

Mā tō tātou takiwā
For our District

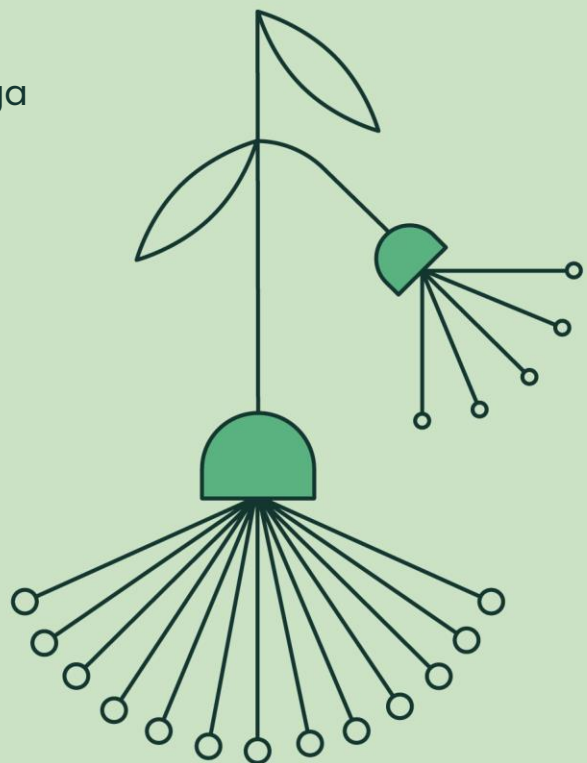
Audit and Risk Committee

Komiti Taiwhenua

AR22-2

Thursday, 2 June 2022, 9.30am

Council Chambers, Barks Corner, Tauranga



Audit and Risk Committee

Membership:

Chairperson	Cr James Denyer
Deputy Chairperson	Cr Murray Grainger
Members	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
Quorum	6
Frequency	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:
Thursday, 2 June 2022 at 9.30am

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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 – JUNE 2022

File Number: A4563947

Author: Tashina Abraham, Senior Assurance and Risk Specialist

Authoriser: James Graham, Acting Group Manager Corporate Services

EXECUTIVE SUMMARY

The purpose of this report is to provide the Audit and Risk 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 Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Summary of Audit and Risk Agenda Topics – June 2022' be received.

BACKGROUND

1. The Audit and Risk Committee oversees the risk management of Council and provides objective advice on Council's Assurance Work Programme, and internal and external reporting.

TREASURY UPDATE

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

RISK PROFILE UPDATE

3. The key focus area in the past quarter has been the understanding of 'what does appropriate risk management mean for Council, for the Elected Members and the Senior Leadership Team'. The Risk Workshops that have been held have helped us identify key high level strategic risk categories for Councillors, and in the next quarter operational risks at a staff level will be identified to underpin these Risk Categories. There has been a refresh of Council's strategic risk profile and risk appetite levels that have been set by Senior Leadership Team for consideration by Elected members.

AUDIT MONITORING REPORT (EXTERNAL/INTERNAL)

4. 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.

AUDIT NEW ZEALAND UPDATE AND AUDIT TIMETABLE

5. Audit New Zealand has prepared their 2021/2022 Audit Plan outlining their approach to this year's audit programme. Representatives from Audit New Zealand will attend the Committee meeting to deliver this report and highlight key areas of focus.

PENSIONER HOUSING VERBAL UPDATE

6. Councillor Murray-Benge has requested an update on operational and future capital cost impacts on tenants' affordability, given the current macro and micro economic issues contributing to increasing costs. A verbal update will be delivered by the Chief Financial Officer and Acting General Manager Corporate Services.

HEALTH AND SAFETY REPORT

7. A separate report is included on Health and Safety matters.

LITIGATION REPORT

8. A separate report has been submitted by the Acting General Manager Regulatory Services on litigation matters.

9.2 TREASURY UPDATE REPORT

File Number: A4573482

Author: David Jensen, Chief Financial Officer

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

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 Chief Financial Officer's report dated 2 June 2022 titled 'Treasury Update Report' be received.

BACKGROUND

1. Council has a Treasury Policy which sets the strategic direction for Council's treasury function and the mitigation procedures in place to minimise Council's exposure to treasury related risk. This report provides an update on the treasury related risks presented on 2 June 2022 and assesses Council's exposure as required by Council's Treasury Policy.

INTEREST RATE RISK

2. '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.
3. The Reserve Bank ('RB') raised the Official Cash Rate ('OCR') to 1.50% in its Monetary Policy Statement on 13 April 2022. The RB noted that ongoing supply chain disruptions as a result of Covid-19 and the Russian invasion of Ukraine, as well as labour shortages across the economy were exacerbating inflation pressure. The OCR was seen by the RB to be at a level which was stimulating the economy and their press release emphasised the need to progress increases in the OCR in order to reduce market demands and combat inflation.
4. 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. While market interest rates are beginning to trend higher, Council's overall debt levels are lower than budgeted due to challenges delivering on the large capital budgets in the 2021-2031 Long Term Plan.

5. Staff are assessing the interest rate significant assumption for the 2022/2023 Annual Plan and will report to the Annual Plan and Long Term Plan Committee with any recommended changes.
6. Council continues to work with Bancorp Treasury to manage hedging positions to strike a balance between price certainty and flexibility, and Council's interest rate risk remains low.

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 because Council's cash flow is dependent on the maturity of cash investments and loans.
8. Planned capital expenditure for 2021/2022 will be under budget due to supply constraints and the ability of the market to deliver, with Council forecast to achieve 70% of the 2022/2023 capital budget. This has meant that planned borrowing scheduled for this financial year has not occurred. Staff are currently refining the 2022/2023 capital budgets and associated forecast borrowing levels, however this is likely to be lower than signalled in the 2021/2031 Long Term Plan.
9. Council has repaid a debt maturity of \$10 million in May 2022, which brings our total external borrowing to \$80 million.
10. Council began the financial year in a strong cash position and continues to hold positive balances. Viewing this in conjunction with Council's ability to access capital from the Local Government Funding Agency, Council's liquidity and funding risk remains low.

FOREIGN EXCHANGE RISK

11. '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.
12. Council has not entered into any significant foreign exchange contracts and this risk remains low.

COUNTERPARTY CREDIT RISK

13. 'Counterparty Credit Risk' is the risk of losses occurring as a result of a counterparty default.
14. 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.

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.

9.3 QUARTERLY REVIEW OF RISK PROFILE**File Number: A4572802****Author: Tashina Abraham, Senior Assurance and Risk Specialist****Authoriser: James Graham, Acting General Manager Corporate Services****BACKGROUND**

1. In the prior quarter, risk categories had been identified by Elected Members through a workshop held with KPMG which covered strategic risks relating to the delivery of the Long Term Plan (LTP), and the growth and performance of the Western Bay of Plenty District Council.
2. The new strategic risk categories identified by Elected Members have been discussed and work shopped by the Senior Leadership Team (SLT) in facilitated sessions with KPMG. Operational risks under these strategic categories have been identified and 'draft' risk appetite and risk profiles have been defined and scored accordingly, to form an overall risk profile against each category.

