

MEETING – AGENDA –

Ngā Take



AUDIT AND RISK COMMITTEE

Komiti Taiwhenua

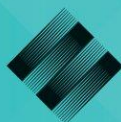
AR21-3

Thursday, 12 August 2021

Council Chambers

Barkes Corner, Tauranga

1.30pm



***Western Bay of Plenty
District Council***

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 Mark Maloney – Independent Member
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, 12 August 2021 at 1.30pm

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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 REPORT TO COUNCIL ON THE AUDIT OF WESTERN BAY OF PLENTY DISTRICT COUNCIL'S LONG TERM PLAN (LTP) - FOR THE PERIOD 1 JULY 2021 - 30 JUNE 2031

File Number: A4274950

Author: David Jensen, Finance Manager

Authoriser: Kumaren Perumal, Group Manager Finance and Technology Services

EXECUTIVE SUMMARY

The purpose of this report is to provide Elected Members with an opportunity to review the report to Council on the audit of the 2021-2031 Long Term Plan (LTP) (**Attachment 1**).

RECOMMENDATION

That the Finance Manager's report dated 12 August 2021 titled 'Report to Council on the Audit of Western Bay of Plenty District Council's Long Term Plan (LTP) - For the Period 1 July 2021 – 30 June 2031' be received.

BACKGROUND

The final LTP report follows the interim report that was issued by Audit New Zealand on 24 June 2021 and reviewed by Council's Management Team on 12 July 2021. There were no audit findings provided in the report requiring a response from Management.

Audit New Zealand issued an unmodified audit opinion on 29 June 2021. This means that Audit New Zealand was satisfied the long term, integrated decision-making and co-ordination of Council's resources, accountability to the community, information and assumptions underlying the forecast information in the LTP were reasonable. Council has provided a complete list of disclosures as required, which accurately reflect the information drawn from the LTP.

There were no matters of concern raised in Audit New Zealand's audit report.

Clarence Susan, the Audit Director, will be in attendance at the meeting to present the report to the Committee.

ATTACHMENTS

1. Report to Council on the Audit of WBOPDC LTP 2021-2031  

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

**Western Bay of Plenty District Council's
2021-31 Long Term Plan**

For the period 1 July 2021 to 30 June 2031

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Key messages

We have completed the audit of Western Bay of Plenty District Council's (the Council's) Long Term Plan (LTP) for the period 1 July 2021 to 30 June 2031. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

Overall, our view is that the Council has produced an LTP that provides a reasonable basis for long-term, integrated decision-making and co-ordination of the Council's resources, and accountability of the Council to the community.

Based on the work we have performed we are satisfied that the LTP covers what are expected to be the main issues facing the community into the future.

The LTP document is easy to read with a sufficient level of contextual information and has included all sections required by the Local Government Act 2002.

Audit opinion

We issued an unmodified audit opinion dated 29 June 2021. We have included an emphasis of matter paragraph drawing the reader's attention to the uncertainties of the three water reforms. Please refer to section 2.3 for further details.

Matters identified during the audit

We issued a report to the Council on 2 March 2021, which described the basis for our audit opinion on the consultation document and, where appropriate, areas where the Council could improve.

We have confirmed through our work performed at the LTP stage that the recommendations raised at the CD stage have been implemented. All further matters identified during the LTP audit were appropriately implemented by management. We have no outstanding recommendations to management on the LTP document.

Thank you

We would like to thank the Council's management and staff for their assistance during the audit. The timeline was very tight, however, the team ensured that all requests were met in a timely manner.



Clarence Susan
Appointed Auditor
20 July 2021

1 Our audit report

1.1 We issued an unmodified audit report



We issued a non-standard audit report on the LTP on 29 June 2021, which means the LTP provides a reasonable basis for:

- long-term, integrated decision-making and co-ordination of the Council's resources;
- accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the LTP are reasonable; and
- the disclosures on pages 485 to 488 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the LTP.

Without modifying our audit opinion, we included the following emphasis of matter paragraph in our audit report: Uncertainty over the three waters reform.

Without modifying our opinion, we draw attention to the disclosure on page 99, outlining the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The Long-Term Plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

We have discussed the reasoning for including this emphasis of matter paragraph further in section 2.2 below.

1.2 Uncorrected misstatements

The LTP is free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. All misstatements were amended prior to the Council adopting the LTP.

1.3 Quality and timeliness of information provided for audit



It is management's responsibility to provide information required for the audit of the LTP in accordance with the Local Government Act 2002. This includes the draft LTP with supporting working papers. We provided a listing of the initial information we required from management on 2 June 2021. This included the dates we required the information to be provided to us.

The Council was receptive to our recommendations, providing us with updated LTP documents in a timely manner. In addition, the Council's staff were available throughout the audit resulting in the smooth progression of the audit with no significant issues identified.

2 Matters raised in the Audit Plan



In our Audit Plan dated 28 August 2020, we identified the following matters as the main audit risks and issues for this engagement:

2.1 Growth (Key risk area)

The Council plans for growth in collaboration with Tauranga City Council, Bay of Plenty Regional Council, iwi, and Waka Kotahi and we have confirmed both growth and demographic change assumptions to the National Institute of Demographic and Economic Analysis's SmartGrowth statistics, which have been further refined based on internal knowledge of planned developments.

The National Policy Statement on Urban Development 2020 (NPS-UD) classified the Council as a Tier 1 local authority. The Council meets the competitive margin requirements as it can provide sufficient development capacity to meet expected demand for housing and business land over the short, medium, and long term.

From our work performed over the long-term demand of growth when including the 15% competitiveness margin, the Council is unable to meet the required growth requirements in the Ōmokoroa and Te Puke areas as there is no further potential for expansion. There is, however, potential for further expansion in the other areas, such as Waihi Beach and Katikati. We do not believe that the inability to meet capacity in Ōmokoroa and Te Puke in the long-term represents a breach of the NPS-UD requirements. This has been adequately documented in Council's LTP.

We therefore conclude that the growth assumption remains reasonable.

2.2 Three-waters reform assumptions and associated disclosures

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

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

We therefore conclude that the three-waters reform assumption remains reasonable.

The LTP adequately includes appropriate disclosure of the three-waters reform on page 99.

As this assumption has a high level of uncertainty, we have included an emphasis of matter paragraph in our audit report referring readers to this disclosure.

2.3 Waka Kotahi funding assumption

In preparing the consultation document, the Council's assumption was that it would receive its full funding bid from Waka Kotahi.

At a national level, the total indicative allocated funding was significantly less than the total budget bid. The Council's funding bid to Waka Kotahi was \$45.4 million for roading maintenance operations and renewals over the three years 2021-24. Waka Kotahi's indicative allocations over the three years 2021-24 were \$41 million for local road maintenance.

The Council has made an adjustment to its funding assumption aligning it to the indicative funding it will receive from Waka Kotahi. We are satisfied that the financial model, underlying information, and the LTP correctly reflect this adjustment.

The Council has considered and determined there were no committed contracts relating to the reduced funding and there will be no impact on levels of service throughout the period of the LTP.

The assumptions that the Council has made around the Waka Kotahi funding are appropriate and these have been adequately disclosed in the LTP.

2.4 Capital expenditure do-ability assumption and associated disclosures

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

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

As a result of the consultation phase, the Council increased its capital programme by \$51 million. This movement from the CD related largely to revised project timing (based on progress to date) and anticipated increases in the costing of projects due to contractors running at an unexpected loss.

We are satisfied that these increases do not impact the Council's ability to deliver these projects and therefore the Council not having a capital expenditure do-ability assumption remains appropriate.

2.5 Unbalanced budget

The Council is proposing an unbalanced budget in year 10 of the LTP.

This is due to the proposed subsidies and grants (specifically from Waka Kotahi) not fully covering the transportation depreciation in year 10 of the LTP.

We do not consider the presentation of an unbalanced budget in year 10 of the LTP to be representative of the Council not being financially prudent. We will reassess this each year in the annual audit.

We have assessed the Council's disclosure of the unbalanced budget and we consider this to be at an appropriate level of detail to ensure transparency for the reader.

Prior to the adoption of the LTP, a resolution will be passed by elected members to approve this unbalanced budget in compliance with the Local Government Act 202 at the LTP adoption meeting on 29 June 2021.

2.6 Climate change assumptions and related disclosures

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

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

There were no significant changes from the CD to the LTP regarding climate change related information. The climate change assumption therefore continues to be reasonable.

2.7 Covid-19 assumptions and related disclosures

The Council has assumed that the greatest impacts of Covid-19 will be on the economy and population growth but this will be short-term.

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

There were no changes from the consultation stage to the LTP regarding Covid-19 related information. The Covid-19 assumption therefore remains reasonable.

2.8 Critical assets – condition and performance

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

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

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

We concluded at the CD stage that the condition and performance information for critical assets is appropriate. There were no significant changes from the CD stage to the LTP regarding the quality of asset related information. The conclusions drawn at the CD stage therefore remain relevant for the LTP.

