

Mā tō tātou takiwā
For our District

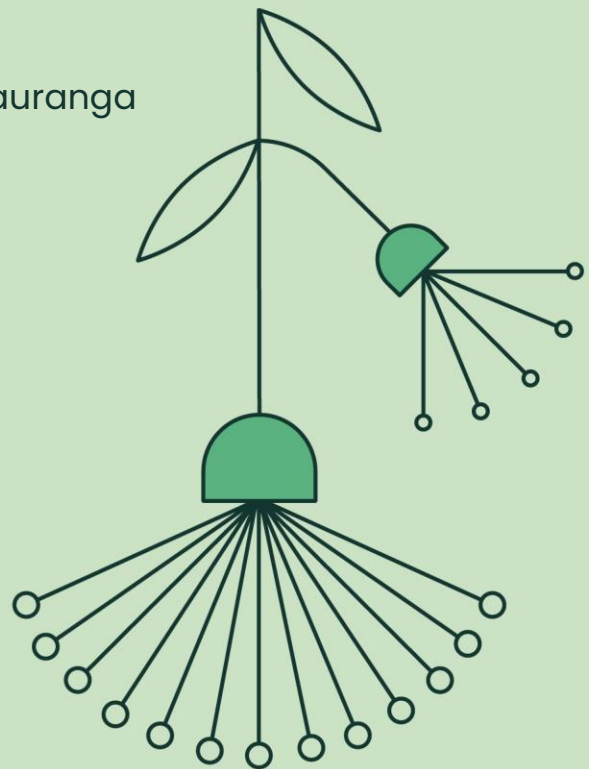
Audit, Risk and Finance Committee

Kōmiti Arotake Tūraru me Ahumoni

ARF23-3

Tuesday, 15 August 2023, 9.30am

Council Chambers, 1484 Cameron Road, Tauranga



Audit, Risk and Finance Committee

Membership:

Chairperson	Cr Murray Grainger
Deputy Chairperson	Cr Tracey Coxhead
Members	Cr Richard Crawford Cr Grant Dally Mayor James Denyer Cr Anne Henry Cr Rodney Joyce Cr Margaret Murray-Benge Deputy Mayor John Scrimgeour Cr Allan Sole Cr Don Thwaites Cr Andy Wichers Stuart Henderson – Independent Member
Quorum	Seven (7)
Frequency	Quarterly

Role:

The main purpose of the Committee is to assist Council in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.

Scope:

Responsibilities:

- Assist Council in fulfilling its responsibilities for financial statements and external financial reporting.
- 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, with oversight of the internal audit programme and findings.

- Oversee the development of the Council's Annual Report.
- Oversee the development and management of financial policies and delegations.
- 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:

Audit (internal and external):

- Ensure appropriate accounting policies and internal controls are established and maintained and
- assist Council in ensuring the effective and efficient management of all business risks.
- Ensure an appropriate framework is maintained for the management of strategic and operational risk (including risk appetite). Review risk including technical insurance matters
- and participation in national risk management practices, health and safety risk management and implementation of risk management processes.
- Review the effectiveness of the Long Term Plan audit or any audit relating to an amendment to the Long Term Plan
- Review the effectiveness of the annual audit.
- Monitor management response to audit reports and the extent to which the external audit recommendations concerning internal accounting controls and other matters are implemented.
- Monitor the delivery of any internal audit work programme and implementation of any significant recommendations including control risk, accounting and disclosure practices.
- Engage with Councils external auditors regarding the external work programme and agree the terms and arrangements of the external audit in relation to the Annual Report.
- Engage with internal and external auditors on any specific one-off audit assignments.
- Review the effectiveness of the control environment established by management including the computer information management systems controls and security. This also includes a review/monitoring role for relevant policies, processes, and procedures.

Risk management:

- Review the Risk Management Framework, and associated procedures to ensure they are current, comprehensive and appropriate for the effective identification and management of Council's financial and business risks including fraud and cyber security.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies.
- 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.

Financial:

- To monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor financial performance against any Council approved joint contracts with other local authorities.
- Report financial outcomes and recommend any changes or variations to allocated budgets including both operational and capital expenditure.
- Provide oversight of legal risks, claims or proceedings (excluding the approval of any legal settlements).
- Recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council.

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 policy and procedure matters as appropriate.
- To approve the Auditors engagement and arrangement letters in relationship to the Annual Report.

Power to Recommend:

To make recommendations to Council and/or any Committee as it deems appropriate.

Power to sub-delegate:

The Committee may delegate any of its functions, duties or powers to a subcommittee, working group or any other subordinate decision-making body, subject to the restrictions on its delegations and provided any sub-delegation includes a statement of purpose and a specification of task.

Notice is hereby given that an Audit, Risk and Finance Committee Meeting will be held in the Council Chambers, 1484 Cameron Road, Tauranga on: Tuesday, 15 August 2023 at 9.30am

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1 KARAKIA

Whakatau mai te wairua	Settle the spirit
Whakawātea mai te hinengaro	Clear the mind
Whakarite mai te tinana	Prepare the body
Kia ea ai ngā mahi	To achieve what needs to be achieved.
Āe	Yes

2 PRESENT**3 IN ATTENDANCE****4 APOLOGIES****5 CONSIDERATION OF LATE ITEMS****6 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.

