

Mā tō tātou takiwā
For our District

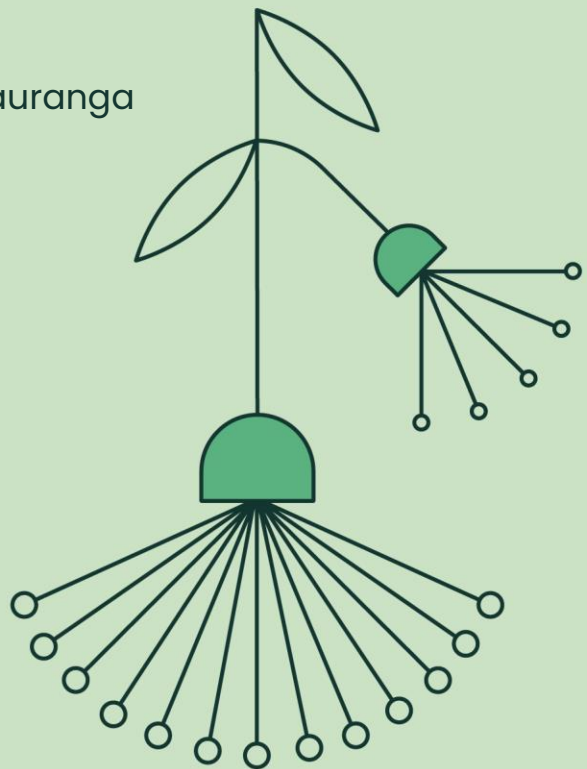
Audit, Risk and Finance Committee

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 Council's 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:

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Our audit process.....	8
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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>

Audit risk/issue		Our audit response	
		For assets subject to a fair value assessment, we will review the District Council's assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. We will consider the reasonableness of assumptions and judgements applied in making the assessments.	
Asset Class		Last valuation	Next valuation
Three Waters		1 July 2020	30 June 2023
Solid Waste		1 July 2020	30 June 2023
Transportation		30 June 2022	30 June 2025
Parks and Reserves		1 July 2020	30 June 2023
Coastal and Marine structures		1 July 2020	30 June 2023
Land and Buildings		30 June 2022	30 June 2025
Forestry		30 June 2022	30 June 2023
Library Collection		1 July 2020	30 June 2023
Major capital projects (area of audit focus)			
<p>The District Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence of which the major ones are:</p> <ul style="list-style-type: none"> Water: Eastern Alternative Supply. Wastewater: Te Puke Treatment Plant Upgrades. Transport: Raniguru Business Park Interchange. Storm water: Omokoroa growth projects. <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> project costs are reviewed to ensure these are appropriately classified as capital or operational in nature including additional covid related payments to contractors; 		<p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> the correct classification of costs as either capital or operational in nature; appropriate capitalisation point for completed assets, including transfers from work in progress; the reasonableness of depreciation rates and useful lives applied to asset components; and the disclosures included within the financial statements, including those relating to capital commitments. 	

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	
Impact of assets due to recent weather events (area of audit focus)	
<p>In the past year there have been a number of extreme weather events with the most recent being Cyclone Gabrielle in February 2023. Our understanding is Cyclone Gabrielle has had a significant impact on the district.</p> <p>For the 30 June 2023 annual reports, we expect the weather events could impact the control environment as well as presenting reporting and accounting challenges for the 30 June 2023 annual report. More specifically the challenges could include, amongst other things:</p> <ul style="list-style-type: none"> assessing the impact on key financial controls; controls around emergency funds; asset impairment considerations; insurance accounting; non-financial performance reporting implications (stormwater systems etc); and 	<p>We will review the assessments completed by the District Council on the impact of the severe weather events has had on the District Council during the year. We will also review the disclosures in the annual report to confirm these are appropriate and in line with the accounting standards.</p> <p>Because the impact could be significant, we are likely to include information in our audit report to draw a reader's attention to the District Council's disclosure about the impact of the recent weather events.</p>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> possible legal claims related to the floods, for example inaccurate Land Information Memorandums. 	
Three waters reform (area of audit focus)	
<p>The Three Waters Reform programme (the reform) is expected to result in significant structural changes to the management and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>Subsequent to issuing the initial announcement of the Three Waters Reform Programme, the Government announced a number of changes to the reform. On 13 April 2023, the Government announced amendments to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of three waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable the Council water assets to transfer to the related water entity.</p> <p>The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June 2023 an updated disclosure may still be appropriate. If the legislation is passed before 30 June 2023, there will likely be some additional accounting and disclosure requirements.</p> <p>The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader's attention to the district Council's disclosure about the Three Waters Reform programme.</p>
Adoption of PBE FRS 48 Service Performance Reporting (area of audit focus)	
<p>PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 Presentation of Financial Statements that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the District Council, it is for the year ending 30 June 2023.</p>	<p>We will provide a PBE FRS 48 Service Performance Reporting checklist to the District Council to perform a self-review.</p> <p>We will ensure the disclosures in the annual report are in line with the accounting standards.</p>

Audit risk/issue	Our audit response
<p>PBE FRS 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Paragraph 47 allows an entity to cross reference this disclosure to another document, such as the document that sets out the forecast service performance information. Most of these judgements are made at the time the LTP is adopted.</p>	
The risk of management override of internal controls (significant audit risk)	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We will perform the following:</p> <ul style="list-style-type: none"> • test appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and • review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</p>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are

relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

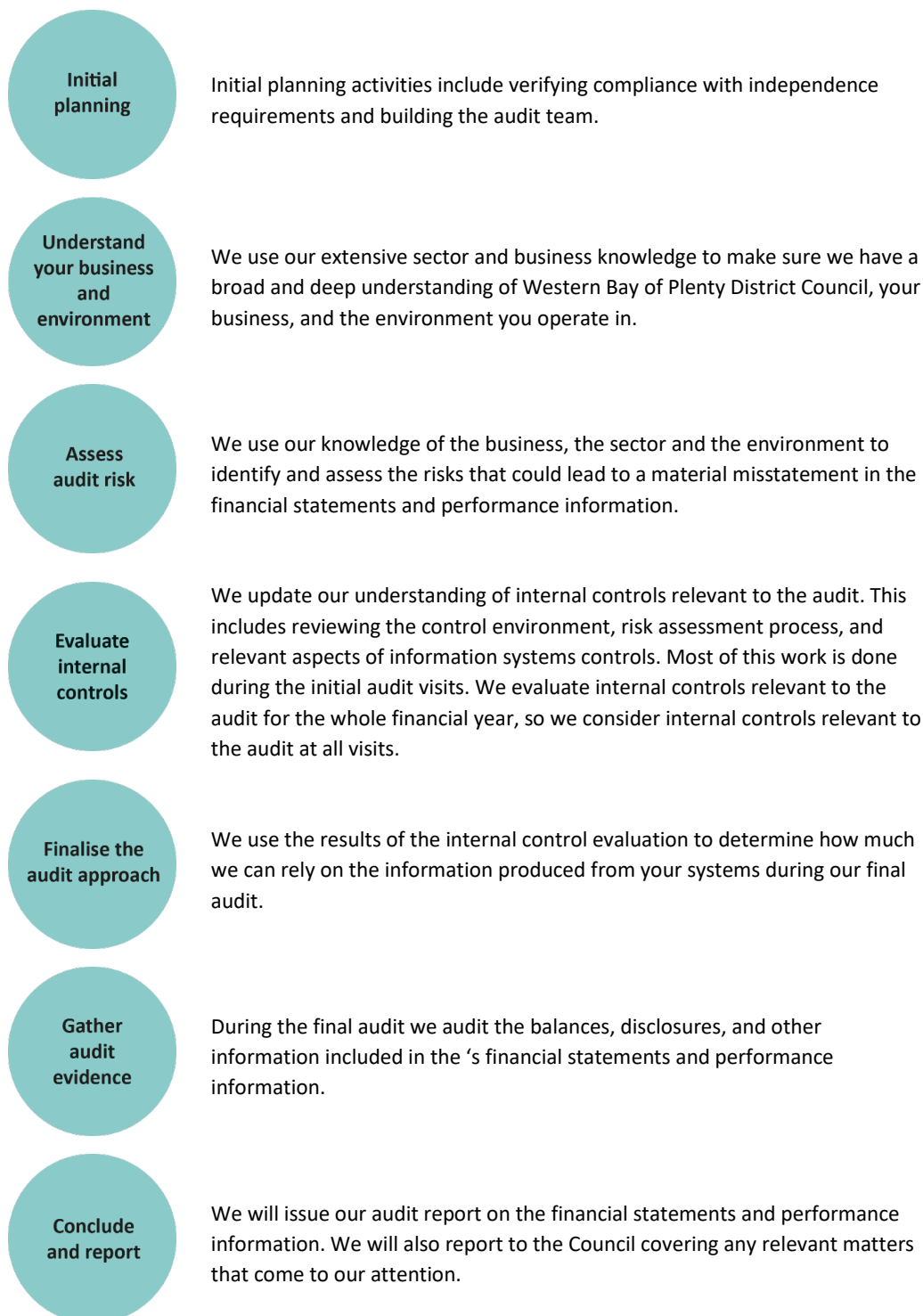
Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Our audit process



New auditing standard

ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the IT applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the interim audit. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall materiality** for the financial statements based on budgeted total Property, Plant and Equipment. We only apply this overall materiality to the fair value of property, plant and equipment.

Materiality	
Overall materiality	\$92,000,000
Specific materiality	\$3,100,000
Clearly trivial threshold	\$155,000

For this audit we have set a lower, **specific materiality** for all items not related to the fair value of property, plant and equipment based on total expenditure. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

Materiality is subject to change once the actual results for the current year are available.

We design our audit procedures to detect misstatements at a lower level than materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are below our **clearly trivial threshold** unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against materiality and qualitative considerations.

Financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the District Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
Water supply - Safety of drinking water The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> a) part 4 of the drinking-water standards (bacteria compliance criteria); and b) part 5 of the drinking-water standards (protozoal compliance criteria). 	The actual result needs to be reported which will be either right or wrong. It is therefore not appropriate to set a materiality level.
Water loss The percentage of real water loss from the local authority's networked reticulation system.	8% of actual reported result

Material measure	Materiality
Wastewater - Discharge compliance/ management of environmental impacts Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: <ul style="list-style-type: none"> a) abatement notices b) infringement notices c) enforcement orders, and d) convictions, received by the territorial authority in relation to those resource consents. 	5% of actual reported result
Building and resource consents Percentage of building consent applications processed in accordance with statutory timeframes. Percentage of non-notified resource consents processed within statutory timeframes.	8% of actual reported result
Road condition The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8% of actual reported result
Stormwater flooding - system adequacy <ul style="list-style-type: none"> a) The number of flooding events that occur in a district. b) For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the TA's stormwater system.). 	5% of actual reported result

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence.

Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Western Bay of Plenty District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Western Bay of Plenty District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Western Bay of Plenty District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Western Bay of Plenty District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Azoora Ali is our key contact for the audit. We will regularly update Azoora on progress throughout the audit, and any issues or delays encountered. Any areas of material concern will be raised with Azoora and Adele Henderson in the first instance. We expect this information will be shared with management and the Councillors as appropriate.

We intend meeting on a weekly basis with key finance team members to discuss matters relevant to the audit during our on-site time of the audit.

We also intend to have regular meetings with Adele and Azoora during the year and intend to attend all Audit, Risk and Finance Committee meetings.

Reports to the Councillors



We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Audit, Risk and Finance Committee.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Leon Pieterse	Appointed Auditor
Anton Labuschagne	Audit Manager
Jaisleen Kaur	Audit In-charge
Ferdinand Dasigao	Manager Information Systems Audit and Assurance

Timetable



Our proposed timetable is noted below.

Interim audit begins	22 May 2023
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	14 August 2023
Final audit begins	14 August 2023
Final financial statements available, incorporating all the amendments agreed to between us	15 September 2023
Annual report available, including any Chair and Chief Executive's overview or reports	15 September 2023
Summary Annual Report available	15 September 2023
Verbal audit clearance given	21 September 2023
Draft report to the Council issued	21 September 2023
Audit opinion issued	26 October 2023
Summary Annual Report audit opinion issued	26 October 2023

AuditDashboard

In 2022 we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was well received and turned out to be an essential tool in completing our audit engagement remotely.

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

Working remotely

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

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

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

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

To enable audit work to be completed off-site and fully obtain the benefits detailed above, you will need to ensure that you can provide supporting documents electronically.

During the previous audit, we were able to perform some of our audit work remotely. Based on our experience we found that Western Bay of Plenty District Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2023 audit. This will include our continued use of AuditDashboard to manage our information requests.

Expectations



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

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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1 August 2023

Ref: [EN/LA/3-0051 / T933]

James Denyer
Mayor
Western Bay of Plenty District Council
Private Bag 12803
Tauranga Mail Centre
Tauranga 3143

Copy: Manager, Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Tēnā koe James

Proposal to conduct the audit of Western Bay of Plenty District Council on behalf of the Auditor-General for the 2023, 2024, and 2025 financial years

1 Introduction

As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit of Western Bay of Plenty District Council for the three financial years ending 30 June 2023, 2024, and 2025.

The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities and audit covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2023, 2024, and 2025;
- assumptions relating to the proposed audit fees, including what we expect of your Council;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of Western Bay of Plenty District Council is carried out under section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities (including Councils) are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I can reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

The Public Audit Act 2001 requires the Auditor-General to make sure that audit fees are “reasonable” for the auditors and for each of the entities audited. Parliament has indicated that it expects the cost of annual audits under the Act (which include an OAG Audit Standards and Quality Support charge) to be funded by public entities.

Over recent years, audit fees for many public entities have not kept pace with the real costs of the audit for a range of reasons, including the effect of new accounting and auditing standards and the changing scale and complexity of many public entities’ activities. A general concern about low fees impacting on auditors’ ability to maintain consistent audit quality has also been raised by regulatory bodies here in New Zealand and overseas.

Low fees are unsustainable and need to be rectified. The Auditor-General has decided to allow fee increases to a level that reflects the real time and cost of the audit. The size of increases will vary depending on the reasonableness of the current fee paid by each entity and any changes that have occurred since the last fees were agreed. We acknowledge that in many instances significant increases will be required, and in those instances we are open to discuss how to phase in the increases in a manner that is fair for both parties.

Our fees will take account of the nature and extent of the audit requirements for each Council. The audit hours in this proposal reflect the time required to complete a high-quality public sector audit efficiently.

The fees are based on charge-out rates that will ensure we can maintain the capacity needed to complete your audits. The global and local auditor shortage is having a continuing impact and has resulted in significant salary inflation. The current economic uncertainty and general inflation have also contributed to charge out rates increasing significantly.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

The Office of the Auditor-General will be monitoring the outcome of the negotiations to ensure that fees are reasonable.

Councils can take actions to ensure the efficiency of their audit. This includes being well prepared for audit, ensuring complex judgement issues are addressed early, regularly communicating with your auditor about any changes that might impact your reporting or the audit, having tidy systems and controls, and ensuring that relevant people are available to assist the auditors as they carry out their audit work. I welcome further discussion with you on opportunities for reducing the time and costs of your audit.

3 Entities and audit covered by this proposal

This proposal covers the audit of Western Bay of Plenty District Council for the next three years.

A separate Engagement Letter and fee proposal will be provided for the Debenture Trust Deed audit.

Any additional reviews or agreed upon procedures that we are requested to complete will also be covered by a separate fee proposal or engagement letter.