3 Other matters



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

3.1 Publication of the LTP on the Council's website

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

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

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you. This responsibility arises from section 94(1) of the Local Government Act 2002.</p> <p>The audit of the LTP does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter dated 28 August 2020 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your LTP. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to this audit and our audit of the Council's annual report, we have carried out engagements in the areas of debenture trust deed assurance engagement and LTP amendment audit, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council.</p>
Fees	<p>The audit fee, covering both the CD and the LTP for the period is \$108,900 (excluding GST and disbursements), as detailed in our audit engagement letter dated 28 August 2020.</p> <p>Other fees will be charged in the period for the annual report audit and debenture trust deed assurance engagement.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 621, Tauranga 3144

Phone: 04 496 3099

www.auditnz.parliament.nz



9.2 TAX GOVERNANCE FRAMEWORK

File Number: A4287054

Author: David Jensen, Finance Manager

Authoriser: Kumaren Perumal, Group Manager Finance and Technology Services

EXECUTIVE SUMMARY

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

RECOMMENDATION

1. That the Finance Manager's report dated 12 August 2021 titled 'Tax Governance Framework' be received.
2. That the Committee receives the Chief Executive Officer's decision to adopt the Tax Governance Framework and that the work programme will commence in early 2021/22, with results reported to this Committee as outlined in the Framework.

BACKGROUND

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

TAX GOVERNANCE FRAMEWORK WORK PROGRAMME

5. Council has engaged Pricewaterhouse Coopers (PwC) to undertake a review of Council's tax governance framework and to establish a tax risk management strategy in order for Council to proactively manage its tax related risk.
6. This work programme includes detailed evaluations of Council's processes and procedures relating to the tax types Council has the most potential exposure to (GST, PAYE and FBT). These evaluations are designed to ascertain areas of risk, provide an independent assessment of compliance and to provide recommendations for improvement.
7. The Tax Governance Framework outlines the proposed risk profile and strategies taken towards Council's taxation risk management, as well as the proposed work programme for the next three financial years

ATTACHMENTS

1. **Western Bay of Plenty District Council - Tax Governance Framework**  

Western Bay of Plenty District Council

**Tax risk governance framework
For adoption by the Audit and Risk Committee**

July 2021



7705785_1

1. Purpose

This document establishes the tax governance framework for Western Bay of Plenty District Council (WBOPDC).

1.1 Background

WBOPDC has a high public profile. As such, WBOPDC must maintain exemplary governance and tax compliance standards.

Although WBOPDC is largely exempt from paying corporate income tax, it is required to correctly account for Goods and Services Tax, Fringe Benefit Tax, PAYE, and a range of other withholding taxes. These taxes make up a significant portion of the New Zealand Government's annual tax take. Accordingly, the tax obligations of WBOPDC cannot be taken lightly.

Inland Revenue has signalled its expectation that all large organisations should have tax risk management incorporated within their governance framework. This is consistent with international best practice; tax authorities in foreign jurisdictions, including Australia and the United Kingdom, have been advocating this approach is taken by large Public and Private sector organisations.

1.2 Risk management

The Audit and Risk Committee is, along with other responsibilities, tasked to:

- Assist the General Manager: Finance & Technology (GM) to determine WBOPDC's appetite or risk.
- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of WBOPDC's significant risks.
- Consider whether appropriate action is being taken by management to mitigate WBOPDC's significant risks.
- Ensure that management is kept apprised of WBOPDC's governance body's views on uncontrolled risk.
- Ensure management are keeping the Audit and Risk Committee fully apprised of all independent sources of assurance, via the risk management framework.

Proactive tax risk management can facilitate mitigation of:

- Operational risk – by way of reducing the potential for reputational damage befalling WBOPDC as a result of non-compliance, and the possible negative impacts on various stakeholders, such as employees and suppliers.
- Financial risk – through minimising the financial impact of non-compliance, and the costs associated with over- or under-paying tax by WBOPDC.
- Compliance risk – in terms of ensuring areas of non-compliance are identified, thereby minimising any penalties or interest being imposed by Inland Revenue and reducing the risk of WBOPDC being subject to an Inland Revenue audit.

2. Tax risk profile

WBOPDC has an obligation to fulfil its tax compliance obligations as required by tax legislation, including the Income Tax Act 2007, Goods and Services Tax Act 1985 and Tax Administration Act 1994.

Given the high profile and public nature of WBOPDC, there is a need to adopt a conservative approach towards tax compliance. Accordingly, WBOPDC will adopt a "LOW" tax risk profile such that it has an open and honest working relationship with Inland Revenue.

3. Tax risk management strategies

The following strategies will be adopted by WBOPDC to ensure that it maintains a low tax risk profile and effectively manages its tax obligations and potential tax risks.

WBOPDC will develop a tax risk management plan to be formally adopted by the Audit and Risk Committee. The plan will be reviewed at least every three years. The plan will:

- Identify key areas of tax compliance risk that are faced by WBOPDC.
- Establish the steps required to effectively manage or mitigate each risk area.
- Provide clear and realistic time frames to carry out the steps.

3.1 Responsibility for tax issues

The GM has overall responsibility for the management of the tax issues of WBOPDC. As appropriate, the GM may delegate responsibility for tax issues to another appropriately qualified person.

The GM has overall responsibility as the myIR account owner for WBOPDC. The GM is responsible for administering and maintaining staff delegations and permissions of myIR login accounts and for ensuring delegations are updated as and when staff leave or join the organisation.

3.2 Reporting tax risks to Audit and Risk Committee

Any 'significant tax risks' will be reported in the first instance to the GM as soon as they are identified and where appropriate, to the chair of the Audit and Risk Committee within two weeks of being identified.

A 'significant tax risk' to WBOPDC may include, but is not limited to, a circumstance where an incorrect interpretation is made that results in a situation where:

- Penalties and interest could be imposed against WBOPDC.
- A tax liability is required to be settled that is in excess of \$20,000.
- WBOPDC could be subject to prosecution.
- An accusation of tax avoidance could be levied.
- There is risk of negative publicity.

WBOPDC will report on all tax risk management matters to the Audit and Risk Committee at least once a year. As part of that report, a summary should be prepared and presented to the Audit and Risk Committee setting out key issues, and may include the following:

- Key financial information including any outstanding taxes due, and any interest or penalties imposed during the year.
- Particulars of any proposed legislative tax changes which could impact on WBOPDC.
- Details of any significant outstanding taxes in dispute with Inland Revenue.
- Details of advice sought and future matters to consider.
- A table of tax tools and services used and whether each aligns with WBOPDC's 'LOW' risk tax profile; i.e. Strategy vs Achievement.

3.3 Tax awareness and training

WBOPDC will ensure that all relevant staff are provided with adequate training and resources to effectively identify and manage its tax obligations and risks. Where appropriate, this may involve sending selective staff on external courses or engaging an external speaker to conduct in-house training.

3.4 Meetings and correspondence with Inland Revenue

WBOPDC will endeavour to maintain strong working relationships with Inland Revenue, other government bodies, and related third parties. All dealings with external parties will be undertaken in a professional and timely manner.

Apart from routine PAYE, FBT and GST returns and payments, all other correspondence, meeting requests or queries from Inland Revenue must be immediately referred to the GM. The GM is the only person authorised to correspond or meet with Inland Revenue to discuss the tax matters of WBOPDC – although they may delegate this responsibility to others where appropriate.

3.5 Tax advice and rulings

WBOPDC will maintain detailed information and computations supporting all tax return filing positions. If there is any uncertainty in respect of a filing position where the amount of tax exceeds \$10,000, WBOPDC will seek written advice from external tax advisors.

In some instances, the degree of uncertainty over a particular tax issue may warrant seeking a Binding Ruling from Inland Revenue. No approach should be made for a Binding Ruling without the prior approval of the GM. However, the GM may obtain agreement from the Audit and Risk Committee if considered appropriate.

3.6 Tax returns and payments

WBOPDC will file all returns and pay any resulting tax liability on, or before, the stipulated due dates. When preparing and filing tax returns, WBOPDC will be transparent, and fully disclose all relevant information supporting a tax position in a tax return. WBOPDC will only adopt tax positions that are highly likely to be correct based on current law. Notwithstanding this, WBOPDC will endeavour to ensure that the most tax efficient position is adopted.

Any tax payments in excess of \$20,000 must be authorised by the GM. However, the GM may delegate this to the Finance Manager in accordance with WBOPDC's delegation authorities.

Tax payments must be supported by detailed tax computations and explanations which are initiated by the preparer and then countersigned by that person's superior prior to payment.

The GM (or someone delegated by the GM) will review WBOPDC's Inland Revenue accounts on a monthly basis to ensure that all returns have been assessed by Inland Revenue and payments have been allocated appropriately. Any unreconciled items will be reported to the GM.

3.7 Filing and record keeping

In terms of the Tax Administration Act 1994, WBOPDC is required to retain tax records for several years. To assist in archiving and the subsequent retrieval of relevant tax records, WBOPDC will separately file each tax return and supporting computation and advisory correspondence based on the year of assessment and tax type.

In addition, WBOPDC will maintain a detailed index of the relevant tax files to enable their efficient retrieval should they be requested by Inland Revenue in later years. Specifically, the index should contain details relating to the file reference, relevant tax period, tax type, subject of the document on file and location of the file, and evidence of review by the GM. This index should be maintained irrespective of whether the information is in electronic or hard copy format.

