAMP.</li> </ul>	High	<b>May 2021 Update</b> The Capitalisation process and asset recognition workshops have been completed and the asset recognition manual is being updated.
	<ul style="list-style-type: none"> <li>Establish a simple but robust data model for property portfolio assets, waste water treatment plants and other asset classes that are not well documented. Undertake a review of data gaps and collect and maintain asset registers for all asset classes in accordance with data model requirements. Embed processes of data management in the organisation.</li> </ul>		<b>May 2021 Update</b> The review of data models and data gaps across all asset classes is ongoing due to the complexity and nature of the assets. Data for existing buildings continues to be improved. An improved Treatment Plant data model will be developed within the next 12-18 months. Processes are being documented on an ongoing basis.
	<ul style="list-style-type: none"> <li>Actively promote the benefits of AssetFinda to staff with an asset management remit. Communication of the benefits of a high standard of asset data can improve motivation to maintain data. Consider the use of dashboards which are tailored to user type's e.g storm water engineers, pensioner housing property managers, making asset and portfolio reporting easier and improving supporting information for business cases.</li> </ul>		<b>May 2021 Update</b> A new report for capitalisation has been completed. Training in our reporting system is ongoing.
	<ul style="list-style-type: none"> <li>Develop a roadmap to close out the AssetFinda system implementation process and establish a clear brief of organizational information requirements to inform asset portfolio data models. Establish a clear project delivery structure for the works with senior management sponsorship and formal reporting, and assign adequate resources to achieve a successful close out.</li> </ul>		<b>May 2021 Update</b> Work management continues to be implemented using the existing reserves maintenance contract as the pilot. We are also exploring options for managing property maintenance as well.  Work management will be implemented using the existing Reserves contract as the pilot.
<b>Variable application of asset management within asset portfolios: Decision making, business cases, benefits realization, quantified risk management, and condition assessments</b>	<ul style="list-style-type: none"> <li>Undertake a review and improvement initiative for the corporate property Asset Management Plan to achieve an adequate level of asset management maturity. Provide support to the business unit to establish and embed robust asset management processes.</li> </ul>	Medium	<b>May 2021 Update</b> Support for asset management processes is ongoing. A new resource in the Property team will be utilised to embed some of these processes.



### Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019			
Audit Finding	Audit Recommendations	Priority	Status update
	<ul style="list-style-type: none"> <li>Consider greater application of value illustration in investment planning and proposals, and seek greater transparency around decision making. Make better use of appropriately scaled business case and benefits realization methodologies to existing and new investment requirements.</li> </ul>		<b>May 2021 Update</b> The project proposal template has been reviewed and activities have used this template to prepare their projects as part of the 2021/31 Long Term Plan process.
	<ul style="list-style-type: none"> <li>Apply risk management principles to asset failure risk to determine the vulnerable, sensitive or critical assets. Communicate significant risk issues to senior management and implement appropriate risk mitigation tactics.</li> </ul>		<b>May 2021 Update</b> This will require further consideration by the asset management working group and is likely to be developed over the medium term and completed by the end of this year.
	<ul style="list-style-type: none"> <li>Undertake asset management system effectiveness reviews on an annual basis and report deficiencies against agreed asset management system maturity levels to senior executives.</li> </ul>		<b>May 2021 Update</b> With the Asset Management Plan peer review process completed this will be a future area of focus for the asset management working group.

### Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

KEY FINANCIAL CONTROLS INTERNAL AUDIT 2018 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status Update
System limitations impacting the control environment	<ul style="list-style-type: none"> <li>Ensure system controls are in place to restrict self-approved journal entries and refunds. In the interim, reinforce the requirement for journals to be reviewed and posted independently.</li> </ul>	Medium	<b>CLOSED</b> Process controls are in place to ensure that journal have not been self-posted. The ozone system does not have an automated tool to ensure journals are not self posted – finance staff continue to follow process controls each month. This audit matter is now closed because system controls are unable to be put in place, it is a process driven control.
	<ul style="list-style-type: none"> <li>Consider the use of 'hash total' technology to prevent unauthorized changes to the payment file.</li> </ul>		<b>May 2021 Update</b> Two separate staff members, completely independent from those staff who processed/created the payment file for payments, review the file for any changes before the file is uploaded to the bank. This ensures unauthorized changes don't occur.
	<ul style="list-style-type: none"> <li>Alternatively consider encrypting and/or password protecting the payment file from manipulation.</li> </ul>		<b>May 2021 Update</b> Two separate staff members, completely independent from those staff who processed/created the payment file for payments, review the file for any changes before the file is uploaded to the bank. This ensures unauthorized changes don't occur.
Implement segregation of duties and review system access rights of the Accounts Team.	<ul style="list-style-type: none"> <li>An exception report should be generated and reviewed prior to the payment run to identify any unauthorized changes to the creditor master file.</li> </ul>	High	<b>May 2021 Update</b> Once the new automated accounts payable tool has been implemented, training will be provided to staff on how to generate the exception report. Meanwhile, independent reviews by management still continues.

## 9.5 QUARTERLY REVIEW OF RISK PROFILE

**File Number:** A4057369

**Author:** Olive McVicker, Manager Corporate Services and Business Improvement

**Authoriser:** Kumaren Perumal, Group Manager Finance and Technology Services

### EXECUTIVE SUMMARY

1. Council's Risk Profile is a review of all major risks and the activities being undertaken to mitigate those risks. This report seeks to verify that the risks being reported remain the most appropriate and establish whether Council wish to add any further risks to the list.