4 Key members of the audit team

Appointed Auditor	Leon Pieterse
Audit Manager	Anton Labuschagne
Tax Director	Jason Biggins
Information Systems Director	Dieter Röhm

5 Estimated audit hours

We estimate that the following hours will be required to carry out a quality public sector audit for your Council efficiently. We have also included some information to help you understand how this compares with budgeted and actual data from the previous financial year):

Audit team member	2022 budget	2022 actual *	2023	2024	2025
Appointed Auditor	60	85	75	75	75
Engagement Quality Reviewer	12	0	0	0	0
Audit Manager	90	196	115	115	115
Other CA qualified staff	220	574	380	380	380
Non-CA qualified staff	358	678	475	475	475
Other specialists					
Sector specialist support	8	0	8	8	8
Information Systems	25	30	25	25	25
Tax	2	0	2	2	2
Total audit hours	775	1,563	1,080	1,080	1,080

***Note** – actual hours have been adjusted to eliminate any hours that were due to auditor inefficiencies. The actual hours that remain are the reasonable hours that were attributable to the audit in that year.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period <i>budgeted</i> hours:	2023	2024	2025
Changes within your Council, or in its environment – such as changes in group structure, Council growth, additional areas of (or additional work on) high-risk accounting estimates, additional material performance measures or additional work on these measures the entity's activity, new systems, other matters changing the risk profile or complexity, which have resulted in a change to the size or complexity of the audit.	78	0	0
Changes to applicable accounting, auditing or financial reporting standards which result in additional audit work. <ul style="list-style-type: none"> • PBE FRS 48 • PBE IPSAS 41 • ISA (NZ) 315 (2019 REVISED) 	60	0	0
Additional hours required for us to complete a high-quality public sector audit efficiently	167	0	0
Total increase (decrease) in audit hours	305	0	0

5.2 Other matters that may impact the scope of the audit and actual audit hours

There are several emerging reporting and auditing challenges in the sector that will potentially require additional audit effort and cost over the next three years. At this point the impact of these on your Council is unknown, so we have not included any allowance in our audit hours or fees. They include:

- The impact of extreme weather events including the January 2023 flood events;
- The impact of implementation of new legislation, including that relating to three waters reform, and/or Resource Management Act reforms;
- The impact of any climate reporting requirements, or Greenhouse Gas (GHG) performance measures;
- Out of cycle, additional revaluations, including as a result of continued movements in property values and infrastructure construction costs;

- The impact of future growth of your Council, including changes within your Council's group structure; and/or
- Changes in the number of material measures, for example, new water loss measures.

Where costs related to these issues cannot be absorbed within the agreed fee, we will inform management and seek additional fee recoveries through our normal processes.

6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2022 budget	2022 actual *	2023	2024	2025
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	147,063	258,321	222,480	240,284	259,246
OAG Audit Standards and Quality Support charge	12,246	12,246	20,541	21,465	22,431
Total cost of audit	159,309	270,567	243,021	261,749	281,677
Costs absorbed/Discount provided by Audit NZ	0	(111,258)	(20,021)	(11,749)	(0)
Total audit fee (excluding disbursements)	159,309	159,309	223,000	250,000	281,677
Estimated disbursements*	0	3,542	1,500	1,500	1,500
Total billable audit fees and charges	159,309	162,851	224,500	251,500	283,177
GST	23,896	24,428	33,675	37,725	42,477
Total (including GST)	183,205	187,279	258,175	289,225	325,654

These audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge.

*We have estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <i>budgeted</i> fees.	2023	2024	2025
Changes within your Council, or in its environment.	16,068		
Changes to applicable accounting or financial reporting standards which result in additional audit work. <ul style="list-style-type: none"> PBE FRS 48 PBE IPSAS 41 ISA (NZ) 315 (2019 REVISED) 	12,360		
Additional hours required for us to complete a high-quality public sector audit efficiently.	34,402		
Predicted charge out rate movements.	20,882	18,728	19,928
Phase in fee due to unwind of the prior year discount.		20,021	11,749
Total increase in audit costs to complete the audit	83,712	38,749	31,677
Costs absorbed by Audit NZ	(20,021)	(11,749)	
Total increase in audit fees	63,691	27,000	31,677

7 Assumptions relating to our audit fee

You are responsible for the production of Western Bay of Plenty District Council financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your Council's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your Council's financial statements will include all relevant disclosures;
- we will review **up to two** sets of draft annual reports, **one** printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);

- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements (set out in the audit plan) that change the scope of, timing of, or disbursements related to, this audit.

If the scope changes and/or the amount of work we do increases, we will discuss this with you and potentially seek additional fees from you. The Office of the Auditor-General will be monitoring these recoveries to ensure that they are reasonable.

8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Nāku noa, nā



Leon Pieterse
Appointed Auditor

I accept the audit fees for the audit of the three financial years as stated above.

Full name:	_____	Position:	_____
Authorised signature:	_____	Date:	_____
Entity name:	_____		

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Email a signed copy to: Leon Pieterse
leon.pieterse@auditnz.parliament.nz



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

18 May 2023

745 Cameron Road, Tauranga 3112
PO Box 621, Tauranga 3144
Telephone (04) 496 3099

James Denyer
Western Bay of Plenty Regional Council
Private Bag 12803
Tauranga Mail Centre
Tauranga 3143

Tēnā koe James

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Western Bay of Plenty Regional Council (the Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2025.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Western Bay of Plenty Regional Council’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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The council's responsibilities

Our audit will be carried out on the basis that the council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The council's responsibilities extend to all resources, activities, and entities under its control. We expect that the council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the council and/or the individuals within the Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the council to be familiar with those responsibilities and, where necessary, have obtained advice about them. Appendix 3 outlines respective responsibilities when using Audit New Zealand's client portal tool.

The council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

- the funding impact statement of Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan; and
- the statement about capital expenditure for each group of activities of Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan; and
- the funding impact statement for each group of activities of Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.

We are also required to report on whether the Council has:

- complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the Council in an economical manner, and whether any resources are being wasted;

- be alert for issues of a lack of probity – in particular, whether the council and the Council have met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of Council; including being independent of management personnel and members of the council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report that will be sent to the council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to Council from time to time. We will inform the council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Nāku noa, nā



Leon Pieterse
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the council.

Signature: _____ Date: _____
Name: James Denyer
Title: Mayor

Appendix 1: Respective specific responsibilities of the council (the governing body) and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; and • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with the intended levels of service for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and • complies with generally accepted accounting practice in New Zealand. <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> • the funding impact statement of Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan;

Responsibilities of the council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> the statement about capital expenditure for each group of activities of Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the [Long-term plan OR annual plan; and the funding impact statement for each group of activities of Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan. <p>We are also required to report on whether Council has:</p> <ul style="list-style-type: none"> complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of Council; enable you to monitor the resources, activities, and entities under your control; enable Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Council) supported by written policies and procedures.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
<p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.</p>	<p>opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that Council has systems, policies, and procedures (appropriate to the size of Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on Council’s website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 3: Respective responsibilities when using Audit New Zealand's client portal tool

Audit New Zealand has engaged Audit Dashboard Incorporated to provide a client portal, AuditDashboard.

AuditDashboard is a secure online tool that will make it easier for files to be shared between Audit New Zealand and the Council and for your people to work with us. We will request and receive files from your organisation through AuditDashboard.

For more information, please refer to: <https://auditnz.parliament.nz/working-with-your-auditor/portal/>.

Your organisation's obligations when using AuditDashboard

AuditDashboard implements industry standard encryption and security controls to keep your organisation's data safe. However, each user of AuditDashboard is responsible for ensuring these controls can operate. Your organisation is responsible for your users' use of AuditDashboard.

Upon registering, each user will be required to read and accept individual Terms of Use. These are aligned with your organisation's obligations in this letter. The Terms of Use can be viewed at auditnz.auditdashboard.com/Account/Terms.

We expect you to ensure that AuditDashboard users in your organisation know that they must only access AuditDashboard using devices that have been approved for work purposes by your organisation. By using approved devices in conjunction with complying with your organisation's own policy on computer use, users are more likely to comply with the Terms of Use that each user must agree to.

We expect your organisation to provide an environment that supports AuditDashboard users in your organisation to:

- use a secure network with firewall protection;
- use a modern, up-to-date browser, and an operating system that features integrated anti-virus and anti-malware software;
- use their own unique user account each time they access AuditDashboard, and comply with the password security measures in the Terms of Use;
- take the same precautions when using AuditDashboard as they would with other secure online transactions, such as ecommerce and banking;
- logout of AuditDashboard, lock their system and secure their computer when left unattended;
- not misuse AuditDashboard.

Your organisation must inform Audit New Zealand if a user leaves, or if a change in circumstances (for example, a change in role) means that a user should no longer have access to AuditDashboard. Once we have been informed, we will remove access for that user.

Your organisation must inform Audit New Zealand of any information that should be restricted so it can only be viewed by specified users, such as payroll data.

Your organisation must notify Audit New Zealand immediately of any unauthorised use of an AuditDashboard account or in the event that a user's account details are compromised.

We expect your organisation to maintain the confidentiality and integrity of the content and technology of AuditDashboard to at least the same level of care required by your organisation in respect of its own confidential information, but in no event using less than a reasonable standard of care.

Your obligations when your agent uses AuditDashboard

Your organisation might engage an agent ("your agent") to perform some financial functions, for example, an external accountant to prepare your organisation's financial statements. In such circumstances, your agent might hold files, on behalf of your organisation, that are relevant to your organisation's audit.

If your organisation requests Audit New Zealand to add your agent as an AuditDashboard user, your organisation is wholly responsible for your agent's use of AuditDashboard. Accordingly, your organisation must ensure that your agent:

- is aware of your organisation's obligations to Audit New Zealand;
- is aware that they must agree to and abide by the Terms of Use that apply to AuditDashboard users;
- is required to be subject to a computer use policy, and work in a secure environment, that enables them to comply with the Terms of Use; and
- agrees to notify your organisation immediately of any unauthorised use of an AuditDashboard account.

Our responsibilities

We are responsible for the security of the data provided by you to us for the purpose of an audit engagement.

We are responsible for obtaining assurance that AuditDashboard is secure for the classification and sensitivity of data that is involved. When we engaged AuditDashboard, we considered risk, security, privacy, functionality and business requirements. These are all fundamental requirements for information governance and assurance¹.

¹ NZ Information Security Manual v3 – section 4.1.11 & 4.1.12

Audit New Zealand does not guarantee the availability of AuditDashboard. We reserve the right to withdraw AuditDashboard at our discretion. Where possible, we will notify your organisation in advance.

If our contract with AuditDashboard is terminated, AuditDashboard will delete your organisation's data, except if you request its return, or such data is required by Audit New Zealand to perform the audit engagement.

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

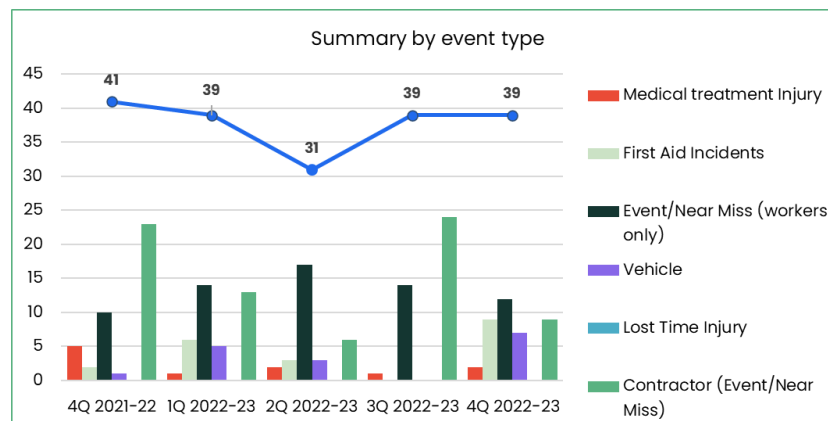
The priority focus for the period was on already identified risk points for our people, namely confronting aggressive behaviour and overall staff wellbeing.

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**

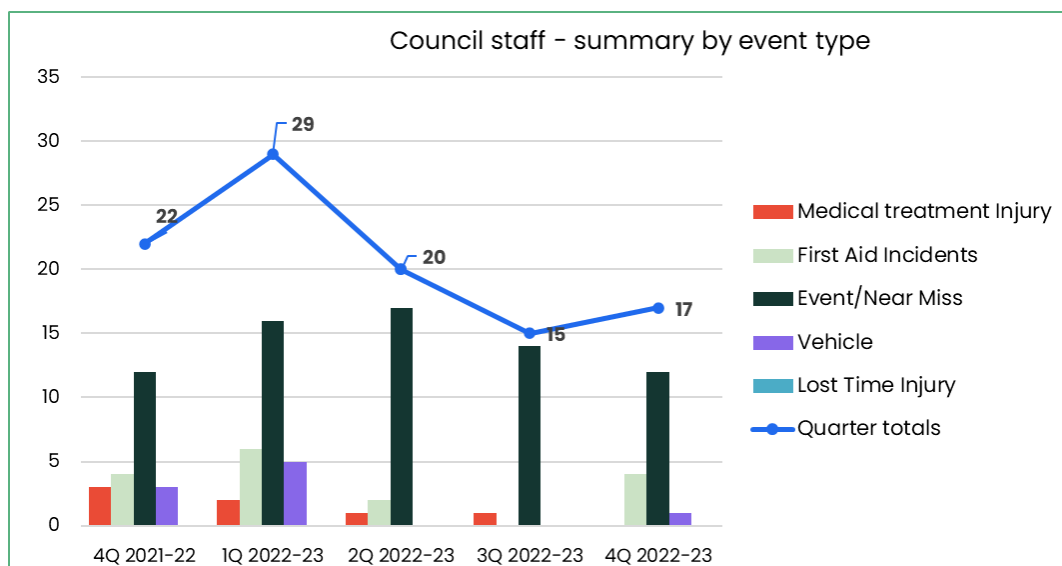
Overall events for the quarter remained consistent with the previous quarter. Our contractors experienced two (2) recordable injuries through the quarter, whereas our direct employees pleasingly only experienced minor injuries and events. We continue to develop increased integrity and consistency around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

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



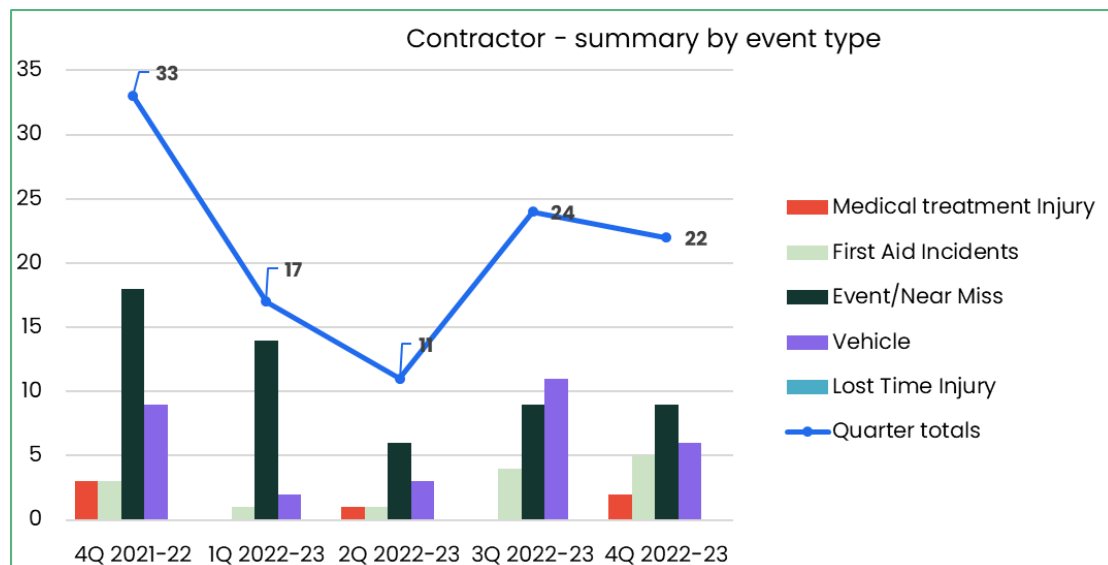
Council Staff Events

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.