RECOMMENDATIONS

1. That the Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Quarterly Review of Council's Risk Profile' be received.

RISK REPORTING

3. The top eight risk categories form the risk profile for Western Bay of Plenty District Council and the trend remains stable. There are no significant emerging risks to be added since the March 2022 Audit and Risk Committee meeting.
4. A recap of the key risk drivers reported to the Audit & Risk Committee is as follows and continues to be monitored this quarter:
 - I. Disruption of work due to workforce pressures (loss of staff/vacancies not being filled in a timely manner);
 - II. Supply chain disruptions causing delay in supply of material and acute labour shortages in the market impacting on capital programme delivery;
 - III. Widespread omicron variant in the community; and
 - IV. Impact of regulatory reform on Council strategy and activities.
5. The transmission of Covid-19 has been on the rise among employees in the last quarter and Council has been at the forefront in trying to minimise the impact of Covid-19 on the wellbeing, health and safety of employees. It should be noted some teams are under increasing pressure due to Covid-19 absences and disruption.

6. Business Continuity Plans are in place for most business critical functions to deliver our services in the event of an unexpected business interruption.

ACTIVITIES RECOMMENDED FOR THE NEXT QUARTER

7. An Senior Leadership Team Risk Management Committee is being formed to monitor the implementation of Council's risk appetite and risk management framework.
8. Under each of the eight strategic risk categories a deep dive is in progress to identify individual operational risks, so that the mitigating actions for specific risks can be built into an Assurance Dashboard via Key Risk Indicators.
9. The Key Risk Indicators will be monitored through activities, events/incidents in the past quarter and this will provide insight to rate the residual risk.

SIGNIFICANCE AND ENGAGEMENT

10. 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.
11. In terms of the Significance and Engagement Policy this decision is of low significance as residents and ratepayers are not affected by the review even though the risk may occur later. Ratepayers and residents would only be affected if a significant risk occurred.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

Interested/Affected Parties	Planned Communication	
Western Bay of Plenty District Council SLT and Finance Team	Appropriate staff to be notified accordingly.	Planned
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.	

STATUTORY COMPLIANCE

12. The recommendation in this report complies with Council's current Risk Management Policy and Risk Management Framework.




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. **WBOPDC Risk Profile, Appetite and Roadmap to Risk Maturity** 

Risk appetite and profile

Risk name and description	Risk owner	Risk settings	Risk appetite rationale
Operational risk The risk of delay or inability to deliver and execute on projects or services provided by the Council or regular Council operations as a result of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial losses and loss of reputation from IT/cyber risk events, fraud events, internal process/control failure, and inadequate or inappropriate people capacity, capability, and culture.	Group Manager – Corporate Services Group Manager - Infrastructure Services for project delivery risks and asset resilience		Delivery of key projects and the long-term plan is critical to the achievement of planned community outcomes and is central to the key strategic vision of the Council. The Council has a 'Low' risk appetite for the management of operational risk which could cause potential delays in project delivery, impact the Council's operations, quality of service delivery, and result in failure to meet community expectations.
Health, Safety and Wellbeing The risk of harm, injury or illness of/to employees, contractors, volunteers or community members accessing the Council's premises, sites, or events, and not meeting legal HSW requirements, as a result of an unsafe work environment and failure to meet workplace obligations. This could potentially lead to death or serious harm or injury, adverse impacts on staff/contractor mental health and well-being, financial losses, and (costs for) fines and reputational damage.	Group Manager – Corporate Services		The Council understands the importance of providing a safe working environment to its employees, contractors, volunteers, and members of the community and ensuring that everyone is adequately supported during stressful times (like the current pandemic). The Council recognises this as its key priority and has a 'Low' risk appetite for the risk, considering some risks will be outside of its ability to control. Health, Safety and Wellbeing risks will not be traded-off while delivering on its strategic objectives.
Relationships with key stakeholders (Central Government and Community) WBOPDC's inability to maintain a strong strategic relationship with the Central Government, its agencies, and the wider Community. This may potentially lead to a loss of opportunities, the ability to adequately influence, respond and adapt to the changing and complex government reforms and community expectations, and deliver on the Council's long-term plan outcomes.	TBA		The Council aims to have an increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop a strong relationship. This reflects in the Council's 'Low' risk appetite. Further, the Council targets to improve and establish a strategic relationship with Central Government and key government agencies to gain additional insights and guidance to anticipate and support potential opportunities for development in the region, and has a 'Medium' risk appetite for managing the risk.




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Risk appetite and profile

Risk name and description	Risk owner	Risk settings	Risk appetite rationale
Partnership with Iwi and Mana Whenua There is a risk that WBOPDC doesn't deliver on the commitments to Iwi/Tangata Whenua (supporting Maori and Iwi businesses through social procurement), treaty principles and obligations, and fails to maintain a trusted relationship with Iwi and Maori communities and meet their expectations resulting in loss of reputation and failure to deliver on key projects.	Group Manager – Strategy and Community		The Council has the ambition to prioritise and build upon the key relationships with Iwi and Maori stakeholders. This is important to deliver on the Council's strategy and long-term plan but will need to be balanced with the wider community plans and expectations. The Council has a 'Medium-High' risk appetite for managing the risk.
Climate change The failure to adequately identify, understand, address and respond to climate change regulations, reforms, and requirements including reducing greenhouse gas emissions, and considering the wider impacts prior to providing the consent under Resource Management Act, Building Act, and similar legislations.	Group Manager - Strategy and Community Group Manager - Infrastructure Services		Currently, there is still uncertainty about the government response and expectations relating to climate change to enable the Council to appropriately plan its response. The Council recognises the importance of increasing focus on climate change risks and is determined to support the identification of climate change risk, monitoring and assessing the impact. This drives the Council's 'Medium' risk appetite.
Growth and financial sustainability The risk that WBOPDC is unable to manage financial risks resulting from growth opportunities and therefore has a significant impact on Council's ability to deliver and execute its district growth objectives.	Group Manager – Corporate Services		Effective management of funds and ensuring financial sustainability is fundamental to successfully delivering on the Council's growth objectives and long-term plan for the region and meeting the desired community outcomes. The Council has a conservative approach to its financial strategy considering the limited opportunity for obtaining additional funding support from the government. The Council has a 'Low-Medium' risk appetite for the risk and will need to be balanced with the delivery and achievement of the planned growth outcomes.





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Risk appetite and profile

Risk name and description	Risk owner	Risk settings	Risk appetite rationale
Regulatory change (Three waters reform, Future of local government, RMA) There is a risk that Council does not identify, understand the impact, advocate and respond to the changing regulatory reforms being considered by the Government. This also extends in the impact these new requirements has on delivery of current priorities. The risk could potentially impact the Council's operations and its ability to re-prioritise and allocate adequate resources to meet the changing expectations resulting in delay in projects, delivery of services, reputational loss, failure to meet the government expectations and non-compliance with regulatory requirements.	Group Manager - Strategy and Community for developing the strategy and making informed decisions for the project. Group Manager - Infrastructure Services for implementation of the regulatory reforms including Three Waters.		The Council acknowledges and anticipates an increase in the legislative changes being introduced by the Central Government and these can have a significant impact on the Council's strategy. The Council has a 'High' risk appetite which reflects a limited ability to control the changes being introduced and its aim to engage early on to support sector advocacy on key topics and work closely with the government agencies to understand the planned changes and their impacts.
Significant external events WBOPDC's failure to appropriate design, prepare and execute on its Business Continuity Plan and/or Crisis Management Plan while responding to significant external events (including natural calamities, pandemic, and other macro-economic events) which may have a potential impact on the Council's ability to provide its services and continued impact on its operations.	Group Manager -Corporate Services for business continuity. Group Manager - Infrastructure Services for crisis management to develop and respond to significant events.		The Council recognises that continued operation of critical Council activities, movement of resources, successful implementation of business continuity or crisis management plan to effectively support the community and ensure community well-being during significant external events. The 'Medium' risk appetite highlights the limited ability to control the occurrence, and predict the nature and extent of the potential impact of significant external events.

