

# MEETING – AGENDA –

Ngā Take

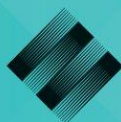


# AUDIT AND RISK COMMITTEE

Komiti Taiwhenua

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**AR21-3**  
**Thursday, 12 August 2021**  
**Council Chambers**  
**Barkes Corner, Tauranga**  
**1.30pm**



*Western Bay of Plenty  
District Council*

# Audit and Risk Committee

## Membership

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

## Role

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

## Scope

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

## Responsibilities:

### External Audit and External Accountability

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

### Internal Audit

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

### Risk Management

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

### Other Matters

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

## Power to Act:

The Committee is delegated the authority to:

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

Notice is hereby given that a Audit and Risk Committee Meeting will be held  
in the Council Chambers, Barkes Corner, Tauranga on:  
Thursday, 12 August 2021 at 1.30pm

## Order Of Business

<b>1</b>	<b>Present .....</b>	<b>5</b>
<b>2</b>	<b>In Attendance .....</b>	<b>5</b>
<b>3</b>	<b>Apologies .....</b>	<b>5</b>
<b>4</b>	<b>Consideration of Late Items .....</b>	<b>5</b>
<b>5</b>	<b>Declarations of Interest .....</b>	<b>5</b>
<b>6</b>	<b>Public Excluded Items .....</b>	<b>5</b>
<b>7</b>	<b>Public Forum.....</b>	<b>5</b>
<b>8</b>	<b>Presentations .....</b>	<b>5</b>
<b>9</b>	<b>Reports .....</b>	<b>6</b>
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9.6	Update on Outstanding Audit Items (Internal/External) August 2021 .....	35
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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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## 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**  

















**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**

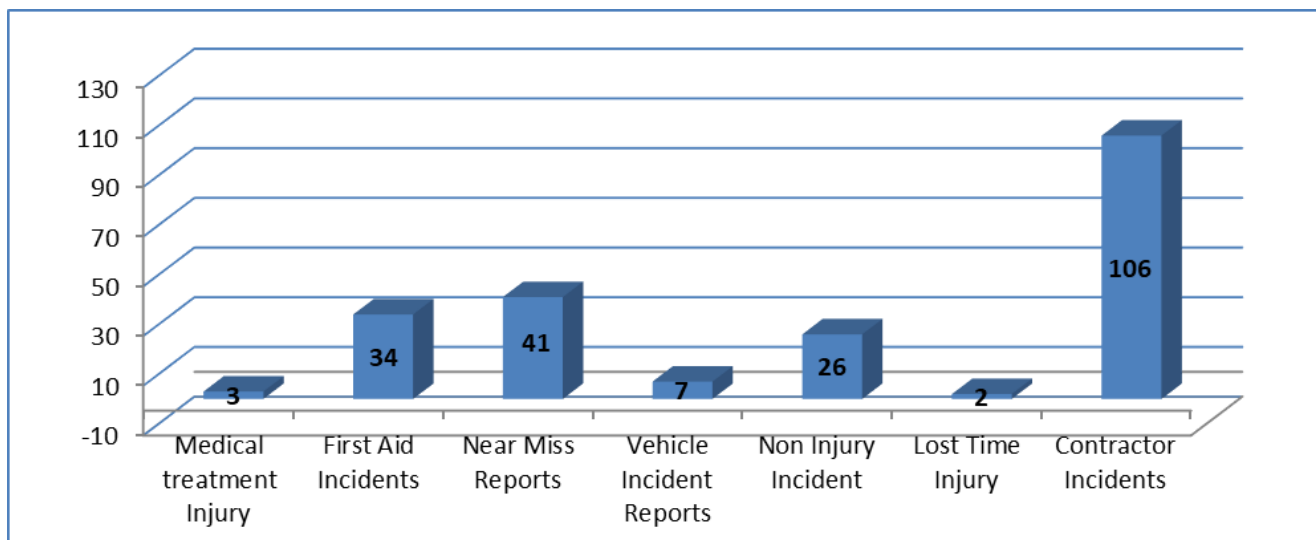
That the Group Manager People and Customer Services’ report dated 12 August titled ‘Health and Safety Report’ be received.

**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**

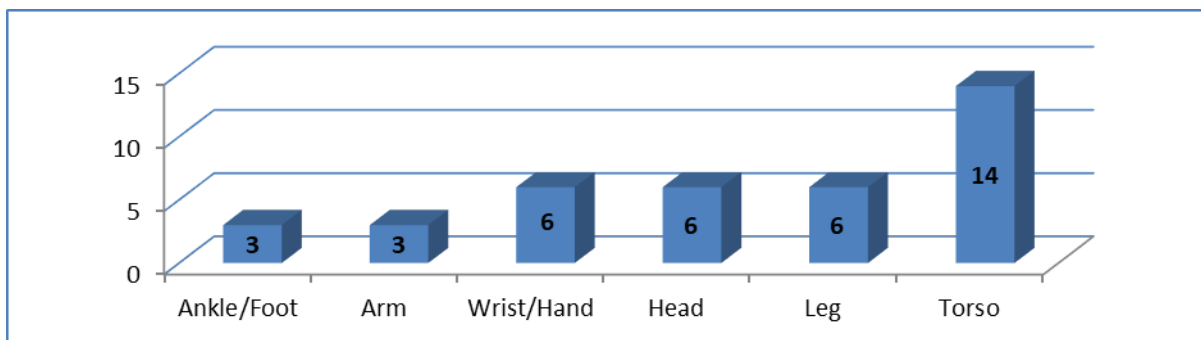


**3. Significant Safety Events for the reporting period 1 May 2021 – 30 June 2021**

**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
<b>Total Safety Event Reports Year to Date</b>	<b>219</b>	<b>241</b>	<b>273</b>

## 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)** [↓](#) 





## 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)**  

























## 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:

<b>Asset Category</b>	<b>Net Book Value as at 30 June 2020 (\$000's)</b>	<b>Depreciated Replacement Cost Revaluation as at 1 July 2020 (\$000's)</b>	<b>Revaluation Movement (\$000's)</b>	<b>Percentage Increase</b>
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%
<b>Total Movement</b>	<b>1,149,629</b>	<b>1,267,571</b>	<b>117,942</b>	

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** [↓](#) 





















**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.

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

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

**CHANGES IN THE RISK ENVIRONMENT**

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**

<p align="center"><b>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.</b></p>	
<p><b>Reasons why no options are available</b>  <b>Section 79 (2) (c) and (3) Local Government Act 2002</b></p>	<p><b>Legislative or other reference</b></p>
<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**

- 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**

- Council Risk Profile** [!\[\]\(0f13e74bece43321be4542883500ac30\_img.jpg\)](#) 

































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

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

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

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