

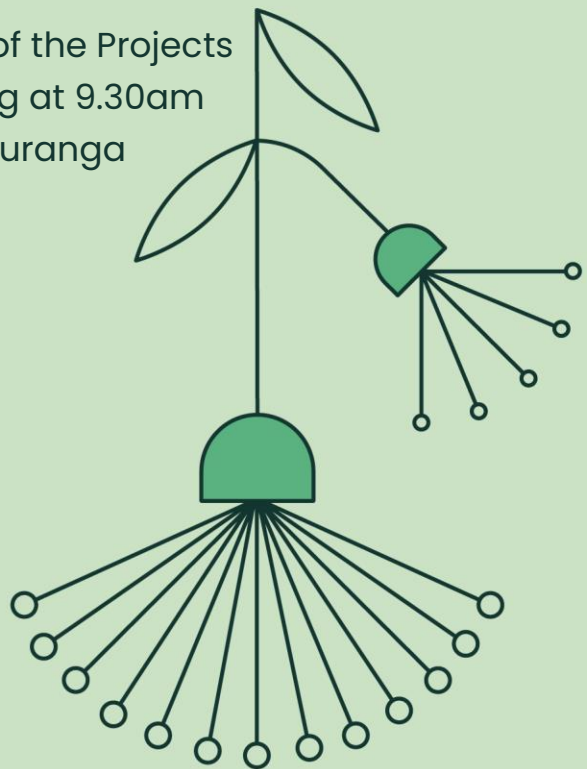
Mā tō tātou takiwā  
**For our District**

## **Audit, Risk and Finance Committee**

Kōmiti Arotake Tūraru me Ahumoni

ARF24-1

Tuesday, 27 February 2024, On conclusion of the Projects  
and Monitoring Committee Meeting starting at 9.30am  
Council Chambers, 1484 Cameron Road, Tauranga



# Audit, Risk and Finance Committee

## Membership:

<b>Chairperson</b>	Cr Murray Grainger
<b>Deputy Chairperson</b>	Cr Tracey Coxhead
<b>Members</b>	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
<b>Quorum</b>	Seven (7)
<b>Frequency</b>	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 a Audit, Risk and Finance Committee Meeting will be held in the Council Chambers, 1484 Cameron Road, Tauranga on: Tuesday, 27 February 2024 on conclusion of the Projects and Monitoring Committee Meeting starting at 9.30am

## Order Of Business

<b>1</b>	<b>Karakia .....</b>	<b>6</b>
<b>2</b>	<b>Present .....</b>	<b>6</b>
<b>3</b>	<b>In Attendance .....</b>	<b>6</b>
<b>4</b>	<b>Apologies .....</b>	<b>6</b>
<b>5</b>	<b>Consideration of Late Items .....</b>	<b>6</b>
<b>6</b>	<b>Declarations of Interest .....</b>	<b>6</b>
<b>7</b>	<b>Public Excluded Items .....</b>	<b>6</b>
<b>8</b>	<b>Public Forum .....</b>	<b>6</b>
<b>9</b>	<b>Presentations .....</b>	<b>6</b>
<b>10</b>	<b>Reports .....</b>	<b>7</b>
10.1	Health and Safety Report .....	7
10.2	Risk and Assurance Report February 2024 .....	15
10.3	Financial Performance Update Quarterly Report 31 December 2023 .....	35
10.4	Final Audit Management Report 2023 .....	56
10.5	Sensitive Expenditure Policy .....	88
10.6	Fraud and Corruption Policy .....	109
<b>11</b>	<b>Information for Receipt .....</b>	<b>129</b>
11.1	Audit, Risk and Finance Committee Work Programme .....	129
<b>12</b>	<b>Resolution to Exclude the Public .....</b>	<b>132</b>
12.1	Outstanding Recommendations Register January 2024 .....	132
12.2	Confidential Risk and Assurance Report February 2024 .....	132
12.3	Litigation and Issues Watch Register Update February 2024 .....	133

**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**

## 10 REPORTS

### 10.1 HEALTH AND SAFETY REPORT

**File Number:** A5929949

**Author:** Clint Boyle, Health, Safety and Wellbeing Lead

**Authoriser:** Adele Henderson, General Manager Corporate Services

#### EXECUTIVE SUMMARY

This report provides a summary quarter ending December 2023:

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

#### RECOMMENDATION

That the Health, Safety and Wellbeing Lead's report dated 27 February 2024 titled 'Health and Safety Report' be received.