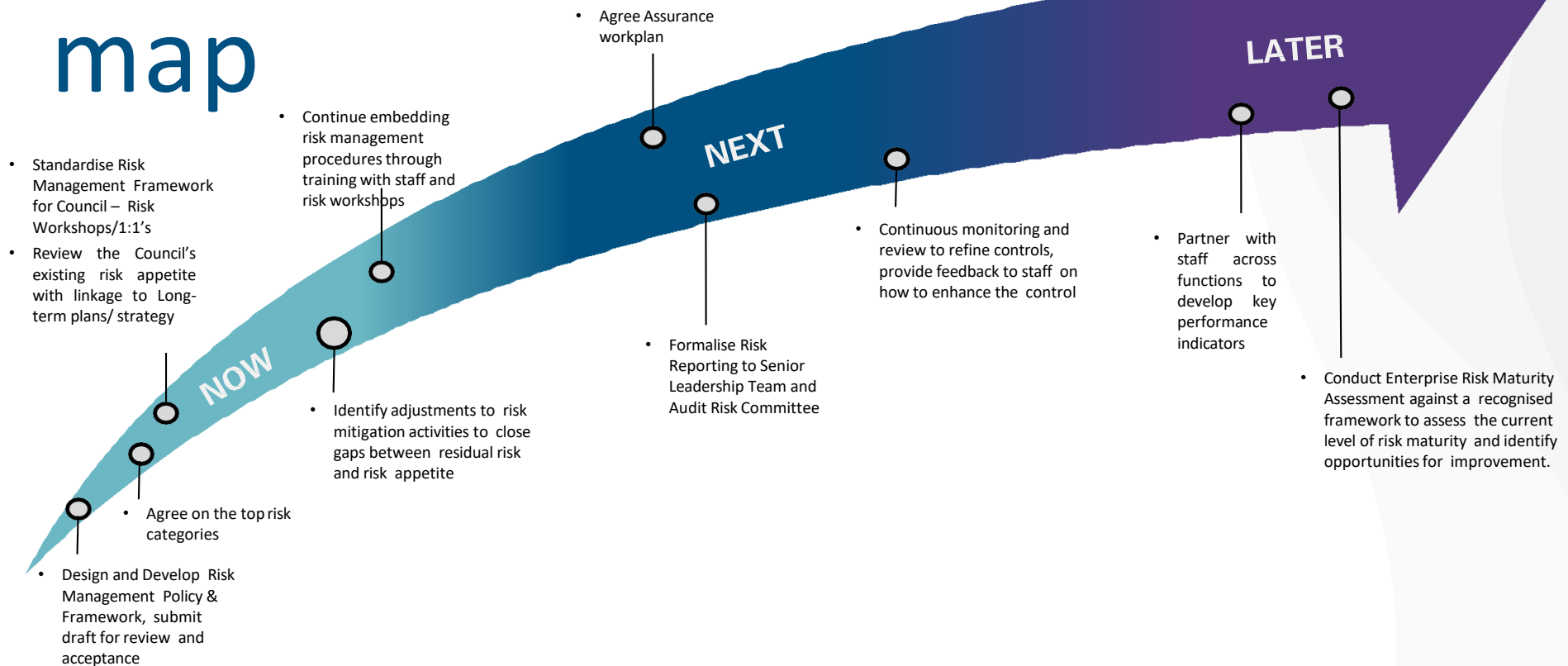


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Road map



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9.4 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) JUNE 2022**File Number: A4574165****Author: Tashina Abraham, Senior Assurance and Risk Specialist****Authoriser: James Graham, Acting General Manager Corporate Services****EXECUTIVE SUMMARY**

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.

The status updates on open external and internal audit recommendations have been amalgamated into one report (**Attachment 1**).

RECOMMENDATION

That the Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Update on Outstanding Audit Items (Internal/External) June 2022' be received.

BACKGROUND**Audit New Zealand**

1. 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.
2. 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.
3. 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. Issues raised by Audit New Zealand are classed as 'Urgent, Necessary or Beneficial'.

KPMG

4. During the 2016/2017 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 meeting. The audit plan outlined the intended areas of focus for 2017, 2018 and 2019, with confirmation sought from senior management on an annual basis.
5. The annual internal audit plan review for 2018 identified asset management and key financial controls as areas of internal audit focus.
6. We have been able to close several of the Audit NZ and KPMG recommendations this quarter (pending Audit NZ confirmation). Closed audit items are available separately on Stellar.
7. The Status updates to the key findings are included in the attached 'Audit Monitoring' table (**Attachment 1**).

ATTACHMENTS

1. **Update on Outstanding Audit Items (Internal/External) June 2022**  

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

2020-2021 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management Response	Management Update
"Dry weather overflows" performance measure			
<p>During our testing of the dry weather overflows performance measure, we identified several incorrectly classified events in the underlying data supporting the result of this measure. Sixteen service requests did not meet the definition of a "dry weather sewerage overflow" event in terms of the DIA guidance. Further to this, we noted 15 service requests that did meet the DIA's definition of a "dry weather sewerage overflow" event, however, they were excluded from the population on which the reported result was calculated.</p> <p>We recommend the District Council implements a robust review process of the underlying data supporting the reported results for this measure to ensure accurate reporting of events meeting the DIA definition.</p>	Necessary	<p>Dec 2021</p> <p>The process used to monitor the dry weather overflows was consistent with previous years and was found to comply with mandatory requirements. The service requests for dry weather overflows are classified on receipt of the service request based on the information supplied by the customer. However, the final classification is based on the maintenance database which captures the actual contractor's classification on visiting the site. This is regarded as the most accurate and is aligned with the service request to maintain the audit trail. As an improvement initiative, we request that the Audit exit process enables the audit team to meet with the key staff to work through the issues intended to be included in the Report to the Council. This will enable any issues to be addressed, discussed and/or clarified in a timely manner. The new Three Waters Contract commenced 1 July 2021. This has resulted in a change of process and we are currently working with Tauranga City Council and the contractor to confirm the process and validate results.</p>	<p>June 2022 Update</p> <p>Reporting currently being developed by 3 Waters Contract team. This will be available to Council to review by the end of May 2022.</p> <p>March 2022 Update</p> <p>Continuing to work with Tauranga City Council and the new contractor to identify process and create reports to show results.</p>