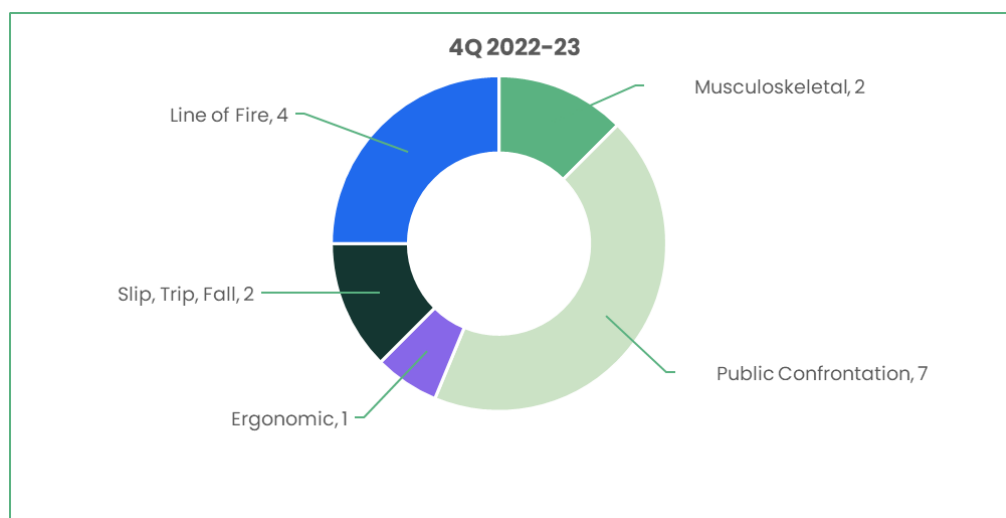


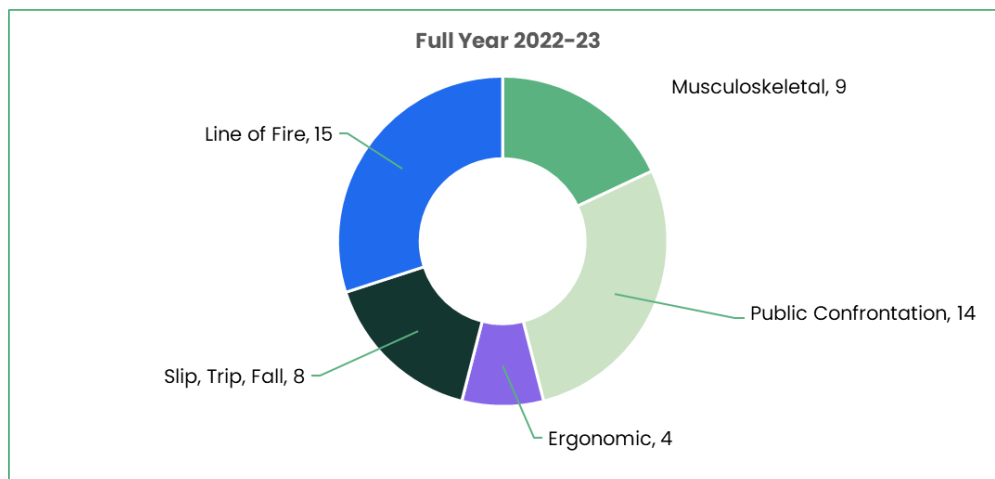
Mechanism of Incident 2022–2023

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.

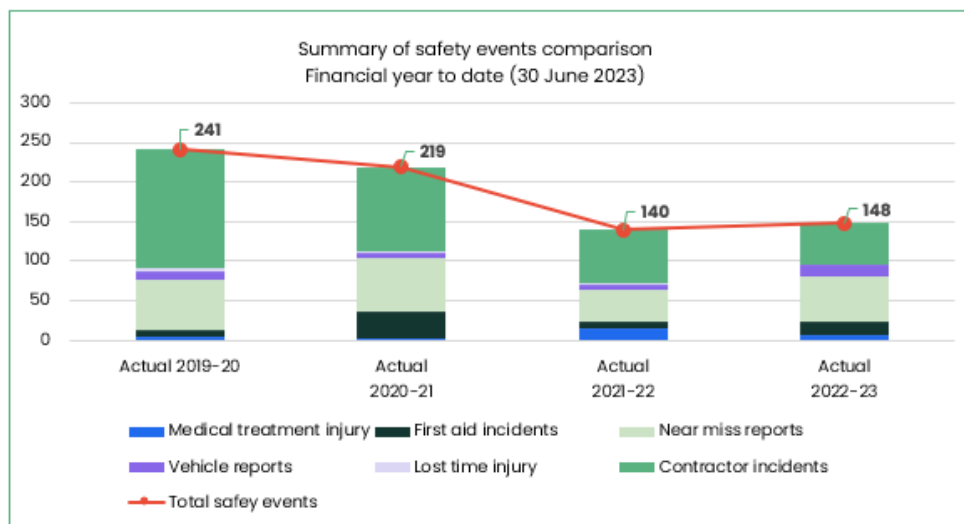
Lag Indicators (Accident/Incident Frequency Rates)

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 (<i>rolling 12 months</i>)	0.00
TRIFR (<i>rolling 12 months</i>)	6.10 <i>previous 10.20</i>
Number Lost Time Injuries (LTI). (<i>rolling 12 months</i>)	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	Risk Based Methodology Implementing a risk-based approach to how we manage risk. From assessment and control to incident response and investigation	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.
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	Information Provision Established monthly newsletters and safety guidance documents for our business.	Keeping safety front of mind and educating our people on key safety topics and messages, including event reporting.
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	Education Provision of information to our people on our reporting expectations (ie what, when), and use of the Vault system (how).	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.
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



Mā tō tātou takiwā
For our District

Audit, Risk and Finance
Committee

Risk and Assurance Report
August 2023



**Western
Bay of Plenty**
District Council

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1. Risk Management

1.1 Purpose of Report

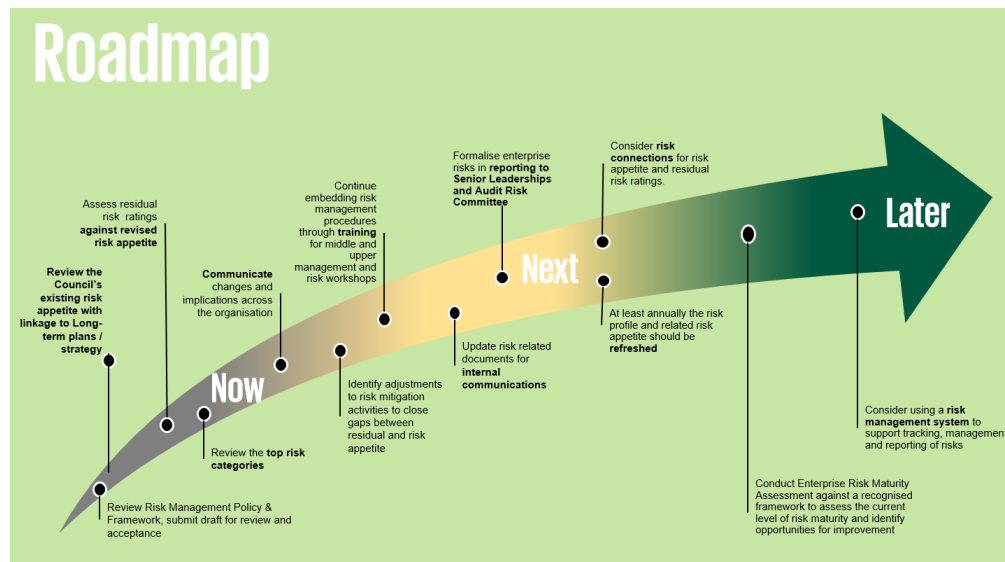
The key purpose of the risk management report is to provide a base of discussion and to trigger an effective risks conversation by the Committee. The report provides the Committee with an update on: –

- A recap on Western Bay of Plenty District Council's (WBOPDC's) risk management journey
- WBOPDC's Strategic Risk Register

1.2 Background

WBOPDC's SLT carried out a Strategic Risk Workshop that was facilitated by KPMG. The workshop was carried out to run through the following:

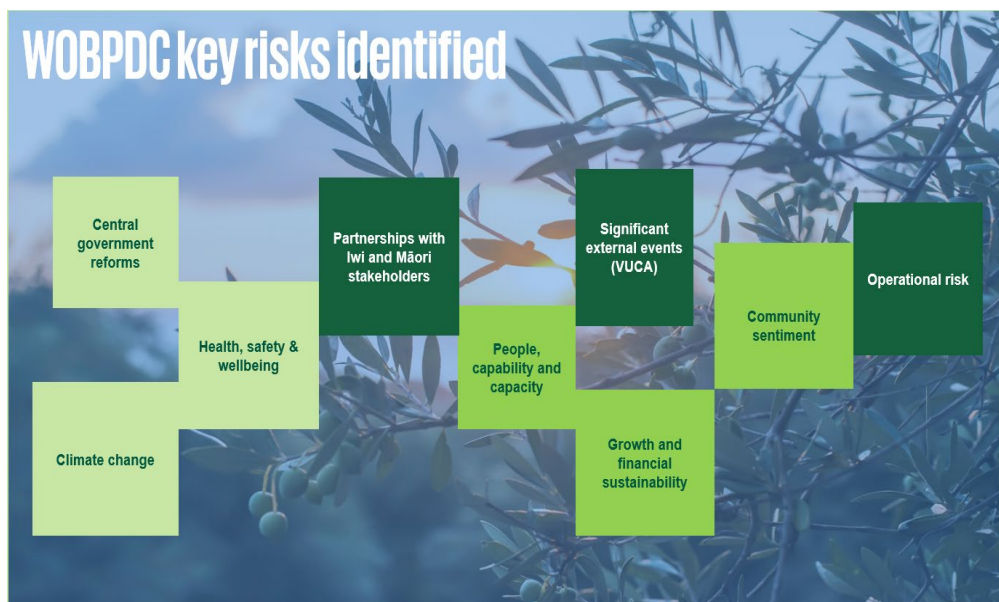
- A recap on WBOPDC's risk management journey
- WBOPDC's strategic and emerging risks
- WBOPDC's risk appetite settings
- Next Steps from the workshop



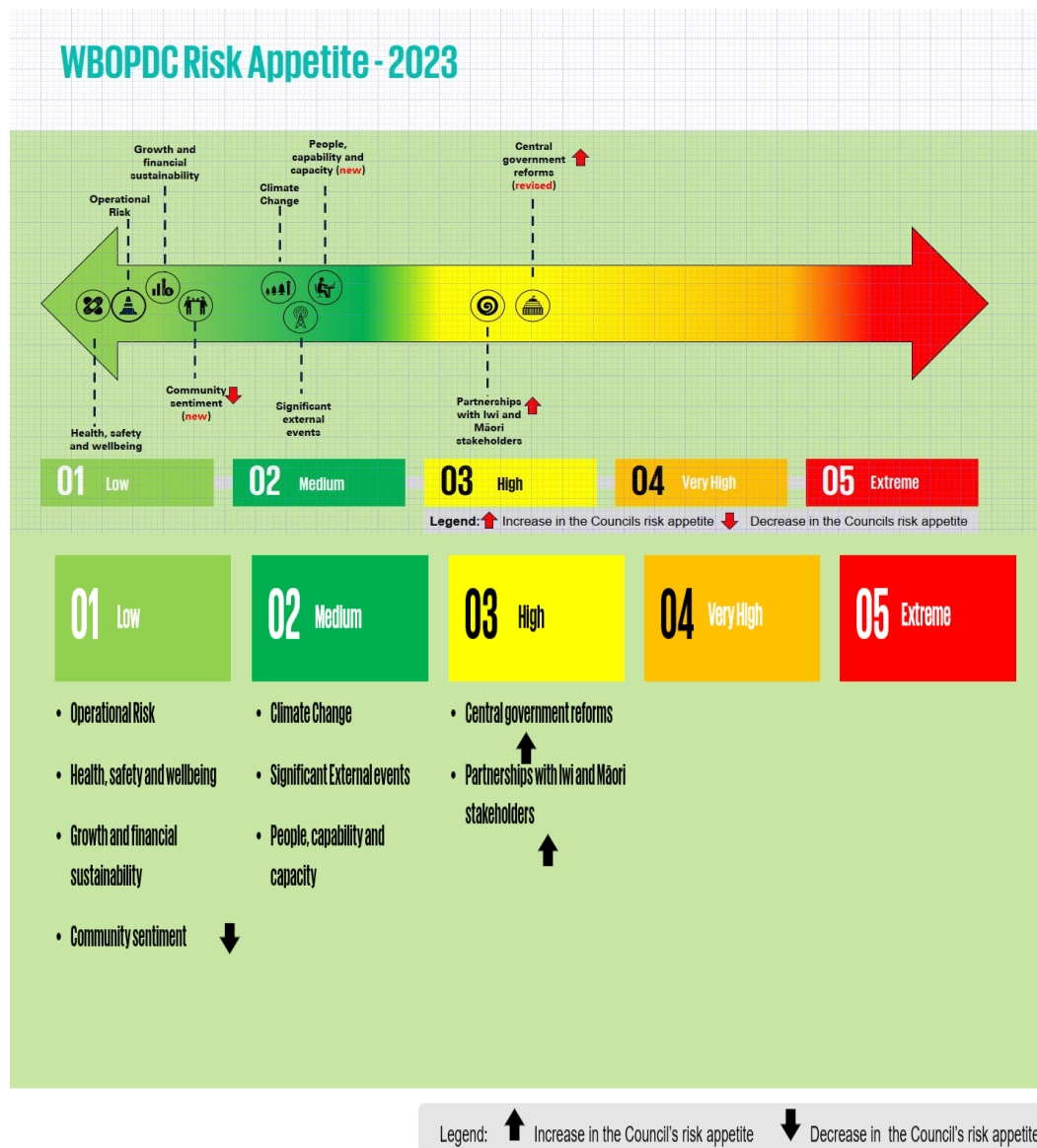
1.3 WBOPDC Key Strategic Risks

There have been no changes on the strategic risks since it was reported in the last Committee meeting. 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. The movement/changes to any of the strategic risk will be reported to the Committee.

1.4 Detailed Strategic Risk Register



WBOPDC Risk Appetite Settings



WBOPDC Risk Appetite Settings – Tension and Trade-offs

Tension and trade-offs are where areas of grey exist and decisions are difficult.