#### STRATEGIC DIRECTION

Our focus continues areas include building knowledge, understanding and behaviours of our people in managing health, safety, and wellbeing at work via implementation of our Health, Safety and Wellbeing Strategy.



Our focus areas and activities align to the strategic direction for 2024, include:

- 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. Consideration will be given during this process to the social procurement model, and the implications presented by that model.

- Establishing and instilling a series of proactive safety behaviours within our teams to continue to drive a positive safety culture.
- Acting on the report on the mental health and wellbeing risks that our work presents for our people.
- Developing a wellbeing strategy to reduce the impact of wellbeing 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.
- Further improvements to our health, safety and wellbeing systems and processes.

### EVENTS OF NOTE

We encountered two **non-work-related** events within our facilities in the quarter which were significant in nature, and had the potential for more severe outcomes. While work of Western Bay or related contractors did not contribute to these events at all, there is still some learnings to be taken away from them to improve the site safety moving forward.

Site	What Happened	Contributing Factors	Corrective Actions
Katikati Wastewater Treatment Plant	A member of the public slipped and fell into a treatment pond after business hours, while trying to rescue their dog who had entered the facility. Both were able to safely remove themselves from the pond with only minor injury sustained.	Not work related, however it occurred at one of our sites.  Dog chased a rabbit, finding a small gap in the perimeter fencing.  No signage indicating the high hazard nature of the facility.	Hazard signage has been installed.  Perimeter fencing has been reassessed and improved where necessary.  Review of the available pond exit systems (in progress).
Te Puna Quarry Park	A group of primary school aged children and parents/teachers became disoriented within the Park having followed trapping lines during a school excursion. The group reacted well once they identified they had gone off the public tracks. Police and Land Search and Rescue were engaged to facilitate a safe exit, which occurred without injury or incident.	Not work related, however it occurred at one of our sites.  There was no signage indicating that the track was not for public access.  The maps available did not represent the accurate	Recommended that signage is installed at all pest control track access points.  Review of booking processes for school groups (in progress).  Review of site maps to be included in the review of the

		location for the group when lost.	TPQP Reserve Management Plan.
--	--	-----------------------------------	-------------------------------

## TRAINING

Several of our people completed First Aid training in the December 23 quarter. Our sites are well covered from a First Aid perspective.

Many of our people attended the *Protecting our Crowded Places from Attack* webinar, hosted by Taituarā. This webinar aimed to support local government organisations with identifying and responding to threats or incidents that may occur at Council run events and/or workplaces. This was helpful in ensuring that our systems and processes consider the most up to date guidance and information in this area.

## HAZARD AND RISK MANAGEMENT

Our risk assessment is based on the table below.

		LIKELIHOOD				
		Rare	Unlikely	Possible	Likely	Almost Certain
Impact	Catastrophic	Medium	High	High	Very High	Very High
	Major	Medium	Medium	High	High	Very High
	Moderate	Low	Medium	Medium	Medium	High
	Minor	Very Low	Low	Low	Medium	Medium
	Insignificant	Very Low	Very Low	Low	Low	Medium

*The risk matrix was presented to and accepted by SLT in 2023 to manage health and safety risk.*

The table below represents our risks rated as high from our Critical Risk Register

The aggressive customer risk was presented in the last Audit Risk and Finance Committee report. Mitigations and controls have been put in place, and we are seeing a reduction in the number of events. It is likely that this risk will be down graded for our next report if this trend continues.