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

2019-2020 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
Rates Resolution			
<p>Ensure the rates resolution is fully compliant with the Local Government (Rating) Act.</p> <p>In the local authority context, failure to comply with rating law and the associated consultation requirements can create risks for the revenue coming from rates. Therefore, we are required to obtain reasonable assurance that local authorities are complying with legal requirements that could put significant rates revenue at risk. As part of our audit work, we reviewed the rates setting process for the 2020/21 financial year and noted the following issues:</p> <ul style="list-style-type: none"> the 2020/21 rates resolution mentions the incorrect financial year in certain places, specifically "for the financial year commencing on 1 July 2019 and ending on 30 June 2020"; the rates resolution also states "the Western Bay of Plenty District Council sets that the water consumption rates (set under section 19 of the Local Government (Rating) Act) for the financial year commencing 1 July 2020 and ending on 30 June 2021 will be invoiced twice during the year and the due dates for payment will be 30 days from the date of each invoice being issued." Section 24 of the Local Government (Rating) Act 2002 states "A local authority must state, in the resolution setting a rate (a) the financial year to which the rate applies; and (b) the date on which the rate must be paid or, if the rate is payable by instalments, the dates by which the specified amounts must be paid." We consider that this requirement has not been fully met, as specific due dates for water rates are not disclosed in the resolution; and the actual rates for the 2020/21 year are not disclosed in the rates resolution but are disclosed in the Rates Setting Report included in the Council meeting agenda pack (June 2020). We would expect the rates adopted by Council to be disclosed in the rates resolution itself. <p>We noted management had engaged Simpson Grierson to review the rates resolution and these matters had been identified in their review. We understand that the Council was addressing the rating year issue and the inclusion of the rating information as part of its 24 September 2020 meeting. The issue with the water rates invoicing remains outstanding. We recommend the District Council ensures the rates resolution is fully compliant with the Local Government (Rating) Act.</p>	Necessary	<p>May 2021</p> <p>The issues relating to the reference to the 2020/21 financial year has been resolved through a resolution of the Council meeting held on 24 September 2020.</p> <p>The issue relating to water rates in Council's Rates Resolution has previously been raised in the 2016/17 Audit Management Letter and closed in the 2018/19 Audit Management Letter after an assessment of our 2018/19 Rates Resolution was performed. The matter was revisited during the 2019/20 audit and assessed by Audit New Zealand's technical team who did not deem the issues to be of significance to impact the 2019/20 audit opinion. Given Council's current meter reading process it is not possible to provide certainty of when meters will be read across our District, Council is not able to include further information with our Rates Resolution.</p> <p>Council will incorporate the rates to be adopted in the Rate Setting Report for 2021/22.</p>	<p>June 2022 Update</p> <p>The rates resolution for the 2022/23 Annual Plan is being prepared for legal review by Simpson Grierson. Their feedback will be incorporated into the final resolution in order to resolve Audit's recommendation.</p> <p>March 2022 Update</p> <p>The changes in Council processes achieved through the implementation of the joint 3-Waters Contract have given greater certainty over water rate dates. These will be incorporated into the 2022/23 Rate Setting Report. Will be re-tested by audit during the 2021-22 Annual Report.</p> <p>November 2021 Update</p> <p>The outstanding issue regarding water rate dates in Council's rate resolution is being reviewed in conjunction with the implementation of the joint 3-Waters Contract with Downer who were successfully awarded the contract.</p> <p>This implementation includes a change to water meter reading processes intended to resolve the outstanding issue.</p>
Project Management			
<p>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.</p>	Necessary	<p>October 2020</p> <p>Council's response to the KPMG report on project management is ongoing and a workplan for implementation of the recommendations is underway.</p>	<p>June 2022 Update</p> <p>Project Management Specialist has been recruited and begun working with staff to implement and promote the Project Lifecycle and wider framework.</p> <p>March 2022 Update</p> <p>Project Lifecycle diagram and recommendations have been approved for implementation. Recruitment of a project management specialist to lead and champion the work is underway. In the meantime, existing staff are working on developing/reviewing templates and tools, using live projects across the organisation.</p> <p>November 2021 Update</p> <p>A Project Lifecycle diagram (Project Management Framework) has been completed and a recommendatory report prepared. The report identifies tasks required to implement the framework across the organization.</p>

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

2018-2028 LTP AUDIT (MANAGEMENT REPORT ITEMS)		
<i>Update of the Asset Management Plans</i>	Priority	Status Update
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. Given the AMPs are intended to drive the strategies and model, it is important that the AMPs reflect the information within the LTP. 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.	Recommended	<p>June 2022 Update The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process. The Strategic Property AMP update has been completed.</p> <p>March 2022 Update The Water, Stormwater, Wastewater and Transportation Asset Management Plans have been updated with the outcomes from the LTP. The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process. The Strategic Property AMP will be completed by April.</p> <p>November 2021 Update The Water, Stormwater and Wastewater Asset Management Plans have now been updated with the outcomes from the LTP. The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process. The remaining Asset Management Plans will be updated by late November through to end of December.</p>

BAU Monitoring Items

2020-2021 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
<i>Valuation and Accounting for Assets</i>			
<p>Approval of asset capitalisations During our testing of the capitalisation of assets for the transportation asset class we identified no formal approval process or evidence of review. This includes the files uploaded to Objective. Having a formal approval process will ensure only valid asset capitalisations are recorded.</p> <p>We recommend asset capitalisations for transportation assets are recorded, and evidence of review retained.</p>	Necessary	<p>Dec 2021 Council will ensure asset capitalisations are documented and evidence of review carried out is maintained.</p>	<p>June 2022 Update Council will ensure asset capitalisations are documented and evidence of review carried out is maintained. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update Council will ensure asset capitalisations are documented and evidence of review carried out is maintained.</p>
<p>Timing of asset capitalisations It is important for the District Council to ensure assets are capitalised when the asset is available for use. This ensures the depreciation of assets commences from the correct date. During our testing of asset additions and review of work in progress we have identified the capitalisation date of assets does not align to the date the asset was available for use.</p> <p>We recommend the District Council reviews its capitalisation process, to ensure asset managers are prompted to communicate the completion of work in progress in a timely manner.</p>	Necessary	<p>Dec 2021 Council will review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register.</p>	<p>June 2022 Update Council will continue to review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update Council will continue to review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register.</p>

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

Audit Finding & Recommendation	Priority	Management response	Status update
<p>Vested assets</p> <p>PBE IPSAS 17 paragraph 27 requires entities to initially recognise property, plant, and equipment acquired in a non-exchange transaction at its fair value at the date of acquisition. In the event of a vested asset, the date of acquisition is the date at which the section 224 certificate has been signed and the project has been completed. We have identified that the date on which vested assets are capitalised in the fixed asset register does agree with the section 224 notification. Often the processing of these assets is later. The delay can impact revenue timing, depreciation, and the recorded carrying values of the District Council's property, plant, and equipment.</p> <p>We recommend the District Council reviews its projects resulting in vested assets regularly to ensure the section 224 certificates are obtained on a timely basis. We also recommend the District Council applies the relevant accounting treatment in recognising vested assets in its fixed asset register.</p>	Necessary	<p>Dec 2021</p> <p>Council will review the projects that result in a 224 certificate and ensure it is obtained timely. Council has consistently applied the relevant accounting treatment in recognising assets in its fixed asset register and will continue to do so as soon as the 224 certificate is obtained.</p>	<p>June 2022 Update</p> <p>Council will continue to review the projects that result in a 224 certificate. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update</p> <p>Council will continue to review the projects that result in a 224 certificate.</p>
2020-2021 INTERIM REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
<p>Asset disposal forms</p> <p>We understand that an "authority to dispose" form is prepared and signed-off as evidence of approval for assets that are disposed of by the Council. During our walkthrough of this process staff confirmed this form was signed before disposal, however, in one instance a signed authority to dispose form could not be located. We also noted that this form is not used to notify the accountant and support the disposal. We have been advised that most assets for disposals will be identified through the GL, which could be through a cash receipt being processed, or, for example, if the accountant has been informed of a sale and purchase agreement for land and buildings.</p> <p>We recommend an authority to dispose form is prepared and signed as evidence of approval for each asset disposal and that these forms are kept on file. We also recommend that approval forms are used to support the disposal of assets in the fixed asset register to ensure the fixed asset register is complete and accurate and does not include assets that have been disposed of.</p>	Necessary	<p>Sep 2021</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action.</p>	<p>June 2022 Update</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action.</p>