7 PUBLIC EXCLUDED ITEMS**8 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 relationship management system as a service request, while those requiring further investigation will be referred to the Chief Executive.

9 PRESENTATIONS

9.1 BANCORP TREASURY UPDATE AND PRESENTATION

File Number: A5619340

Author: Azoora Ali, Chief Financial Officer

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

Bancorp Treasury will present an overview of market trends and forecasts, along with their implications for Council. Specifically, their presentation will focus on:

- Trends and forecasts for domestic inflation;
- Forecasts for market interest rates; and
- How Council has positioned itself within its treasury strategy to mitigate interest rate risks.

RECOMMENDATION

That the Chief Financial Officer's report dated 15 August 2023 titled 'Bancorp Treasury Update and Presentation' be received.

10 REPORTS

10.1 AUDIT PLAN, AUDIT FEES AND ENGAGEMENT FOR THE YEAR ENDED 30 JUNE 2023

File Number: A5579328

Author: Sarah Bedford, Finance Manager

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

Audit New Zealand is Council's audit service provider appointed by the Office of the Auditor General to perform audit and assurance services for public entities. This report contains the Audit Plan, and Engagement letter for the year ending 30 June 2023 and Audit Fees set out for 2023-2025.

RECOMMENDATION

1. That the Finance Manager's report dated 15 August 2023 titled 'Audit Plan, Audit Fees and Engagement for the Year Ended 30 June 2023' be received.

BACKGROUND

Audit Plan

Audit New Zealand provide Council with an outline of its scope for Audit for the year ending 30 June 2023. They have completed the interim audit with the final audit being scheduled to commence Monday 14th August 2023.

The focus areas for the year ending 30 June 2023 audit are:

- Revaluation of assets
- Major Capital projects
- Impact of assets due to recent weather events
- Three Waters Reform
- Adoption of the PBE FRS 48 – Service Performance Reporting
- The risk of management override of internal controls

Council officers have been advised that there are potential delays with our revaluation timelines currently agreed with our external advisors, this is a nationwide issue due to resourcing. We have advised audit of this potential delay and will agree to a plan to manage this as part of the audit.

Audit Fees

Audit New Zealand provide a list of proposed Audit Fees on a 3-year cycle which is due for renewal.

Audit New Zealand have indicated increases across the board for Audit Fees for Local Government this year. The rationale for the increase is a result of upskilled Audit NZ staff, changes in legislation and the impact on weather events reporting. Audit NZ have attempted to hold the impact of cost increases in the last 2 years. The impact to this Council will see an increase in budgeted Audit Fees of approx. 40% increase in year one of the LTP, with the following two years at approx. 13%.







Audit Engagement Letter

The Auditor-General has appointed Leon Pieterse alongside his staff and resources to perform the annual audits of Council's financial statements and performance information for the next 3 financial years 2023-2025.

Key responsibilities of the council and Audit NZ are as follows:

- Financial statements and performance
- Accounting records
- Accounting and internal controls
- Preventing and detecting fraud
- Compliance with laws and regulation
- Maintaining appropriate standards of conduct and personal integrity
- Conflicts of interest and related parties
- Publishing audited financial statements on Council's website

ATTACHMENTS

1. **Audit Plan 2023**  
2. **Audit NZ Fees 2023-2025**  
3. **WBOPDC Audit Engagement Letter**  

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Western Bay of Plenty District Council

For the year ending 30 June 2023

Audit plan

I am pleased to present our audit plan for the audit of Western Bay of Plenty District Council for the year ending 30 June 2023. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process.....	8
Reporting protocols	14
Audit logistics	15
Expectations.....	17

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

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

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

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

Yours sincerely



Leon Pieterse
Appointed Auditor

18 May 2023

Audit risks and issues

Focus areas



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

Audit risk/issue	Our audit response
Revaluation of assets (significant audit risk)	
<p>The District Council periodically revalues its asset classes. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>We understand that the District Council will revalue assets as noted in the table provided below.</p> <p>The asset classes being revalued are a significant portion of the Council’s assets and there is a risk that errors in the process or calculation could result in a material misstatement.</p> <p>Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of asset classes being revalued.</p> <p>Fair value assessments will need to be completed for the classes of assets that are not subject to revaluation this year to confirm that there is no material difference between their carrying amount and their fair value.</p> <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the District Council to comply with PBE IPSAS 17 Property, Plant and Equipment.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • reviewing the information and instructions provided to the valuer; • assessing relevant controls that management has put in place for the valuation; • evaluating the qualifications, competence and expertise of the external valuer used; • reviewing the method of valuing the assets and assessing if the applicable method used is in line with public sector accounting standards (PBE IPSAS 17, Property, Plant and Equipment), including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; • assessing whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed; and • we will review the District Council’s significant variance threshold and assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. <p>We will consider the reasonableness of assumptions and judgements applied in making the assessments.</p>

10.2 HEALTH AND SAFETY REPORT – AUGUST 2023

File Number: A5553801

Author: Clint Boyle, Health, Safety and Wellbeing Lead

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

This report provides a summary of:

- The health and safety performance across the organisation for the previous quarter;
- An overview of our proposed strategic direction; and
- The progress against the health, safety and wellbeing strategy and work programme.

