

# MEETING – AGENDA –

Ngā Take

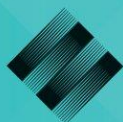


# AUDIT AND RISK COMMITTEE

Komiti Taiwhenua

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**AR21-1**  
**Friday, 19 March 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 Don Thwaites Mayor Garry Webber
<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 a Audit and Risk Committee Meeting will be held  
in the Council Chambers, Barks Corner, Tauranga on:  
Friday, 19 March 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>5</b>
<b>10</b>	<b>Reports .....</b>	<b>6</b>
10.1	Summary of Audit and Risk Agenda Topics .....	6
10.2	Summary of Council's Insurance Renewal Process .....	7
10.3	Health and Safety Report .....	9
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10.5	Treasury Update .....	15
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<b>11</b>	<b>Information for Receipt .....</b>	<b>28</b>
<b>12</b>	<b>Resolution to Exclude the Public .....</b>	<b>28</b>
12.1	Litigation Updates .....	28

**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**

## 10 REPORTS

### 10.1 SUMMARY OF AUDIT AND RISK AGENDA TOPICS

**File Number:** A4020077

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

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

#### EXECUTIVE SUMMARY

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, insurance and other organisational matters covered in the meeting agenda.

#### RECOMMENDATION

That the Group Manager Finance and Technology Services report dated 19 March 2021 titled 'Summary of Audit and Risk Agenda Topics' be received.

#### BACKGROUND

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.

#### UPDATE ON COUNCIL'S INSURANCE RENEWAL PROCESS

Following a report presented at the August 2020 Committee meeting around the insurance renewal process, staff have arranged for representatives from Aon (Council's Insurance Broker) to attend the March 2021 Committee meeting to present. Aon will present the outcome of the 2020 insurance renewal process. This includes the drivers for the premium increases and national and global factors that influence the premium pricing and resulting impacts on Council's insurance portfolio. A separate summary report on Council's insurance renewal process is included on the agenda. The approach and key factors to consider for the 2021 insurance renewal process will also be covered in the presentation from Aon.

#### TREASURY UPDATE

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

#### TAX GOVERNANCE FRAMEWORK

Council has engaged PwC 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. A report is provided separately on the meeting agenda.

#### REPAYMENT OF DEBT MATURITY

Council has a \$20 million maturity due to the Local Government Funding Agency (LGFA) on 15 April 2021 which must either be repaid or refinanced. A separate report is included on the meeting agenda seeking the Committee's consideration of the options available and to provide a recommendation to Council.

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

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

## 10.2 SUMMARY OF COUNCIL'S INSURANCE RENEWAL PROCESS

**File Number:** A3976614

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

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

### EXECUTIVE SUMMARY

1. At the December 2020 Audit and Risk Committee, Elected Members were advised that representatives from Aon Insurance (Aon) will attend the next Committee meeting to present the outcome of the 2020 insurance renewal process and impacts on Council's insurance portfolio. Representatives will also explain the workstreams to be undertaken with Council this year and the benefits these workstreams will provide.

### RECOMMENDATION

That the Group Manager Finance and Technology Services report dated 19 March 2021 titled 'Summary of Council's Insurance Renewal Process' be received.

### BACKGROUND

2. The New Zealand and Global insurance market continued to harden in 2020 with premium increases common across most classes. In the case of property, increases were accompanied by restrictions in capacity for locations in higher risk earthquake zones.
3. The liability market has also experienced challenging times with directors and officers' insurance (for Limited Liability Companies i.e. Council Controlled Organisations (CCOs)) particularly affected by rising costs associated with a more litigious class action environment. There has been an increase in the number of claims experienced in the Council sector, largely through building consenting related issues.
4. The COVID-19 pandemic is presenting significant challenges for the economy and while insurance policies generally contain infectious disease or pandemic exclusions, there are some types of policies that provide coverage. Globally, indications of losses from COVID-19 are in excess of US\$101 billion. In New Zealand, insurers largely excluded cover for infectious diseases so impact locally is forecast to be relatively minor, but the impacts to Global markets are not yet fully understood.
5. In order to address the issues associated with a hard market, Aon will begin a workstream with Council to review our current insurance programme and look for areas that can be refined. This will help mitigate the impacts of the hard market cycle as much as possible. This body of work needs to be looked at from a holistic point of view for the organisation. Topics to be considered are:
  - Councils appetite for risk – are we risk adverse or prepared to accept more risk;
  - Asset selection process – do we need to insure all of our assets or can we be more pointed in what assets we insure;
  - Improvement to data supplied, such as GIS Data overlaying on Infrastructure assets;
  - Review of existing Deductible levels;
  - Policy Loss limit reviews; and
  - Impacts of large-scale Natural Hazard event – Loss Modelling.
6. The intention was that Aon begin this process with Council early February in preparation for the 1 November 2021 renewal. This will allow a cost/benefit assessment to be made on how Council's future insurance programme is structured.
7. Aon has already undertaken Insurable Risk profiling workshops with staff, held on 8 December 2020, which involved multiple parts of the business.