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

2017-2018 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status Update
<i>Asset Improvement Programme</i>			
<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>2019-2020 Audit Management Report Final</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>August 2021 Update</p> <p>We are still waiting on further information from WSP New Zealand on the asset valuation improvements. We expect these to be included in their latest revaluation report for 2021. We have discussed the recommendations from the 3 waters revaluation and will program these over the next year. No recommendations were made for our other revaluations.</p> <p>October 2020</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>June 2022 Update</p> <p>To discuss with Audit NZ about the improvement plan as some recommendations are ongoing.</p> <p>March 2022 Update</p> <p>The draft 2021 Roding valuation is currently being reviewed.</p> <p>November 2021 Update</p> <p>The draft 2021 Roding valuation is currently being reviewed.</p>

Audit Monitoring Table – Outstanding Management Report Items - Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status update
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"> 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. 	Medium	<p>June 2022 Update Workshops to discuss the scope and complete the data analysis have been held. The next phase is to complete the risk assessment (date to be determined).</p> <p>March 2022 Update Tonkin and Taylor (T&T) are going to lead the work on Infrastructure Risk Assessments for Council from mid March 2022. The purpose is to assess the risks to our assets from climate change and identify assets that are at highest risk. This information can then be included in Asset Management Plans and the Infrastructure Strategy, so Council can allocate funding to making those assets more resilient over time.</p> <p>November 2021 Update Currently being reviewed with the Assurance and Risk Specialist.</p> <p>August 2021 Update No further update.</p>
	<ul style="list-style-type: none"> Undertake asset management system effectiveness reviews on an annual basis and report deficiencies against agreed asset management system maturity levels to senior executives. 		<p>June 2022 Update Internal Review by Asset Solutions team with support from various asset managers to begin in Q4 2022 and outcomes will be reported to GM Corporate Services and GM Infrastructure.</p> <p>March 2022 Update – This will be a future area of focus for the asset management working group.</p> <p>November 2021 Update This will be a future area of focus for the asset management working group and is scheduled for 2022.</p> <p>August 2021 Update No further update.</p> <p>May 2021 Update With the Asset Management Plan peer review process completed this will be a future area of focus for the asset management working group.</p>

9.5 HEALTH AND SAFETY REPORT

File Number: A4568172

Author: Ben Brown, Health and Safety Advisor

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

Health and Safety Report

This report provides a summary of:

- Health and Safety performance across the organisation;
- Significant Health and Safety risks and safety events for the reporting period; and
- Progress against the Health and Safety strategy and work programme.

RECOMMENDATION

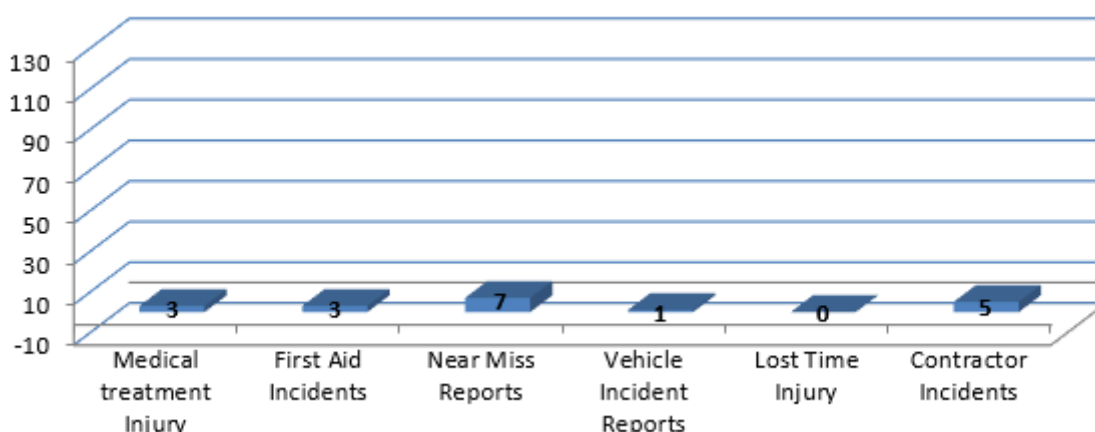
That the Health and Safety Advisor's report dated 2 June 2022 titled 'Health and Safety Report' be received.

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 March 2022 – 30 April 2022

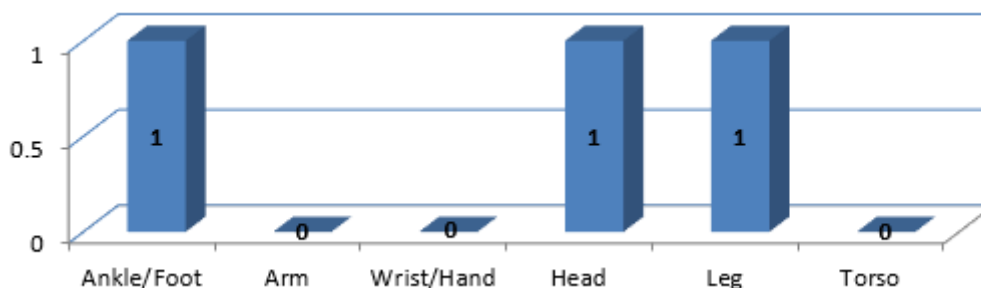


Since the previous Health and Safety report, the reporting of safety events across Council and contractors is trending down. This can be attributed to a number of factors including but not limited to; less workers in the office or field due to COVID-19, potential time/work pressures, staff/resource shortages or less safety events

actually occurring. The Health and Safety team has acted on the reduction in reporting by meeting with, and educating, staff and contractors on the benefits of safety event reporting.

In the time period reported there have been zero 'Lost Time Injuries' (LTI's) reported.

Type of Injuries Sustained, Year to Date – 1 March 2022 – 30 April 2022



There are no trends identified in the injuries sustained in this reporting

WBOPDC Vision Statement

The Health and Safety Team has created and adopted the following vision statement for Council 'Together, we get all our people home safe and well everyday'. This vision statement is the goal we have for our 'people' (staff, contractors, volunteers and visitors) everyday and is something we as an organisation are always working to achieve. The ownership, delivery and championing of this vision sits with the Chief Executive Officer and Senior Leadership Team.