RECOMMENDATION

That the Health, Safety and Wellbeing Lead's report dated 15 August 2023 titled 'Health and Safety Report – August 2023' be received.

SUMMARY OF PERFORMANCE

The priority focus for the period was on already identified risk points for our people, namely confronting aggressive behaviour and overall staff wellbeing.

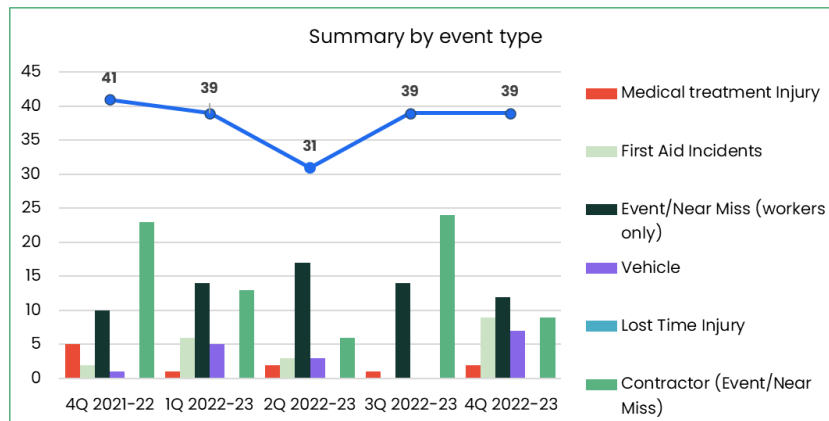
A range of initiatives were launched throughout the quarter to support increasing our health, safety and wellbeing knowledge and understanding across the organisation. The People Team are progressing an important project to better understand and support our people's mental health and wellbeing while at work. Crucially, it will involve gaining real insight to the mental health risks that our work presents for our people. As this is a large piece of a work and significant step for our organisation, a significant amount of research, collaboration and groundwork occurred throughout this quarter to enable leadership engagement and ownership.

REVIEW OF PERFORMANCE

Summary – Event Type

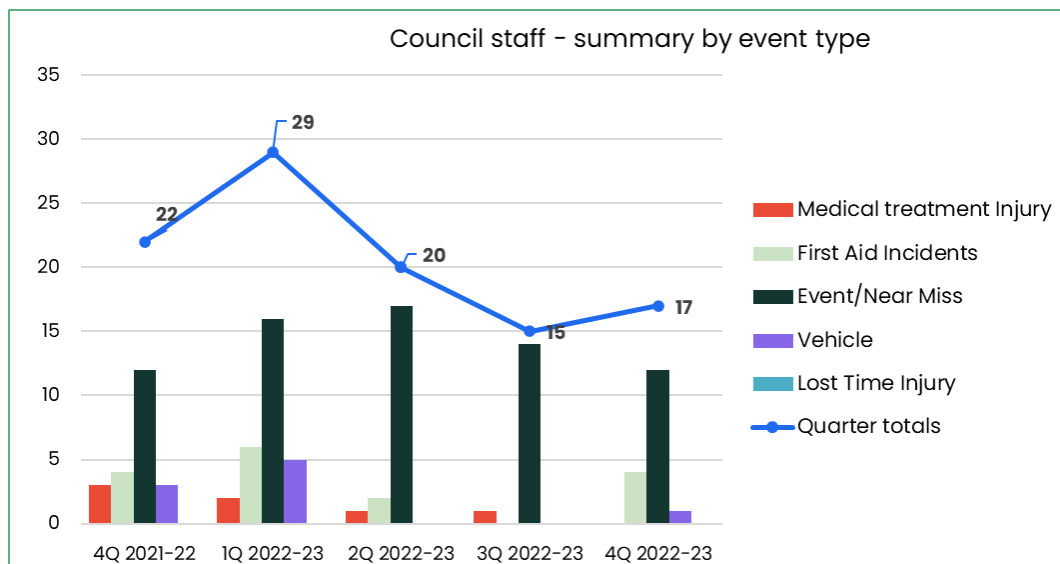
Overall events for the quarter remained consistent with the previous quarter. Our contractors experienced two (2) recordable injuries through the quarter, whereas our direct employees pleasingly only experienced minor injuries and events. We continue to develop increased integrity and consistency around our incident classification and

recording, which explains an increase in First Aid and Vehicle related incidents experienced across the quarter.