8. With insurers looking to limit their exposure, it is now key to differentiate ourselves from other purchasers of insurance and make the purchase of insurance a more strategic and risk-based activity.



### 10.3 HEALTH AND SAFETY REPORT

**File Number:** A3979425

**Author:** Paige Marshall, Executive Assistant People and Customer

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

#### EXECUTIVE SUMMARY

##### Quarterly 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

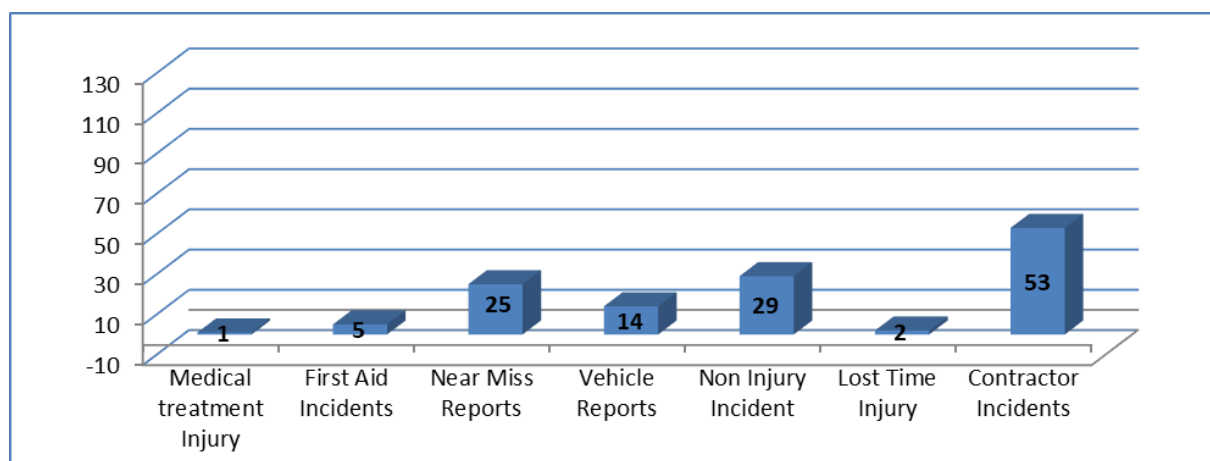
That the Group Manager People and Customer Services report dated 19 March 2021 titled 'Health and Safety Report' be received.

#### BACKGROUND

##### 1. Health and Safety Performance

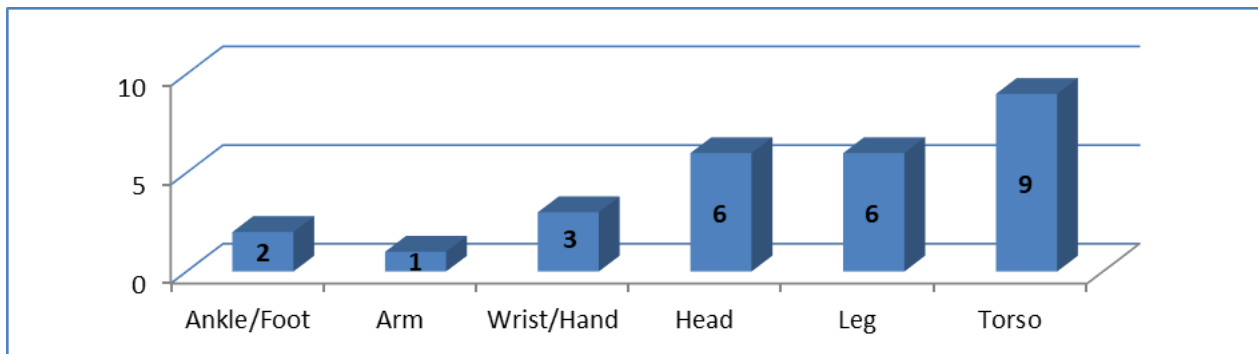
The graph and data below provide an overview of Council's Health and Safety performance.