Safety Events

In late February 2022, a safety event involving a volunteer was reported to Council by the Te Puna Quarry Park Society Incorporated (a volunteer group) in which a tractor rolled down an embankment, ejecting the operator from the vehicle. Minor bruising was suffered by the operator. On receiving the report, Council's Health and Safety Team undertook a full safety investigation. Council continues to work with the Te Puna Quarry Park Society Incorporated to make the park a safer place for volunteers, contractors and public visitors. Recently implemented improvements include; increased communication and collaboration with Council and staff, attendance at committee meetings, supplying training and competency assessment for use of high risk equipment including tractors and chainsaws, and installation of safety protection barriers.

2. 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
- Lost Time Injuries (LTI's).

Metrics	Council's year to date records	Local Government Industry Benchmark
Average LTIFR (year to date)	0	2.5
Average TRIFR (year to date)	2	7
Average Lost Time Injuries (LTI). Recorded (year to date) of LTI's.	1	3

3. Summary of Safety Events – Year to Date – 30 April 2022

Safety Events	Year to Date Results FY 2022 (Q,3)	Year to Date Results FY 2021	Year to Date Results FY 2020	Year to Date Results FY 2019
Medical Treatment Injury	10	3	5	1
First Aid Incidents	7	34	8	23
Near Miss Reports	29	67	64	84
Vehicle Reports	7	7	11	38
Lost Time Injury	1	2	3	4
Contractor Incidents	45	106	150	123
Total Safety Event Reports Year to Date	99	219	241	273

4. Health and Safety Hazard Risk Management

Review and update on managing Councils critical risks is presently a focus:

- Open Water Ways
Council is presently installing multiple safe sampling platforms at treatment plants. Drone use is also being investigated for water sampling in high-risk open water courses and streams.
- Contractor Management
Council's Health and Safety Team is focussing on contractor management. This includes multiple site-specific online induction and additional contractor management training for contract managers, people leaders and other staff.

5. COVID-19 Management Planning and Policy

Council continues to monitor and respond to Central Government announcements and updated advice for COVID-19.

As a result of recent updates, Council has reviewed its COVID-19 risk assessment for all roles in accordance with the Health and Safety at Work Act 2015 and Worksafe's amended guidance on vaccination requirements. This Risk Assessment took into account a number of public health factors, including for a particular role:

- Is there a greater risk of the worker being exposed to new variants at work than they would be in the community?
- Does the worker regularly, as part of their work, interact with people who are at greater risk of severe illness should they contract COVID-19?
- Does the worker regularly interact with people who are less likely to be vaccinated against COVID-19?
- Does the worker work in a confined indoor space (of less than 100m²) and involve close and sustained interactions with others (i.e. closer than 1m distance, for periods of more than 15 continuous minutes)?

The result of this risk assessment is that all Council roles no longer require a vaccinated employee to perform them in order to reduce the risks of contracting or transmitting COVID-19 in the workplace, to an acceptable level.

Council is currently seeking feedback from staff on the revised risk assessment and will update the COVID-19 Protection Policy in due course.

Additional controls including surveillance Rapid Antigen Testing will be utilised for early detection to reduce the spread of COVID-19 amongst higher risk roles, and roles deemed essential for business continuity.

Under the COVID-19 Traffic Light Orange system, remote working is still widely utilised. Increased staff attendance in the workplace is no longer discouraged as long as public health guidelines are complied with, in particular social distancing and use of face coverings in shared spaces.

6. Health and Safety Strategic Work Programme

- Policy and guideline reviews;
- Re-classification and ranking of Critical risks;
- Safety site inspections and audits;
- Contractor management, including introduction of an online induction programme;
- Incident and accident safety management; and
- Engagement and training with safety and wellbeing.

Throughout the reporting period staff attended the following training:

- Working at Height;
- Comprehensive Workplace First Aid;
- Outdoor First Aid; and
- Psychological First Aid.

Policies and procedures recently reviewed included:

- Baler Standard Operating Procedures (SOP);
- COVID-19 Protection Policy and associated risk assessment; and
- Hazard management, including Critical safety risks.

Council has a pro-active wellbeing group, which includes a holistic approach to health, and wellbeing. A number of activities to promote wellness were carried out for the reporting period, including world book week, funded buccaline or influenza vaccinations and physical exercise groups.

7. Health and Safety Committee

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

10 INFORMATION FOR RECEIPT

10.1 AUDIT NEW ZEALAND UPDATE AND AUDIT TIMETABLE

File Number: A4573997

Author: Sarah Bedford, Financial Controller

Authoriser: David Jensen, Chief Financial Officer

EXECUTIVE SUMMARY

Audit New Zealand has prepared its 2021/2022 Audit Plan outlining their approach to this year's audit programme. Representatives from Audit New Zealand will attend the Committee meeting to deliver this report and highlight key areas of focus.

RECOMMENDATION

That the Financial Controller's report dated 2 June 2022 titled 'Audit New Zealand Update and Audit Timetable' be received.

BACKGROUND

Audit New Zealand prepare an Audit Plan for Council each year highlighting the key focus areas for the Audit programme, and an indicative timeframe for when the audit work is scheduled to be performed. The Audit Plan for 2021/2022 is attached to this report **(Attachment 1)**.



Key items of note are:

1. Audit New Zealand has signalled their focus areas for 2022/2023, which includes testing how Council has treated certain IT costs (Software as a Service). Some areas of focus are specific to Western Bay of Plenty District Council and some are sector-wide issues.
2. Depending on Audit New Zealand resourcing, the final 2021/2023 audit will commence in September 2022 and run through October 2022. This is a month later than has been scheduled in prior years.

It is noted that, due to the election timeframe and interregnum period, the audited 2021/2022 Annual Report will be delivered to the new Council elected in October 2022.

Representatives from Audit New Zealand will be present at the Committee meeting to present the Audit Plan outlining the approach to the 2021/2022 audit programme and to take any questions.

ATTACHMENTS

1. **Audit New Zealand – 2021/2022 Audit Plan**  

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Plan

Western Bay of Plenty District Council

For the year ending 30 June 2022

Audit Plan

I am pleased to present our audit plan for the audit of Western Bay of Plenty District Council (the District Council) for the year ending 30 June 2022. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process.....	8
Reporting protocols	13
Audit logistics	14
Expectations.....	16
Appendix 1: Useful publications	18

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



Leon Pieterse
Appointed Auditor
4 May 2022

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 focus areas during the audit.