### RECOMMENDATIONS

1. That the Manager Corporate Services and Business Improvement's report dated 20 May 2021 and titled 'Quarterly Review of Council's Risk Profile' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. The Committee reviews each of the top eleven risks identified below.
4. The Committee agrees which existing risks should be retained and reported on a quarterly basis.
5. The Committee considers whether to add any new risks either as main topics or as individual risks under existing risk areas.

### BACKGROUND

2. In June 2017, Council met to discuss and debate what were considered to be the top 10 risks facing council at that time, and decide which risks would be reported on a quarterly basis. Before that time risks had been collected in a risk register that contained around 23 major risks. The realignment of the ten top risks into a Risk Profile allowed for the amalgamation of some risks, such as those relating to Civil Defence emergencies, into a single category rather than reporting each one separately.

### REFRESHING THE RISK REPORTING

3. Councillors are asked to consider the risks they would like to see reported on a quarterly basis. The following table shows the Top Ten risks selected three years ago. Under each of the ten risk areas a number of individual risks were called out, so that activity and mitigating actions could be identified and shown in each subsequent report.
4. All of the risks which were highlighted three years ago remain relevant today. Some, such as Health and Safety, were new areas of focus due to new legislation, but the tracking and monitoring remains an important feature of our providing a safe working environment. Most of the risks will remain areas of focus for our activity in ensuring good quality infrastructure and building standards across our District.

Current Risk Area	Individual Risks in last Risk Profile
Health & Safety	<ul style="list-style-type: none"><li>• Compliance with H&amp;S laws</li><li>• Leadership accountability</li><li>• Accreditation of contractors</li></ul>
Staffing	<ul style="list-style-type: none"><li>• Attraction &amp; retention of staff</li><li>• Staff engagement</li><li>• Succession planning</li></ul>



Current Risk Area	Individual Risks in last Risk Profile
Crisis Management	<ul style="list-style-type: none"> <li>• Civil Defence Emergency Management response to natural disasters</li> <li>• Business Continuity Planning</li> <li>• COVID-19 learnings</li> </ul>
External Macroeconomics	<ul style="list-style-type: none"> <li>• Changes to Government policy or funding</li> <li>• Environmental factors</li> <li>• Changes to water management</li> <li>• Economic conditions</li> </ul>
Digital Ecosystem	<ul style="list-style-type: none"> <li>• Renewal &amp; update of hardware and software</li> <li>• Cyber Security</li> <li>• New ways of working</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Unplanned Asset failures</li> <li>• Unplanned risk around purchase &amp; construction of infrastructure</li> <li>• Contractors &amp; tenders</li> <li>• Procurement</li> <li>• Impact of sea level rise</li> </ul>
Project Delivery	<ul style="list-style-type: none"> <li>• Shortage of Project management skills and resources</li> <li>• Lack of a standard methodology</li> <li>• Contractor management skills</li> </ul>
Community Engagement	<ul style="list-style-type: none"> <li>• Maintaining engagement with residents and ratepayers</li> <li>• Ensure that views and feedback are given</li> </ul>
Regulatory Compliance	<ul style="list-style-type: none"> <li>• Loss of building inspection accreditation</li> <li>• Difficulty finding staff with specific skills</li> <li>• Use of external firms &amp; cost involved</li> <li>• Impact of poor accreditation decisions in the past</li> <li>• Potential to delay development</li> </ul>
Growth and impact on infrastructure	<ul style="list-style-type: none"> <li>• Incorrect growth assumptions</li> <li>• Rates burden impact on affordability</li> <li>• Cost of new infrastructure</li> <li>• Funding &amp; timing of regional roading projects</li> <li>• Availability of new land for development</li> </ul>
Fraud	<ul style="list-style-type: none"> <li>• Susceptibility of financial systems to fraud</li> <li>• Increased risk in times of financial stress</li> <li>• Management time required if fraud discovered.</li> </ul>

## CHANGES IN THE RISK ENVIRONMENT

5. The risks have been updated to reflect recent changes in the risk environment. The key changes are outlined below:

- COVID-19 Risk

The learnings from the pandemic and lock down have been captured, and new ways of working implemented. As a result the pandemic risk has changed focus from the local economy and wellbeing to a focus on central governments ability to continue the effective management of this risk.

- Uncertainty in the Local Government Sector

The current three waters review, alongside the Resource Management Act reform, has resulted in some uncertainty as to what future local government will look like.

- Central Government Review of Local Government Functions

In April 2021, Central Government announced a review of local government functions. The overall purpose of the review was to *“identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership.*

The risks for external macroeconomic and other events has been updated to recognise this uncertainty. It will also impact on the attraction and recruitment of staff. A key mitigation tool will be to ensure Council keeps up-to-date with the change proposals and consider the potential impacts to Council, the District and Communities.

- Project Delivery Risks

These have been updated to identify risk from an external perspective. Post COVID-19 there have been significant changes within the market. As a result the risks have been updated to recognise the shortage of resources in the contracting and consulting market, as well as price pressures. The risk appetite and mitigations have also been updated to reflect the response to these external risks. Planned mitigations identified include the building of staff capacity and resources as well as the roading contract extension.