##### Summary of Safety Events – 1 July 2020 – 31 January 2021



##### Year to Date – Significant Safety Events - October 2020 - January 2021

An aggressive customer threatened the Animal Services Officers on 7 December 2020. A trespass order was subsequently put in place following the incident. Affected staff were provided with incident de-brief sessions and offered counselling. Temporary security measures were implemented for affected staff following the incident.

**Types of Injuries Sustained, Year to Date – 1 July 2020 to 31 January 2021****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

**Summary of Safety Events - Year to Date - 31 January 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	1	5	1
First Aid Incidents	5	8	23
Near Miss Reports	25	49	33
Vehicle Reports	14	11	38
Non Injury Incident	29	15	51
Lost Time Injury	2	3	4
Contractor Incidents	53	150	123
<b>Total Safety Event Reports Year to Date</b>	<b>129</b>	<b>241</b>	<b>273</b>

**Health and Safety Hazard Risk Management**

Council's Health and Safety Risk register has recently been reviewed. The safety team will continue to monitor and review hazards and risks.

**COVID-19 Management Planning**

Council continues to monitor and respond to updates from central government's communication and guidelines for COVID-19.

As an organisation, we continue to communicate the key messages from central government to all staff, including the need for good hygiene practices through posters, signage, articles and the Health and Safety newsletter.

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

**2. 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.

**3. 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.

## 10.4 REPAYMENT OF DEBT MATURITY

**File Number:** A4005516

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

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

### EXECUTIVE SUMMARY

1. Council has a \$20 million debt maturity payable to the Local Government Funding Agency Limited (LGFA) on 15 April 2021. This report seeks a resolution for the Audit and Risk Committee to recommend to Council that this maturity be repaid from Council's cash balance.

### RECOMMENDATION

1. That the Senior Financial Planner's report dated 19 March 2021 titled 'Repayment of Debt Maturity' 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. That the Committee recommend to Council that the \$20 million debt maturity payable to the Local Government Funding Agency Limited on 15 April 2021 be repaid from Council's cash balance.

#### OR

That the Committee recommend to Council that the \$20 million debt maturity payable to the Local Government Funding Agency Limited on 15 April 2021 be refinanced.

### BACKGROUND

2. Council has total external borrowings of \$110 million, made up of nine individual loans with a range of maturity dates in accordance with Council's treasury policy. These loans are primarily borrowed through the LGFA.
3. Council has a \$20 million debt maturity due to the LGFA on 15 April 2021, which must either be repaid or refinanced. This loan also has a corresponding borrower note attached to the value of \$320,000 (1.6% of the loan value) which would be repaid to Council should the loan be repaid.
4. As at the end of February 2021, Council held \$44 million in cash and cash equivalents. Council also has a \$30 million committed facility with ANZ Bank and maintains the ability to borrow from the LGFA should Council require additional liquidity.
5. Staff recommend that the Audit and Risk Committee consider making a recommendation to Council to repay the upcoming debt maturity from cash as Council has sufficient liquidity to cover operational needs, particularly against the backdrop of Council's second rates demand instalment due in March 2021. There is also a holding cost attached to refinancing the loan as the interest payable on the loan is higher than the interest that would be earned on the cash, due to prevailing market interest rates.

### SIGNIFICANCE AND ENGAGEMENT

6. 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 making this formal assessment, there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

7. In terms of the Significance and Engagement Policy this decision is considered to be of low significance because the recommendation relates to the fulfilment of a contractual obligation in accordance with the documentation signed with Council's lenders.

## ENGAGEMENT, CONSULTATION AND COMMUNICATION

Interested/Affected Parties	Completed/Planned Engagement/Consultation/Communication		
Staff	Information regarding Council's loans and maturity dates is communicated annually through Council's Annual Report.  Information regarding Council's approach to Treasury Management is contained within Council's Treasury Policy, which is available on Council's website.	Planned	Completed
Tangata Whenua			
General Public			