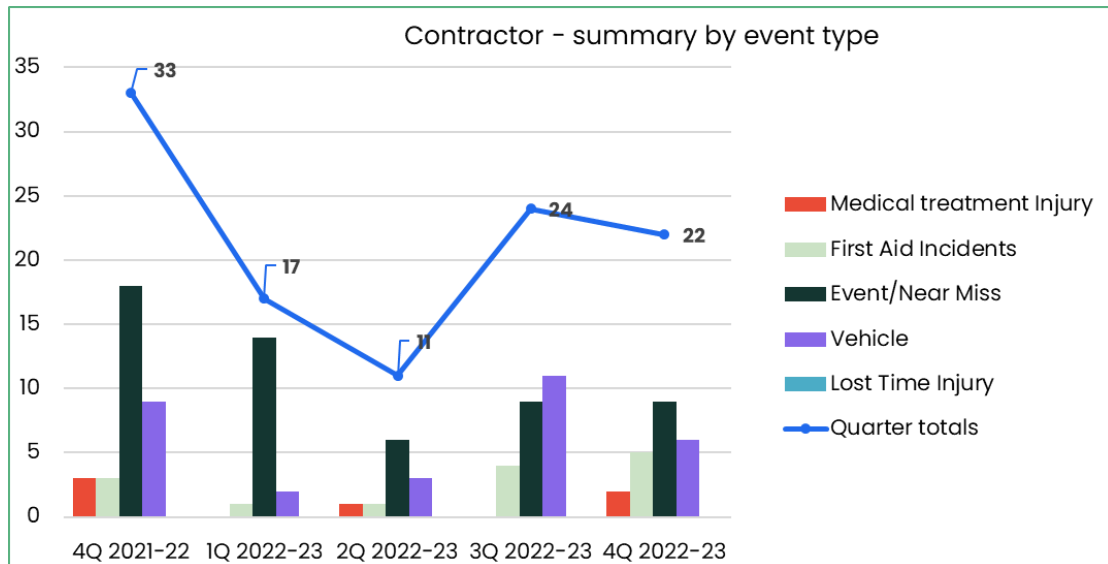
Council Staff Events

Council staff events experienced a slight upturn in event numbers through the quarter, increasing from 15 to 17 events. The majority of events related to public confrontation, which is consistent with previous quarters. Investigations into these events have uncovered that they all fell under the lower end of customer aggression, and our people did not in fact feel threatened or unsafe in the event. This does not downplay the business position that aggressive customers remain one of our most critical risks.



Contractor Events

These have decreased slightly from Q3, down from 24 to 22. Work is continuing with developing relationships with our contractors and re-establishing our expectations on what events need to be reported noting this is collaborative effort.

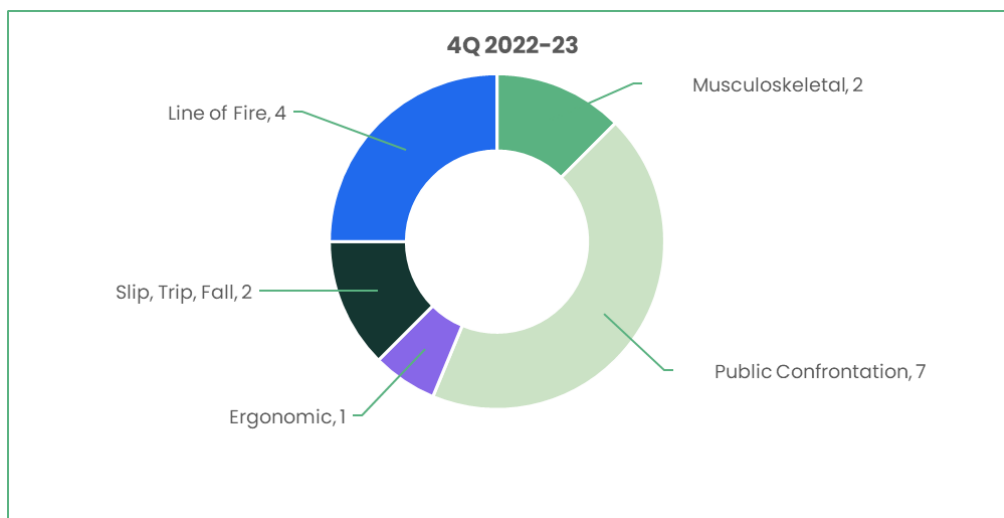


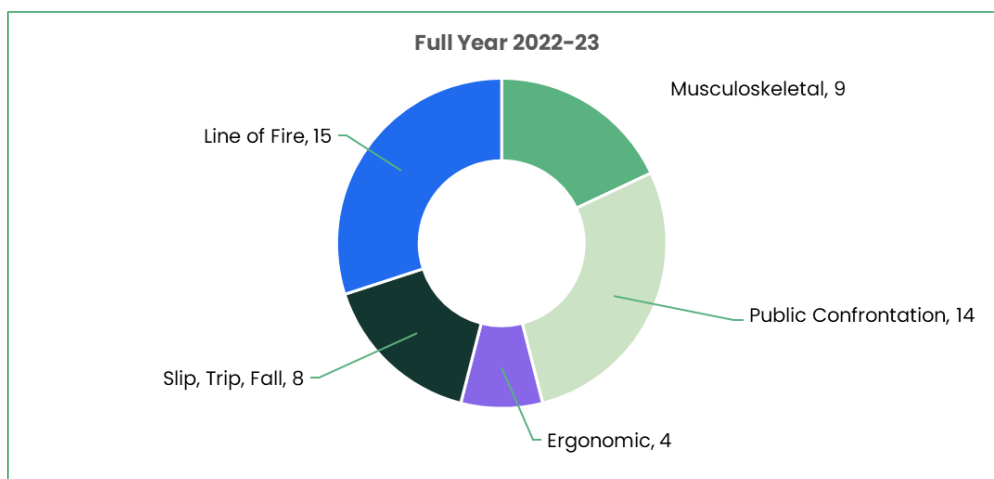
Mechanism of Incident 2022-2023

The main cause of an incident

Public confrontation was the most common source of events experienced through the quarter as well as the full year overall. This highlights that a continued focus on areas we have previously identified will continue to be a focus into 2023-24.