3.8 Regular reviews

The tax risks of WBOPDC potentially increase over time through a combination of personnel and legislative changes. To ensure the tax compliance procedures of WBOPDC are kept up to date and accurate, an independent external review of GST, PAYE/Withholding Taxes and FBT should be undertaken every three years. This review will tend to be undertaken in a 'rolling' format, with a different tax type being reviewed each year (see below).

3.9 Penalties and voluntary disclosures

Wherever possible WBOPDC should endeavour to minimise any penalties and Use of Money Interest. Accordingly, any tax discrepancies identified should be addressed and disclosed to Inland Revenue as soon as possible. Unless the discrepancy has been identified pursuant to a (current) tax investigation, WBOPDC (in consultation with the Audit and Risk Committee) should always consider making a Voluntary Disclosure as a means of minimising any potential penalties.

3.10 Tax policies

To assist staff with the day to day tax treatment of issues specific to WBOPDC and to ensure a consistent tax treatment of items across the organisation, WBOPDC subscribes to PwC's Online Tax Policies. PwC maintains PAYE, GST, FBT, and KiwiSaver tax policies, and are regularly updated for legislative changes. These tax policies will provide an outline of common tax issues arising and how they should be treated in the various tax returns of WBOPDC.

Western Bay of Plenty District Council

July 2021

4. Tax governance framework – adoption

Tax Governance Framework – version 1.1

Approved:

.....

Name:

Position:

Date:

.....

Name:

Position:

Date:

Western Bay of Plenty District Council

July 2021

Tax Risk Management Strategy – Fit for purpose

Tax services	Financial Year Ended			
	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Access to tax helpdesk facility	✓	✓	✓	✓
Access to online tax policies	✓	✓	✓	✓
Access to GST compliance property guide	✓	✓	✓	✓
Independent tax evaluations:				
• PAYE (option to include data analytics)	✓			
• GST		✓		
• FBT			✓	
Annual report to Audit and Risk Committee on tax risk management	✓	✓	✓	✓
External advice sought on major issues	As required			
Tax training provided to staff	✓		✓	

PwC

7

9.3 HEALTH AND SAFETY REPORT

File Number: A4287173

Author: Paige Marshall, Executive Assistant People & Customer Group

Authoriser: Jan Pedersen, Group Manager People And Customer Services

EXECUTIVE SUMMARY

1. Health and Safety Report

This report provides a summary of:

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

RECOMMENDATION

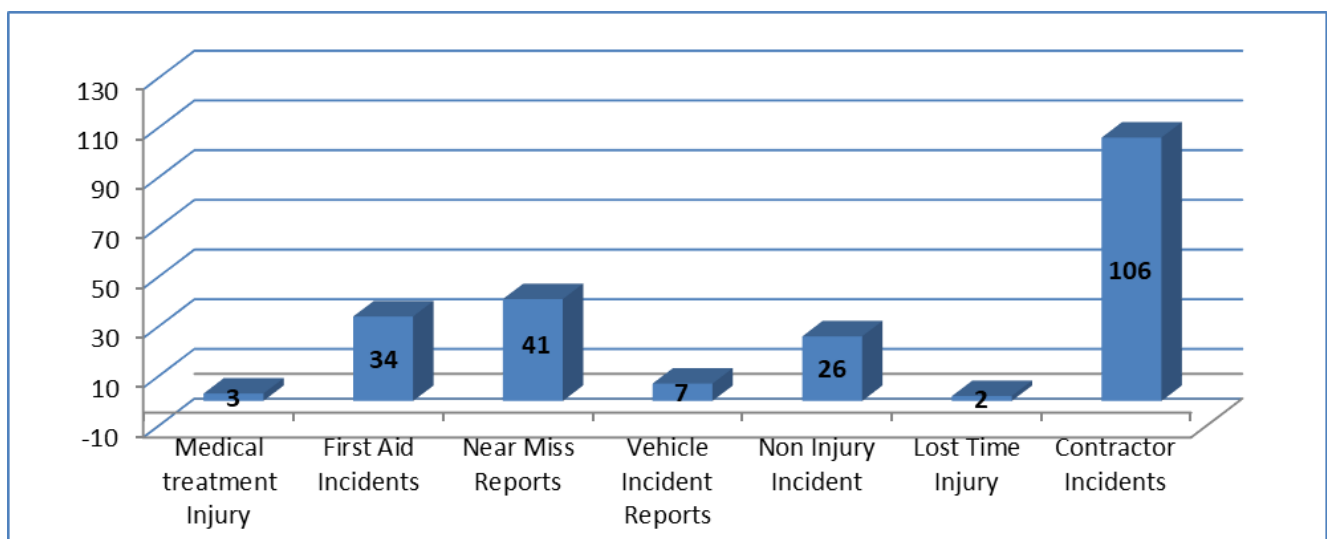
That the Group Manager People and Customer Services' report dated 12 August titled 'Health and Safety Report' be received.

BACKGROUND

2. Health and Safety Performance

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

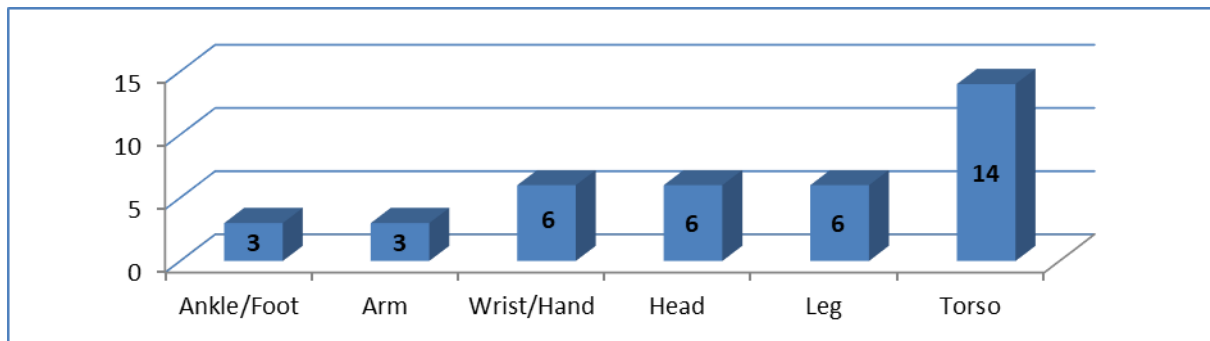
Summary of Safety Events – 1 July 2020 – 30 June 2021



3. Significant Safety Events for the reporting period 1 May 2021 – 30 June 2021

25 May 2021: Dog versus dog safety event at the Te Puke Pound

- In May 2021 a significant dog fight occurred at the Te Puke Pound. The Pound Keeper utilised the Lone Worker Device (SOS alarm) to call for additional assistance.

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

The metrics reported are:

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

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

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

Safety Events	Year to Date Results FY 2021 (Q2)	Year to Date Results FY 2020	Year to Date Results FY 2019
Medical Treatment Injury	3	5	1
First Aid Incidents	34	8	23
Near Miss Reports	41	49	33
Vehicle Reports	7	11	38
Non Injury Incident	26	15	51
Lost Time Injury	2	3	4
Contractor Incidents	106	150	123
Total Safety Event Reports Year to Date	219	241	273

6. Health and Safety Hazard Risk Management

The following high-risk hazards and risk were focussed on:

- Lone worker devices were recently implemented for high-risk activities for the Water Treatment Operators, Animal Services Officers and Compliance staff in order to support lone/isolated staff undertaking duties in remote locations.
- Council's safety team are focussing on managing contractor safety which included reviewing health and safety documentation and completing site inspections. This included the Kerbside Collection Programme, implementation of Three Waters and the Omokoroa Urbanisation Project.

7. COVID-19 Management Planning

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

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

8. Health and Safety Strategic Work Programme

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

Throughout the reporting period (May - June 2021) field staff attended the following training:

- Traffic management;
- Four wheel drive;
- First Aid;
- Hazardous substance; and
- Certified chemical handler.

Policies and procedures recently reviewed included:

- 'Hazardous Substance' policy;
- 'Working Alone Policy'; and
- Associated Procedures.

Council has a pro-active wellbeing group, which includes a holistic approach to health, and wellbeing. A number of activities were carried out for the reporting period, including mental health workshops, resilience training and physical exercise groups.

9. 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.

9.4 SUMMARY OF AUDIT AND RISK AGENDA TOPICS AUGUST 2021

File Number: A4081167

Author: Kumaren Perumal, Group Manager Finance and Technology Services

Authoriser: John Holyoake, Chief Executive Officer

EXECUTIVE SUMMARY

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

RECOMMENDATION

That the Group Manager Finance and Technology Services report dated 12 August 2021 titled 'Summary of Audit and Risk Agenda Topics August 2021' be received.

BACKGROUND

2. The purpose of the Committee work plan is to coordinate the delivery of the Committee's role to provide assurance and assistance to Council on the management of Council's risk, financial control and compliance framework and its external accountability responsibilities. An updated Work Plan for 2021 is attached to this report (**Attachment 1**). Changes to the work plan for August include:
 - Consideration of the Draft Annual Report for the year ended 30 June 2021. An Audit and Risk Committee workshop will be scheduled in early September for review of the draft Annual Report for 2021.