Example Risk	Risk Appetite	Potential Points of Future Focus
<p>Partnership with Iwi and Māori Stakeholders</p> <p>There is a risk that WBOPDC doesn't deliver on the commitments to Mana Whenua (supporting Māori and Iwi businesses through social procurement), treaty principles and obligations, and fails to maintain a trusted relationship with Iwi and Māori communities and meet their expectations resulting in loss of reputation.</p>	<p>The Council has the ambition to prioritise and build upon the key relationships with Iwi and Māori stakeholders and meet their expectations. This is important to deliver on the Council's strategy and long-term plan but will need to be balanced with the wider community plans and expectations. The Council has a 'Medium-High' risk appetite for managing the risk.</p>	<ul style="list-style-type: none"> Is reputation the only impact? Does the current market environment provide more opportunities to partner with Iwi? Are there other unacceptable trade-offs i.e. impacts of prioritising Iwi relationships vs other key stakeholders? What tension/trade-offs exist with other risks for example poor management of this relationship and the impact on other key stakeholders such as community and central government – are we comfortable with those trade-offs?

How to interpret Risk appetite statements

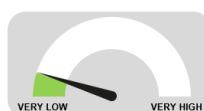
Risk Owner: This is the member of the executive squad who owns the risks that fall within this risk area

OVERVIEW OF RISK AREA

The overview provides details of the risk area and where possible refers back to the risks within WBOPDC Risk management framework (RMF)

RISK APPETITE STATEMENT

The risk appetite statement reflects the accumulated risk preference based on where risk will and will not be taken. The statement links risk taking activities to the strategic direction of Western Bay of Plenty District Council and should be used to drive decision making, and backlog prioritisation.



Risk appetite: Very Low

WHERE WILL WE TAKE RISK?

This is where the list of areas that we will take risk is detailed. Examples could be where we will be looking to face into risks that are necessary to achieve our strategy and purpose. It could also be an area where speed or pace is necessary to maintain our position against our competitors.

WHERE WILL WE NOT TAKE RISK?

This is where the list of areas that we will not take risk in will be detailed. Examples could be where we will need to ensure we have adequate controls and standards in place to minimise risk that could impact our ability to achieve our strategy and purpose.

The diagrams on the right show current risk levels against perceived risk appetite of Council. Also shown are upstream and downstream connected risks. Often there will be areas of grey, tension and trade-offs with these connected risks.



Risk 1: Operational risk

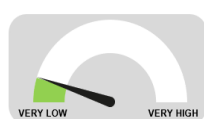
Risk Owners: Deputy Chief Executive / General Manager - Infrastructure Group, and General Manager - Corporate Services

OVERVIEW OF RISK AREA

The risk of delay or inability to deliver and execute on projects or provide services or conduct regular Council operations as a result of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial losses and loss of reputation from IT/cyber risk events, fraud events, and/or internal process/control failure.

RISK APPETITE STATEMENT

Delivery of key projects and the long-term plan is critical to the achievement of planned community outcomes and is central to the key strategic vision of the Council. The Council has a 'Low' risk appetite for the management of operational risk which could cause potential delays in project delivery, impact the Council's operations, reputation quality of service delivery, and result in failure to meet community expectations.



Risk appetite: Very Low

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WHERE WILL WE TAKE MORE RISK?

In responding to critical external events or natural disaster, the Council has a 'High' appetite to shelve or temporarily suspend its operations or services (excluding services relating to lifeline infrastructure) or delivery of projects. The Council will aim to reprioritise the allocation of resources to cater to the immediate and important needs of the community.

The Council has a 'Medium - High' appetite to innovate. It will invest in uplifting its digital and technology capabilities. This will enable the Council to prevent or better manage risks associated with data breaches, system outages and cyber security events.

The Council has 'Medium - High' appetite to engage and procure services from small community organisations, for lower risk rated services to drive and foster social outcomes, while effectively managing risks.

WHERE WILL WE TAKE LESS RISK?

Providing quality services, and responding to the needs of the community is core to the Council's operations. It therefore has a 'Low' appetite to fail to deliver on these expectations.

The Council has a 'Low' appetite for fraudulent activities and will actively work towards maintaining clear segregation of duties, regular monitoring and review of the key financial processes and transactions and appropriate delegations.

The Council aims to provide a build and maintain a safe infrastructure and work environment and has a 'Very low' appetite for any health and safety events or activities that may potentially result in preventable incidents of harm or injury or illness in the community.



Risk 2: Health, safety and wellbeing

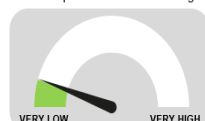
Risk Owners: General Manager - Corporate Services

OVERVIEW OF RISK AREA

The risk of harm, injury or illness of/to employees, contractors, volunteers or community members accessing the Council's premises, sites, or events, and not meeting legal HSW requirements, as a result of an unsafe work environment and failure to meet workplace obligations. This could potentially lead to death or serious harm or injury, adverse impacts on staff/contractor mental health and well-being, financial losses, and (costs for) fines and reputational damage.

RISK APPETITE STATEMENT

The Council understands the importance of providing a safe working environment to its employees, contractors, volunteers, and members of the community and ensuring that everyone is adequately supported during stressful times (such as pandemic, natural events – cyclone). The Council recognises this as its key priority and has a 'Low' risk appetite for the risk, even considering some risks will be outside of its ability to control. Health, Safety and Wellbeing risks will not be traded-off for other risks and priorities while delivering on its strategic objectives.



Risk appetite: Very Low

WHERE WILL WE TAKE RISK?

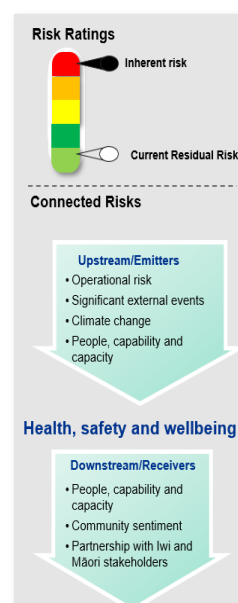
The Council aims to promote social procurement and has a 'Medium - High' appetite for engaging with newer local contractors and suppliers that are have demonstrated implementation of strong health and safety processes and are continuously seeking to improve their health and safety practices. This will assist with building safer workplace practices in the wider community.

The Council will be innovative and seek to invest in adopting safer ways of working. It will only consider reducing its spend on activities that doesn't uplift staff or contractor health, safety and well-being.

WHERE WILL WE NOT TAKE RISK?

The Council has 'Low' risk appetite for health and safety events that result in stakeholder or community issues. It aims to engage with the community and wider stakeholders to address and respond to their health and safety concerns and effectively communicate the mitigation measures completed or that it seeks to implement.

It has a 'Low' risk appetite for instances of non-compliance with the Council's health and safety policies, processes and practices.



Risk 3: Community sentiment

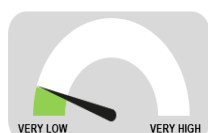
Risk Owners: General Manager - Strategy and Community

OVERVIEW OF RISK AREA

WBOPDC's inability to maintain a strong strategic relationship with the community and actively engage with them to identify and understand their expectations or areas of concern. As a result, the Council's actions and initiatives may be perceived in a negative manner and not supported by the community. This may adversely impact the Council's ability to successfully deliver on key initiatives and plans, and its reputation.

RISK APPETITE STATEMENT

The Council aims to have an increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop a strong relationship. This reflects in the Council's 'Low' risk appetite for failing anticipate and support potential opportunities for development in the district.



Risk appetite: Very Low

WHERE WILL WE TAKE RISK?

The Council is committed to provide quality services and develop strong infrastructure in the district, to be able to build a resilient community.

The Council has a 'Medium' appetite to manage rates affordability, and will consult and engage with the community to ensure Council's decisions and plans reflect the needs and priorities of the community and addresses their concerns.

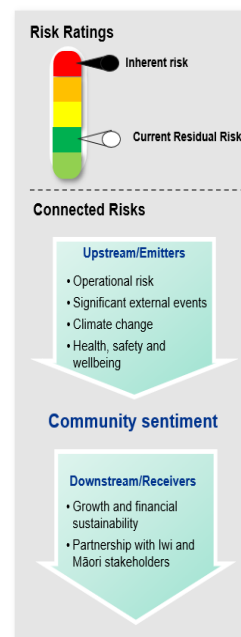
WHERE WILL WE NOT TAKE RISK?

The Council will prioritise keeping the community safe while managing the impacts of natural disasters.

With regards to managing impacts of climate change events on the community, the Council has a 'Low' risk appetite. It will invest in moving lifeline infrastructure such as electricity, gas, water, telecommunication, in response to those risks events.

The Council doesn't support increasing financial cost pressures on the community especially during the current level of economic uncertainty. It has a 'Low' appetite for not innovating and investing in managing climate change impacts that may adversely affect affordability of housing and land use.

The Council has a 'Low' risk appetite for non-delivery of core and critical services.



Risk 4: Partnership with Iwi and Māori stakeholders

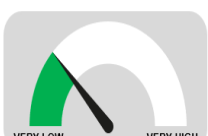
Risk Owners: General Manager - Strategy and Community, and General Manager - Corporate Services

OVERVIEW OF RISK AREA

There is a risk that WBOPDC doesn't deliver on the commitments to Mana Whenua (supporting Māori and Iwi businesses through social procurement), treaty principles and obligations, and fails to maintain a trusted relationship with Iwi and Māori communities and meet their expectations resulting in loss of reputation.

RISK APPETITE STATEMENT

The Council has the ambition to consciously build upon key relationships with Iwi and Māori stakeholders. This is important to deliver on the Council's strategy and long-term plan but will need to be balanced with the wider community plans and expectations. The Council has a 'Medium-High' risk appetite for managing the risk.



Risk appetite: Very Low

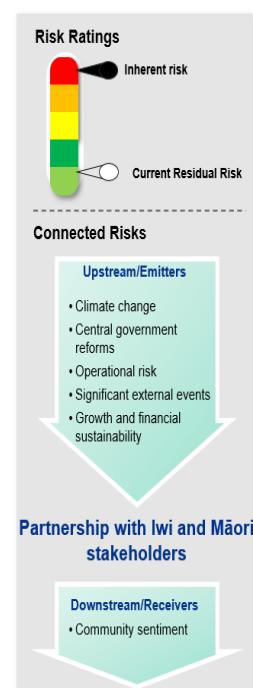
WHERE WILL WE TAKE RISK?

The Council aims to consult with Iwi and Māori stakeholders to obtain their perspectives and align with our Te Tiriti obligations. This will however be balanced with potential benefits from delivering on its key infrastructure and other projects and wider plans and initiatives for achieving positive outcomes for the community.

WHERE WILL WE NOT TAKE RISK?

The Council is committed to building strong and enduring relationship with the Iwi and Māori stakeholders through transparent and open communication and collaboration. It seeks to gain more clarity on its obligations and duties covered by the Te Tiriti o Waitangi, and values the benefit from applying Mātauranga Māori lens to its initiatives and programme of work.

The Council has 'Low' appetite for not appropriately managing Iwi and Māori relationships and not identifying opportunities for partnering with them particularly to promote social procurement and economic development.



Risk 5: Climate change

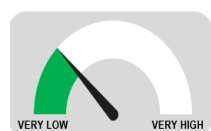
Risk Owners: General Manager - Strategy and Community, and Deputy Chief Executive / General Manager - Infrastructure Group

OVERVIEW OF RISK AREA

The failure to adequately identify, understand, address and respond to climate change regulations, reforms, and requirements including reducing greenhouse gas emissions, and considering the wider impacts prior to providing the consent under Resource Management Act, Building Act, and similar legislations.

RISK APPETITE STATEMENT

Currently, there is still uncertainty about the government response and expectations relating to climate change to enable the Council to appropriately plan its response. The Council recognises the importance of increasing focus on climate change risks and is determined to support the identification of climate change risk, monitoring and assessing the impact. This drives the Council's 'Medium' risk appetite.



Risk appetite: Low

WHERE WILL WE TAKE RISK?

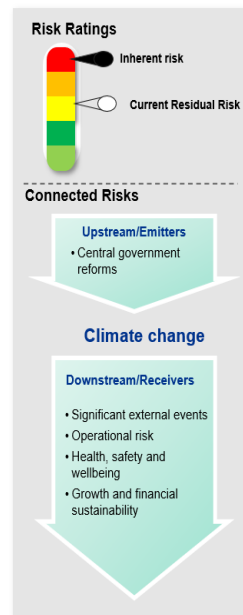
The Council has 'Medium' risk appetite for uplifting its climate change capabilities and planning for future impacts on its community. It is keen to understand and explore opportunities for partnering with Māori and Iwi stakeholders for pursuing green financial growth opportunities in the district, such as development of renewable energy projects, that assist with reduction of GHG (Greenhouse gas) emissions.

WHERE WILL WE NOT TAKE RISK?

The Council understands the significance of its leadership role in building a resilient community and providing climate change guidance to the wider community. It will work closely with the Regional Council to avoid any duplication of efforts. It will look to take proactive measures and to work with central government to advocate for climate change policies and initiatives. The Council has a 'Low' appetite for being non-responsive and/or delaying its response for acting on guidance obtained from Central government.

The Council is looking to understand the climate change impacts that play a key role in land use and management practice. It has a 'Low' appetite for not considering climate change impacts while developing land-use planning strategies. This will be balanced with infrastructure cost pressures.

The Council will invest to implement mitigation measures to be better prepared while responding to climate change events such as avoiding above floor level flooding. The Council has 'Low' appetite for delays in responding to climate change events.



Risk 6: Growth and financial sustainability

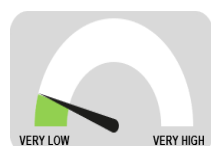
Risk Owners: Deputy Chief Executive / General Manager - Infrastructure Group

OVERVIEW OF RISK AREA

The risk that WBOPDC is unable to obtain adequate funding and effectively manage the cost and cashflow and meet its financial obligations resulting from changing Central Government expectations, and increase in project and operating costs. This may have a significant impact on the Council's ability to deliver and execute on its strategic objectives and regional growth prospects and achieve the desired community outcomes.

RISK APPETITE STATEMENT

Effective management of funds and ensuring financial sustainability is fundamental to successfully delivering on the Council's growth objectives and long-term plan for the region. The Council generally has a conservative approach to its financial strategy. The Council has a 'Low-Medium' risk appetite for the risk, which needs to be balanced with the delivery and achievement of planned outcomes.



Risk appetite: Very Low

WHERE WILL WE TAKE RISK?

The Council recognises the critical role it plays in supporting growth and economic development in the district. It has a 'Medium' risk appetite for funding infrastructure projects that support the district while recognising and planning for increased risk from investment such as project overruns, changes in economic conditions, etc.

To maintain a strong and resilient financial position, the Council has implemented a self insurance model for the initial \$20mil to safeguard itself. The Council has a 'Medium' risk appetite for the self insurance model reflecting the potential risk from severe weather events which may significantly impact its financial strategy.

WHERE WILL WE NOT TAKE RISK?

The Council is committed to closely monitoring and managing its debt levels. It has a 'Low' appetite for not effectively maintaining sufficient "borrowing headroom" through conducting a comprehensive analysis and review of its financial position, to cater for future investment and/or responding to catastrophic weather events or natural disasters.



Risk 7: Central government reforms

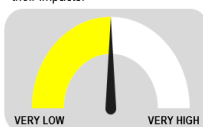
Risk Owners: General Manager - Regulatory Services

OVERVIEW OF RISK AREA

There is a risk of inadequate and insufficient horizon scanning completed by the Council to identify, understand the impact, advocate and respond to the changing regulatory reforms being considered by the Government. This also includes the risk of an inappropriate approach to respond and manage the legislative changes introduced by the government. This could potentially impact the Council's operations and its ability to re-prioritise and allocate adequate resources to meet the changing expectations resulting in delay in projects, delivery of services, reputational loss, failure to meet the government expectations and non-compliance with regulatory requirements.