## ISSUES AND OPTIONS ASSESSMENT

Option A That the Committee recommend to Council that the \$20 million debt maturity payable to the Local Government Funding Agency on 15 April 2021 be repaid from Council's cash balance.	
<b>Assessment of advantages and disadvantages including impact on each of the four well-beings</b> <ul style="list-style-type: none"> <li>• Economic</li> <li>• Social</li> <li>• Cultural</li> <li>• Environmental</li> </ul>	Council would reduce its borrowing costs and maintain a level of external borrowing that matches its current need for funding.  Should Council require further liquidity, it can easily borrow through the LGFA.
<b>Costs (including present and future costs, direct, indirect and contingent costs).</b>	Repayment of the maturity from cash balances would reduce Council's immediate liquidity.
Option B That the Committee recommend to Council that the \$20 million debt maturity payable to the Local Government Funding Agency on 15 April 2021 be refinanced.	
<b>Assessment of advantages and disadvantages including impact on each of the four well-beings</b> <ul style="list-style-type: none"> <li>• Economic</li> <li>• Social</li> <li>• Cultural</li> <li>• Environmental</li> </ul>	Council would maintain a large amount of liquidity which would continue to be invested in short term deposits.

<b>Costs (including present and future costs, direct, indirect and contingent costs).</b>	Council's borrowings would be higher than immediately required and the interest earned from having a higher cash balance would be lower than the interest payable on the debt, leading to additional funding costs.
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### STATUTORY COMPLIANCE

8. The recommendation is consistent with the requirements of Section 101 of the LGA

### FUNDING/BUDGET IMPLICATIONS

<b>Budget Funding Information</b>	<b>Relevant Detail</b>
Long Term Plan 2021-31	This decision determines the level of external borrowing Council will have, along with the corresponding borrowing costs as it enters the 2021-31 planning horizon.

## 10.5 TREASURY UPDATE

**File Number:** A4004597

**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 19 March 2021 and titled 'Treasury Update' be received.

### BACKGROUND

2. This report gives an update on the treasury-related risks presented on 19 March 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 24 February 2020, citing the likely significant time period before the global rollout of the COVID-19 vaccine creates widespread immunity. The Bank signalled that the OCR is likely to remain at this level for some time.
5. Council uses Interest Rate Swaps (Swaps) to lock in fixed interest rates for future time periods and can be used as a proxy for where the market believes interest rates are likely to be in the future. While the OCR remains at historically low levels, Swap rates have been steadily increasing over the last two months, indicating that the market is pricing in future rate increases. The change to the Reserve Bank's mandate, to consider house prices in decision making, also adds a new dimension for where interest rates could trend if the current hot housing market continues.
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.

Council has a debt maturity of \$20 million due to the Local Government Funding Agency (LGFA) in May 2021 which, depending on market conditions and the decision of Council in relation to future expected expenditure, we could either repay or refinance. A separate paper

will be presented to the Audit and Risk Committee outlining the issues and options for both scenarios in order to make a recommendation to Council.

### 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.



## 10.6 TAX GOVERNANCE FRAMEWORK

**File Number:** A4004716

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

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

### EXECUTIVE SUMMARY

1. This report provides an overview of Council's Tax Governance Framework and the work programme underway to manage Council's tax related risk.

### RECOMMENDATION

That the Senior Financial Planner's report dated 19 March 2021 titled 'Tax Governance Framework' be received.

### BACKGROUND

2. While the provision of Local Government services are exempt from Income Tax, Council remains a significant taxpayer through Goods and Services Tax (GST), taxes associated with Staff/Elected Member salaries (PAYE, Kiwisaver), Fringe Benefit Tax (FBT) and Withholding Tax (WHT).
3. The scale and complexity of Council operations, in conjunction with constantly changing tax legislation, create an inherent level of risk with regards to Council's compliance with all legislation.
4. Government and Tax Authorities are placing an increasing focus on tax governance with Inland Revenue actively reviewing the tax governance of significant enterprises. The public also has an interest in Council's tax governance, in order to ensure that we are meeting our 'good corporate citizenship' responsibilities.

### TAX GOVERNANCE FRAMEWORK WORK PROGRAMME

5. Council has engaged PwC 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.
6. This work programme includes detailed evaluations of Council's processes and procedures relating to the tax types Council has the most potential exposure to (GST, PAYE and FBT). These evaluations are designed to ascertain areas of risk, provide an independent assessment of compliance and to provide recommendations for improvement.
7. Upon completion of these evaluations, PwC will issue a management letter outlining their findings and will present this to the Audit and Risk Committee.

**10.7 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) FEBRUARY 2021****File Number: A4000345****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 (**Attachment 1**) to recommendations raised in audit management reports produced as part of the following processes:
  - (a) The audit of the Long Term Plan and Annual Reports 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.