AUDIT NEW ZEALAND REPORTS

3. Council's appointed auditor from Audit New Zealand will attend the Committee meeting to present the following documents:
 - Report to Council on the Audit of Western Bay of Plenty District Council's Long Term Plan (LTP) For the Period 1 July 2021 – 30 June 2031. This is attached as a separate agenda item.
 - Interim Audit Management Report for the year ended 30 June 2021. This report has not yet been received from Audit New Zealand. A status update on the interim audit will be provided at the meeting.

TAX GOVERNANCE FRAMEWORK

4. Council engaged PwC (Pricewaterhouse Coopers) to undertake a review of Council's tax governance framework and to establish a tax risk management strategy in order for Council to proactively manage its tax related risk. The review has now been completed and a work programme developed (refer separate report). Representatives from PwC will attend the Committee meeting to present the work programme.

TREASURY UPDATE

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

QUARTERLY REVIEW OF COUNCIL RISK PROFILE

6. Council's risk profile report provides a background to the existing top eleven organisational risks that have been identified by Council. Status updates on the top eleven risks are reported on a quarterly basis.

The purpose of the report is to present the top eleven risks for the Committee to consider, discuss and advise on potential changes for future risk reporting.

REVIEW OF ACCOUNTING POLICIES, KEY ACCOUNTING ESTIMATES AND ASSESSMENT OF ASSET REVALUATION UPDATE

7. This report outlines the status of accounting policies supporting the draft 2020-2021 Annual Report and provides an overview on Council's asset revaluation process.

AUDIT MONITORING REPORT (EXTERNAL/INTERNAL)

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

HEALTH AND SAFETY REPORT

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

LITIGATION REPORT

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

ATTACHMENTS

1. **Audit and Risk Committee 2021 Workplan (Updated)** [!\[\]\(69baca079ef3ab6f03d58fd7e9f950f1_img.jpg\) !\[\]\(2da321c3dc978a55192cb9c452297973_img.jpg\)](#)

Western Bay of Plenty District Council

Audit and Risk Committee

2021 Work Plan (Updated)

Workstream	Committee meeting dates				
		Feb 2021	May 2021	Aug 2021	Nov 2021
Risk Management					
Quarterly review of Risk Profile		✓	✓	✓	✓
Annual Refresh of Risk Profile (Top-down strategic risk identification & assessment – our top 11 risks.			✓		
Internal Audit (KPMG)					
Internal Audit Reporting / Monitoring		✓	✓	✓	✓
Policy / Strategy Input					
Review and input into various policies and strategies		✓			✓
Insurance / Treasury / Tax					
Treasury Update		✓	✓	✓	✓
Tax Governance Framework				✓	
External Audit and External Accountability					
Audit Arrangements Letter 2020-2021			✓		
Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results				✓	
Approval of Draft Annual Report 2020-2021	An Audit and Risk Committee Workshop will be scheduled early September 2021 to progress the Annual Report.				
Final Audit Management Report 2020/21					✓
LTP Audit Management Report 2021/31				✓	
Audit Management Monitoring Report		✓	✓	✓	✓
Health and Safety Report		✓	✓	✓	✓
Litigation Update Report		✓	✓	✓	✓

A3925183

9.5 TREASURY UPDATE REPORT

File Number: A4081170

Author: David Jensen, Finance Manager

Authoriser: Kumaren Perumal, Group Manager Finance and Technology Services

EXECUTIVE SUMMARY

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

RECOMMENDATION

That the Finance Manager's report dated 12 August 2021 titled 'Treasury Update' be received.

BACKGROUND

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

INTEREST RATE RISK

3. 'Interest Rate Risk' is the risk that either investment returns will fall materially short of forecast, or that financing costs will exceed projections due to adverse movements in interest rates.
4. The Reserve Bank held the Official Cash Rate (OCR) at 0.25% in its Monetary Policy Statement on 14 July 2021, noting that global market conditions are improving. The Bank announced that it would halt further monetary stimulus under its Large Scale Asset Purchase programme in order to meet its consumer price and employment objectives in the medium term.
5. The Reserve Bank reiterated that temporary factors within our economy are leading to short term price pressures, particularly due to global supply chain disruptions and higher oil prices. The Bank also noted that more persistent consumer price pressures are expected to build over time due to domestic capacity constraints and labour shortages. Markets have interpreted these statements and corresponding data as being a signal for likely increases in interest rates with most major banks predicting increases in the OCR as early as August 2021.
6. Council's interest rate hedging remains within policy, and we have a large degree of price certainty relating to our borrowing costs for the next 12 months due to our mixture of fixed and floating rate debt. Staff have been working alongside Council's treasury advisors (Bancorp Treasury) to establish the optimal level of fixed and floating rate debt, particularly in light of the additional funding required to deliver the community outcomes contained in the 2021-2031 Long Term Plan, and Council may choose to move more towards policy midpoints rather than policy lows, should rates maintain their upward trajectory. While Council's interest rate risk remains low due to the controls in place through swap contracts and existing fixed rate borrowing, developments in interest rate markets are evolving rapidly and this risk is a key area of focus for Council staff.

LIQUIDITY AND FUNDING RISK

7. 'Liquidity Risk' is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations. This is due to the fact that Council's cash flow is dependent on the maturity of cash investments and loans.
8. Council began the 2021/2022 financial year in a strong cash position with the first rate instalment due over September/October 2021. The 2021-2031 Long Term Plan contained a significant step change in capital and operational budgets, which will require an increased level of funding over the next ten years.

9. Council sources its funding from the Local Government Funding Agency Limited (LGFA), which is a highly rated financial institution owned by local authorities across the sector, in conjunction with central government, with the express purpose of generating funding for New Zealand local authorities. Council's funding risk is deemed to be low while cash requirements are expected to increase as Council delivers on the 2021-2031 Long Term Plan. Council can raise funding quickly and regularly through the LGFA.
10. A new funding risk is emerging with regard to Council's transport subsidy funding from Waka Kotahi, as lower fuel tax and government funding to Waka Kotahi translate into reductions in funding given to councils across New Zealand. This means that should Council's subsidy revenue be less than budgeted, Council must decide to either reduce the transport expenditure or find an alternative funding source such as rates or loans. Staff continue to monitor this risk and are in regular communication with Waka Kotahi.

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 does not enter into 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.
15. 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.

9.6 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) AUGUST 2021**File Number:** A4081172**Author:** Kumaren Perumal, Group Manager Finance and Technology Services**Authoriser:** John Holyoake, Chief Executive Officer**EXECUTIVE SUMMARY**

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

RECOMMENDATION

That the Group Manager Finance and Technology Services' report dated 12 August 2021 titled 'Update on Outstanding Audit Items (Internal/External) August 2021' be received.

BACKGROUND**Audit New Zealand**

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

KPMG

6. During the 2016/2017 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. The audit plan outlined the intended areas of focus for 2017, 2018 and 2019, with confirmation sought from senior management on an annual basis.
7. The annual internal audit plan review for 2018 identified asset management and key financial controls as areas of internal audit focus. Status updates to the key findings are included in the attached 'Audit Monitoring' table (**Attachment 1**).

ATTACHMENTS

1. **Audit Monitoring Table (Internal/External)**  

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

2019-2020 ANNUAL REPORT			
Audit 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.</p> <p>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.</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>August Update</p> <p>The 2021/22 rates resolution was adopted by Council on the 29th June 2021. This resolution and the corresponding Rating Funding Impact Statement was reviewed by Simpson Grierson and feedback incorporated into the final resolution.</p> <p>The issue relating to water rate dates in Council's resolution remains outstanding, pending a review into the wider business processes around water post-implementation of the joint 3-Waters Contract with Tauranga City Council.</p>

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

<i>Ensure all emergency work claims to NZTA comply with contract conditions.</i>			
<p>Over-claimed funding from New Zealand Transport Agency (NZTA) as special conditions of network contract not satisfied</p> <p>We reviewed the latest NZTA audit report and noted an issue regarding the District Council's treatment of emergency works under the network contract. The contract has special conditions around emergency works that NZTA believed were not being met. This affects the District Council's entitlement to claim supplementary emergency works funding. NZTA requested the District Council repay \$673,043 (plus GST) of over-claimed funding. The Council has recognised this refund in the financial statements.</p> <p>We recommend the Council ensures all emergency work claims to NZTA comply with contract conditions.</p>	Necessary	<p>May 2021</p> <p>NZTA adjusted their earlier approved emergency works sum for these events prior to the Council claiming any costs. Therefore, no funds were over-claimed and no refund was required to be made. There were no financial transactions required in the Council's financial system concerning over-payment or refunds.</p>	<p>August 2021</p> <p>This has been closed out with NZTA. The contract extension changes the risk for emergency work from the contractor to Council. This item is now complete.</p>
<i>Ensure all aspects of any legislative changes are actioned.</i>			
<p>Legislative changes regarding the "four well beings"</p> <p>Last year the Government passed the Local Government (Community Well-being) Amendment Act 2019 (2019 No 17) (the Amendment) which made a number of changes to the Local Government Act 2002 (the Act). The overall purpose of the Act remains "to provide for democratic and effective local government that recognises the diversity of New Zealand communities". The Amendment re-instated one of the key contributors to achieving that purpose. The purpose is to provide "for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach". Part 3, clause 23 (d) of the Act now requires that "an annual report must, in relation to each group of activities of the local authority, describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community". The initial draft annual report did not contain the necessary disclosure under the Amendment. We brought this to management's attention and the disclosure was added into the final document. We noted that other aspects of the Amendment had been actioned such as updating the templates for decision making documents and for agenda items to include consideration of the well beings. We recommend the District Council ensures all aspects of any legislative changes are actioned.</p>		<p>May 2021</p> <p>Council continues to monitor legislative changes and will ensure that legislative changes are enacted as required.</p>	<p>August 2021 Update</p> <p>Council continues to monitor legislative changes and will ensure that legislative changes are enacted as required.</p>