- Risk of Fraud

This was identified as a key risk at the last review. The risk has been updated to recognise the Internal Audit position that has recently been established. The appointment of an Internal Auditor will provide assurance to Management and the Audit and Risk Committee in the management of risks and the controls on council's key processes.

- Future Ready Organisation

This initiative was approved by the Audit and Risk Committee in December 2020. The purpose of this initiative is to ensure the organisation is flexible, agile and successfully manage change no matter what reform or challenge comes its way. As a result it is a key mitigation tool for risks pertaining to staffing, digital ecosystem, project delivery, and external macroeconomic.

## NEXT STEPS

6. **Attachment 1** shows the summary of our current key risks. These risks have been updated to reflect recent announcements in regard to the review of local government, and changes in legislation i.e. Resource Management Act. A watching brief will be maintained to ensure that the Council participates any consultation processes. Alongside this, the Future Ready Organisation project and its various initiatives will build capacity and capability within the organisation to adapt to the changes required.
7. A full review of the key risks will be completed when the Internal Auditor is appointed and will be incorporated into the Audit and Risk work programme.

## SIGNIFICANCE AND ENGAGEMENT

8. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy in order to guide decision on approaches of engagement and degree of options analysis. In making this formal assessment it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

9. In terms of the Significance and Engagement Policy this decision is considered to be of low significance because residents and ratepayers are not affected by the review. Ratepayers and residents would only be affected if a significant risk occurs.

The top three residual risks for Council and the District being:

- A major natural disaster in the region;
- A major macroeconomic change impacting the national and regional economy; and
- Events impacting Council's ability to maintain and renew infrastructure.

## ENGAGEMENT, CONSULTATION AND COMMUNICATION

Interested/Affected Parties	Planned Communication		
Western Bay of Plenty District Council SMT and Finance Team	Appropriate staff to be notified accordingly.	Planned	Completed
Tangata Whenua	Regular communication would be undertaken by Council in the event of a major risk eventuating. Civil Defence would deal with any emergency communications.		
General Public	Regular communication would be undertaken by Council in the event of a major risk eventuating. Civil Defence would deal with any emergency communications.		

## ISSUES AND OPTIONS ASSESSMENT

The Committee is requested to review the previously selected top ten risks for their continued relevance, decide if these require amendment and consider if there are additional risks that should be added to the list.	
Reasons why no options are available Section 79 (2) (c) and (3) Local Government Act 2002	Legislative or other reference
<p>Council has agreed to regularly review its strategic risk as part of good governance and best practice.</p> <p>Emerging issues and changes in the operational environment necessitate a regular review of Council's strategic risk.</p> <p>As a result it is likely that risks will be reprioritised and changed over time in response to environmental influences, legislative changes, government policy and the like.</p>	

## STATUTORY COMPLIANCE

10. The recommendation in this report complies with Council's current Risk Management Policy. Risk assessment is integral to all of Council's operations and forms a part of all Asset Management Plans.

**FUNDING/BUDGET IMPLICATIONS**

Budget Funding Information	Relevant Detail
Not currently applicable	If changes to the risk priorities result in risk mitigation actions there may be budget implications.

**ATTACHMENTS**

1. Council's Risk Profile Report [!\[\]\(4c660a3c4ce1da3313488b7854f55083\_img.jpg\)](#) 

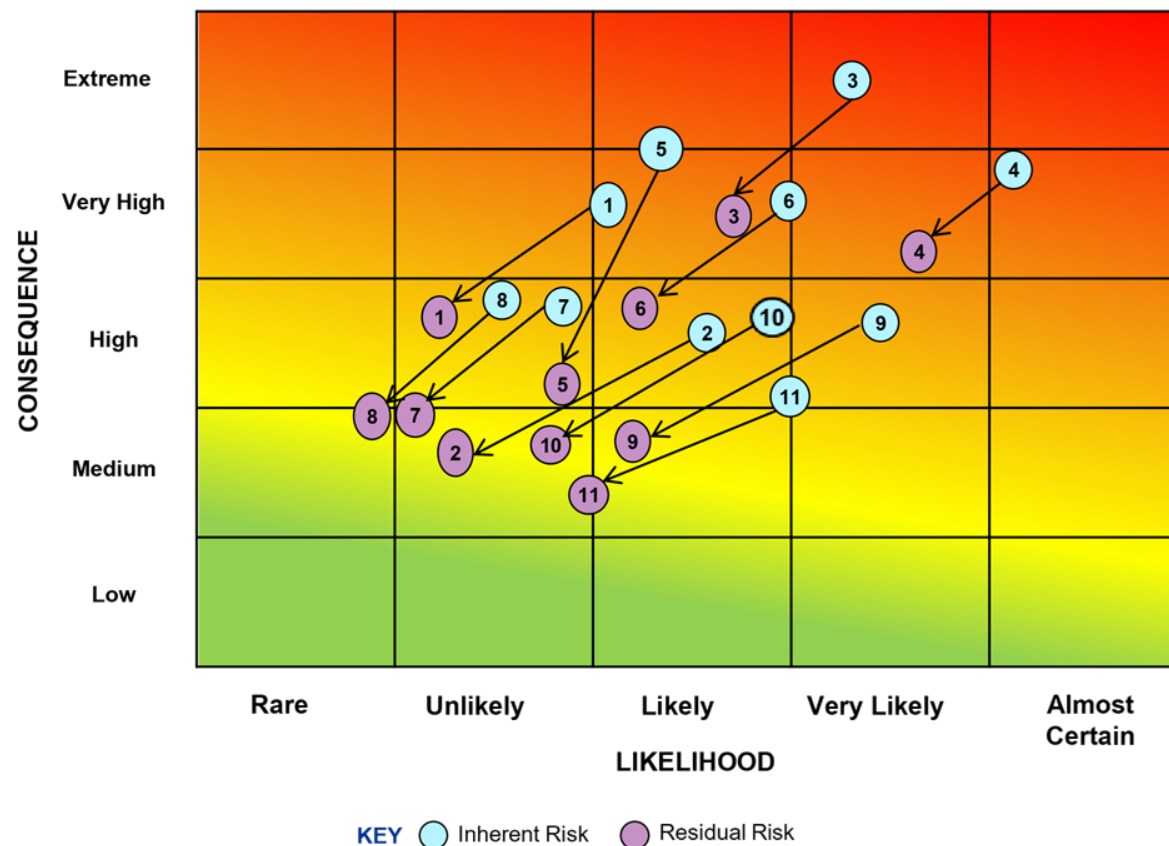
# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## RISK PROFILE