Critical Risk	Current Risk Rating	How it's controlled
Aggressive customers	High	<ul style="list-style-type: none"> <li>Design improvements for relevant sites</li> <li>Security guard deployed where relevant</li> <li>Panic alarm installed (some sites)</li> <li>Remote lockable doors installed</li> <li>De-escalation/Dealing with Aggressive People training provided</li> </ul>

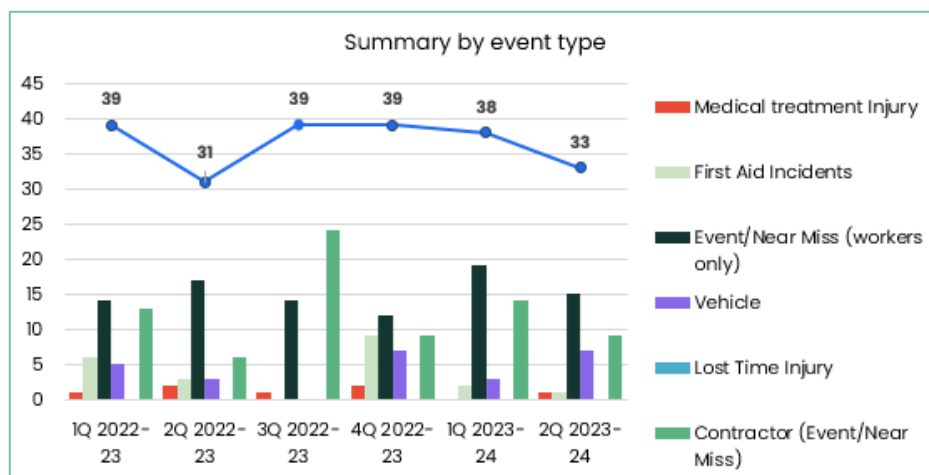
		<ul style="list-style-type: none"> <li>Body Worn Cameras where relevant</li> <li>Two way radio in place (Regulatory)</li> <li>Managing Aggressive People Policy in place</li> <li>Emergency response procedures at each site</li> </ul>
Mental health and wellbeing	High	<ul style="list-style-type: none"> <li>Mental health and wellbeing policy</li> <li>EAP offering to our people</li> <li>Full hazard identification, risk assessment and control implementation project under way</li> </ul>

## REVIEW OF PERFORMANCE

### Summary – Event Type

Total event numbers decreased for the December 2023 quarter. The number of physical injuries sustained also decreased, however, we experienced an increase in vehicle related events. (This includes intimidation-based events with no physical incident).