RISK APPETITE STATEMENT

The Council acknowledges and anticipates an increase in legislative changes being introduced by central government that can have a significant impact on the Council's strategy. The Council has a 'High' risk appetite which reflects its limited ability to control the changes being introduced and its aim to engage early on sector advocacy and working closely with government agencies to understand the planned changes and their impacts.



Risk appetite: Medium

WHERE WILL WE TAKE RISK?

The Council has a 'Medium-High' appetite for connecting with other Councils in the region to advocate on sector specific topics. In doing so, the Council will take appropriate measures to consult with key stakeholders and the wider community on their needs and expectations, and factor that in its response to the central government reforms.

WHERE WILL WE NOT TAKE RISK?

Changes introduced through central government reforms can significantly impact Council's operations and its ability to deliver services. The Council has a 'Low' appetite for not adequately assessing the changes in government policies and regulations and non-compliance with the requirements introduced.

It will invest in engaging with the central government early on, in the process and working with the other Councils for sector specific topics. This will enable the Council to obtain a better understanding of regulatory change implications and developing appropriate response strategies that align with Council's key outcomes.



Risk 8: Significant external events

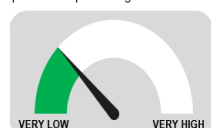
Risk Owners: General Manager - Corporate Services, and Deputy Chief Executive / General Manager - Infrastructure Group

OVERVIEW OF RISK AREA

WBOPDC's failure to appropriately prepare and respond to sudden, unforeseeable and uncontrollable, complex or ambiguous external events. This includes natural disaster events such as flooding, cyclones, earthquakes, economic volatility such as recession, fluctuations or increase in interest rates and uncertainty in the political and social environment. These may potentially impact the Council's ability to provide services in the community and effectively conduct its operations.

RISK APPETITE STATEMENT

The Council recognises the importance of continued operation of critical Council activities, movement of resources, successful implementation of business continuity or crisis management plans and ensuring community well-being during significant external events. The 'Medium' risk appetite highlights the limited ability to control the occurrence, and predict the nature and extent of the potential impact of significant external events.



Risk appetite: Low

WHERE WILL WE TAKE RISK?

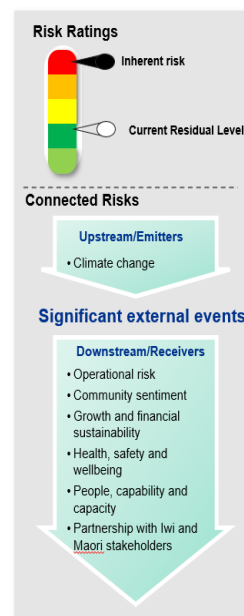
The Council acknowledges that the current external environment is very dynamic and continuously evolving (including the economic and political uncertainty). The Council's 'High' risk appetite is reflective of its limited ability to control/manage this risk.

The Council is committed to prioritise its response to significant external events while having to temporarily suspend delivery of its non-critical services or operations in a manner that meets the expectations of the community.

WHERE WILL WE NOT TAKE RISK?

The Council will aim to ensure it has comprehensive and effective business continuity plans in place. It has a 'Low' appetite for not providing adequate support to the community in times of crisis, emergency response and extreme weather events.

The Council has a 'Low' appetite for not adequately managing effects of supply chain disruptions due to external events impacting Council's ability to deliver critical services and conducting essential activities to maintain lifeline infrastructure.



Risk 9: People, capability and capacity

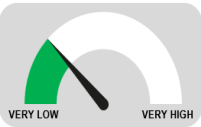
Risk Owners: General Manager - Corporate Services

OVERVIEW OF RISK AREA

WBOPDC's failure to attract, retain and develop staff members with desired skill-sets. Such capability and capacity gaps within the Council may stretch its ability to adequately drive and support delivery of its long-term plan, key projects and initiatives.

RISK APPETITE STATEMENT

The Council recognises the significance of having a skilled and engaged workforce to deliver on its long-term strategic outcomes and initiatives. The current shortage in the talent market further exacerbates the risk. The Council has a 'Low' risk appetite appreciating the need to invest in its people to ensure it has the desired knowledge and skills to deliver quality services to the community.



Risk appetite: Low

WHERE WILL WE TAKE RISK?

Council's ability to deliver services during periods of massive change (including those due to significant external events or internal initiatives such technology uplift) or economic or political uncertainty, is central to its operations. It recognises that this may at times exacerbate the risk relating to people retention and its ability to attract new employees.

WHERE WILL WE NOT TAKE RISK?

The Council has 'Low' risk appetite for general staff turnover and losing its key staff members to the wider sector. It aims to invest in continuous development of its staff members through ongoing training sessions and supporting opportunities for staff career progression. It recognises the importance of having necessary technical expertise, experience and skill-set to deliver on its key outcomes. It will actively consider adjusting the current salary bands, and offering competitive salaries that align with the trends in talent market.

The Council has a 'Low' risk appetite for staff wellbeing and is keen to take active measures to build a flexible and supportive work environment.

The Council has a 'Low' risk appetite for not providing or promoting diverse and inclusive work culture that is welcoming, supports flexible working environment and building a strong and resilient workforce, to deliver on its strategic outcomes.



1.4 Emerging Risks

Below are emerging risks that warrants the attention of the Committee that has been identified by the Senior Leadership Team (SLT)

Event	Emerging risk	Identifying manager	Department / Section	Way forward
Inflation	Further impacts of inflation to existing contracts where impacts are still above our 4%. Note that because inflation has been approx. 7% for 2 years and our budgets an average of 4% - we may still be exposed to a 6% gap (although where costs were known in current year we did adjust). 6% is the cumulative difference between Y4 and Y1 of current LTP.	GM Corporate Services	Commercial and Finance	Early modelling of estimated impacts using sources other than BERL. Consider different model of setting rates limits
Interest rates	Higher cost of borrowing than the previous LTP.	GM Corporate Services	Commercial and Finance	Early modelling of projected impacts from Bancorp.
3Waters Transition	Transition of 3 Waters and management of stranded overhead costs. Operational impacts significant. Debt profile impacts less of an issue.	GM Infrastructure	Infrastructure	Modelling underway to understand the impacts of this change. Consider options for management approach regarding operational impacts.

Event	Emerging risk	Identifying manager	Department / Section	Way forward
	<p>Uncertainty of the extent of no worse off funding (new formula coming, amount unknown).</p> <p>Potential 'in year' transition of Three waters during the LTP (consequences e.g. rates funding for costs that are transferred to the new entity).</p>			Modelling two scenarios with three waters in and three waters out in 2026.
Insurance	Anticipating shocks due to large number of weather events (even what may no longer be insured).	GM Corporate Services	Commercial and Finance	<p>Early understanding of estimated impacts using AON information.</p> <p>Consider whether we should review our insurance position/policy.</p>
Affordability	<p>Cost of living increases.</p> <p>Community desire for more services or increased expectations (as evidenced by recent Annual Plan submissions).</p>	GM Strategy and Community	Strategic Policy and Planning	<p>Provision of clear strategic direction and priorities for the 2024-2034 LTP.</p> <p>LTP pre-engagement to help inform this in terms of community expectations.</p>

Event	Emerging risk	Identifying manager	Department / Section	Way forward
Capex delivery	Ability to delivery capex programme, consistent gap between budget and actual delivery on the ground and lots of influences on this including availability of staff and contractors, supply chain issues and cost escalation.	Senior Leadership Team	All Groups	Reset expectations for capital delivery for affordability reasons and good planning – particularly since so many variables influence our ability to deliver and we have a history of gaps between forecast budget and actual delivery.
Cyclone Gabriel – Storm damages	Unable to meet the programme delivery targets as effort is diverted towards the damages from the storm	GM Infrastructure	Infrastructure	This matter will be managed in more detail i.e., progress report and updates by the Projects and Monitoring
There is an increasing concern that we are now into winter, staff don't feel like they had a summer and there is also pressure of emergency management with the uncertain weather events	Staff resourcing and wellbeing being affected through the uncertainty of weather events and other global events	Senior Leadership Team	All Groups	It is an emerging issue that needs to be monitored and managed with a Health and Safety focus.

1.5 Progress report on Risk Management Work programme

There has not been any progress with the risk management programme since the last Audit, Risk and Finance Committee. This is due to other priorities that Risk and Assurance has been working on at the Council. However, the business units through their Asset Management Plan (AMP) activity are where Risk and Assurance will be working alongside business unit managers to capture the operational risks.

2. Internal Audit (IA)

2.1 Internal Audit Plan 2022/23 to 2025/26

In the previous Audit, Risk and Finance Committee Meeting the proposed internal audit plan was reported and in that meeting Risk and Assurance advised the Committee that SLT will be reviewing the Internal Audit Plan and a final proposed plan will be reported in the May 23 meeting.

**Audits
Completed**

Please see below the finalised proposed Internal Audit Plan.

#	Review	FY 23/24	FY 24/25	FY 25/26
Core / cyclic coverage				
Key Risks Areas				
1.	Rates setting, billing, remissions & collection.		✓	
2.	Financial Contributions inputs, setting and billing.	✓		
3.	Procurement Accounts payable, banking and transaction controls. Operational spend monitoring/management. Probity/sensitive expenditure controls, analysis and sample-test.		✓	
4.	Payroll processing.			✓
5.	Capital spend/project management: Sample test and review key project controls.	✓	✓	✓
6.	Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations.		✓	
7.	Contract management.		✓	
8.	LIMs preparation, billing and issuing.			✓
9.	Fraud Gap Analysis	✓		

#	Review	FY 23/24	FY 24/25	FY 25/26
10.	Alcohol, Food licence - billing, issuing, & compliance Resource consent – billing & issuing. Building consent – billing & issuing. Animal control - billing, issuing, & enforcement.		✓	
11.	Resource consent and Building Consent – enforcement. Resource consent compliance.	✓		
12.	Site operational controls, cyclic visit: (Pools, community facilities, service desks, libraries, nurseries, park-sites).		✓	
13.	Asset Management Review <ul style="list-style-type: none"> Fleet Management Asset purchase and disposal (non-construction) 		✓	
14.	Management of Forestry		✓	
15.	Environmental, Social and Governance: - Sustainability Framework	✓		
16.	Cash Control Review			✓
17.	Facilities maintenance and security		✓	
18.	Treasury & cash flow management.			✓
19.	GST, PAYE and FBT tax compliance evaluation	✓		
20.	IT software licence management			✓
21.	Credit management		✓	
22.	Asset purchase and disposal (non-construction)	✓		
23.	Infrastructure renewals planning and prioritisation		Roading ✓	Property & Reserves ✓
24.	Vested Asset Process Review	✓		
25.	Parks management/operations		✓	
26.	Property Lease Management			✓
27.	Grant award: application evaluation, payment & performance			✓
28.	Events: booking, billing, management			✓
29.	Cyber Security & Privacy / Public Records Act compliance		✓	

The Internal Audit Plan for year 23/24 has 8 audits that SLT has indicated as areas that the business requires further assurance to ensure risks are mitigated and that there are adequate controls in place to mitigate the risks in those areas.

3. Affordable Water Reform Update 19 July 2023

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 are:

Workstream	Deliverables to date	Overall readiness to transition	Risks
Asset Management	All achieved	On track	No risks identified
Legal and Commercial	All achieved	Relationship agreements yet to be considered	No risks identified
Finance and Corporate	All achieved	Long Term Plan structure changes and plans being updated On track	Working with DIA on an agreed debt approach with Rangiuru business park (joint Council and Quayside)
Data and Digital	All achieved	National tools and procedures being rolled out – all data supplied as at a point in time, but will need to be updated and sent based on any changes since request	No risks identified
People and Workforce	All achieved	Staff contacted prior to reset about confirmed roles On track	Due to staggered start dates, there may be opportunities within other entities for staff to transition into

General Update from Department of Internal Affairs on next steps

Detailed Debt Settlement Process Version 1

- DIA are in the final stages of drafting the first version of the Detailed Settlement Process. This will include detailed guidelines and a timeline. They are on track to distribute the draft process for feedback in late July.

Draft “No Worse Off” Funding Methodology

(\$100m contestable for indirect stranded costs & \$250m contestable for adverse financial impact)

- The review meetings with councils provided insights into a wide range of practical “worse off” scenarios faced by councils. These insights have helped DIA to craft a practical “no worse off” methodology. They expect to circulate a draft for feedback in July or August (depending on timing of internal approvals)

Status of legislation

- July – Select Committee + 2nd & 3rd readings of Amendment Bill.
- Mid-August – Amendment, Regulation and Water Services Bills passed.

Insurance Strategy

- To inform this work, DIA have requested information on each council’s current insurance arrangements – renewal dates, limits and the relevant insurers involved. DIA have recommended that we advise our broker of the anticipated date that water infrastructure insurance will no longer be required.

Legal and Commercial

- RFI responses being collated by NTU to form the Allocation Schedule, they will be working in an iterative way with councils to agree the approach to shared contracts, shared assets, etc. Their initial focus will be on Entity A Councils
- Agreements to be put in place between WSEs and local government organisations to work together going forward.

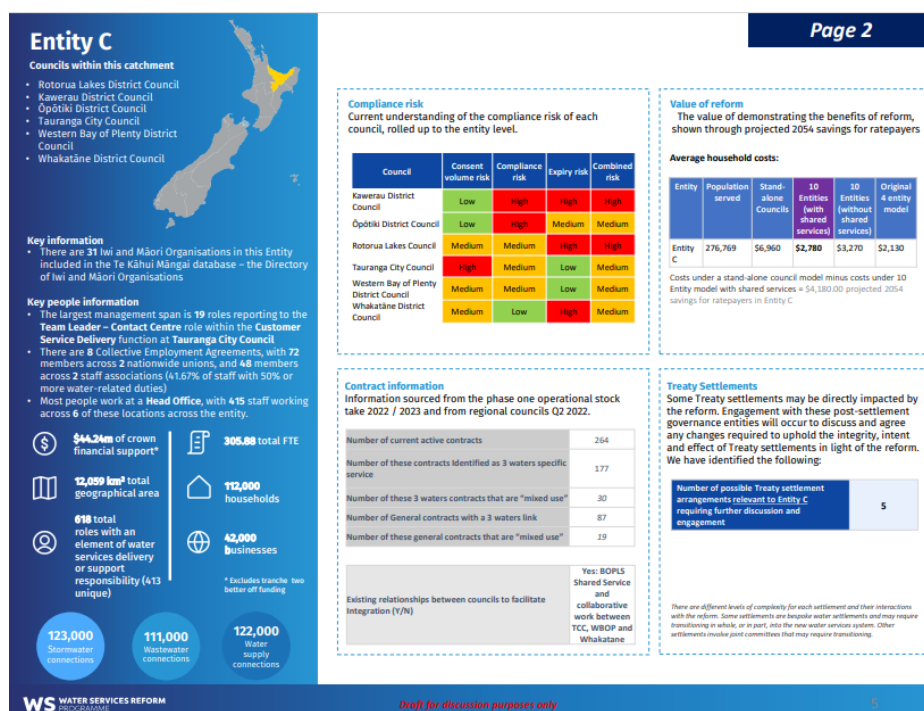
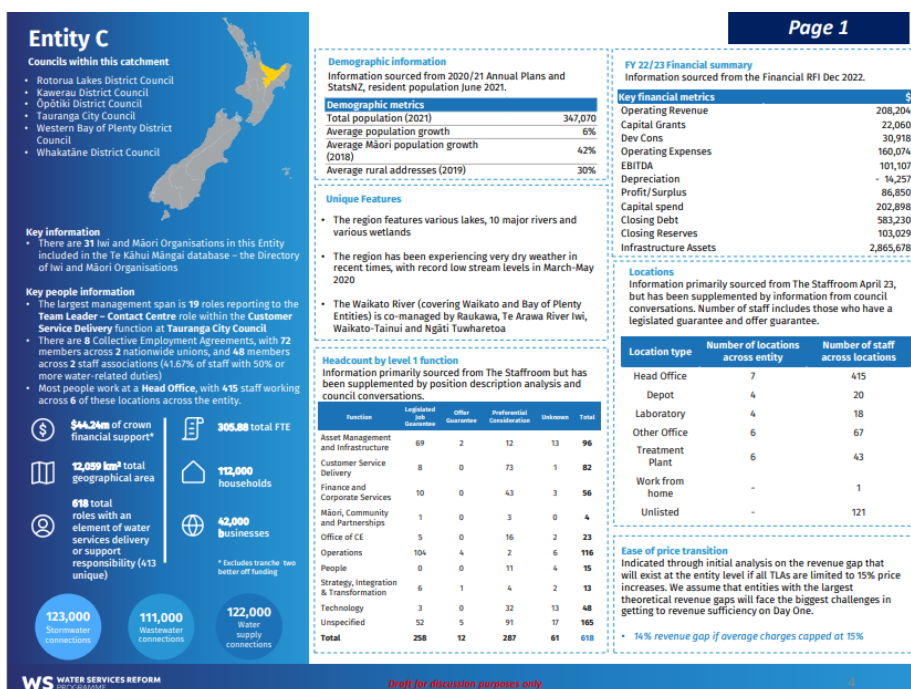
Asset Management, Operations and Stormwater Team

- Current focus is primarily on Entity A.
- Draft AMPs for initial 4 Entities shared with Councils to assist with development of LTP
- NTU SW team has developed a tool to assist with the identification of stormwater assets and what are to stay with local government and what will transfer across to the WSE. Discussions with Councils commencing July/August.