**RECOMMENDATION**

That the Group Manager Finance and Technology Service's report dated 19 March 2021, titled 'Update on Outstanding Audit Items (Internal/External) February 2021' be received.

**BACKGROUND****Audit New Zealand**

2. 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.
3. 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 Council's financial position and complies with legislation.
4. At the conclusion of each audit, Audit New Zealand provides a management report highlighting any issues they find, the degree of severity of the issue and a recommendation to address the issue. Issues raised by Audit New Zealand are classed as "Urgent, Necessary or Beneficial".

**KPMG**

5. During the 2016/17 financial year, KPMG was appointed as Council's internal auditor under a Bay of Plenty Local Authority Shared Services (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. This report focuses on key findings arising from the asset management and key financial controls as areas of internal audit focus.

**ATTACHMENTS**

1. **Audit Monitoring Table (Internal/External)** [!\[\]\(3dc92c626ede9fa1b47e2e010104b5c4\_img.jpg\)](#) 

### 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>February 2021 Update</b> Due to start by end of March 2021.  <b>November Update</b> Council has scheduled as part of the work programme in early 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>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>November Update</b> The services of a consultant to cover the work undertaken so far on this project to a more agile approach has been procured. The consultant is currently undertaking an assessment of project management within the Infrastructure Services team. The project management steering group will report it's findings to the Audit and Risk Committee.
<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 form. 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>February 2021 Update</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended.  <b>November Update</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended.

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

2017-2018 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status Update
<b>Asset Improvement Programme</b>			
<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>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> <p><b>November 2020 Update</b></p> <p>Council are currently revaluing the three waters, reserves and facilities, solid waste and property and building assets and expect to form a new programme based on any resulting recommendations. The roading valuation report is still being finalised and the resulting recommendations will be included in the above programme albeit with different timeframes.</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 (Esker) 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>February 2021</b></p> <p>The new automated accounts payable tool has been configured. Testing is underway prior to the implementation phase.</p> <p><b>November 2020</b></p> <p>The automated accounts payable tool implementation is underway.</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>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> <p><b>November 2020 update</b></p> <p>An independent consultant was appointed to review the performance and effectiveness of the Committee. This work is now complete. The findings arising from this review will be reported at the December Committee meeting.</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> <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> <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>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> <p><b>November update</b></p> <p>Reconciliation matters are being addressed with staff training underway.</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>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> <p><b>November 2020 update</b></p> <p>This will be investigated as part of the evaluation of a new ERP system which is being considered as part of the 2021/31 LTP process.</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>February 2021 Update</b></p> <p>The domain administrator group has since been reduced to IT key staff only. Work continues to create sub-administrator groups to zone off areas of control for the application developers. It is noted that a large number of IT Super users have traditionally been Datacom staff in the course of their support to Councils IT systems.</p> <p><b>November 2020 Update</b></p> <p>This matter is in progress.</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>February 2021 Update</b> No further update.</p> <p><b>November 2020 Update</b> See July 2020 update.</p> <p><b>July 2020 Update</b> There is a short timeframe between the consultation process and adoption of the LTP and the AMPs will be updated in line with or immediately following adoption of the LTP.</p>
<i>Modelling of Depreciation</i>	Recommended	
<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><b>February 2021 Update</b> The new financial modelling tool for the Long Term Plan, IBIS Breeze addresses the matter. The finance team are aware of the matter and will ensure it is in place for the adoption of the final Long Term Plan.</p> <p><b>November 2020 Update</b> The Finance Team are addressing this matter as part of the implementation of a new financial modelling tool for the 2021/31 Long Term Plan process.</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> <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>	Medium	<p><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.</p> <p><b>November Update</b> The final draft of the SAMP has been completed and is currently under review to align with the final drafts of the Asset Management Plans for all Council activities. The SAMP includes the key principles and approach to asset management at Council, based on the asset management policy, as well as the relevant challenges, issues and risks from various corporate plans. The individual Asset Management Plans will identify how we will respond to these challenges, issues and risks.</p>
			<p><b>February 2021 Update</b> There is no new update to the November report.</p> <p><b>November Update</b> Staff are currently reviewing the draft Strategic Asset Management Plan. This includes looking at the alignment with the draft Infrastructure Strategy 2021-2031. This will be finalized following Council progress on the LTP.</p>
<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	<p><b>February 2021 Update</b> Capitalisation process and asset recognition workshops have been completed and the asset recognition manual is being updated.</p> <p><b>November 2020 Update</b> Further workshops for capitalisation processes and asset recognition have been held and are being documented.</p>
	<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>		<p><b>February 2021 Update</b> No further update.</p> <p><b>November 2020 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.</p> <p><b>July 2020 Update</b> The review of data models and data gaps across all asset classes is ongoing. The proposed data model for property assets has been completed and will be adopted for new buildings going forward. Processes are being documented as part of targeted training in the procedures mentioned above.</p>
	<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>		<p><b>February 2021 Update</b> New reports have been completed for asset QA. Training in our reporting system has begun and new dashboards are being designed.</p> <p><b>November 2020 Update</b> As for July and reporting continues to be developed and has been completed for asset register and valuations.</p> <p><b>July 2020 Update</b> The promotion of quality data is ongoing and is also part of the training. The benefits of AssetFinda will be realised as part of the implementation of roadmap projects (and ongoing BAU projects).</p>