Note: The graphs below represent mechanisms of events experienced by Council people and does not include contractors.





DEFINITIONS	
Line of Fire	Placing a body part in the expected path of a moving object, substance, pressure. Eg cutting finger with a knife, steam burn, spark in eye from welding.
Musculoskeletal	Sprain, strain and discomfort of a body part
Slip Trip Fall	Slipping, tripping or falling as a result of ground, environment, stepping up/down, footwear condition etc.
Public Confrontation	An event where our people are exposed to aggression, intimidation, abuse, violence etc from member of the public.
Ergonomic	Work place set and comfort. Relates to desktop set up, vehicles, job design etc.

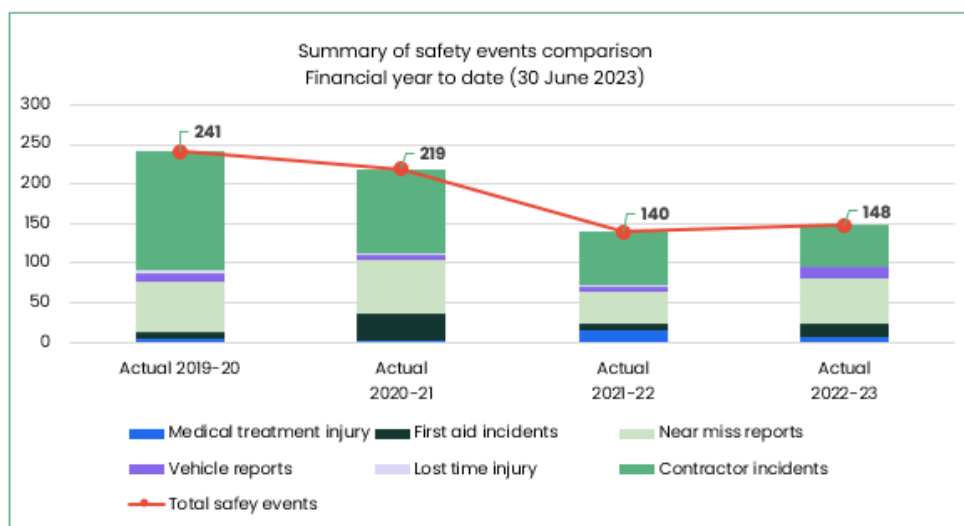
Lag Indicators (Accident/Incident Frequency Rates)

The overall trend for the full year has been a consistent reduction, which is pleasing. It is noted that the risk profile we hold for the works our people physically perform is generally low risk.

Metric	Western Bay of Plenty District Council
LTIFR (rolling 12 months)	0.00
TRIFR (rolling 12 months)	6.10 <i>previous 10.20</i>
Number Lost Time Injuries (LTI). (rolling 12 months)	0

Summary of Safety Events – Financial Year 1 July 2022 – 30 June 2023

Overall, there was a 5% increase in total events reported into the Vault system year on year. The numbers were fairly consistent from quarter to quarter, with only Q2 experiencing a variation in events reported. Pleasingly there were no lost time injuries sustained as a result of works conducted by (staff) or on behalf of (contractors) Council, and other recordable injuries (eg medical treatment injuries) also occurred infrequently.



HEALTH AND SAFETY STRATEGY

Informed by the safety survey conducted earlier this year, site visits and incident reviews, a series of key strategic pillars were developed to form a base strategy for improving how we manage health, safety and wellbeing for our Western Bay people.

These pillars are:

- Safety Leadership
- Risk Management
- Wellbeing
- Consultation and Engagement
- Contractor Management
- Incident Reporting and Investigation
- Systems and Reporting

Each pillar outlines its own broad objective and presents the planned work program for the year to support this delivery. The strategy intent and outcomes align with the Future Ready Organisation principles, and provides a 3 year roadmap for the organisation to link to as we develop our maturity around health, safety and wellbeing.

This strategy drives the work programme in the health, safety and wellbeing space. In the Wellbeing pillar specifically, a key component will be the creation of a detailed Wellbeing Strategy. This will be primarily directed by insight gained in the upcoming Psychosocial Hazard and Risk Management project.