Customer & Digital Team

- Continuing to work with CIOs and IT managers on data migration planning. The initial focus was on asset data. Next in the cab is Customer Data, then Financial, followed by Project and then Employee Data.

Entity C Fact Sheet (provided by Water Services Reform 19 June 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**  

Proposed statement of accounting policies for the year ended 30 June 2023

Reporting entity

Western Bay of Plenty District Council (the 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 the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

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

The reporting date of the Council and the associate is 30 June.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council are for the year ended 30 June 2023. The financial statements were authorised for issue by Council on XX 2023.

Basis of preparation

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

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with NZ GAAP.

The financial statements have been prepared and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all value are rounded to the nearest thousand dollars (\$000), other than the remuneration and the severance payment disclosures in Note 38. The remuneration, severance payments are rounded to the nearest dollar.

Three Water Reform Programme

In October 2021, the Government confirmed that it will introduce legislation to create four publicly owned water entities, and the Council's participation in the proposed reform will be mandatory.

These entities will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. The Department of Internal Affairs is tasked with the successful implementation of these reforms and will work with the local government sector, iwi, water industry and other stakeholders to ensure a smooth transition to the new arrangements.

Subsequently, on 02 June 2022, the government introduced the Water Services Entities Bill in the House of Representatives. After the first reading on 09 June 2022 the Bill was referred to the Finance and Expenditure Committee which is to report back to the House of Representatives by 11 November 2022.

The Water Service Entities Bill proposes to create four publicly owned water services entities that would take on responsibility for delivering water services to a specific geographical area, from 1 July 2024.

Further clarification of the transition to the new water services entities is expected to be released in legislation in October 2023.

High level guidance has been issued that outlines which assets transfer to the new entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty.

Changes in accounting policies

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customization costs incurred in implementing SaaS should be accounted for.

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The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customize software in a cloud computing arrangement, can be recognized as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognized as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

The New Zealand Accounting Standards Board has not issued similar guidance, however, in the absence of a PBE standard dealing with these costs, management considers the IFRIC decision relevant to the accounting for similar types of arrangements of Council in accordance with PBE IPSAS 31 Intangible assets.

The Council has changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised non longer meet the criteria for capitalisation and therefore have been expensed.

Standards, and amendments, issued and that have been applied

Cash Flow Statements

These amendments require additional disclosures that enable users of financial statements to evaluate cash and non-cash changes in liabilities arising from financial activities. It is effective for reporting periods on or after 1 January 2021. Refer to Note 33 for information on reconciliation of liabilities from financing activities.

Standards issued and not yet effective, and not early adopted

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Council has assessed and considered the differences between PBE IFRS 9 and PBE. The adoption will not result in any significant impact on the financial statements.

PBE FRS 48 Service Reporting

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, with early adoption permitted. The Council has not yet determined how application of PBE FRS 48 will affect its statement of service performance.

Summary of significant accounting policies

Significant accounting policies that do not relate to a specific note are outlined below.

Foreign currency transactions

Foreign currency transactions (including those subject to forward exchange contracts) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (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 the IRD, including the GST relating to investing and financing activities, is classified as operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by Council in its 2021-2031 Long Term Plan. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

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.

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The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land and buildings, and infrastructural assets – see Note 21
- Estimating the fair value of forestry assets – see Note 23.
- Estimating the retirement and long service leave obligations – see Note 26.
- Estimating the landfill aftercare provision – see Note 27.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies.

Donated or vested land and buildings with use or return conditions

The 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 that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognize revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

Classification of property

The 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 are part of the Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.

Treatment of airport land

The airport land consists of some 225 hectares of land of which some 86 hectares 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 of Plenty District Council are the beneficial or equitable owners of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and Western Bay of Plenty District 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 own airport land is sold and the principal use of the land is no longer an airport then a liability to Western Bay of Plenty District Council is created for the sale price of the jointly owned land at that point.

Summary of Cost of Services

The cost of service for each significant activity of the 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.

There have been no changes to the cost allocation methodology during the year.

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. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable 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 usages, 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 the 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 Council is acting as an agent for the BOPRC.

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Financial Contributions

Financial Contributions are recognised as revenue when the 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 the Council provides, or is able to provide the service.

Waka Kotahi (NZ Transport Agency) roading subsidies

The Council receives funding assistance from Waka Kotahi, which subsidises part of the cost 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 received 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 the Councils local facilities, such as pools. Revenue from entrance fees is recognised upon entry to such facilities.

Landfill fees

Fees for disposing of waste at the Council's landfill are recognised upon waste being disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

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 revenue recognised is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the 2-year period.

Vested or donated physical assets

For assets received for no nominal consideration, the asset is recognised at its fair value when the 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 (for example, land must be used as a recreation reserve), the Council immediately recognizes the fair value of the asset as revenue. A liability is recognised only if the 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 is released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery part of the cost of the investment.

Personnel costs**Salaries and wages**

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes**Defined contribution schemes**

Employer contributions to Kiwi saver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Defined benefit schemes

The Council makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund (NPF). The scheme is a multi-employer defined benefit scheme.

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Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus or deficit in the plan will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Finance Costs

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

Grant expenses

The Council's grants awarded have no substantive conditions attached.

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as an expense when approved by the Council and the approval has been communicated to the applicant.

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 of the term of the lease.

Tax

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

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 Council's operational activities and interest rate risk arising from Council's financing activities. In accordance with its treasury policy, 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 re-measured 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.

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

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories;

- Amortised cost
- Fair value through other comprehensive revenue and expense (FVTOCRE); and
- Fair value through surplus and deficit (FVTSD)

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council's model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model managing them.

A financial asset is classified as subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans and loans to subsidiaries and associates.

Subsequent measure of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus or deficit. Instruments in this category include Council listed bonds.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Other than derivatives, the Council has no instruments in this category.

Investment in associate

An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The Council's associate investment is accounted using the equity method. The investment in the associate is initially recognised at cost and the carrying amount in the financial statements is increased or decreased to recognise the Council's share of the deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Council's financial statements.

In the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that 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.

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 the Council that provide a benefit or service to the community and cannot be disposed of because of legal and other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by 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 and impairment losses. 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 value amount does not differ materially from fair value and at least every three years.

Revaluation movements 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 surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the 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.

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 the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

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 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.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the asset to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings		
Buildings	2 - 100 years	Straight line
Land	-	Not depreciated
Plant and equipment	4 - 10 years	Diminishing value
Office equipment and furnishings	4 - 10 years	Diminishing value
Computer systems	2 - 5 years	Diminishing value
Motorvehicles	4 - 5 years	Diminishing value
Library books	10 - 15 years	Straight line
Infrastructural assets		
Roading network		
Top surface (seal)	5 - 60 years	Straight line
Pavements (base course)		
· Seal	5 - 60 years	Straight line
· Unsealed	3 - 5 years	Straight line
Other	5 - 70 years	Straight line
Formation		Not depreciated
Bridges		
Bridges	50 - 100 years	Straight line
Reticulation		
· Water	15 - 80 years	Straight line
· Sewerage	40 - 100 years	Straight line
· Stormwater	70 - 120 years	Straight line
· Treatment plant and equipment	15 - 80 years	Straight line
Other structures		
· Reservoirs	80 - 100 years	Straight line
· Dams	100 years	Straight line
· Bores	100 years	Straight line
· Coastal Structures	5 - 75 years	Straight line

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its 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. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Intangible assets

Initial recognition and subsequent measurement

Purchased intangible assets are initially recognised at cost. For internally generated intangible assets, the cost includes direct employee costs, a reasonable portion of overhead and other direct costs that are incurred in the development phase of the asset. Intangible assets acquired at no cost are initially recognised at fair value where they can be reliably measure. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any.

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite 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 financial year is recognised in the surplus or deficit.

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

Computer software	3-5 years	20%-33.3%
Resource consents	life of asset	5%
Property subdivision rights	19 years	3%-5%

Impairment of intangible assets

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

For further details, refer to the policy for impairment of property, plant, and equipment. The same approach applies to the impairment of intangible assets.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

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 surplus or deficit.

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

Payables and deferred revenue

Short-term creditors and other payables are measured at the amount payable.

Borrowings and other financial liabilities

Borrowings on normal terms are initially recognised at the amount borrowed 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 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 that are expected to be settled wholly within twelve months after end of the year in which the employee provides the related service are measured and 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, and sickleave.

A liability and an expense are recognised for bonuses where the Council or group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees 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 retirement and long service leave expected to be settled within 12 months of balance date are also 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 and discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Equity

Equity is the community's interest in the 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; and
- Fair value through other comprehensive revenue and expense reserve

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 Council.

Restricted reserves include those subject to specific conditions accepted as binding by the 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. The 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 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 effective portion of the cumulative net change in the fair value of assets classified through other comprehensive revenue and expense.

10.5 FINANCIAL PERFORMANCE UPDATE 31 MAY 2023**File Number:** A5629437**Author:** Sarah Bedford, Finance Manager**Authoriser:** Azoor 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**  



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 Statement of Comprehensive Revenue and Expense Council Wide..... 2

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Financial Summary

Financial snapshot



Monthly Financial Report : May 2023 – Period 11

Financial Statements

Statement of Comprehensive Revenue and Expense Council Wide

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 31 MAY 2023	2023 Actual Year to date	2023 Revised Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Budget Full yr	2023 Revised Budget Full year	2023 Forecast Full year
\$000							
Revenue							
Rates	80,705	80,042	664	75,263	91%	87,318	87,318
Subsidies and grants	14,529	13,962	567	16,626	93%	15,232	15,232
Development and financial contributions	10,213	12,866	(2,652)	9,577	71%	14,035	14,035
Fees and charges	8,736	7,752	984	8,922	102%	8,457	8,457
Interest revenue	306	236	70	112	116%	257	257
Other revenue	3,472	2,841	630	3,840	110%	3,099	3,099
Total revenue	117,962	117,699	263	114,340	90%	128,399	128,399
Expenses							
Personnel costs	25,770	26,262	492	23,592	90%	28,641	28,680
Depreciation and amortisation expense	21,883	23,035	1,151	21,348	87%	25,149	25,149
Finance costs	3,681	3,672	(9)	1,432	89%	4,006	4,006
Other expenses	52,001	50,901	(1,100)	47,863	93%	57,824	59,745
Total expenses	103,336	103,870	533	94,235	91%	115,621	117,580
Surplus/(deficit) after tax	14,625	13,829	796	20,104	88%	12,778	10,818

Monthly Financial Report : May 2023 – Period 11

Statement of Comprehensive Revenue and Expense by Activity

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2023	2023	2023	2022	2023	2023	2023
FOR THE PERIOD ENDED 31 MAY 2023	Actual	Revised	Variance	Actual	Actual YTD as	Revised	Forecast
\$000's	Year to date	Budget Year to date	Year to date	Year to date	% of Budget FY	Budget Full year	Full year
Revenue							
Communities	10,187	9,017	1,170	9,836	104%	9,836	9,836
Reserves & Facilities	11,738	13,672	(1,935)	14,915	79%	14,915	14,915
Regulatory	11,385	12,111	(725)	13,212	86%	13,212	13,212
Water Supply	14,311	12,983	1,328	14,163	101%	14,163	14,163
Wastewater	13,798	13,341	456	14,554	95%	14,554	14,554
Stormwater	5,691	6,563	(872)	7,160	79%	7,160	7,160
Transport	32,576	31,116	1,460	33,945	96%	33,945	33,945
Solid Waste	4,794	5,656	(862)	6,170	78%	6,170	6,170
Natural Environment	1,095	888	207	969	113%	969	969
Representation	3,217	3,244	(27)	2,833	91%	3,539	3,539
Planning for the future	4,075	4,106	(31)	4,479	91%	4,479	4,479
Economic	1,013	1,063	(50)	1,160	87%	1,160	1,160
Corporate Services	4,082	3,939	143	4,297	95%	4,297	4,297
Total revenue	117,962	117,699	263	127,693	92%	128,399	128,399

Monthly Financial Report : May 2023 – Period II

	2023 Actual	2023 Revised Budget	2023 Variance	2022 Actual	2023 Actual YTD as % of Budget FY	2023 Revised Budget Full year	2023 Forecast Full year
	Year to date	Year to date	Year to date	Year to date			
Expenses							
Communities	8,348	9,291	(943)	10,760	78%	10,760	11,417
Reserves & Facilities	7,932	8,595	(663)	9,377	85%	9,377	9,966
Regulatory	12,316	12,010	306	13,154	94%	13,154	13,154
Water Supply	12,781	12,339	442	13,461	95%	13,461	13,461
Wastewater	12,760	11,008	1,752	12,009	106%	12,009	12,009
Stormwater	4,093	2,939	1,154	3,206	128%	3,206	3,206
Transport	25,998	24,285	1,713	26,493	98%	26,493	26,493
Solid Waste	3,500	5,030	(1,530)	5,487	64%	5,487	5,487
Natural Environment	1,011	1,455	(444)	1,693	60%	1,693	1,693
Representation	3,242	3,218	24	2,641	85%	3,803	3,803
Planning for the future	3,356	4,094	(738)	4,512	74%	4,512	4,512
Economic	597	775	(178)	854	70%	854	854
Corporate Services	7,403	8,830	(1,427)	10,812	68%	10,812	11,526
Total expenses	103,336	103,870	(533)	114,458	89%	115,621	117,580
Surplus/(deficit) after tax	14,625	13,829	796	13,234		12,778	10,818

Financial performance variances commentary

Revenue

- Rates Income of \$80.7m is ahead by \$0.7m compared to the year-to-date budget.
- Subsidies and grants received are \$14.5m which is \$0.6m higher than year to date budget, due to higher than budgeted Waka Kotahi Subsidies
- Financial Contributions of \$10.2m are \$2.7m below year-to-date budget. This is due to lower than expected Reserves and Stormwater activities for 2023.
- Fees and Charges received are \$8.7m which is \$1.0m higher than the year-to-date budget, this reflects the increased activity in the building, consent, and dog control areas.
- Other Revenue of \$3.5m is higher than the year-to-date budget by \$0.6m and includes unbudgeted Insurance Recoveries of \$0.2m.