May 2021

# Summary of Key Risks

The following are the top risks to the achievement of WBOPDC's business objectives. Detail on each risk, associated mitigations and monitoring mechanisms are set out on subsequent pages.



#	Strategic Risk Areas
1	Health & safety compliance
2	Attraction, retention and engagement of key staff
3	Crisis management
4	External macroeconomic and other events e.g. horticulture disease and central government policy change
5	Digital ecosystem – resilience, cyber security, service delivery, data & information management
6	Renewals and maintenance of infrastructure
7	Project delivery management
8	Community engagement (general community and key stakeholders)
9	Regulatory compliance
10	Growth and impact on infrastructure planning
11	Risk of Fraud

# Summary of Key Risks – Definitions

The Summary of Key Risks contains likelihood categories which can be given a probability percentage and description (see table below).

Rating	Probability	Description
Almost Certain	>90%	Virtually certain to occur in the next three years.
Very Likely	>70%	Will probably occur in most circumstances in the next three years. A common occurrence.
Likely	>40%	Could occur at some stage Some history of occurrence in the past.
Unlikely	>20%	Could occur but little chance of occurrence in the next three years.
Rare	<10%	May occur only in exceptional circumstances. No history, but a remote chance that it may occur.

Each square on the Summary of Key Risks table equates to a risk rating (below left) and each risk rating has a level of ownership within the organisation (in the table on the right).

High	High	Very High	Extreme	Extreme
Medium	High	Very High	Very High	Extreme
Low	Medium	High	Very High	Very High
Low	Medium	Medium	High	Very High
Low	Low	Low	Medium	High

Risk Rating	Risk ownership within Council
Extreme	Senior Management Team
Very High	Senior Management Team
High	Relevant General Manager
Medium	Third Tier Manager
Low	Relevant Manager



# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>1. Health &amp; safety compliance risks</b>	High	Medium	Low
<ol style="list-style-type: none"> <li>1. Provision of a safe and healthy workplace for all employees.</li> <li>2. Health &amp; Safety at Work Act 2015 increases accountability for all levels of management.</li> <li>3. Asbestos in our buildings identified as our major H&amp;S risk.</li> <li>4. Induction of all contractors onto our worksites to ensure any risks or hazards are highlighted.</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>• Compliance with health and safety is important in terms of upholding Council's reputation and public perception.</li> <li>• Safety and well-being of people is one of Council's primary concerns.</li> <li>• Focussed on the 'right thing to do'.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Appropriate training in Health &amp; Safety at Work Act is given to all staff.</li> <li>• Hazard Registers completed for all Council work sites.</li> <li>• Asbestos identified where present in all locations. Observational assessments are being completed.</li> <li>• All departments are represented on our Health &amp; Safety Committee.</li> <li>• Vault Reporting system is used to record all accidents, injuries &amp; near misses.</li> <li>• Use of the Contractor Pre-Qualification Scheme to ensure consistent H&amp;S standards by all contractors used by Council.</li> <li>• Healthy Home Compliance certificates being completed for all of Council's pensioner housing.</li> <li>• Competent and qualified staff</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
<ul style="list-style-type: none"> <li>• New Regulations on Asbestos Management – plans for each location where it is present</li> <li>• Asbestos Management Plan review</li> <li>• Officers (CEO and Group Managers) Due Diligence Plan</li> </ul>	Strategic Property Strategic Property Health and Safety	2020 – 21 Regularly Regularly	Ongoing Ongoing Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>2. Attraction, retention and engagement of key staff</b>	<b>Medium</b>	<b>Medium</b>	<b>Low</b>
<ol style="list-style-type: none"> <li>1. Uncertainty in the Local Government Sector</li> <li>2. Competitive market and cost of housing .</li> <li>3. Competition from other nearby Council employers.</li> <li>4. Need to recruit specialist roles with skills that are in high demand.</li> <li>5. Succession planning needed in areas with retiring staff.</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>• Key staff are required to support Council's operations and drive achievement of strategic objectives.</li> <li>• Difficulty in finding qualified individuals for specific roles i.e. Building Control.</li> <li>• Developing the right culture.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Innovative solutions by using staff from other Councils in Building Control and providing services to others.</li> <li>• Training opportunities through local tertiary providers.</li> <li>• Staff retention &amp; succession planning exercises undertaken.</li> <li>• Flex-working policy implemented.</li> <li>• Reputation as 'good employer'</li> <li>• Implementation of Future Ready initiative</li> <li>• Identification of career opportunities through the identification of career paths.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Benefit and wellness initiatives	Various	2021	Ongoing
Future Ready programme	Various	2021	Ongoing
Provision of career opportunities	Various	2021	Ongoing
Rewards and Recognition	Various	2021	Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>3. Crisis management</b>	Extreme	High	Medium/High
<ol style="list-style-type: none"> <li>1. Response to natural hazard disasters (earthquake, flood, tsunami &amp; volcanic eruption).</li> <li>2. Increased risk from climate change risks such as flooding, inundation, and coastal erosion.</li> <li>3. Insurance – uncertainty over 60-40% arrangements with central government.</li> <li>4. Ensuring that crisis, pandemic and business continuity plans are fit for purpose.</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>• Higher residual risk due to many of these factors being outside of Council's control.</li> <li>• There's a focus on particular areas, where risks and vulnerabilities are seen as higher (e.g. Waihi Beach, Maketu, Pukehina Beach).</li> <li>• Individual risk appetites for different sub-categories: Civil Defence: Moderate, Non-Civil Defence: High.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Council has a key role in local Civil Defence &amp; Emergency Management, hosted in our building and supported by staff training &amp; familiarity.</li> <li>• Collaboration with other Councils and Lifelines.</li> <li>• Natural hazard modelling for coastal erosion, flooding, tsunami has led to new mapping for the district.</li> <li>• Crisis, Business Continuity and Pandemic planning all undertaken.</li> <li>• Improved loss modelling &amp; cover from insurance brokers Aon. Annual revaluations of all our assets for insurance purposes.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Natural hazard modelling to meet new Regional Policy Statement requirements	Tony Clow	2018-2023	Ongoing
Business Continuity Planning / Crisis Management Plan update	Various	2021	Ongoing
CDEM resourcing and training	Kerrie Little	2021	Ongoing
Building community resilience	Kerrie Little	2021	Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>4. External macroeconomic and other events e.g. horticulture disease and central government policy change</b>	Extreme	High	Medium
1. Changes to management of 3 Waters & new government regulator for drinking water. 2. Review and change to the Resource Management Act 3. Central Government review of Local Government functions, purpose etc. 4. Environmental impacts from new policy directives and climate change locally. 5. International, national & local economic conditions. 6. Impact of Zero Carbon Amendment Bill. 7. Roding policy decisions by Central Government affecting State Highways in particular funding 8. COVID-19 – government ability to continue effective management of COVID-19 risk.			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>Council's aim is to get visibility to the best of their ability and influence where it can.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>Keep up to date with change proposals and consider potential impacts to Council, district and communities</li> <li>Joint government lobbying through sector groups such as LGNZ &amp; Taituara.</li> <li>Use of local groups; SmartGrowth, Priority One, Urban Form and Transport Initiative (UFTI).</li> <li>Collaboration with other local Councils.</li> <li>Develop contacts with local business and industry groups to understand sector risks and drivers.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Implementatation of Future Ready initiative – purpose to ensure organisation is flexible, agile and successfully manages change no matter what reform or challenge come its way	CEO	2021-2023	In progress

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>5. Digital ecosystem – resiliency of systems, cyber security, IT service delivery, data and information management and compliance</b>	High	Medium	Low
<ol style="list-style-type: none"> <li>1. Risk that WBOPDC systems are not resilient enough to provide continuity of services to the business.</li> <li>2. Risk that WBOPDC security suites are not adequate to prevent cyber attacks.</li> <li>3. Risk that IT are unable to deliver required level of services to the business.</li> <li>4. Risk that the appropriate controls are not in place to manage data to the correct level of authorisation.</li> </ol>			
<b>Risk Appetite Rationale</b> <ul style="list-style-type: none"> <li>• WBOPDC invest in the appropriate level of funding in order to mitigate the digital risks.</li> <li>• Technology is fundamental to the way Council does business and the risk profile is best practice and best of breed where economically viable.</li> <li>• If the data centre has a catastrophic failure Council could potentially lose one day's data.</li> </ul>			
<b>Key Mitigations</b> <ul style="list-style-type: none"> <li>• WBOPDC operate best of breed infrastructure production with disaster recovery systems and cloud backups. All systems undergo regular maintenance.</li> <li>• Under policy Council uses expert third party advice and implementation of our security suite. WBOPDC has a fully zoned network security infrastructure.</li> <li>• WBOPDC employs an IT operations framework that includes full control reporting of system events, change management and service requests. Council IT governance and operational controls are audited annually by Audit NZ and we operate a continuous improvement programme of its systems and services.</li> <li>• There is an IT access policy in place setting out the control access levels for authorisation, authentication and administration of all corporate data. Council is compliant with Information Management legislation, for example Privacy Act and Public Records Act and have implemented Policy to manage.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Planning for migration to “software as a service” where appropriate when systems are renewed. Multi Factor Authentication for remote access has been deployed. Ozone ERP is to be replaced in the future, planning to go to local government ERP vendors through a tender evaluation in 2022. Datacom CRM pilot to commence in June 2021	Marion Dowd Richard Gilligan Marion Dowd		Ongoing Complete Ongoing



# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>6. Renewals and maintenance of infrastructure</b>	High	Medium	Medium/Low
<ol style="list-style-type: none"> <li>Does current infrastructure meet the needs of the current population?</li> <li>Will current infrastructure meet the needs of the population for the infrastructure's remaining estimated lifetime?</li> <li>Are growth estimates accurate?</li> <li>Risks from unexpected asset failures.</li> <li>Risks during purchase &amp; construction of new assets.</li> <li>Contractors unwilling to tender, either due to difficulties working with Council's, lack of capacity or full order books.</li> <li>Potential negative impacts of COVID-19 on companies who may tender for work with Council – e.g. supply of raw materials from overseas.</li> <li>Problems arising from not following correct procurement processes.</li> <li>Impact of highway upgrades on adjacent underground utilities and the roading network.</li> <li>Impact of sea level rise on local government infrastructure.</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>Need to ensure our infrastructure is always fit for purpose</li> <li>Individual risk appetites for different sub-categories, e.g. Bridges: low, Renewals: moderate.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>Structure Plans estimate future asset requirements and growth profiles.</li> <li>Asset Management Plans in place for all infrastructure activities which predicts asset renewal requirements.</li> <li>Infrastructure spending is approved through the LTP/Annual Plan process.</li> <li>Significant improvement in procurement processes.</li> <li>Joint procurement e.g. solid waste, 3 waters maintenance contract, ONRC Road Maintenance Contract with Waka Kotahi</li> <li>Regional and subregional planning e.g. UFTI, SmartGrowth, Spaces &amp; Places</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Implementation of Watercare IT system for 3 waters joint contract	Marion Dowd	2021 - 2022	Ongoing
Renewal of Joint Road Maintenance contract with NZTA	Gary Allis	2021 - 2023	Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>7. Project delivery risks</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>
<ol style="list-style-type: none"> <li>1. Contracting market, shortage of resources</li> <li>2. Consulting market, shortage of resources</li> <li>3. Price pressure</li> <li>4. Internal resourcing, shortage of skilled staff, salary pressure</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>• Utilise alternative procurement methodology e.g. collaborative contracts, Early Contractor Involvement (ECI), major variations to existing contracts, dispensation to procurement procedures.</li> <li>• Modification to levels of service and design standards to reduce price</li> <li>• Clearly defined risk ownership in contracts, Council takes more risk</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Early contractor engagement on forward work programme</li> <li>• Timing work to ensure reliable pipeline</li> <li>• Engage Tier 2 and 3 contractors</li> <li>• Alternative procurement methods and contracts e.g. unit rates, hourly rate, ECI</li> <li>• Alternate procurement methods and contracts e.g. unit rates, hourly rate, ECI</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Future Ready Organisation initiative – development and implementation of project and change management frameworks	Various	2021 - 2023	Ongoing
Build internal staffing capacity and project specific resources e.g. Kerbside Westlink Contract extension with two year programme	Various G Allis	2021 – 2023 2021	Ongoing Ongoing



# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>8. Community engagement risks (general community and key stakeholders)</b>	Medium	Medium/Low	Low
<ol style="list-style-type: none"> <li>1. Obligation to engage with residents and community &amp; demonstrate that this has been done.</li> <li>2. Fostering greater community participation.</li> <li>3. Providing good customer service.</li> <li>4. Use of Council land &amp; venues for private events &amp; Compliance with the Health &amp; Safety at Work Act.</li> </ol>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>• Council is very careful on external communications</li> <li>• Customer service is important to us</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Survey conducted for community events run and supported by Council as appropriate</li> <li>• Community Boards, Bang the Table, community events, connector groups all play a part in engaging with the community.</li> <li>• Surveys are conducted to gauge community satisfaction.</li> <li>• Community Engagement Framework now in place and staff trained.</li> <li>• Comprehensive risk plans are required for events on council property. All dealings and approval of events on Council land has a process to go through and staff sign-off is required.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Community and Environment strategies are being developed Maintain engagement skills and provide ongoing training	Emily Watton David Pearce	2020-21 2021	Ongoing Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>9. Regulatory compliance</b>	High	Medium	Low
<ol style="list-style-type: none"> <li>1. Loss of regulatory compliance accreditation from IANZ, MBIE and MPI.</li> <li>2. Finding staff with the right skills and qualifications.</li> <li>3. Lack of local training providers.</li> <li>4. Employing external contractors &amp; the impact on cost.</li> <li>5. Failure to provide adequate Code of Compliance certificates.</li> <li>6. Potential to delay development and building work.</li> <li>7. Change to case law around 10 year liability for leaky building claims may lead to re-opening cases.</li> <li>8. Failure of after hours contractor to provide services i.e. noise control, animal control etc</li> <li>9. Abatement notices – inadequate process for review and monitoring, resulting in lodgement of appeals.</li> <li>10. Infringement notices – not meeting legislative requirements which impacts on reputational and financial risk.</li> </ol>			
<b>Risk Appetite</b>			
<ul style="list-style-type: none"> <li>• These risks are within Council's control and is important to Council's reputation of high quality service delivery</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>• Quality &amp; Systems specialist role created to ensure continuity of accreditation.</li> <li>• Use of PROMAPP to provide consistent documentation and processes.</li> <li>• Use of external contractors to cover workload.</li> <li>• Improved training &amp; qualification process.</li> <li>• Development of earthquake prone building policy.</li> <li>• Sound procurement policy and practices for engaging contractors.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Work Programme developed using the suggested improvements from the QC's report on Bella Vista	Chris Nicholson et al	2020 / 2021	Ongoing
Reintroduce Cadet positions	Chris Nicholson et al	2021	Ongoing
Career progression framework	Chris Nicholson et al	2021	Ongoing
Maintain watching brief and develop responses to future legislation e.g. Resource Consent monitoring, RMA changes	Alison Curtis	2021	Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>10. Growth and impact on infrastructure planning</b>	<b>Medium</b>	<b>Medium</b>	<b>Low</b>
1. Incorrect growth assumptions, leading to incorrect estimates for costs and revenues. 2. Cost of infrastructure needed by new developments. 3. Ensuring sufficient land for housing demand			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>Out of council's control but has a big impact on infrastructure planning and community wellbeing</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>Regular review of population growth estimation</li> <li>Regular update of infrastructure schedules</li> <li>Establishment of sub regional relationships to manage growth in partnership with local and central government agencies.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
Boundary changes relating to Tauriko West & planning for other areas	Phillip Martelli	2020	Complete
Infrastructure impact on planning, future development & financial reporting	Various	Ongoing	Ongoing
Development of Sub-Regional Housing Action Plan	Various	Ongoing	Ongoing

# Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
<b>11. Risk of Fraud</b>	<b>Medium</b>	<b>Medium</b>	<b>Low</b>
<ul style="list-style-type: none"> <li>Ability of finance systems and dual controls to prevent fraud.</li> <li>Risk of increased fraud in times of financial stress.</li> <li>Management time required (remediation, court cases, etc) if fraud is discovered.</li> </ul>			
<b>Risk Appetite Rationale</b>			
<ul style="list-style-type: none"> <li>Council has zero appetite for internal fraud.</li> </ul>			
<b>Key Mitigations</b>			
<ul style="list-style-type: none"> <li>Dual authorisation for purchases. Purchasing and procurement process.</li> <li>Accounting checks and reconciliations on a regular basis.</li> <li>Conflict of interest declarations.</li> <li>External auditors (KPMG) and Audit New Zealand investigations.</li> <li>Delegated financial authorities and segregation of duties.</li> <li>Secure passwords.</li> <li>Checks on bank account number changes and changes to supplier records.</li> <li>Updated Fraud Policy issued to staff.</li> </ul>			
<b>Significant Planned Additional Mitigations</b>	<b>Owner(s)</b>	<b>Timing</b>	<b>Status</b>
<ul style="list-style-type: none"> <li>Responses to audit issues raised</li> <li>Appointment of an Internal Auditor – recruitment commenced</li> <li>In-house internal audit function</li> <li>Six weekly meetings with Audit NZ</li> </ul>	Finance CFO CFO Finance	Annual 2021 2021 Six weekly	Ongoing Commenced Ongoing Ongoing

## 9.6 HEALTH AND SAFETY REPORT

**File Number:** A4060211

**Author:** Paige Marshall, Executive Assistant People & Customer Group

**Authoriser:** Jan Pedersen, Group Manager People And Customer Services

### EXECUTIVE SUMMARY

#### 1. Health and Safety Report

This report provides a summary of:

- The health and safety performance across the organisation;
- Significant health and safety risks and safety events for the reporting period; and
- The progress against the health and safety strategy and work programme.

### RECOMMENDATION

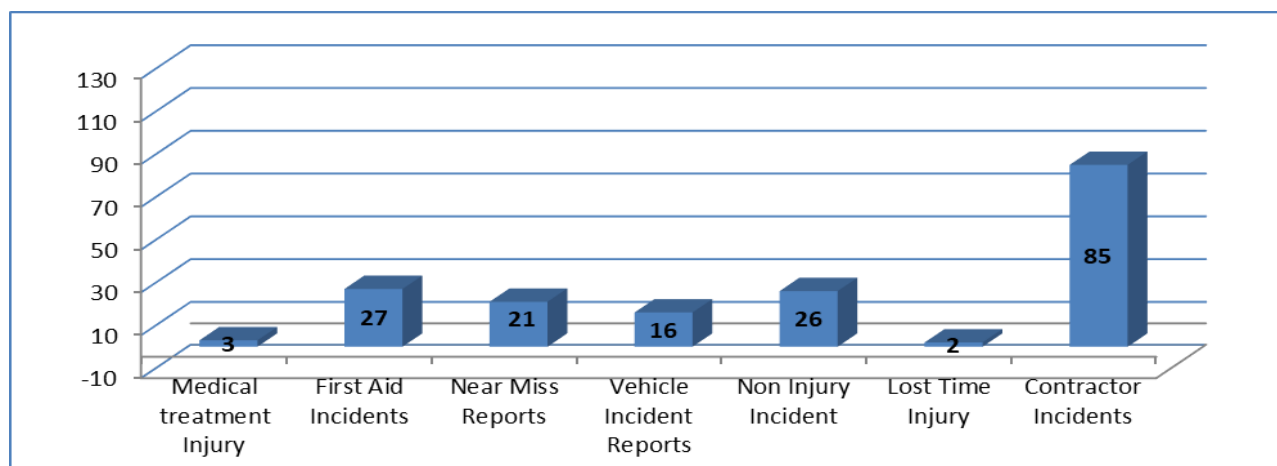
That the Executive Assistant People and Customer Group's report dated 20 May 2021 titled 'Health and Safety Report' be received.