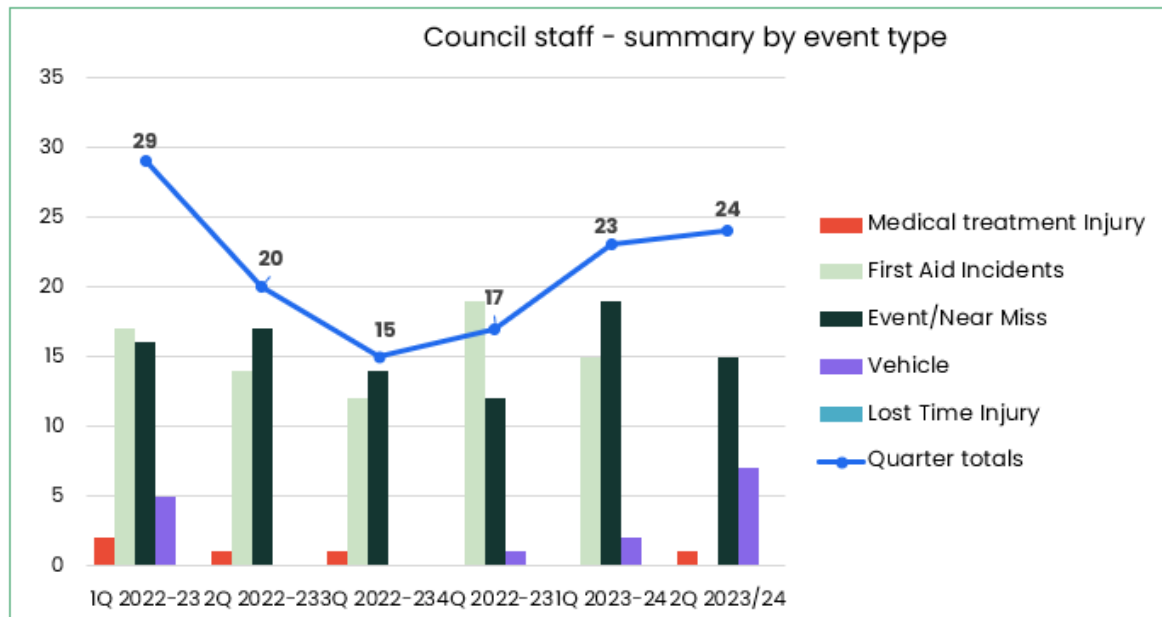
As previously outlined, we sustained one MTI in the quarter. The person has since fully recovered and was able to work full duties throughout their rehabilitation.



### Our People Events – Trends

Reports of **exposure to aggressive/abusive behaviour** continued to decrease. Feedback from our people indicates that attitudes and interactions within our communities have generally improved, with less aggressive behaviour observed across the board. The focus on this hazard, and the amendments and improvements made through the course of 2023 have assisted with reducing the prevalence of these events also, with our people better equipped and more confident in ensuring potential episodes are stopped before they can begin.

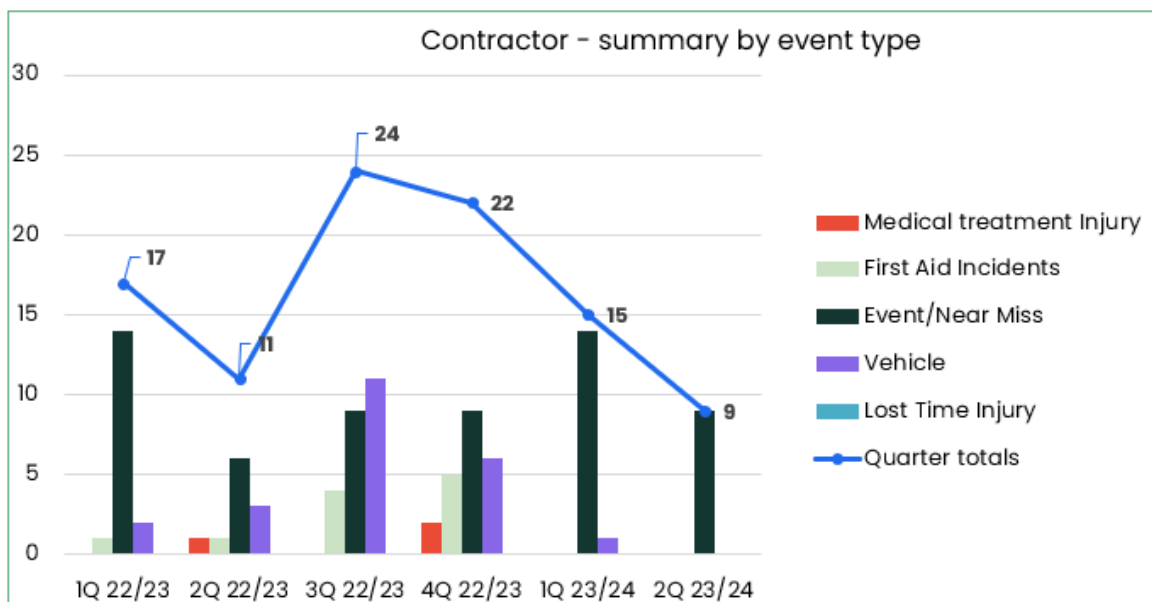
As noted, **vehicle related events** were the most common event type through the quarter. Many of these were near misses rather than physical events, however it is positive to note that our near misses continue to be reported. There were no injuries sustained because of these events.