Expenses

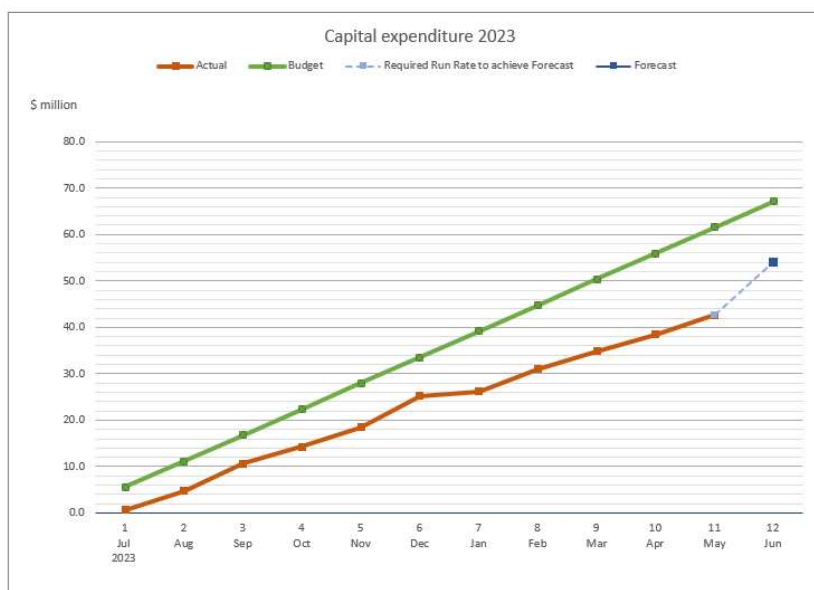
- Personnel Costs of \$25.8m are lower than year to date budget by \$0.5m which is mainly due to unfilled vacancies.
- Depreciation expense of \$21.9m is \$1.2m lower than year-to-date budget. This is a timing factor as depreciation is driven from existing assets, current year capitalisations for this financial year currently underway meaning financial year end actuals will increase to align closer to budget.
- Other Expenses of \$52.0m are higher than year-to-date budget by \$1.1m. It is mainly driven by additional spending on consulting fees and maintenance expenses.

Monthly Financial Report : May 2023 – Period 11

Capital Expenditure

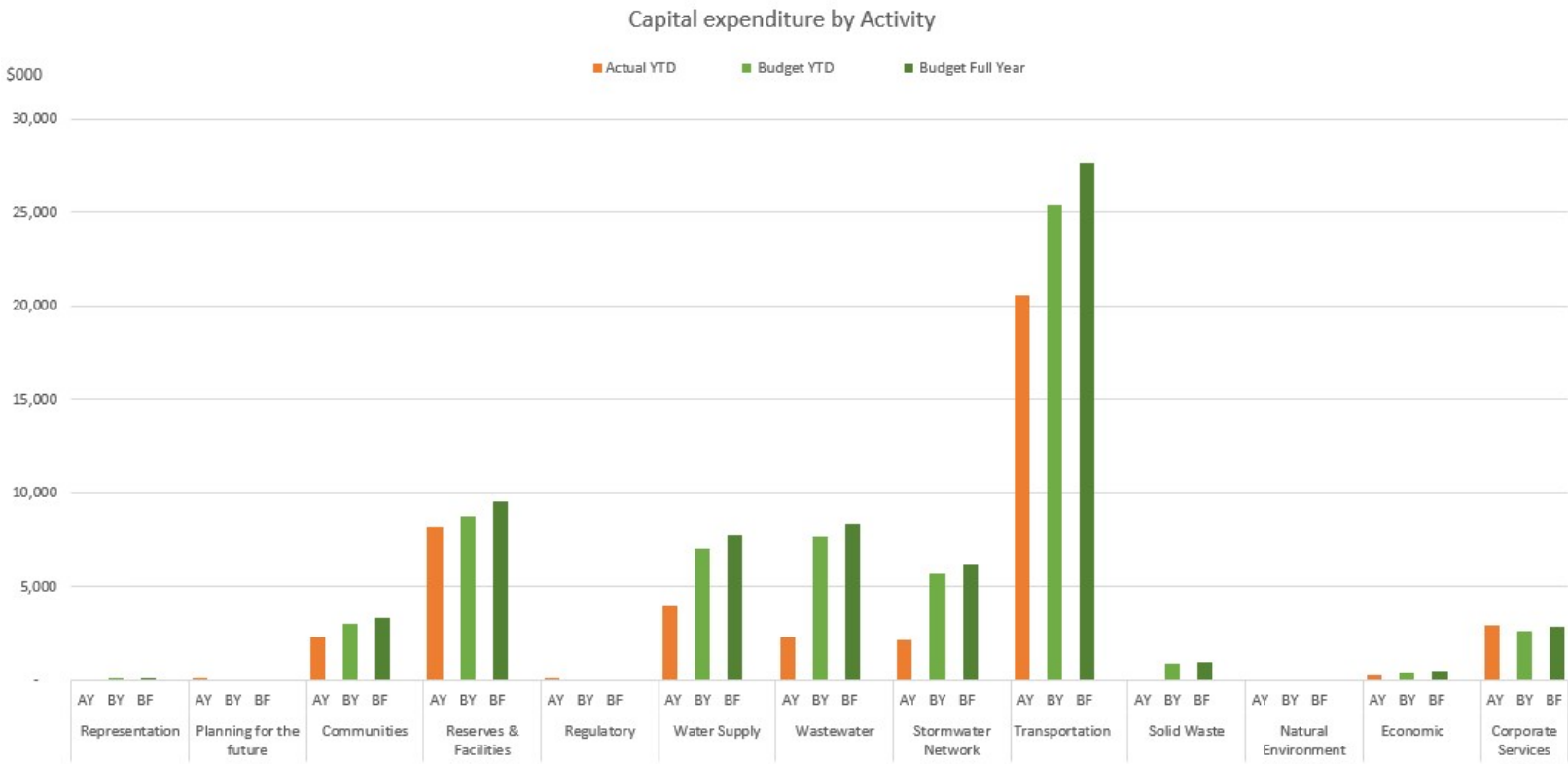
Council Capital Expenditure

	2023 Actual Year to date	2023 Revised Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Revised Budget FY	2023 Revised Budget Full year	2023 Forecast Full year
Total Capital Expenditure	42,693	64,890	(22,197)	34,720	60%	70,790	54,027



Council's capital programme spend is \$42.7m as at 31 May 2023 compared to full year revised budget of \$70.1m. The spend to date makes up 60% of Council's budgeted capital programme delivery for 2023. In May 23 the updated forecast for spend for year end is \$54.0m.

Overview



Monthly Financial Report : May 2023 – Period II

Capital expenditure by Activity

	2023	2023	2023	2022	2023	2023	2023
\$000	Actual	Revised Budget	Variance	Actual	Actual YTD	Revised Budget	Forecast
	Year to date	Year to date	Year to date	Year to date	as % of Rev Budget FY	Full year	Full year
Representation	-	33	(33)	-	0%	36	-
Planning for the future	37	13	23	-	0%	15	37
Communities	2,295	3,034	(739)	572	3%	3,309	2,784
Reserves & Facilities	8,206	9,135	(929)	4,398	12%	9,966	8,756
Regulatory	34	-	34	-	0%	-	25
Water Supply	3,949	7,628	(3,679)	5,158	6%	8,321	4,687
Wastewater	2,307	8,115	(5,808)	4,178	3%	8,852	3,270
Stormwater Network	2,126	5,740	(3,614)	1,977	3%	6,262	3,923
Transportation	20,561	26,615	(6,054)	16,761	29%	29,035	26,819
Solid Waste	-	900	(900)	-	0%	981	-
Natural Environment	-	-	-	-	0%	-	-
Economic	235	439	(204)	4	0%	479	275
Corporate Services	2,944	3,240	(295)	1,673	4%	3,534	3,451
TOTAL	42,693	64,890	(22,197)	34,720	60%	70,790	54,027

Capital Expenditure Analysis

This commentary provides analysis of variances for amounts higher than \$300,000 against budget.

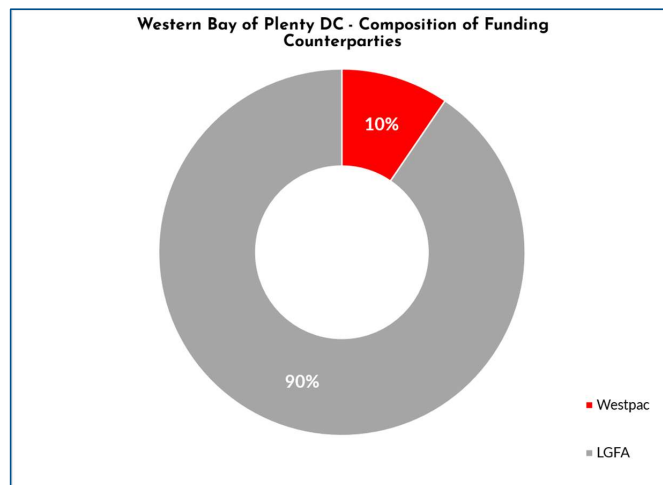
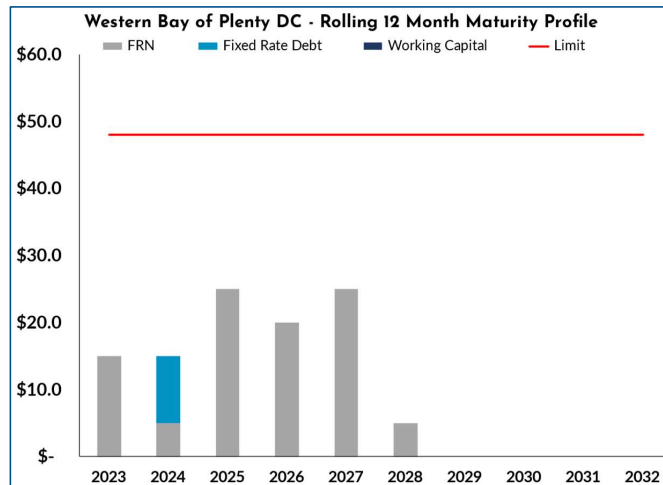
- Communities is \$0.7m under year-to-date budget. This is driven by Pensioner Housing projects being underspent due to project delays. Intended for unspent money to be carried over to the next financial year for the redevelopment of Heron Crescent, Katikati.
- Reserves and Facilities is \$0.9m under the year-to-date budget, this is mainly due to the delays in the Dave Hume Pool covering project.
- Water supply is \$3.7m below year-to-date budget, this is driven by delays to Omokoroa Structure Plan project for Industrial Rd Watermains and the Youngson Wastewater Treatment Plant UV unit project related to Resource Consent and impacts as a result of weather delays.
- Wastewater is \$5.8m below year-to-date budget. This is largely impacted by weather delays and resource constraints on other projects. The following key projects contributing to this are:
 - Waihi Beach Wastewater SAS Lagoon project due to delays with rescoping the project.
 - Te Puke WWTP due to consent delays and impacts on planning and design.
- Stormwater Network is \$3.6m under year-to-date budget due to delays in Ōmokoroa Structure Plan projects including delays related to design updates for works around Prole Rd .
- Transportation is \$6.1m under year-to-date budget. The following key projects contributing to this are:
 - Katikati Structure Plans – Structure Plans Manager is projecting \$1.6m to be spent by 30 June.
 - Omokoroa Structure Plans –Structure Plans Manager has indicated a projected \$11-12m to be spent by 30 June.
 - Asset management for Transportation due to the timing of physical works which have been adversely affected by the unusually high summer rainfall and storm events.
- Solid Waste is \$0.9m under year-to-date budget. This is a result of the inability to source suitable land for the Ōmokoroa solid waste project for the establishment of the mentioned facility, halting further design consultation work. Initial negotiations on a suitable section of land were unsuccessful due to the asking price.

Monthly Financial Report : May 2023 – Period II

Statement of Financial Position

	2023	2023	2022
STATEMENT OF FINANCIAL POSITION	Actual	Rev Budget	Actual
AS AT 31 MAY 2023	Year to date	Full year	Year to date
\$'000			
Current assets			
Cash and cash equivalents	22,935	29,978	31,404
Receivables	15,549	11,548	7,630
Prepayments	979	724	773
Non-current assets held for resale		3,495	
Total current assets	39,463	45,745	39,808
Non-current assets			
Other financial assets	12,542	11,519	12,380
Investment in associates	3,670	4,008	3,258
Property, plant and equipment	1,682,052	1,596,787	1,530,232
Intangible assets	4,631	6,442	3,917
Forestry assets	8,938	11,244	10,490
Total non-current assets	1,711,834	1,630,001	1,560,276
Total assets	1,751,298	1,675,746	1,600,084
Current liabilities			
Payables and deferred revenue	21,441	17,811	21,760
Derivative financial instruments	795	383	422
Borrowings and other financial liabilities		15,000	20,000
Employee entitlements	3,149	2,837	2,750
Provisions	313	313	313
Total current liabilities	25,697	36,344	45,245
Non-current liabilities			
Borrowings and other financial liabilities	91,589	113,000	60,000
Employee entitlements	19	18	20
Provisions	6,743	12,927	7,424
Total non-current liabilities	98,352	125,945	67,444
Total liabilities	124,049	162,288	112,689
Net assets	1,627,250	1,513,458	1,487,395
Equity			
Accumulated Funds	967,355	914,245	950,576
Reserves	659,895	599,213	536,819
Total equity	1,627,250	1,513,458	1,487,395