Area of audit focus	Our audit response
Valuation of property, plant and equipment - non-revaluation year	
<p>The District Council periodically revalues certain of its asset classes, including land, buildings and infrastructure. PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that revaluations are conducted with sufficient regularity to ensure that the carrying value of the asset class does not differ materially from its fair value.</p> <p>No revaluations are scheduled for this year as noted in the table provided below this issue.</p> <p>The District Council will need to prepare a fair value assessment for all asset classes, measured under the revaluation model where no revaluations have taken place in the financial year, 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>The District Council should agree on a significant variance threshold, above which Council would complete a revaluation.</p> <p>We encourage the District Council to perform the fair value assessments early to ensure there is sufficient time to complete a revaluation should this be required, without impacting on the annual report process.</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.</p> <p>We will also consider the reasonableness of assumptions and judgements applied in making these assessments.</p>

Area of audit focus		Our audit response	
Asset class		Last revalued	Next scheduled revaluation
Operational and restricted land and buildings		1 July 2020	1 July 2023 (three yearly)
Coastal and Marine Structures		1 July 2020	1 July 2023 (three yearly)
Roading assets		1 July 2020	1 July 2023 (three yearly)
Three waters		1 July 2020	1 July 2023 (three yearly)
Library collections		1 July 2020	1 July 2023 (three yearly)
The risk of management override of internal controls			
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.		Our audit response to this risk includes: <ul style="list-style-type: none">• testing the appropriateness of selected journal entries;• reviewing accounting estimates for indications of bias; and• evaluating any unusual or one-off transactions, including those with related parties.	
Major capital projects			
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: <ul style="list-style-type: none">• Water: Eastern and Western water supply.• Storm water: Omokoroa growth projects.• Transport: Road Safety Projects and pavement reseals.• Omokoroa Library and Service Centre.• Omokoroa marine structures.• Kauri Point Reserve Road Reserve.		We will review the accounting for costs incurred on capital projects, including: <ul style="list-style-type: none">• the correct classification of costs as either capital or operational in nature;• appropriate capitalisation point for completed assets, including transfers from work in progress;• the reasonableness of depreciation rates and useful lives applied to asset components; and• the disclosures included within the financial statements, including those relating to capital commitments.	

Area of audit focus	Our audit response
<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"> • Project costs are reviewed to ensure these are appropriately classified as capital or operational in nature. • 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. • 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. • Asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion. • The value and remaining useful life of existing assets remains appropriate given replacement projects underway. • Capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	

Area of audit focus	Our audit response
Configuration and customisations costs for Software-as-a-service (SaaS)	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS accounting standards.</p> <p>The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, (SaaS), should be accounted for. The agenda decisions must be applied by for-profit entities. For PBEs, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The District Council should consider whether or not their accounting policy is consistent with the Committee's decision and should consider whether costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements of the District Council.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> • shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or • expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). <p>Changes to the classification of asset balances as a result of the IFRIC's decision should be treated as a change in accounting policy and accounted for retrospectively. This would require a restatement of prior period amounts in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	<p>This could be a challenging project for the District Council requiring an understanding of the SaaS arrangements in place. The District Council should complete its own assessment of the arrangements and/or engage external accounting expertise to help with an assessment of the implications or review the District Council's assessment and any necessary adjustments to the financial statements.</p>

Area of audit focus	Our audit response
Impact of three waters reform	
<p>The Government is currently carrying out the Three Waters Reform Programme.</p> <p>The first phase of the reform was establishing Taumata Arowai. The Taumata Arowai–the Water Services Regulator Act 2020 formally established Taumata Arowai to oversee, administer, and enforce (but not deliver) the new drinking water regulatory system as its primary focus, while improving the environmental performance of wastewater and stormwater networks.</p> <p>The next phase of the reform is for water service delivery. The Government has announced that it will establish four Water Service Entities as a part of its three waters reform programme. The four new entities will replace the services currently managed by 67 territorial local authorities.</p> <p>There is still a lot of detail to be worked through (including how council ownership will work in practice). The Minister announced the establishment of a working group on representation, governance and accountability of the new Water Services Entities. This group is comprised of 20 members, including an independent chairperson, nine elected members of local authorities, nine iwi/Māori representatives, and the chairperson of the joint Central-Local Government Three Waters Steering Committee.</p> <p>Three bills will be introduced to Parliament establishing how the entities will operate.</p> <p>We expect that the first bill - the Water Services Entities Bill - will be introduced and passed into law during 2022. We also expect that an implementation bill will be introduced during 2022 and an economic regulation bill will be introduced in early 2023. The Government expects the four new entities to be operational from 1 July 2024.</p>	<p>We continue to work with the Department of Internal Affairs to better understand the progress about the reforms and assess what that means for our audits.</p> <p>We will keep you updated on the implications for your audit.</p>

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?

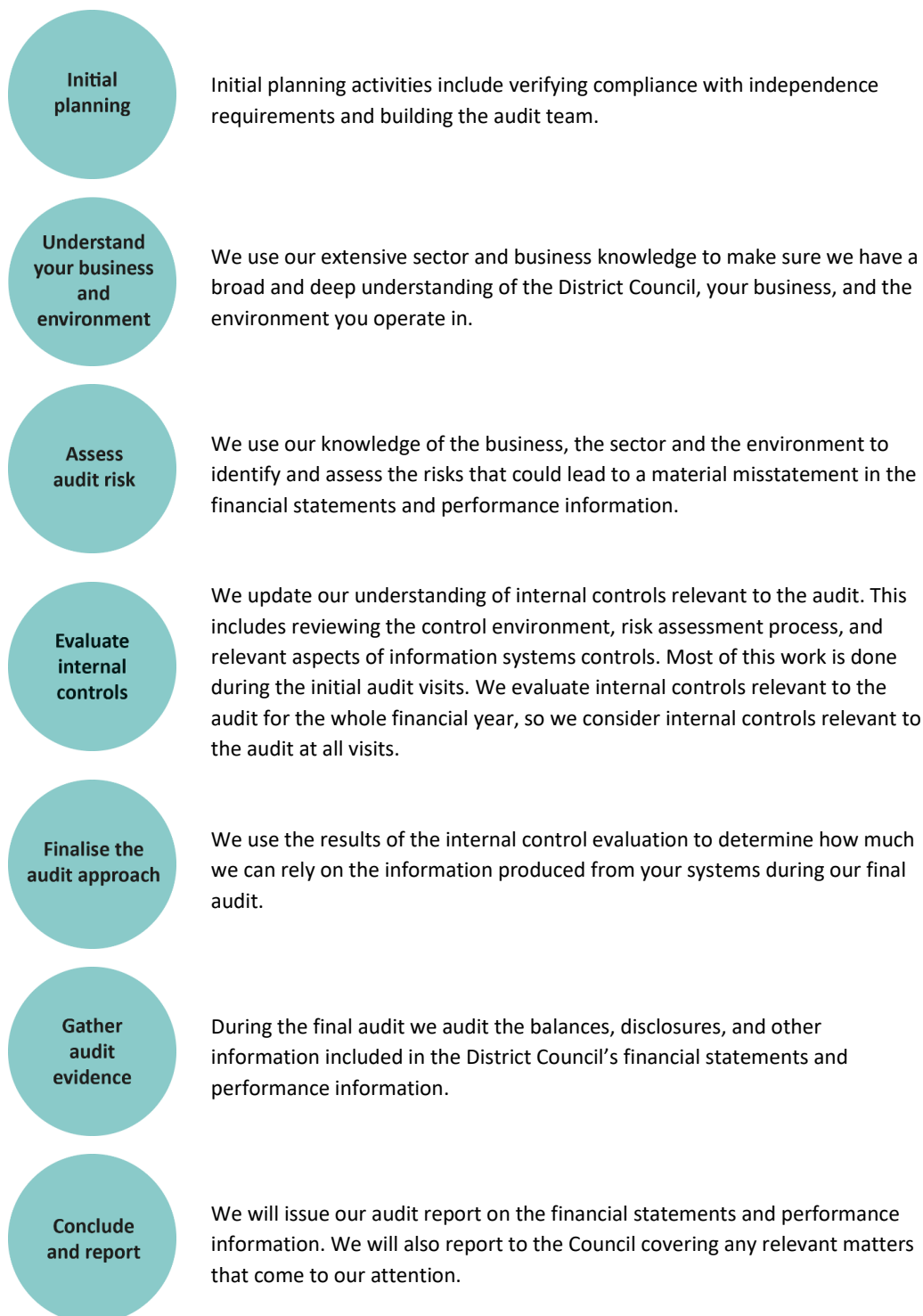
Our responsibility

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.