### Contractor Events

Contractor events continue to trend down, and again there were no significant events. Council staff continue to increase visibility with inspecting the works of our contractors, contributing to safer works occurring in our communities.

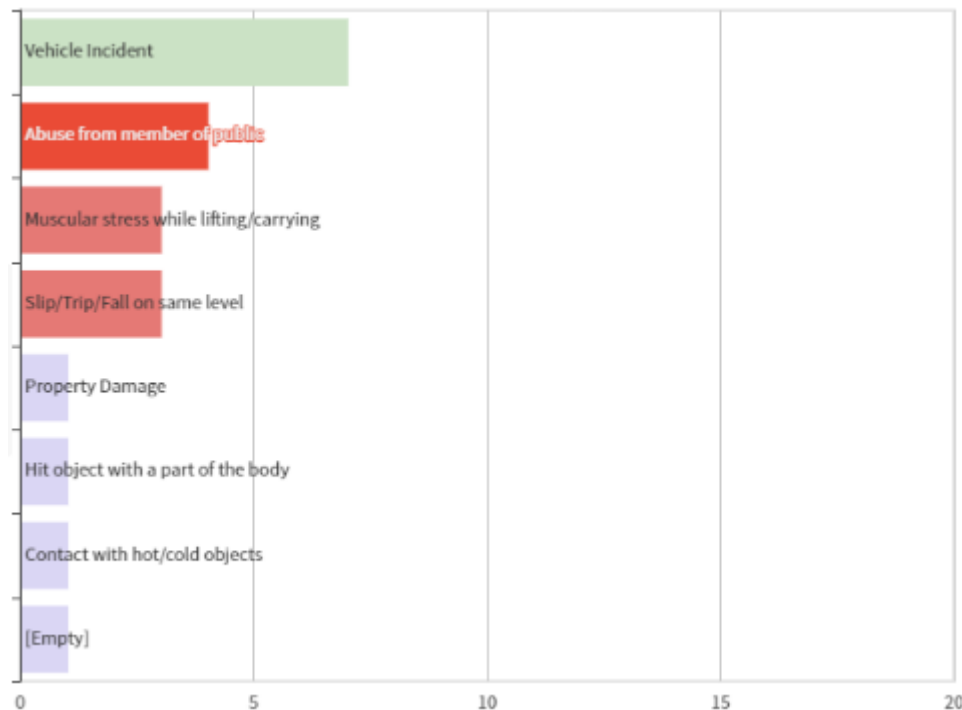
Contractor management is a key component to the overall health and safety strategy. These proactive activities form a key part in ensuring that we are maintaining sufficient oversight and due diligence on our contractors working in our communities.



## Cause of event

Driving our vehicles contributed the highest number of events throughout the December quarter. 28% of our vehicle events resulted in a collision/damage to the vehicle, albeit minor in nature. These collisions were at low speed and did not cause injury to any of our people.

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



## Lead Indicators

We observed a 30% increase in the number of inspections undertaken through the quarter compared to the previous quarter. These inspections are designed to identify issues before they result in an event. The inspections completed did not highlight any obvious areas for improvement.

As a reminder:

**Contractor Works Inspection and Review** Reviewing the works conducted by our contractors within our communities from a safety perspective.

**Critical Risk Review – Vehicle Operation** An extension to the Critical Risk review outlined in this report, this check seeks to evaluate the controls expected to be in place and adhered to, to reduce the likelihood of an event due to vehicle operation.