The Strategy – Achievements to Date

Strategic Pillar	Deliverable	Outcome
Safety Leadership	<p>Objectives and Targets A suite of targets and objectives, primarily aimed at lead indicators has been established, awaiting SLT workshop.</p> <p>Safety Moment A short anecdote as an itemised agenda item in all internal meetings. It is often a non work related situation and learning, which is applied to the work context</p> <p>Policy Review Re-write the Health and Safety Policy, and review associated policies (ongoing)</p>	<p>Clearly defined targets around lead safety behaviour will increase the safety maturity of our organisation, empowering everyone to take ownership</p> <p>Putting safety as the first thing we think about it. It's a small tweak, but the impact to the mindset of our people is powerful.</p> <p>Modernising how we manage safety. Decluttering our system to enable people to thrive.</p>
Risk Management	<p>Risk Based Methodology Implementing a risk-based approach to how we manage risk. From assessment and control to incident response and investigation</p>	<p>We put time and effort into the areas/tasks that present the most risk to our people, and respond accordingly if an incident occurs e.g., aggressive behaviour.</p>
Wellbeing	<p>My Everyday Wellbeing An online platform which enables our people to source evidence-based information and guidance on a range of wellbeing-related topics.</p> <p>Psychosocial Risk Management Partnering with an external provider to identify and assess the mental health and wellbeing risk factors that our work presents to our people.</p> <p>Pink Shirt Day (Week)</p>	<p>Part of the wider Western Bay Wellbeing strategy, this Fosters and Supports our people to enable improved wellbeing, both at home and at work.</p> <p>To identify and understand the hazard and risk profile that our people face from working at Western Bay. This will allow us to be strategic and targeted with our response, ensuring our peoples wellbeing is positively impacted as a result.</p> <p>Delivery of bullying in the workplace content to educate and empower our people to identify and respond to bullying.</p>
Consultation and Engagement	<p>Information Provision Established monthly newsletters and safety guidance documents for our business.</p>	<p>Keeping safety front of mind and educating our people on key safety topics and messages, including event reporting.</p>
Contractor Management	<p>Onboarding and Engagement Review of onboarding requirements using a risk based approach.</p> <p>Works Review Establishment of works review templates via Vault.</p>	<p>Ensuring a reasonable and effective onboarding experience for our contractors, and enabling our people to work quickly with safe contractors.</p> <p>Provides proactive review of works to identify any safety issues, and promote positive behaviours.</p>
Incident Reporting and Investigation	<p>Education Provision of information to our people on our reporting expectations (ie what, when), and use of the Vault system (how).</p>	<p>Early identification and intervention of hazards and risks to our people. The more we hear of the more minor events, the better we can respond and prevent the more significant events.</p>
Systems and Reporting	<p>Vault Make changes to make the user experience easier, and also to allow easier reporting from the system.</p> <p>Reporting Creation of a suite of reporting dashboards used to be able to easily and quickly populate graphical representations of our events, contributing factors and activity.</p>	<p>Creates consistency in information input, enabling our reporting to identify trends and create dashboards easier.</p> <p>Provides clear concise information from which we can track performance, and identify key areas of concern.</p>

STRATEGIC FOCUS

Throughout the remainder of the calendar year, the focus will remain on improving the knowledge, understanding and behaviours of our people in managing health, safety, and wellbeing at work..

Our focus areas are:

- Continuing to regularly provide information, guidance, and support on relevant matters to our people.
- Developing robust and efficient systems and processes to ensure our contractors are representing Council well in our communities and delivering safe outcomes.
- Establishing and instilling a series of proactive safety behaviours within our teams, with targets agreed by leadership, to continue to drive a positive safety culture.
- Obtaining evidence of the mental health and wellbeing risks that our work presents for our people and developing short and long-term plans to improve the work experience and mental health for our people.
- Continuing to develop positive working partnerships with our key contractors.
- Developing user friendly and informative reporting and management tools for our leaders to manage health and safety within and for their teams.
- Improvements to our health, safety and wellbeing systems and processes.
- Further practical implementation of developing risk-based methodology.

We will continue to focus on our roadmap to improve our health, safety and wellbeing maturity.

10.3 RISK AND ASSURANCE REPORT AUGUST 2023

File Number: A5435440

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Azoora Ali, Chief Financial Officer

EXECUTIVE SUMMARY

The Risk and Assurance report is to provide the committee with information on the risk management and internal audit activities since the last Audit, Risk and Finance Committee meeting held on 23 May 2023. Council needs to consider the emerging risks and potential impacts for both the current financial year and the Long Term Plan 2024-34 and its development.

RECOMMENDATION

1. That the Risk and Assurance Manager's report dated 15 August 2023 titled 'Risk and Assurance Report August 2023' be received.

BACKGROUND

2. The Risk and Assurance Report August 2023 provides and update on:
 - Western Bay of Plenty District Council Strategic Risk Register;
 - Internal Audit Plan 2022/23 to 2025/26; and
 - Affordable Waters Reform.
3. There have been no changes on the nine (9) WBOPDC 's strategic risks since it was last reported in the last Committee meeting. These are continually monitored, and any change to the strategic risks will be brought to Councils attention through future reports. To ensure that our strategic risks are managed proactively, Risk and Assurance will be carrying out quarterly risk workshops with SLT prior to the Committee meeting.
4. The attached report captures the range in the agreed risk appetite on its nine strategic risks. Examples of risk appetite include:
 - A low-risk appetite for operational, health, safety & wellbeing, growth and financial sustainability, community sentiment risk.
 - A medium risk appetite for climate change, significant external events and people, capability and capacity risk.