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 forward 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. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will most likely be completed during our interim audit. 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 \$130,500,000 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	\$130,500,000
Specific materiality	\$2,950,000
Clearly trivial threshold	\$147,500

For this audit we have set a lower, **specific materiality** of \$2,950,000 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 \$147,500 to be clearly trivial unless there are qualitative considerations that heighten its significance. 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.

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.

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
Water Supply - Safety of drinking water The extent to which the local authority's drinking water supply complies with: (a) part 4 of the drinking-water standards (bacteria compliance criteria); and (b) part 5 of the drinking-water standards (protozoal compliance criteria).	The actual result needs to be reported which will be either right or wrong. It is therefore not appropriate to set a materiality level.
Water Supply - Fault response times 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: (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.	8% of actual reported result
Stormwater - 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% of actual reported result
Wastewater - 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% of actual reported result
Wastewater - Discharge compliance Compliance with the local authority's resource consents for discharge from its storm water system, measured by the number of: (a) abatement notices; (b) infringement notices; (c) enforcement orders; and (d) convictions, received by the local authority in relation to those resource consents.	5% of actual reported result
Transportation - 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% of actual reported result
Percentage of building consent applications and plan checking processed within the statutory timeframes.	5% of actual reported result

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:

- the 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 the District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the 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 the 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”.

We understand that David Jensen is our key contact for the audit. We will regularly update David on progress throughout the audit, and any issues or delays encountered. We expect this information will be shared with management and the those charged with governance as appropriate.

We intend meeting on a weekly basis with key finance team members to discuss matters relevant to the audit.

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:

Leon Pieterse	Appointed Auditor
Warren Goslett	Audit Manager
Matt Sarjeant	Assistant Manager
Robyn Dearlove	Manager Information Systems Audit and Assurance

Timetable



Our proposed timetable is noted below. Please note that the timing is still tentative, and we will discuss any changes required to this proposed timetable with management:

First interim audit begins (1 week)	June 2022
Final audit begins (3 weeks)	September 2022
Draft 2022 financial statements and statement of service performance available for audit (including notes to the financial statements) with actual year-end figures	September 2022
Final annual report available, incorporating all the amendments agreed to between us	September 2022
Verbal audit clearance given	October 2022
Draft Report to Council issued	October 2022
Audit report issued and annual report adopted by Council	November 2022
Final Report to Council issued	November 2022

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

In 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard had good results.

We will again use AuditDashboard for transferring audits as part of the audit.

Working remotely

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To complete audit work off-site and fully obtain the benefits detailed above, you will need to:

- ensure that you can assess your systems remotely.
- store supporting documents electronically and be able to easily retrieve these.

During the previous audit, we were able to perform some of our audit work at remotely. Based on our experience we found that the District Council has some systems and processes in place but these will only facilitate a portion of the any off-site work.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2022 audit. This will include our continued use of AuditDashboard to manage our information requests.

Expectations



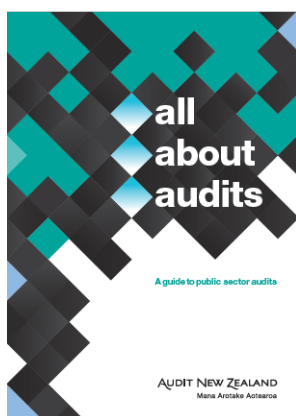
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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.

Appendix 1: Useful publications



Based on our knowledge of the District Council, we have included below links to some publications that the Mayor, Councillors, members of the Audit and Risk Committee and management may find useful.

Description	Where to find it
Consulting matters: Observations on the 2021-31 consultation documents	
<p>This report provides our observations on the 2021-31 long-term plan consultation documents. Councils, as a whole, have realistically confronted the challenges they face and, for the most part, produced clear consultation documents. This is no small achievement at the best of times. In the middle of a pandemic and in a sector focused on significant reforms, this is even more significant.</p> <p>Areas covered:</p> <ul style="list-style-type: none"> • Preparing long-term plans in a challenging environment. • The audit reports we issued on the consultation documents. • Engaging effectively with communities. • The types of issues councils consulted on in the 2021-31 consultation documents. 	<p>On the OAG's website under 2021 publications</p> <p>Link: Summary of Consulting matters: Our observations on the 2021-31 (oag.parliament.nz)</p>
Local government risk management practices	
<p>The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.</p>	<p>On the OAG's website under 2021 publications</p> <p>Link: risk management practices</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.</p>	<p>On OAG's website under 2021 publications.</p> <p>Link: council employees</p>
The Auditor-General's report on the results of recent audits of local government	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Link: 2019/20 audits</p>

Description	Where to find it
What good looks like: Lessons for public organisations	
<p>A presentation to our central government Audit and Risk Committee Chairs' Forum.</p> <p>The presentation contained important findings from our recent work, including our performance audits, inquiries, and good practice guidance. We also highlighted areas that we will be focusing on over the next six months, including our Covid-19-related work.</p>	<p>On the OAG's website under 2021 publications</p> <p>Link: what-good-looks-like</p>
The problems, progress, and potential of performance reporting	
<p>Performance reporting is a fundamental part of providing effective public accountability.</p> <p>This discussion paper explores five areas for improvement:</p> <ul style="list-style-type: none"> ensuring that performance information is focused on the issues that matter to New Zealanders; ensuring that performance information is tailored to different audiences to make it more accessible; better integrating and aligning performance information so it is clear how the activities of public organisations contribute to outcomes; improving monitoring and scrutiny of the performance information that is produced to encourage continuous improvement; and building demand for good quality performance information, strengthening system leadership, and investing in the capability to do it well. 	<p>On the OAG's website under 2021 publications</p> <p>Link: performance-reporting</p>
Building a stronger public accountability system for New Zealanders	
<p>Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources.</p> <p>This discussion paper looks at how well New Zealand's public accountability system is working in practice</p>	<p>On the OAG's website under 2021 publications</p> <p>Link: public-accountability</p>
The Government's preparedness to implement the sustainable development goals	
<p>In 2015, all United Nations members signed up to Transforming our world: the 2030 Agenda for Sustainable Development (the 2030 Agenda). It sets out 17 sustainable development goals to be achieved by 2030.</p> <p>We looked at what arrangements are in place and how the Government is encouraging stakeholders and the public to engage with efforts to achieve the sustainable development goals by 2030.</p>	<p>On the OAG's website under 2021 publications</p> <p>Link: sdgs</p>

Description	Where to find it
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Procurement	
<p>The OAG is continuing its multi-year work programme on procurement.</p> <p>The OAG has published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p>	<p>On the OAG's website under publications.</p> <p>Links:</p> <p>Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>
Good practice	
<p>The OAG has made it easier to find good practice guidance, including resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>



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11 RESOLUTION TO EXCLUDE THE PUBLIC

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Litigation Update	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