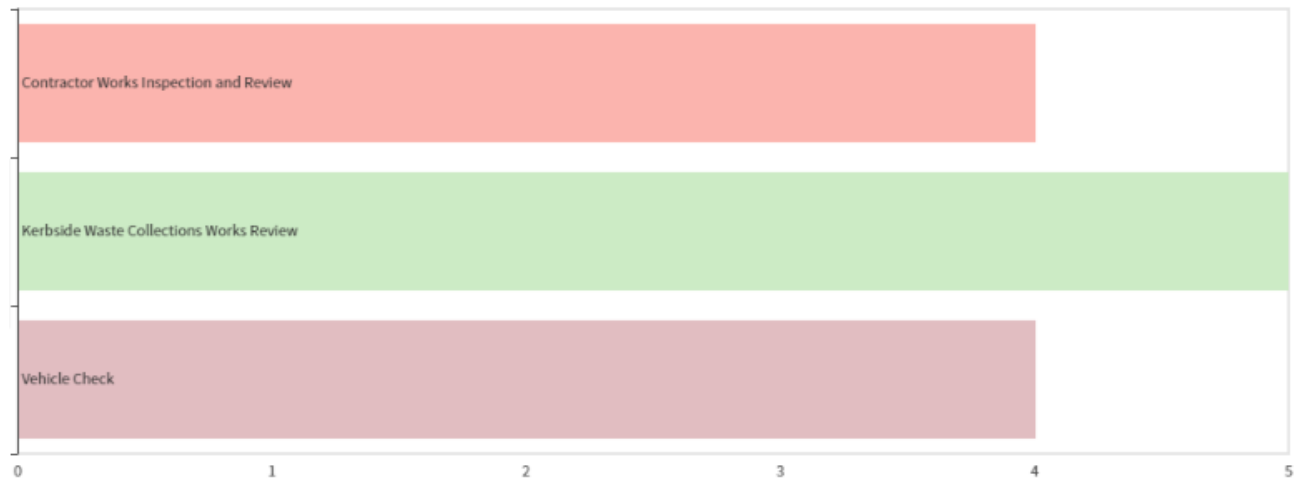
**Kerbside Waste Collection Works Review** A quick visual assessment of the conduct and behaviour of our kerbside contractor undertaking works on our behalf.

**Vehicle Check** A visual assessment of operational condition of the vehicles that our people drive to conduct day to day business.

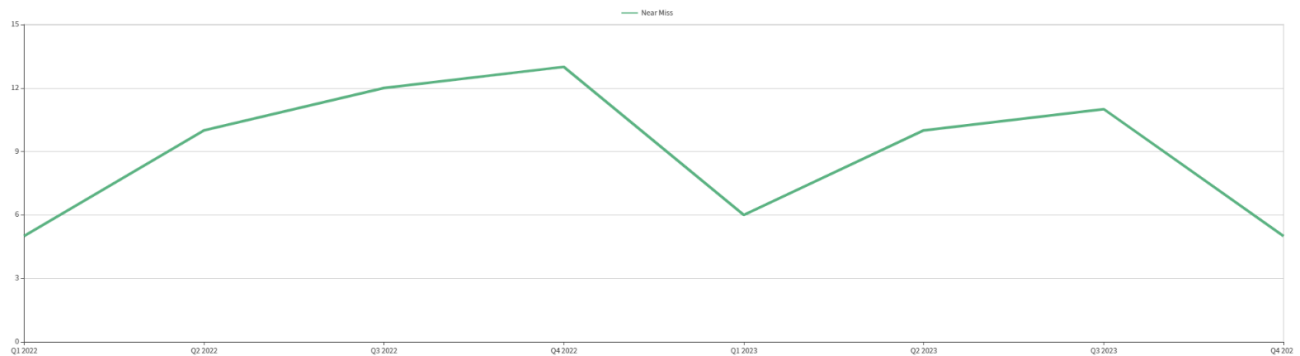
**Near Miss Reporting** Events that did not result in an injury or property damage but could have done so with a slight change in conditions.