- A high-risk appetite for central government reforms, partnerships with iwi and Māori stakeholders risk.
5. There has been an update in the emerging risks section. The following new emerging risks are: –
- Inflation – this has an impact on our existing and future contracts and anticipated costs across many of our activities
 - Interest rates – our borrowing costs (associated with our large capital programme) have increased significantly, and will mean increased costs for the 2023/24 year as well as our finance costs for the Long Term Plan 2024–34
 - Insurance – with the increase volatility in the market, as well as the increased risk associated with weather events, our insurance costs are rising resulting in higher annual premiums.
 - Affordability – our community are facing issues with inflation, cost of living and interest rates putting increased pressure on keeping our costs low.
 - Capex delivery – there continues to be challenges within the market with a high level of infrastructure activity, low unemployment, weather related issues and impacts and a large capital plan to deliver.
6. The internal audit plan has highlighted 3 audits and assurances that have been completed: –
- Financial Contributions inputs, setting and billing.
 - Fraud Gap Analysis (report attached in the Confidential Risk and Assurance August 2023).
 - GST and FBT tax compliance evaluation.
7. Western Bay of Plenty District Council continues to work with the Department of Internal Affairs to meet its timelines and deliverables for Affordable Waters Reform. The workstreams and the deliverables are provided in the attached Risk and Assurance report August 2023

ATTACHMENTS

1. **Risk & Assurance Report August 2023** 

10.4 REVIEW OF ACCOUNTING POLICIES AND KEY ACCOUNTING JUDGEMENTS

File Number: A5574997

Author: Sarah Bedford, Finance Manager

Authoriser: Azoora Ali, Chief Financial Officer

EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with a high-level summary on key changes to accounting policies and treatment for the 30 June 2023 Annual Report process.

RECOMMENDATION

1. That the Finance Manager's report dated 15 August 2023 titled 'Review of Accounting Policies and Key Accounting Judgements' 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 2023 Annual Report are set out in **Attachment 1**.
2. There is a change for this financial year as a result of International Public Sector Accounting Standard changes. PBE FRS 48 Service Performance Reporting replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for the year ending 30 June 2023.
 - The impact on Council is not material.
 - The main purpose of this change is to ensure the service performance reporting is meeting the needs of the reader and is easy to understand.
 - It focuses on the qualitative measures including relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The details of changes to the standard are set out in the XRB website and can be found here:
<https://www.xrb.govt.nz/standards/accounting-standards/public-sector-standards/standards-list/pbe-frs-48/>.
3. There will be a change in the coming year in relation to Financial Instruments. The International Accounting Standards Board (IASB) has recently issued the following exposure draft (ED): 'Amendments to the Classification and Measurement of Financial Instruments'.

4. This ED proposes narrow-scope amendments to the classification and measurement requirements in IFRS 9 Financial Instruments, and to the disclosure requirements in IFRS 7 Financial Instruments: Disclosures.
 - There is a change in accounting policies proposed for this year as a result of International Public Sector Accounting Standard changes. Namely the Financial Instruments Policy.
 - The details of the exposure draft are set out in <https://www.xrb.govt.nz/consultations/accounting-standards-open-for-consultation/open-for-comment/amendments-to-the-classification-and-measurement-of-financial-instruments/>.

KEY ACCOUNTING ESTIMATES

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

ATTACHMENTS

1. **Draft Statement of Accounting Policies**  

10.5 FINANCIAL PERFORMANCE UPDATE 31 MAY 2023**File Number:** A5629437**Author:** Sarah Bedford, Finance Manager**Authoriser:** Azooria Ali, Chief Financial Officer**EXECUTIVE SUMMARY**

The purpose of this report is to inform Elected Members on progress of the financial results for the 11-month period ended 31 May 2023 and the Treasury dashboard for the financial year ended 30 June 2023.

RECOMMENDATION

That the Finance Manager's report dated 15 August 2023 titled 'Financial Performance Update 31 May 2023' be received.

SUMMARY FINANCIALS

1. The following is a summary of the financial performance for the period ended 31 May 2023 along with associated financial statements. (Refer to **Attachment 1**).
2. The current budgets from a capital delivery perspective have been re-forecasted to reflect the expected end position by budget managers.
3. The below table is a summary of financial performance for the 11 months ended 31 May 2023.

Statement of comprehensive revenue and expense	Actual YTD \$000's	Budget YTD \$000's	Variance YTD \$000's
Revenue	117,962	117,699	263
Expense	103,336	103,870	533
Surplus/(deficit)	14,625	13,829	796
Total Revenue - Actual vs Budget	90%		
Total Expenses - Actual YTD vs Budget YTD	91%		
Statement of financial position	Actual YTD \$000's	Budget Full Year \$000's	
Assets	1,750,663	1,675,746	
Liabilities	125,663	162,288	
Equity	1,624,833	1,513,458	

4. Financial Performance – The overall financial results show a favourable surplus to date of \$14.6M. This is a \$796k ahead of year-to-date budget.
5. Balance Sheet – As at May council’s Assets are 105% mostly due to higher PP&E and Liabilities are 76% of the target full year budget, this is due to lower borrowings.
6. Treasury – Council drew down \$10m in April.
7. Council remains within its debt, interest, and liquidity ratio policy limits.
8. Capital Expenditure – Total capital expenditure of \$42.69m was \$28.1m lower than the full year budget of \$70.79m. This represents capital expenditure of 60% of the full year budget.
9. Council has marginally breached two timeline policies (at the end of the 0-2-, and 2-5-year buckets) in relation to its interest rate hedging. This is mainly due to the forecasted debt climbing, and swaps naturally expiring. No cover was added during the last quarter as swap rates were volatile and overall trending upwards to what may be the top of the rate hiking cycle. A cost analysis was undertaken by Bancorp, our Treasury Advisors. If WBOPDC had entered the swaps required to cover

our policy breach at current market rates vs waiting for better rates, this would've had an additional cost of \$180,000 to WBOPDC over the lifetime of the swaps. Officers therefore have not actioned this swap now and continue to monitor this closely.