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

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

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

2017-2018 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status Update
Asset Improvement Programme			
<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>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>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.</p> <p>We have discussed the recommendations from the 3 waters revaluation and will program these over the next year.</p> <p>No recommendations were made for our other revaluations.</p>
Incorrect Dates in Accounts Payable (AP) Module			
<p>Care be taken on uploading data files and reviews to be made subsequent to the upload to correct date errors on upload.</p> <p>The Council anticipates the implementation of the new automated AP system (Esker) will occur towards the end of the 2018/19 financial year or at the beginning of the next financial year. This will reduce the risk of manual errors entering dates and will improve the accuracy and integrity of the AP process.</p> <p>2019-2020 Audit Management Interim Report – October 2020</p> <p>We again noted date errors in the information provided to us.</p>	Necessary	<p>October 2020</p> <p>The error described related to the issue raised last year and was in fact the reversal leg of the same journal made in the preparation of the 2018/19 accounts. Staff have been reminded about the care required in journal uploads.</p> <p>June 2019</p> <p>The Council's staff have been reminded of the importance of taking due care in the uploading of files to the ERP system.</p>	<p>August 2021 Update</p> <p>The accounts payable OCR software tool has been implemented. As part of the end of financial year process, the integrity of the AP process connected to the tool has been reviewed. There are still a few little items to iron out and more regular monitoring around the process before this item can be 100% closed. The earlier proposed ESKER system was not able to be implemented due to the compatibility issues with Ozone and Council processes.</p>

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

Audit Recommendation	Priority	Management response	Status Update
GL Reconciliations			
<p>The Council ensures all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early, and rectified.</p> <p>During our interim audit, we reviewed a sample of bank, creditor, debtor, payroll and suspense account reconciliations and found the following:</p> <ul style="list-style-type: none"> In all of the above we noted instances of untimely review. Regarding debtors reconciliations, there was one instance where there was no sign-off by the person preparing the reconciliation. Regarding suspense accounts, there was two instances where there was no evidence of the reconciliation having been reviewed. <p>2019-2020 Audit Management Interim Report – October 2020</p> <p>General Ledger</p> <p>We still note instances where reconciliations have not been prepared or reviewed in a timely manner. We identified instances where creditor, payroll clearing accounts, debtor and suspense accounts reconciliations were completed two months after month end.</p> <p>No evidence of review for Masterfile change report</p> <p>We noted the July 2019 report did not evidence the review from the Finance Manager or Senior Financial Planner. However, other reports we sighted had been appropriately reviewed.</p>	Necessary	<p>October 2020</p> <p>General Ledger</p> <p>There are two reconciliation processes that are awaiting fixes from our IT provider, Datacom. Other delays related to handover issues with a departing staff member and Council expects these have been addressed going forward.</p> <p>Masterfile change report</p> <p>While the reports had been prepared and reviewed, the date was missing from the signature. This has been corrected going forward.</p> <p>June 2019</p> <p>Monthly finance processes have been strengthened following a number of staff changes. All reconciliations are prepared and reviewed within 20 days of month-end.</p>	<p>August 2021 Update</p> <p>Reconciliations have been completed for June 2021. Handover & training from the external consultant, engaged to assist with the reconciliations has also occurred.</p>
Contract Management System			
<p>The Council considers improving the functionality of its contract management system. There has been no progress made to date and no progress is expected until the 2019/20 period.</p> <p>2019-2020 Audit Management Interim Report – October 2020</p> <p>Based on our discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.</p>	Beneficial	<p>October 2020</p> <p>It is expected that Council will seek improvements to the procurement system once a pathway to a new ERP system is established by senior management.</p> <p>June 2019</p> <p>This will be reviewed as part of the 2019/20 work programme.</p>	<p>August 2021 Update</p> <p>This matter is on hold and will be considered as part of Council's new ERP project signaled in the LTP.</p>

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

CLOSED EXTERNAL AUDIT MATTERS			
<i>Audit Committee</i>			
<p>The Council reviews the composition, functions, and effectiveness of its current audit committee structure against the Auditor General's good practice guide. The Council has put this on hold until after the 2019 elections. This matter is likely to be resolved in the 2019/20 period.</p> <p>2019-2020 Audit Management Interim Report – October 2020 After the 2019 elections, Council formed an Audit and Risk Committee with Mayor Gary Webber as the Chair. OAG best practice suggests that the Audit and Risk Committee's Chair be an independent person to Council. We recommend that Council considers the appointment of an Independent Chair to the Audit and Risk Committee ensuring good governance and best practice adopted in regards to the committee's composition.</p>	Necessary	<p>October 2020 The decision not to appoint an Independent Chair for the Audit and Risk Committee was made at a governance level. Audit New Zealand's comments are noted.</p>	<p>CLOSED – Pending audit confirmation At an Extraordinary Council meeting held on 5 May 2021, Council appointed Mark Maloney from Mark J. Maloney Consulting Ltd to the Audit and Risk Committee as an independent member. Mr Maloney has been engaged until October 2022 and will participate in Audit and Risk Committee meetings from 20 May 2021. This matter will now be closed pending audit confirmation.</p>
<i>Central Database of Contractors</i>	Priority		Status Update
<p>Our testing of the process for adding and removing users to the network and applications did not identify any centralized process for recording contractors who are working at the Council and need access to IT systems. The processes for advising IT when contractors cease and access should be removed do not appear to be consistent. This raises the risk that contractors who no longer work for the Council may still have access – including from outside Council's premises. We recommend that a central register be developed of contractors and consultants working for the Council and formalized processes put in place for establishing and removing access to the Council's IT systems.</p>	N/A	<p>October 2020 IT now manage a central database of contractors who are managed through a separate classification within our IT systems which enables Council to manage contractor access to IT system.</p>	<p>CLOSED - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.</p>
<i>Property, Plant and Equipment – Cost Transfers</i>			
<p>During our testing of asset additions, we noted two instances where the Council had processed a journal transferring operational costs to capital expenditure for which the Council was unable to provide documentation in support of the transaction. We recommend that the Council ensures supporting documentation is retained in all instances where a journal is processed to reclassify costs from operational costs to capital expenditure.</p>	Necessary	<p>June 2019 Council has established a new journal convention for internal transfers which requires a higher level of documentation. This will be in place for the 2019/20 financial year.</p>	<p>CLOSED - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.</p>
<i>Passwords not set to expire</i>			
<p>The finalization of improvements to IT password settings needs to occur and unless stronger passwords are implemented, passwords should be set to expire for all users. An assessment and acceptance of risk by senior management be completed if Council wishes to remain with this type of access to systems. Access to the system has been sent for users to have 12-character passwords that do not expire; however, all staff are able to log in to their devices using a six-digit numeric pin, without changes or complexity being enforced. No extra level of password security is required to log in to the Council's financial systems.</p> <p>2019-2020 Audit Management Report Final – October 2020 Council introduced six digit pin numbers for users to access their workstations in 2019. We met with management at the end of 2019 and recommended that stronger password controls be established. A process is now underway to enforce stronger passwords for logging into the network. Rollout of these new password controls is to be completed after the COVID-19 lockdown. We will follow up on this issue as part of our next IS audit in the 20/21 period.</p>	Necessary	<p>October 2020 Noted.</p> <p>June 2019 The internal controls around IT and passwords will be reviewed as part of the Council's 2020 work streams.</p>	<p>CLOSED - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.</p>

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

<i>Notifying IT of all Leavers</i>			
<p>The Council ensures that timely requests are placed with IT to remove staff access to systems upon termination of their employment. Our testing this year noted that HR staff are not always formally notifying IT of staff leaving, and we noted discrepancies in the leaving dates for some staff.</p> <p>2019-2020 Audit Management Report Final – November 2020 HR are still not always advising IT promptly of staff leaving or changing roles. We also note that there are a number of staff who leave but then their access is requested to be left open in case the council wants the person to do further work for them some time in the future.</p>	Necessary	<p>October 2020 A new IT access policy has been created to ensure the timely removal of exiting staff from our IT system.</p> <p>June 2019 To safeguard the Council's systems and data, IT are now logging and actioning the removal of staff access based on any information that they can obtain regarding terminations.</p>	<p>CLOSED - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.</p>
2016-2017 ANNUAL REPORT			
<i>High number of 'Superusers' in Ozone and network, including Datacom staff</i>			
<p>Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data. We note that there has been a reduction in the number of Council and Datacom staff with superuser access to Ozone. An automated process disables contractors' access if not used for 41 days. There is still a high number of staff using Domain Administrator access on the network, including staff using the generic "Administrator" login.</p> <p>2019-2020 Audit Management Report Final Work is in progress to reduce network domain administrators.</p>	Necessary	<p>November 2020 The domain administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p> <p>June 2019 The domain Administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p>	<p>CLOSED - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.</p> <p>May 2021 Update The generic domain administrator account is disabled. Any changes to the account status (by named administrators) are recorded in the ManageEngine Active Directory Audit Plus tool log. Alerts are also raised for reporting purposes.</p> <p>The IT Team Leader may allow by prior approval the occasional usage of the account (to modify Microsoft file ownership properties).</p>