### 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>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>		<p><b>February 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.</p> <p><b>November 2020 Update</b> Work management continues to be implemented.</p> <p><b>July 2020 Update</b> The final items to complete the implementation are the Property hierarchy and data migration and work management. The hierarchy is complete and is now a working model and all key data has been migrated. Work management will be implemented using the existing Reserves contract as the pilot.</p>
Variable application of asset management within asset portfolios: Decision making, business cases, benefits realization, quantified risk management, and condition assessments	<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	<p><b>February 2021 Update</b> No further update.</p> <p><b>November 2020 Update</b> The review of the corporate property Asset Management Plan (AMP) is underway as part of the AMP reviews for the LTP.</p>
	<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>		<p><b>February 2021 Update</b> The draft template is in use</p> <p><b>November Update</b> Status unchanged from July update.</p> <p><b>July 2020 Update</b> The project proposal template has been reviewed and activities are preparing to document their projects as part of the 2021/31 Long Term Plan process.</p>
	<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>		<p><b>February 2021 Update</b> AMP peer reviews have been completed. The asset management working group is considering how the staff workshops will be structured.</p> <p><b>November 2020 Update</b> Staff workshops to be setup once the AMP peer reviews are completed, ongoing.</p>
	<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>		<p><b>February 2021 Update</b> With the AMP peer review process completed this will be a future area of focus for the asset management working group.</p> <p><b>November 2020 Update</b> This recommendation is being considered by the asset management working group as part of the improvement programme.</p>

### 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	<p><b>February 2021 Update</b> Reports continue to be routinely run each month to highlight any journals that have been self-posted. Finance staff are constantly reminded of the process to ensure either the Finance Manager or Senior Financial Planner post journals.</p> <p><b>November 2020 Update</b> Reports are routinely run each month to highlight any journals that have been self-posted. Finance staff are aware of the process to ensure either the Finance Manager or Senior Financial Planner post journals.</p>
	<ul style="list-style-type: none"> <li>Consider the use of 'hash total' technology to prevent unauthorized changes to the payment file.</li> </ul>		<p><b>February 2021 Update</b> Due to commitments around completing the financial impacts of the LTP this work is still ongoing.</p> <p><b>November 2020 Update</b> More working in scoping out a detailed specification for implementation by an external service provider will be undertaken.</p> <p><b>July 2020 Update</b> Finance continue to work with IT on this matter. This work is ongoing due to reprioritising current work commitments, with the aim to address this matter in the first quarter of the 2020/21 financial year.</p>
	<ul style="list-style-type: none"> <li>Alternatively consider encrypting and/or password protecting the payment file from manipulation.</li> </ul>		<p><b>February 2021 Update</b> This matter is ongoing, with the aim to address in the final quarter of the 2020/21 financial year.</p> <p><b>November 2020 Update</b> As per the above, an external service provider will be sourced to implement hash technology and consider encryption and/or password protection for payment files.</p> <p><b>July 2020 Update</b> Finance continue to work with IT on this matter. This work is ongoing due to reprioritising current work commitments, with the aim to address this matter in the first quarter of the 2020/21 financial year.</p>
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	<p><b>February 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.</p> <p><b>November 2020</b> The IT department has reviewed the user profiles of Council staff and amended access rights accordingly. Planned refresher training is to ensure staff are up to speed with system enhancements. Independent reviews by management still continues. Training will be given as part of the automated accounts payable implementation early in the 2020/21 financial year.</p>

**11 INFORMATION FOR RECEIPT****12 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>12.1 - 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