### BACKGROUND

#### 2. Health and Safety Performance

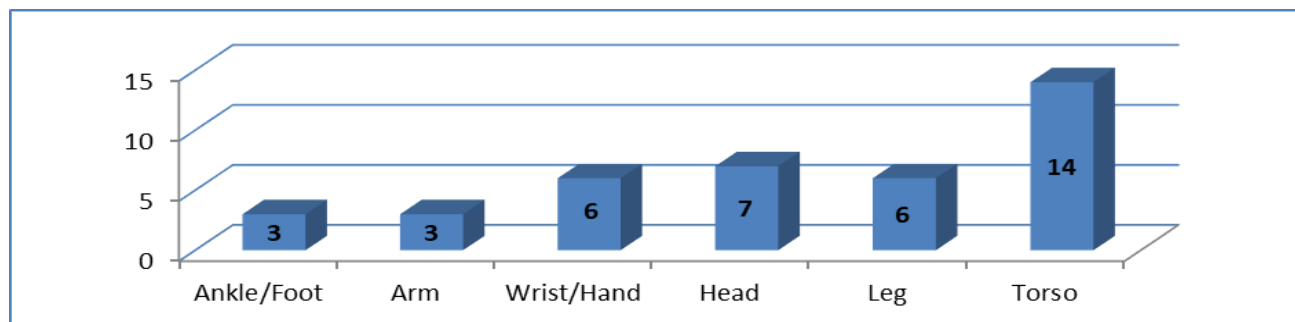
The graph and data below provide an overview of Council's Health and Safety performance.

**Summary of Safety Events – 1 July 2020 – 30 April 2021**



#### 3. Year to Date – Significant Safety Events - February – 30 April 2021

Te Puke Library staff have recorded a number of aggressive customer incidents within the reporting period, most of which were related to disorderly teenage behaviour. To ensure our staff and customers are safe, Council has contracted the services of security guards to provide a safe work environment for staff and library customers throughout the school holiday periods. This has resulted in a noticeable drop in safety incidents reported within the reporting period.

**Types of Injuries Sustained, Year to Date – 1 July 2020 to 30 April 2021****4. Accident/Incident Frequency Rates**

The metrics reported are:

- Lost Time Injury Frequency Rate (LTIFR). This is the average number of lost time injuries per 200,000 hours worked;
- Total Recordable Injury Frequency Rate (TRIFR). This is the average number of recorded injuries per 200,000 hours worked; and
- Lost Time Injuries (LTI's).

Metrics	Council's year to date records	Local Government Industry Benchmark
Average LTIFR (year to date)	2	2.5
Average TRIFR (year to date)	5	7
Average Lost Time Injuries (LTI). recorded (year to date) of LTI's.	2	3

**5. Summary of Safety Events - Year to Date – 30 April 2021**

Safety Events	Year to Date Results FY 2021 (Q2)	Year to Date Results FY 2020	Year to Date Results FY 2019
Medical Treatment Injury	3	5	1
First Aid Incidents	27	8	23
Near Miss Reports	21	49	33
Vehicle Reports	16	11	38
Non Injury Incident	26	15	51
Lost Time Injury	2	3	4
Contractor Incidents	85	150	123
<b>Total Safety Event Reports Year to Date</b>	<b>180</b>	<b>241</b>	<b>273</b>

**6. Health and Safety Hazard Risk Management**

Council's Health and Safety Risk register has recently been reviewed including mitigation strategies for the top ten safety related hazards and risks. For example:

- Lone worker devices were recently implemented for high risk activities such as the Water Treatment functions, to support staff who are carrying out water sampling and treatment in remote locations
- Council's safety team are focussing on contractor safety site inspections throughout the construction season. A number of safety inspections were undertaken in Omokoroa and Waihi Beach
- Council's safety team have been working closely with the Kerbside Collection team on the safety related hazards and risks associated with the new rubbish and recycling programme; including bin servicing on narrow and steep roads and state highways. Bin deliveries commenced in May with the kerbside service commencing in July 2021.

**7. COVID-19 Management Planning**

Council continues to monitor and respond to updates from central government's communication and guidelines for COVID-19 and will communicate key safety messages from central government to all staff and elected members.

Remote access working is being continually tested to ensure staff can continue to work from home, if required.

**8. Health and Safety Strategic Work Programme**

- Policy and guideline reviews;
- Safety site inspections and audits;
- Contractor management, including an online induction programme;
- Incident and accident safety management; and
- Engagement and training with safety and wellbeing.

Throughout the reporting period, selected staff attended four wheel drive, first aid and asbestos training.

**9. Health and Safety Committee**

Council has an active Health and Safety Committee, which includes representation from across the organisation. The Health and Safety Committee meet on a monthly basis and review safety events, policies and new legislation.



**10 INFORMATION FOR RECEIPT****11 RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>11.1 - Litigation Updates</b>	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7