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

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>August 2021 Update The update of asset management plans is under way.</p> <p>May 2021 Update There is a short timeframe between the consultation process and adoption of the LTP and the Asset Management Plans will be updated in line with or immediately following adoption of the LTP.</p>
<i>Modelling of Depreciation</i>	Recommended	
<p>Through our review of the financial model, we noted that depreciation for existing assets does not take into account effects of the three yearly revaluations and depreciation, nor is it inflated. Management provided Audit NZ with a high-level assessment and we are satisfied that the potential impact of this not to be significant. However, the risk for Council is that should there be a significant increase in revaluations in future years, the annual depreciation may be understated and therefore also impact on the Council's ability to meet its self-established prudence benchmarks.</p> <p>We recommend that Council considers and assesses the potential for significant revaluation movements in future years and, if this is likely, assess the impact on forecasted depreciation and to operate within its prudence benchmark set targets.</p>		<p>CLOSED – Pending audit confirmation The IBIS Breeze Long Term Plan financial modelling tool addresses this matter and this item can be closed once Audit NZ sign off the audit of the final 2021-2031 Long Term Plan.</p>

Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status update
Asset data management processes, systems and analytics: Asset portfolios lacking clarity of data requirements and transition risk during new asset database implementation	<ul style="list-style-type: none"> In parallel with the SAMP development, document the group level asset management processes and the AssetFinda interface requirements for asset data, analytics and information. Reference these processes within the SAMP. 	High	August 2021 Update Documentation of processes is ongoing.
	<ul style="list-style-type: none"> Establish a simple but robust data model for property portfolio assets, waste water treatment plants and other asset classes that are not well documented. Undertake a review of data gaps and collect and maintain asset registers for all asset classes in accordance with data model requirements. Embed processes of data management in the organisation. 		May 2021 Update The Capitalisation process and asset recognition workshops have been completed and the asset recognition manual is being updated.
	<ul style="list-style-type: none"> Actively promote the benefits of AssetFinda to staff with an asset management remit. Communication of the benefits of a high standard of asset data can improve motivation to maintain data. Consider the use of dashboards which are tailored to user type's e.g storm water engineers, pensioner housing property managers, making asset and portfolio reporting easier and improving supporting information for business cases. 		August 2021 Update Loading of existing buildings and components with assistance from a new resource in the Property team. An improved Treatment Plant data model will be developed within the next 12-18 months with support from our collaborative partners Tauranga City Council and Watercare.
	<ul style="list-style-type: none"> Develop a roadmap to close out the AssetFinda system implementation process and establish a clear brief of organizational information requirements to inform asset portfolio data models. Establish a clear project delivery structure for the works with senior management sponsorship and formal reporting, and assign adequate resources to achieve a successful close out. 		August 2021 Update Support for the new reporting tool for 3 waters will be provided.
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"> Undertake a review and improvement initiative for the corporate property Asset Management Plan to achieve an adequate level of asset management maturity. Provide support to the business unit to establish and embed robust asset management processes. 	Medium	May 2021 Update A new report for capitalisation has been completed. Training in our reporting system is ongoing.
	<ul style="list-style-type: none"> Consider greater application of value illustration in investment planning and proposals, and seek greater transparency around decision making. Make better use of appropriately scaled business case and benefits realization methodologies to existing and new investment requirements. 		August 2021 Update Work management continues to be implemented using the existing reserves maintenance contract as the pilot.
			August 2021 Update Support for asset management processes is ongoing.
			May 2021 Update Support for asset management processes is ongoing. A new resource in the Property team will be utilised to embed some of these processes.
			August 2021 Update No further update.
			May 2021 Update The project proposal template has been reviewed and activities have used this template to prepare their projects as part of the 2021/31 Long Term Plan process.

Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status update
	<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. 		<p>August 2021 Update No further update.</p> <p>May 2021 Update This will require further consideration by the asset management working group and is likely to be developed over the medium term and completed by the end of this year.</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>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>

Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

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

9.7 REVIEW OF ACCOUNTING POLICIES, KEY ACCOUNTING ESTIMATES AND ASSET REVALUATION UPDATE

File Number: A4287064

Author: David Jensen, Finance Manager

Authoriser: Kumaren Perumal, Group Manager Finance and Technology Services

EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with an opportunity to consider and comment on key discretionary elements of the 30 June 2021 Annual Report process, namely Council's accounting policies, key accounting estimates and accounting treatment matters, as well as providing an update on the revaluation of Council's assets.

RECOMMENDATION

That the Finance Manager's report dated 12 August 2021 titled 'Review of Accounting Policies, Key Accounting Estimates and Asset Revaluation Update' be received.

ACCOUNTING POLICIES

1. Council is classified as a 'Tier One Public Sector Public Benefit Entity' (PBE) under the multi-standards financial reporting framework introduced in New Zealand by the External Reporting Board, effective 1 July 2014. The proposed accounting policies for the 30 June 2021 Annual Report are set out in **Attachment 1**.
2. There are no changes in accounting policies proposed for this year as a result of International Public Sector Accounting Standard changes.
3. There are changes coming up over the next few years which have been listed in the 'Standards Issued and Not Yet Effective, and Not Early Adopted' in **Attachment 1**.

ASSET REVALUATION UPDATE

4. Council undertakes a revaluation of all assets on a triennial basis, except for Council's roading assets, which are revalued each year.
5. Council is scheduled to revalue all assets for reporting in the Annual Report 2020-2021. The valuations have been carried out in accordance with New Zealand Infrastructure Asset Valuation and Depreciation Guidelines, New Zealand Accounting Standards and the Local Government Act 2002. The asset valuations have been peer reviewed by Opteon Solutions for Buildings, Land and Recreation and Open Space (except Coastal Marine which was reviewed by Tonkin and Taylor); AECOM for Library Collection, Solid Waste, Stormwater, Wastewater and Water Supply; and WSP Opus for Transportation.
6. The following table shows the revaluation by asset category and the movement in values as at 1 July 2020:

Asset Category	Net Book Value as at 30 June 2020 (\$000's)	Depreciated Replacement Cost Revaluation as at 1 July 2020 (\$000's)	Revaluation Movement (\$000's)	Percentage Increase
Buildings	31,003	35,122	4,119	13.3%
Land	149,262	174,356	25,094	16.8%
Library Collection	1,213	1,230	17	1.4%
Recreation and Open Space	17,042	18,611	1,569	9.2%
Coastal Marine	9,859	16,821	6,962	70.6%
Transportation	619,136	627,265	8,128	1.3%
Stormwater	106,979	139,852	32,873	30.7%
Wastewater/Solid Waste	115,488	136,185	20,697	17.9%
Water Supply	99,648	118,130	18,482	18.5%
Total Movement	1,149,629	1,267,571	117,942	

7. The revaluation process will result in a revaluation movement of \$117.9m, of which \$28.2m relates to assets that did not previously exist on Council's asset register and will be recorded as 'found assets'.
8. As noted during the deliberation process for the 2021-31 Long Term Plan, this revaluation process has had a significant impact on Council's forecast depreciation and additional rates funding has been put in place to meet Council's funded depreciation obligations.

KEY ACCOUNTING ESTIMATES

9. At this stage there are no matters to draw to the Committee's attention regarding key accounting estimates.

ATTACHMENTS

1. **Proposed Accounting Policies 2020-21** [!\[\]\(13dd0e1ab3baa23f7c1ed52b3eec2756_img.jpg\)](#) 

Proposed Accounting Policies 2021/22

Reporting entity

Western Bay of Plenty District Council (Western Bay Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing Western Bay Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Western Bay Council provides local infrastructure, local public services, and performs regulatory functions to the community. Western Bay Council does not operate to make a financial return.

Western Bay Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of Western Bay Council are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 24 September 2020.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of Western Bay Council have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Western Bay Council has applied these standards in preparing the 30 June 2020 financial statements.

Standards issued and not yet effective and not early adopted

Standards, and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council are:

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

Service Performance Reporting

In November 2017, the XRB issued PBE FRS 48 Service Performance Reporting. PBE IPSAS 48 is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The Council plans to apply the new standard in preparing the 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

Cash Flow Statements

Disclosure Initiative (Amendments to IAS 7), issued by the IASB in January 2016, amended IAS 7 *Statement of Cash Flows* to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial assets. The IPSASB subsequently amended IPSAS 2 *Cash Flow Statements* in *Improvements to IPSAS, 2018* and the NZASB amended PBE IPSAS 2 in *2018 Omnibus Amendments to PBE Standards*. The Council plans to apply the new standard in preparing the 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

Changes in Accounting Policies

Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

Employee benefits

In May 2017, the XRB issued PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

There have been no other changes in accounting policies.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Statement of Significant Accounting Policies

Basis of consolidation

Associate

Western Bay Council's entities associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which Western Bay Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. Western Bay Council has a 9.7% share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS), and a 50% ownership in Western Bay of Plenty Tourism and Visitors' Trust.