Treasury Dashboard - Funding - June 23



Debt
\$90.0m

Total Drawn Debt

Weighted Average Margin

0.72%

Margin on Facilities

Headroom

\$30.0m

Undrawn Bank Facilities

Liquidity

\$15.0m

Cash + Deposits

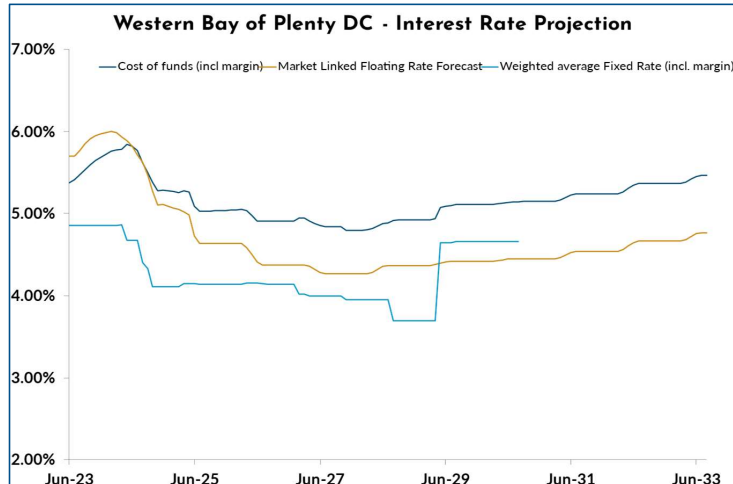
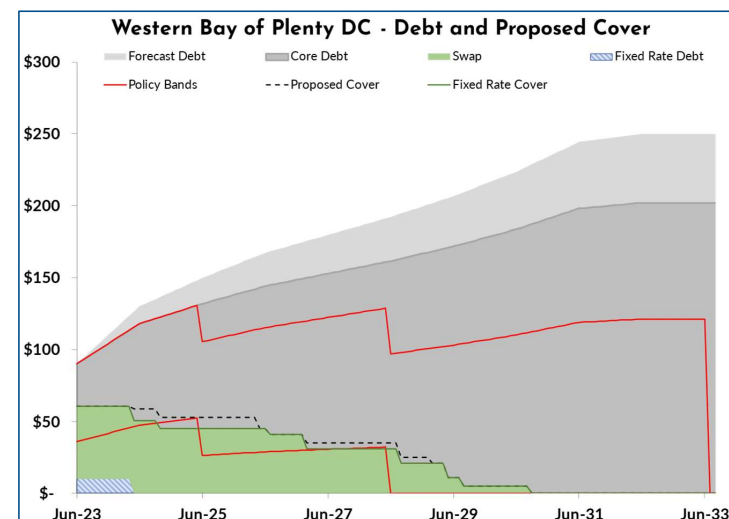
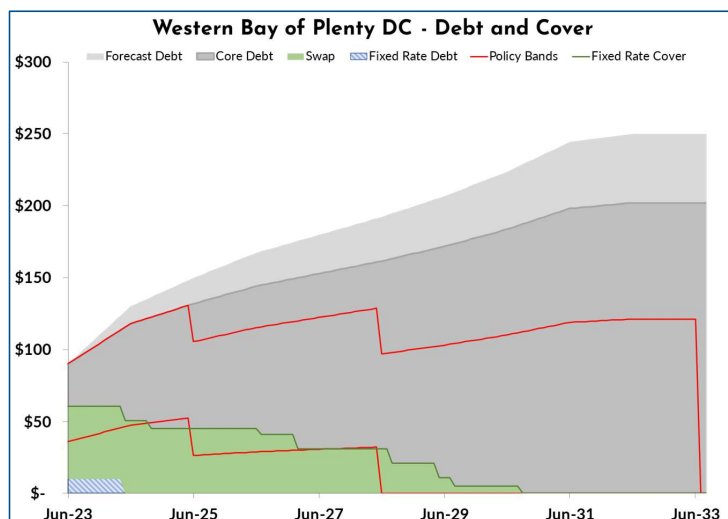
Key Metrics

External % Debt Borrowed as Floating	88.9%
External % Debt Borrowed as Fixed	11.1%
Current % of Debt Fixed	67.2%
Current % of Debt Floating	32.8%
Value of Fixed Rate (m)	\$60.5
Weighted Average Cost of Fixed Rate Instruments	4.25%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	4.86%
Value of Forward Starting Cover	\$21.0
Weighted Average Cost of Forward Starting Cover	3.87%
Value of Floating Rate (m)	\$29.5
Current Floating Rate	5.70%
Current Floating Rate (incl margin)	6.43%
All Up Weighted Average Cost of Funds Including Margin	5.37%
Total Facilities In Place	\$120.0

Policy Bands

	Minimum	Maximum	Weighted Average Cover %	Policy
0 - 2 years	40%	100%	67.2%	Breach
2 - 5 years	20%	80%	34.1%	Breach
5 - 10 years	0%	60%	19.2%	Compliant

Treasury Dashboard - Interest Rate Hedging - June 23



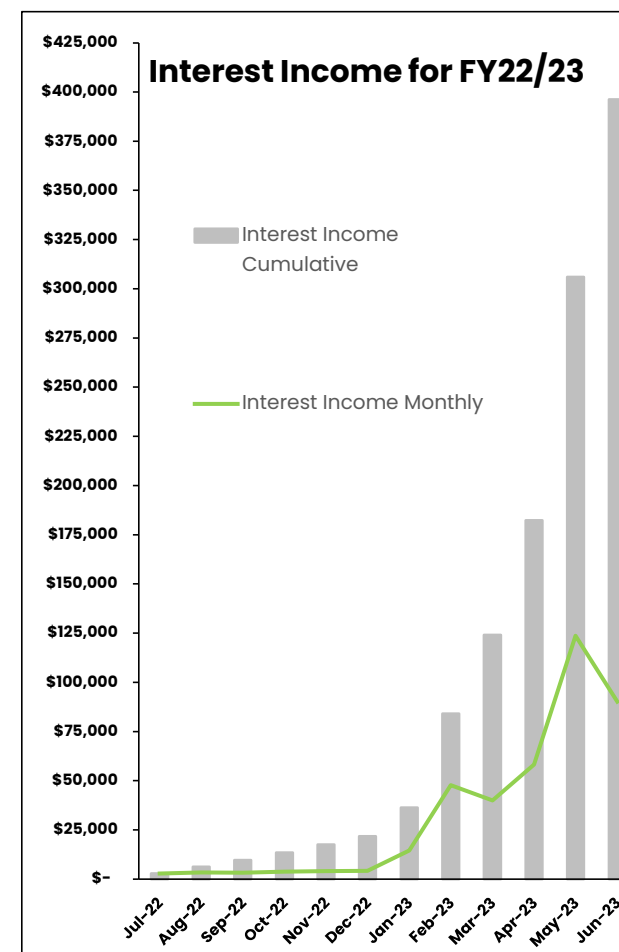
Strategy

- › Western Bay is below the minimum of interest rate hedging policy at the end of the 0-2, and 2-5 year buckets due to forecast debt climbing, and swaps naturally decaying. No cover was added during the quarter as swap rates climbed and ended the quarter at or near highs for this cycle. As a result, there is requirement to add to portion of fixed rate hedging to bring cover levels back above minimums.
- › Our recommendation is to consider the following interest rate swaps:
 - › \$8m starting May 2024 and maturing May 2026 (indicative rate: 5.08%)
 - › \$5m starting Feb 2027 and maturing Feb 2029 (indicative rate: 4.25%)
- › At this stage patience will still be required before we see a retracement in New Zealand swap rates. We believe the RBNZ is now essentially on-hold until after the October election as the central bank will not want to be seen to be placing undue influence on political events. We still maintain our view that once the RBNZ has eventually conquered inflation, the new 'neutral' OCR will ultimately be somewhere between 2.75%-3.75% as global markets enter a new, higher, interest rate environment, which would imply forward starting swaps in the 3.50%-4.00% range represent reasonable long-term value.
- › We will continue to monitor the market and Western Bay's forecast exposures for opportunities to increase fixed rate hedging levels further if we see further moderation in forward starting interest rate swaps.

Treasury Dashboard - Investments - June 23

INVESTMENT TYPES HELD AT MONTH END			
Call Deposits	S&P Credit Rating	Interest Rate	Amount
ANZ	AA-	4.55%	\$520,000
Term Deposits			
BNZ	AA-	5.77%	\$10,000,000
Total Investments as at 30 Jun-23			\$10,520,000

WEIGHTED AVERAGE INTEREST RATE FOR CURRENTLY HELD INVESTMENTS		
	Amount	Average Rate
Call Deposits	\$520,000	4.55%
Term Deposits	\$10,000,000	5.77%
	\$10,520,000	
Weighted Average Interest Rate as at 30 Jun-23		5.71%
Benchmark Average Interest Rate as at 30 Jun-23		5.78%
(Benchmark = average 6-month BKBM mid-rate between Start and End of Month)		



*June 23 Interest Income figures are interim and subject to change

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**  



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

28 July 2023

745 Cameron Road, Tauranga 3112
PO Box 621, Tauranga 3144
Telephone (04) 496 3099

The Council
Western Bay of Plenty District Council
Private Bag 12803
Tauranga Mail Centre
Tauranga 3143

The Board Members
Trustees Executors Limited
PO Box 4197
Shortland Street
Auckland 1140

Dear Councillors and the Board Members of Trustees Executors Limited

Confirmation of Engagement – Limited Assurance Report in respect of the Western Bay of Plenty District Council’s Debenture Trust Deed

The purpose of this letter is to confirm our understanding of our respective responsibilities arising from your request to provide a report (the Report) under clause 12.2.6 of the Debenture Trust Deed between Trustees Executors Limited, (the Trustee) and Western Bay of Plenty District Council (the Council) dated 8 October 1999 (the Trust Deed) as amended.

The purpose of this letter is to confirm the terms of our Limited Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

Scope of the engagement

The Auditor-General is the auditor of the Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me Leon Pieterse, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of the Council.

The objective of the audit of the annual financial statements and performance information, which is the subject of a separate letter of engagement with the Council dated 18 May 2023, (available on request), is to report our opinion on those annual financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the annual financial statements and performance information, we are not responsible for:

- the preparation of the annual financial statements and performance information of the Council;
- any Reporting Certificate(s) issued to the Trustee by the Council;
- the Council's compliance with the Trust Deed; or
- the obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee's execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this Limited Assurance Engagement is to report on certain matters stated in clause 12.2.6 of the Trust Deed based on information obtained as a by-product of the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2023.

For the purpose of providing our Limited Assurance report (Report), (example attached as Appendix A), other than as expressly stated in the section below titled "Scope of Auditor's Responsibilities", we will not perform any further procedures beyond those required to complete the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Council's Reporting Certificate for the year ended 30 June 2023 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

Scope of the Council's responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to the Trustee under clause 12.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 of the Trust Deed. the Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.1 and 4.2.9 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Scope of the Trustee's responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of the Report and the audited annual financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited annual financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Scope of the Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we will perform and the evidence we will obtain. We will conduct our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that will be performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that will be obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

We will report to you on the following specific matters under clause 12.2.6 of the Trust Deed:

- From our perusal of the Reporting Certificate dated 30 June 2023 given on behalf of the Council pursuant to clause 12.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2023 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Whether in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the annual financial statements and performance information of the Council.

- As at the end of the financial year, from the audit procedures performed as part of the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

- Whether the Council 's agents have maintained the Register in accordance with the requirements of the Trust Deed.
- The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.1 and 4.2.9.

We will not audit the Register for the year ended 30 June 2023. Our procedures will be limited to asking the Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2023:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

Inherent limitations

We will report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement will not be performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed will be undertaken on a test basis (that is, we will not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion will be formed on the above basis.

Restricted use

Our Report will be addressed to the Council and the Trustee. This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

Our Report is not to be copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

Independence and quality control

We will comply with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Timetable

Our work will be completed concurrently with the audit of the annual financial statements and performance information. We will complete our Report as soon as possible once the Council has signed the annual financial statements and performance information and provided us with the Reporting Certificate given on behalf of the Council pursuant to clause 12.2.4 of the Trust Deed.

Fees

The fee will be payable by the Council for this Limited Assurance Engagement. The total fee is estimated to be \$10,000 (2022: \$9,000).

Supporting documentation required

In order to complete this engagement we will need access certain information and documentation that council should have in its files supporting its reporting certificate. Please refer to Appendix C for details of the information and documentation we will need.

Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Council acceptance

The Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Signed

James Denyer
Mayor

Trustee acceptance

Trustees Executors Limited as Trustee for the Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Trustees Executors Limited has entered into this letter of engagement in its capacity as Trustee of the Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of the Council available to it from time to time in that capacity.

(Signature)

(Name)

(Position)

Appendix A: Example Report

Independent Assurance Report

To Western Bay of Plenty District Council and to Trustees Executors Limited in respect of Western Bay of Plenty District Council's Debenture Trust Deed for the year ended 30 June 2023

The Auditor-General is the auditor of Western Bay of Plenty District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clauses 12.2.6 of the Debenture Trust Deed dated 8 October 1999 (amended 30 November 2011) (the Trust Deed), for the year ended 30 June 2023.

Councillors Responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of The Council and our audit opinion, to the Trustees Executors Limited (Trustee) under clause 12.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.1 and 4.2.9 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"². This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Auditor's Responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this limited assurance engagement is to report on certain matters stated in clause 12.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2023.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2023 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

² Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our responsibility under clause 12.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 30 June 2023 given on behalf of the Council pursuant to clause 12.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 30 June 2023 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.
- The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.1 and 4.2.9.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking the Council for a copy of the audit report about the Register.

- Report as at 30 June 2023:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

Inherent limitations

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Restricted use

This Report has been prepared solely for The Council and the Trustee in accordance with the requirements of clauses 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than The Council and the Trustee or for any purpose other than that for which it was prepared.

Limited Assurance Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated 30 June 2023 pursuant to clause 12.2.6 are materially incorrect (Reporting Certificate dated 30 June 2023 is given in Appendix 1).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;

- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on [date] and our conclusion is expressed as at that date.

The Register and Stock

The Council has provided us with a copy of the audit report about the Register(s). Please refer to Appendix 2 for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2023 the following balances are given:

- Total stock of \$xxx
- This is comprised of:
- Security stock of \$xxx
 - Bearer stock of \$xxx
 - Other stock of \$xxx
 - Security stock (Local Government Funding Agency stock) of \$xxx

Based on the work described in this Report, as at 30 June 2023 the following balances are given:

- Total Principal Money owing and secured under the stock of \$xxx
- This is comprised of:
- Security stock of \$xxx
 - Bearer Stock of \$xxx
 - Other stock of \$xxx
 - Security stock (Local Government Funding Agency stock) of \$xxx

The Total Principal Money owing does not include derivative contracts held by the Council that are secured by Security Stock.

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2023 the Council had [x,xxx,xxxk] units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2023 is as follows:

x,xxx,xxxk	units of Security Stock on issue associated with the guarantee
xx,xxxk	accrued interest
(xxx,xxx)k	Treasury Stock ³ held by the Local Government Funding Agency
xx,xxxk	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
x,xxx,xxxk	Total borrowings of the Local Government Funding Agency at 30 June 2023

The Reporting Certificate dated 30 June 2023 (attached) requires the Council to report Security Stock (issued with a floating nominal amount) no more than five business days before the date of the Reporting Certificate. The Council has [x,xxx,xxxk] units of Security Stock on issue associated with the guarantee at that date. This value includes [xxx,xxxk] of Treasury Stock held by the Local Government Funding Agency and excludes accrued interest. The Local Government Funding Agency may have lent an amount of the Treasury Stock to the market via repurchase agreements.

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement we performed the annual audit of The Council's annual financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in The Council or any of its subsidiaries or the Trustee.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, Audit New Zealand

³ Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Appendix C: Supporting documentation required

We will need access to the following information and documentation from council's records supporting the reporting certificate:

- A copy of the debenture trust deed.
- The signed reporting certificate for the debenture trust deed for 30 June 2023.
- The LGFA floating nominal amount confirmation as at 30 June 2023.
- Copies of all security stock certificates, including all security stock recorded on the register as 1 cent/1 unit security stocks.
- A security stock listing, indicating who the holders of each security stock are.
- Debt terms sheets for all debenture stock outstanding.
- Written confirmation that all stock that was due to be repaid during the financial was in fact repaid.
- Written confirmation that any interest due for payment on the stock was in fact paid.

Please note the items requested above may not represent all of the information that we need, and additional requests for information and documentation may follow during the course of the engagement depending on the circumstances.

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