ATTACHMENTS

1. **Financial Performance May 2023**  
2. **Treasury Update June 2023**  

10.6 LETTER OF REPRESENTATION – DEBENTURE TRUST DEED AUDIT

File Number: A5632444

Author: Azoora Ali, Chief Financial Officer

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

1. The purpose of this report is for the Audit, Risk and Finance Committee to be informed of the engagement of Audit NZ to provide a limited assurance report of the Western Bay of Plenty District Council's Debenture Trust Deed.

RECOMMENDATION

1. That the Finance Manager's report dated 15 August 2023 titled 'Letter of Representation – Debenture Trust Deed Audit' be received.

BACKGROUND

2. The Council is a Principal Shareholder and borrower under the New Zealand Local Government Funding Agency Limited (LGFA) multi-issuer facility.
3. As a shareholder of the LGFA, the Council is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder, and therefore take advantage of the lower interest rate margins LGFA offer.
4. Trustees Executors Limited (the Trustee) are the debenture trustee in terms of the facility.
5. Debenture Trust Deed between Trustees Executors Limited and Western Bay of Plenty District Council is dated 8 October 1999 and referred to as the "Trust Deed".
6. Council is required to provide a certificate and an audit report is required. Preparation of the reporting certificate to the Trustee follows on from the adoption of the Western Bay of Plenty District Council Annual Report.
7. Audit New Zealand is responsible for the preparation of the Audit Report under clause 12.2.6 of the Trust Deed.
8. A copy of the letter of representation for the audit of the debenture stock is attached.

ATTACHMENTS

1. **Western Bay of Plenty District Council Debenture Trust Deed to June 2023**  

11 INFORMATION FOR RECEIPT

11.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

File Number: A5435432

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Azooria Ali, Chief Financial Officer

EXECUTIVE SUMMARY

The Audit, Risk and Finance Committee (ARFC) work programme for 2023/24 is to assist the Committee with items that are set out in their Terms of Reference. The purpose of the work programme is to provide Elected Members with oversight of the planned and upcoming activities/schedule of work for 2023/24 for Council and all its committees.

ARFC can add into the work programme any matters or areas that the Committee wish to review.

RECOMMENDATION

1. That the Risk and Assurance Manager's report dated 15 August 2023 titled 'Audit, Risk and Finance Committee Work Programme' be received.

BACKGROUND

1. The Audit, Risk and Finance Committee (ARFC) work programme for 2023/24 has had a few changes to it since being introduced in February 2023. The following are the changes made to the work programme:
 - The 'Review of Accounting Policies & Key Accounting Judgement' (annually) has been moved from May 2023 to the August 2023 meeting.
 - The Audit New Zealand 'Audit Plan and Engagement Letters' (annually) has been moved from May 2023 to the August 2023 meeting.
 - The 'Credit Rating Review' has been moved from August 2023 to the November 2023 meeting.
 - We have removed the 'CE only time' from the work programme.

Work Programme 2023/24				
	February	May	August	November
<i>Public items</i>				
Risk and Assurance Report (quarterly)	✓	✓	✓	✓
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Financial Performance Update (quarterly)	✓	✓	✓	✓
Review of Accounting Policies & Key Accounting Judgements (annually)			✓	
Audit NZ Audit plan and engagement letters (annually)			✓	
Annual Report - Management Report from Audit NZ	✓			
Debenture Trust Deed Audit Report	✓			
Review of Accounting Policies & Key Accounting Judgement (annually)			✓	
Tax Risk Management Framework		✓ 2 yearly Framework		
New Zealand Local Government Funding Agency Limited Annual Report 2021-2022	✓			
Bay Of Plenty Local Authority Shared Services Limited (Boplass) Annual Report	✓			
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Insurance – Broker Presentation	✓			

Work Programme 2023/24				
	February	May	August	November
<i>Public excluded items</i>				
Health and safety update (quarterly) – if there are any public excluded items to be provided to the Committee	✓	✓	✓	✓
Litigation Update and Issues Watch Register (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Confidential Risk and Assurance Report		✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
2023 Statute Barred Rates Report (Annually)	✓			
Draft annual report review (annually)				✓
Review audit representation letters (annually)		✓ (depending on timing)		
<i>Public excluded items (continued)</i>				
Audit NZ interim audit report		✓		
Credit rating review				✓
Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓

12 RESOLUTION TO EXCLUDE THE PUBLIC**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
12.1 – Litigation and Issues Watch Register Update August 2023	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) – the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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
12.2 – Confidential Risk and Assurance Report August 2023	s7(2)(f)(ii) – the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment	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
12.3 – Outstanding Recommendations Register August 2023	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) – the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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