The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that Western Bay Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Western Bay Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when Western Bay Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of the Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements, as Western Bay Council is acting as an agent for the BOPRC.

Financial contributions

The Resource Management Act 1991 is the governing legislation regarding the charging of financial contributions.

Financial contributions are recognised as revenue when Western Bay Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as Western Bay Council provides, or is able to provide, the service.

New Zealand Transport Agency roading subsidies

Western Bay Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

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

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Entrance fees

Entrance fees are fees charged to users of Western Bay Council's local pools. Revenue from entrance fees is recognised upon entry to such facilities.

Sale of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when Western Bay Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), Western Bay Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Western Bay Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract, and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately and an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred.

When it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised surpluses less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus surpluses less losses, the net amounts are presented as a liability.

Borrowing costs

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

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Western Bay Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Western Bay Council and the approval has been communicated to the applicant. Western Bay Council's grants awarded have no substantive conditions attached.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income tax

Western Bay Council does not pay income tax as Section CW39 of the Income Tax Act 2007 specifically exempts income derived by a local authority from income tax, unless that income is derived from a Council Controlled Organisation, a port related commercial undertaking or as a trustee.

Leases

Finance leases

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

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Western Bay Council does not currently have any finance leases.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from Western Bay Council's operational activities and interest rate risks arising from Western Bay Council's financing activities. In accordance with its treasury policy, Western Bay Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

Western Bay Council has elected not to hedge account.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which Western Bay Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Western Bay Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there

is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. Western Bay Council includes in this category:

- investments that Western Bay Council intends to hold long-term but which may be realised before maturity; and
- shareholdings that Western Bay Council holds for strategic purposes.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated

future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant, and equipment

Property, plant, and equipment consist of:

Operational assets – These include land, buildings, landfill post-closure, library books, plant and equipment, and motor vehicles.

Restricted assets – Restricted assets are mainly parks and reserves owned by Western Bay Council and group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by Western Bay Council. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Transportation assets including roads, bridges and footpaths were revalued at depreciated replacement cost at 1 July 2018 and certified by Opus International Consultants Limited.

Water, wastewater and stormwater assets including reticulation, treatment plants, reservoirs and bores were revalued at depreciated replacement cost at 1 July 2017 and certified by Aecom New Zealand Limited.

Land and buildings (except land under roads) were revalued at fair value at 1 July 2017 by Opteon Group Holdings Limited. Library books were revalued at fair value by Aecon New Zealand at 1 July 2017 and Marine assets were revalued at fair value by Tonkin and Taylor Limited at 1 July 2017.

All other asset classes are carried at depreciated historical cost.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Western Bay Council of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all buildings, bridges, reticulation assets and other structures, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Diminishing value is used for motor vehicles, office equipment and furnishings, library books and computer systems. Land and drains are non-depreciable. The useful lives and associated depreciation rates of major classes of assets have been estimated as provided below.

Buildings		
• Concrete	100 years	Straight line
• Wooden	40 years	Straight line
• Improvements	10 years	Straight line
Land (not depreciated)		
Other plant and equipment	10 years	Diminishing value
Office equipment and furnishings	10 years	Diminishing value
Computer systems	5 years	Diminishing value
Motor vehicles	5 years	Diminishing value
Library books	10-15 years	Straight line
Infrastructure		
Roading network		
Pavement (base course)	25 to 75 years	Straight line
Seal	5 to 60 years	Straight line
Unsealed	3 to 5 years	Straight line
Other	5 to 70 years	Straight line
Formation (not depreciated)		
Bridges		
• Concrete	100 years	Straight line
• Steel	50 years	Straight line
Reticulation		
Water	20 to 60 years	Straight line
Sewerage	60 to 100 years	Straight line
Stormwater	80 to 120 years	Straight line
Treatment plant and equipment	25 to 50 years	Straight line
Other structures		
Wooden reservoirs	80 years	Straight line
Concrete reservoirs	100 years	Straight line
Dams	100 years	Straight line
Bores	100 years	Straight line
Coastal structures	22 years	Straight line

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

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Carbon credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 to 5 years	20% to 33.3%
Resource consents	life of the asset	5%
Property subdivision right	19 years	5.3%

Impairment of property, plant, and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected future cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Payables

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

Borrowings

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

Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retirement gratuity and long-service leave expected to be settled within 12 months and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Western Bay Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Landfill post-closure provision

Western Bay Council as operator of the Te Puke and Athenree landfills, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfills post-closure.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Western Bay Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that Western Bay Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- the present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee, or
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Equity

Equity is the community's interest in the Western Bay Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds
- Restricted reserves
- Property revaluation reserve
- Fair value through other comprehensive revenue and expense reserve, and
- Council created reserves

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Western Bay Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Western Bay Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. Western Bay Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Western Bay Council.

Property revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Council created reserves

These reserves are made up general reserves and form a component of equity. They include asset replacement reserves, disaster contingency reserves and general reserves.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council in its Long Term Plan 2018-2028. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Cost allocation

The cost of service for each significant activity of the Western Bay Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

Cost of service statement policies

Council has derived the cost of service for each significant activity of the Western Bay Council using the cost allocation system set out below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Western Bay could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example, stormwater, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modeling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates being made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then Western Bay could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk Western Bay's infrastructural assets useful lives have been determined with reference to the New Zealand Infrastructural

Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modeling are also carried out regularly as part of the Western Bay Council's asset management planning activities, which gives Western Bay Council further assurance over its useful life estimates.

Experienced independent valuers perform the Western Bay Council's infrastructural asset revaluations.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2020:

Treatment of airport land

The airport land consists of some 225Ha of land of which some 86ha is jointly owned by Tauranga City Council (TCC) and Western Bay of Plenty District Council. TCC are the legal owners of the land and Western Bay Council are the beneficial or equitable owners of the jointly owned land. Western Bay Council own 14.45% of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and Western Bay Council. As the legal owner TCC must exercise its rights of ownership in terms of the trust and for the benefit of the trustees.

The terms of the trust are that TCC may use the jointly acquired land rent free provided the land is used as an airport. In the event that the jointly owned airport land is sold and the principal use of the land is no longer an airport then a liability to Western Bay Council is created for the sale price of the jointly owned land at that point.

Classification of property

Western Bay Council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than as investment property.

Accounting for donated or vested land and buildings with use or return conditions

Western Bay Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

Impact of COVID-19

Western Bay Council has assessed the impacts of COVID-19 on its position as at 30 June 2020, and its key accounting estimates and its assumptions looking forward.

Council considers that the impact of COVID-19 is immaterial and subsequently there are no adjustments required to key accounting estimates and assumptions.

9.8 QUARTERLY REVIEW OF RISK PROFILE

File Number: A4291867

Author: Olive McVicker, Manager Corporate Services and Business Improvement

Authoriser: Kumaren Perumal, Group Manager Finance and Technology Services

EXECUTIVE SUMMARY

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

RECOMMENDATION

1. That the Manager Corporate Services and Business Improvement's report dated 12 August 2021 titled 'Quarterly Review of Council's Risk Profile' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Committee reviews each of the top eleven risks identified below.
4. That the Committee agrees which existing risks should be retained and reported on a quarterly basis.
5. That the Committee considers whether to add any new risks either as main topics or as individual risks under existing risk areas.

BACKGROUND

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

REFRESHING THE RISK REPORTING

3. Councillors are asked to consider the risks they would like to see reported on a quarterly basis. The initial top ten risks has increased to eleven with the inclusion of the risk of fraud. Under each of the eleven risk areas a number of individual risks were called out, so that activity and mitigating actions could be identified and shown in each subsequent report.

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

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

CHANGES IN THE RISK ENVIRONMENT

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

- Crisis Management

Recent weather events have highlighted the need for a co-ordinated and planned response, recovery and welfare for the area affected. Community expectations could be that Council will perform this function, but Council direction is required. A workshop will be planned with Council to provide direction to the Emergency Management function on the roles, responsibilities and expectations for response, recovery and welfare should an event occur.

- Digital Ecosystem

In response to the recent cyber attacks experienced in New Zealand organisations, the testing and review of the Cyber Security response plan is scheduled for the 2021-2022 year.

- Renewals and Maintenance of Infrastructure

The risk of external agencies not supporting or investing in projects to match growth has been highlighted e.g. Waka Kotahi and timing of the Tauranga Northern Link. As a key mitigation, Council will continue to advocate for key infrastructure funding.

- Growth and Impact on Infrastructure Planning

The risk has been highlighted that Council does not meet the requirements of the National Policy Statement. This can be caused by proposed plan changes not progressing due to appeals or opposition or the infrastructure is inadequate. This will be managed through sound planning practices, engagement with community, landowners and key stakeholders.

- Attachment 1 – Risk Profile

The heat map on page two has been updated to reflect the agreed changes at the Audit and Risk Committee workshop in May 2021. This includes:

- Risk 2 – Attraction, retention and engagement of key staff – change ‘likelihood’ to ‘very likely’;
- Risk 4 – External macroeconomic and other events – the residual risk has increased. Both of these risks have moved towards ‘extreme’; and
- Risk 5 – Digital ecosystem – the residual risk has moved to ‘likely’.

NEXT STEPS

5. **Attachment 1** shows the summary of our current key risks which have been updated to reflect announcements and potential risks.
6. The Senior Assurance and Risk Specialist commences on 16 August 2021. A full review of the key risks will be completed for the next meeting and will be incorporated into the Audit and Risk work programme.

SIGNIFICANCE AND ENGAGEMENT

7. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council’s Significance and Engagement Policy in order to guide decision on approaches of engagement and degree of options analysis. In making this formal assessment it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
8. In terms of the Significance and Engagement Policy this decision is considered to be of low significance because residents and ratepayers are not affected by the review. Ratepayers and residents would only be affected if a significant risk occurred.

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

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

ENGAGEMENT, CONSULTATION AND COMMUNICATION

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

ISSUES AND OPTIONS ASSESSMENT

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

STATUTORY COMPLIANCE

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

FUNDING/BUDGET IMPLICATIONS

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

ATTACHMENTS

1. Council Risk Profile [!\[\]\(b6d55d0b173caf9b2505126db01e6158_img.jpg\)](#) 

WESTERN BAY OF PLENTY DISTRICT COUNCIL

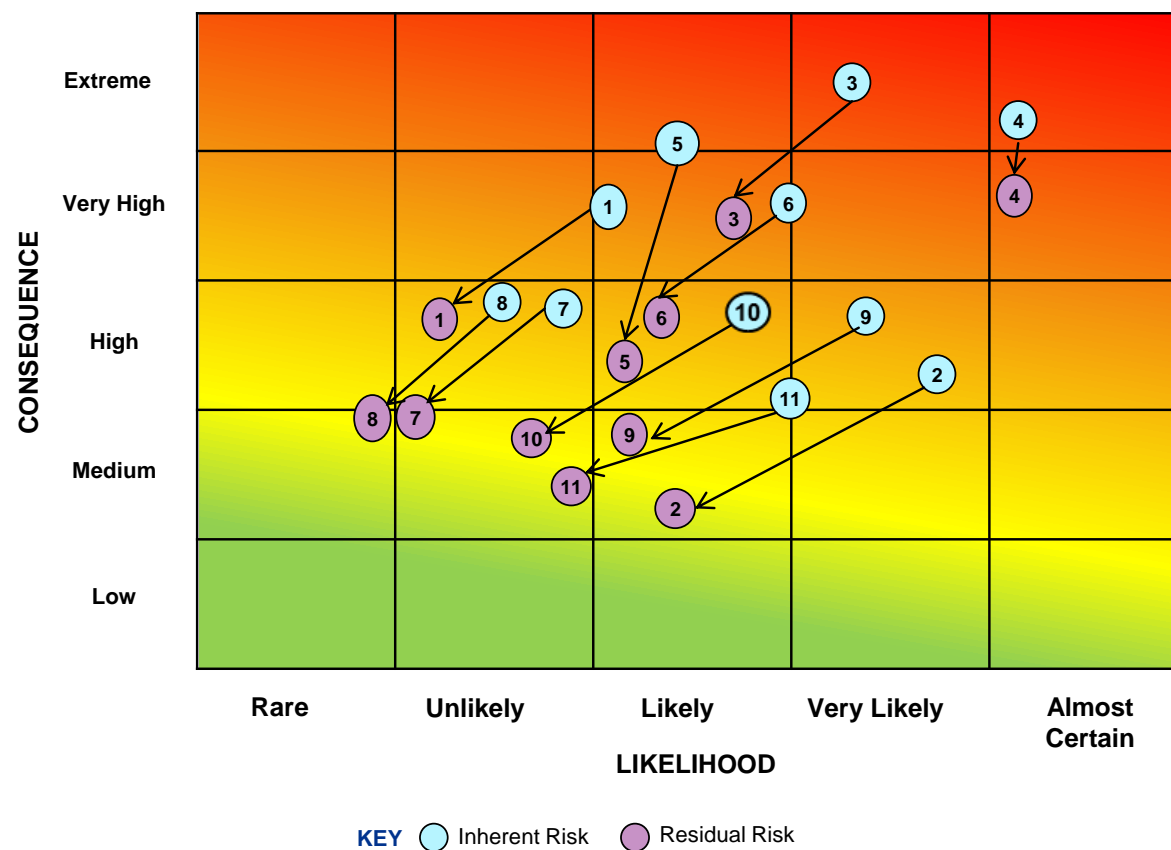
RISK PROFILE

May 2021

A4046102

Summary of Key Risks

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



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

Summary of Key Risks – Definitions

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

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

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

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

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

Key Risks

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

Key Risks

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

Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
3. Crisis management	Extreme	High	Medium/High
<ol style="list-style-type: none"> 1. Response to natural hazard disasters (earthquake, flood, tsunami & volcanic eruption). 2. Increased risk from climate change risks such as flooding, inundation, and coastal erosion. 3. Insurance – uncertainty over 60-40% arrangements with central government. 4. Ensuring that crisis, pandemic and business continuity plans are fit for purpose. 5. Community expectation in the response phase for Council to perform in a co-ordinated and planned manner 			
Risk Appetite Rationale			
<ul style="list-style-type: none"> • Higher residual risk due to many of these factors being outside of Council's control. • There's a focus on particular areas, where risks and vulnerabilities are seen as higher (e.g. Waihi Beach, Maketu, Pukehina Beach). • Individual risk appetites for different sub-categories: Civil Defence: Low, Non-Civil Defence: High. 			
Key Mitigations			
<ul style="list-style-type: none"> • Council has a key role in local Civil Defence & Emergency Management, hosted in our building and supported by staff training & familiarity. • Collaboration with other Councils and Lifelines. • Natural hazard modelling for coastal erosion, flooding, tsunami has led to new mapping for the district. • Crisis, Business Continuity and Pandemic planning all undertaken. • Improved loss modelling & cover from insurance brokers Aon. Annual revaluations of all our assets for insurance purposes. 			
Significant Planned Additional Mitigations	Owner(s)	Timing	Status
Natural hazard modelling to meet new Regional Policy Statement requirements	Tony Clow	2018-2023	Ongoing
Business Continuity Planning / Crisis Management Plan update	Various	2021	Ongoing
CDEM resourcing and training	Kerrie Little	2021	Ongoing
Building community resilience	Kerrie Little	2021	Ongoing
Workshop with Council roles, responsibilities and expectations for response, recovery and welfare	Gary Allis	2021/2022	To commence

Key Risks

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

Key Risks

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

Key Risks

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

Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
7. Project delivery risks	Medium	Medium	Medium
1. Contracting market, shortage of resources 2. Consulting market, shortage of resources 3. Price pressure 4. Internal resourcing, shortage of skilled staff, salary pressure 5. Ability to receive funding from Waka Kotahi			
Risk Appetite Rationale			
<ul style="list-style-type: none"> Utilise alternative procurement methodology e.g. collaborative contracts, Early Contractor Involvement (ECI), major variations to existing contracts, dispensation to procurement procedures. Modification to levels of service and design standards to reduce price Clearly defined risk ownership in contracts, Council takes more risk 			
Key Mitigations			
<ul style="list-style-type: none"> Early contractor engagement on forward work programme Timing work to ensure reliable pipeline Engage Tier 2 and 3 contractors Alternative procurement methods and contracts e.g. unit rates, hourly rate, ECI Alternate procurement methods and contracts e.g. unit rates, hourly rate, ECI 			
Significant Planned Additional Mitigations	Owner(s)	Timing	Status
Future Ready Organisation initiative – development and implementation of project and change management frameworks	Various	2021 - 2023	Ongoing
Build internal staffing capacity and project specific resources e.g. Kerbside Westlink Contract extension with two year programme	Various Gary Allis	2021 – 2023 2021	Ongoing Ongoing

Key Risks

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

Key Risks

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

Key Risks

	Inherent Risk	Current Assessed Residual Risk	Council Target Residual Risk
10. Growth and impact on infrastructure planning	Medium	Medium	Low
<ol style="list-style-type: none"> 1. Incorrect growth assumptions, leading to incorrect estimates for costs and revenues. 2. Cost of infrastructure needed by new developments. 3. Ensuring sufficient land for housing demand 4. Plan changes do not proceed due to appeals or inadequate infrastructure 			
Risk Appetite Rationale			
<ul style="list-style-type: none"> • Out of council's control but has a big impact on infrastructure planning, community wellbeing and the provision of housing. 			
Key Mitigations			
<ul style="list-style-type: none"> • Regular review of population growth estimation • Regular update of infrastructure schedules • Establishment of sub regional relationships to manage growth in partnership with local and central government agencies. • Well planned community and landowner engagement and structured project management. 			
Significant Planned Additional Mitigations	Owner(s)	Timing	Status
Boundary changes relating to Tauriko West & planning for other areas	Phillip Martelli	2020	Complete
Infrastructure impact on planning, future development & financial reporting	Various	Ongoing	Ongoing
Development of Sub-Regional Housing Action Plan	Various	Ongoing	Ongoing
Omokoroa Communications Strategy	Luke Balvert	Ongoing	Ongoing

Key Risks

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

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

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

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

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 Updates	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