## Inspections



## Near Miss Reporting

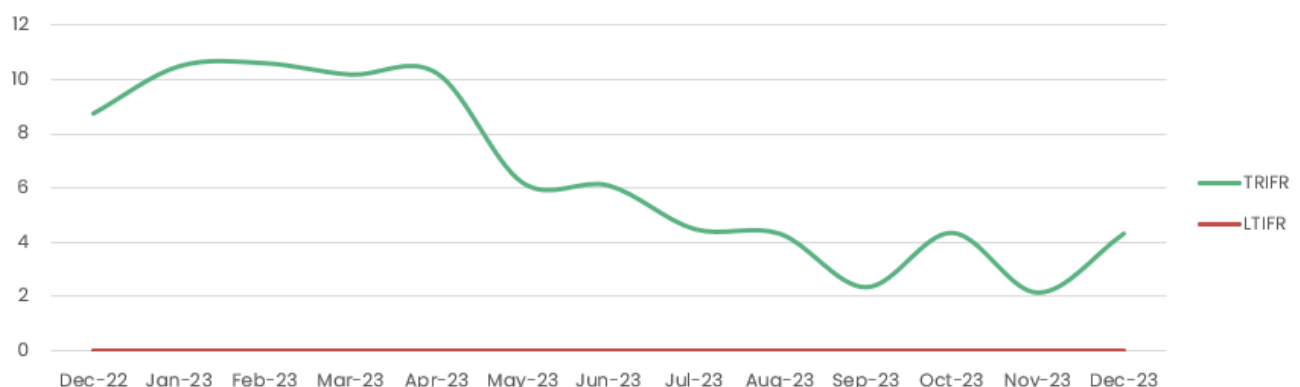


## Lag Indicators (Accident/Incident Frequency Rates)

Total Recordable Injury Frequency Rate (TRIFR) increased due to the MTI sustained in the quarter. The TRIFR remains at an acceptably low rate however, continuing to demonstrate injury severity remaining low and good injury management processes.

Lost Time Injury Frequency Rate (LTIFR) remains at 0.00.

## Rolling Frequency Rates



**WELLBEING**

Our mental health and wellbeing hazard and risk project was the main wellbeing activity that occurred in the quarter.

**10.2 RISK AND ASSURANCE REPORT FEBRUARY 2024****File Number: A5929993****Author: Azoora Ali, Chief Financial Officer****Authoriser: Adele Henderson, General Manager Corporate Services****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 7 November 2023. Council needs to consider the emerging risks and potential impacts for both the current financial year and the Long Term Plan 2024-34 during its development.

**RECOMMENDATION**

That the Chief Financial Officer's report dated 27 February 2024 titled 'Risk and Assurance Report February 2024' be received.

**BACKGROUND**

1. The Risk and Assurance Report February 2024 provides an update on:
  - Western Bay of Plenty District Council Strategic Risk Register;
  - Emerging Risks and it's linkage to Council Strategic Risks; and
  - Internal Audit Plan 2023/24 to 2025/26.
2. There have been some changes to WBOPDC 's strategic risks since it was last reported at the last Committee meeting. To ensure that our strategic risks are managed proactively, Risk and Assurance have carried out quarterly risk workshops with SLT prior to the Committee meeting.
3. Components such as ongoing uncertainty around reforms (RMA, Three Waters), recent political environment changes and macroeconomic factors played a crucial role in shaping the risk landscape. Rising inflation rates and interest rates put pressure on Councils' financial sustainability and capacity to deliver essential services. The increased costs associated with borrowing, insurance, infrastructure maintenance, and operational expenses strained Council budgets and required careful financial planning and resource allocation.
4. Across the risks there are a number of key themes:

- a) Change in government and anticipated changes to government reforms (including resource management and three waters). These may have significant impacts on Council operations and decisions.
  - b) Affordability concerns for our ratepayers due to rising inflation, increasing interest rates, and deterioration of the economy. These factors impact ratepayers directly and also our rates that need to be levied.
  - c) The deliverability of programmes, which are being impacted by a wide range of factors including increasing costs, staff capacity and capability, availability of skilled contractors and the distraction from potential reforms.
  - d) The need for digital connectivity between Council and Community that will require embracing of new technologies.
5. There has been an update in the emerging risks section of the report. These are captured following each strategic risk. The following new emerging risks have been identified since the last committee update including mitigations underway for each emerging risk:
- a) Operational Risks
    - Stronger reporting of projects in terms of performance constraints, milestone date changes and percentage completion.
    - Reserves contract coming to an end though has performance issues to sort prior to renewal?
    - Resourcing in the market to support retention of institutional knowledge.
    - Awaiting Three Waters update from the Government.
  - b) Health, safety and wellbeing
    - Reflection on the maturity of H&S systems in terms of reporting?
  - c) Community Sentiment:
    - Uncertainty on legislation being planned to be repealed by central government and the impact on community perception of local government.
    - Feasibility of Three Waters as a stand-alone going concern.
  - d) Partnerships with Iwi and Hapū
    - Central Government messaging creating changes in political environment as a result of heightened issues around Te Tiriti agreement.
  - e) Growth and Financial sustainability
    - Uncertainty around waters reform would necessitate further LTP review and engagement.

- f) Technology enablement and resilience
  - Establish a roadmap for the ERP solution.
- 6. The internal audit plan has highlighted two audits and assurances that have been completed for GST and FBT tax compliance evaluation. These two reports will be presented at the February 2024 ARFC meeting.

## ATTACHMENTS

1. **Risk and Assurance Report February 2024**  



Mā tō tātou takiwā  
**For our District**

Mā tō tātou takiwā

Audit, Risk and Finance  
Committee

Risk and Assurance Report  
February 2024



**Western  
Bay of Plenty**  
District Council

## Contents

<b>1.</b>	<b>Risk Management</b>	<b>3</b>
1.1	Purpose of Report	3
1.2	Background	3
1.3	WBOPDC Key Strategic Risks	4
1.4	Progress Report on Risk Management Work Programme	16
<b>2.</b>	<b>Internal Audit (IA)</b>	<b>16</b>
2.1	Updated Internal Audit Plan 2023/24 to 2025/26	17

## 1. Risk Management

### 1.1 Purpose of Report

The key purpose of the risk management report is to provide an update on the risk management activities since the previous Committee meeting.

- A high-level overview on the current risk outlook and broader trends
- Commentary on critical risks and key actions being taken by Council to mitigate these risks
- WBOPDC's Strategic Risk Register and what we have planned for mitigations
- WBOPDC's Emerging Risks linking to each strategic risk

### 1.2 Background

Ongoing uncertainty around reforms (RMA, Three Waters), recent political environment changes and macroeconomic factors continue to play a crucial role in shaping the risk landscape. Rising inflation rates and interest rates put pressure on Councils' financial sustainability and capacity to deliver essential services. The increased costs associated with borrowing, insurance, infrastructure maintenance, and operational expenses strained Council budgets and required careful financial planning and resource allocation.

Across the risks there are a number of key themes:

- Change in government and anticipated changes to government reforms (including resource management and three waters). These may have significant impacts on Council operations and decisions.
- Affordability concerns for our ratepayers due to rising inflation, increasing interest rates, and deterioration of the economy. These factors impact ratepayers directly and also our rates that need to be levied.
- The deliverability of programmes, which are being impacted by a wide range of factors including increasing costs, staff capacity and capability, availability of skilled contractors and the distraction from potential reforms.

The need for digital connectivity between Council and Community that will require embracing of new technologies.

WBOPDC's SLT had a workshop on 7 February 2024. The workshop was carried out to consider the current risk environment given their relevancy and importance to our future direction. We have updated the following in our presentation of the strategic risks as a result of this workshop:

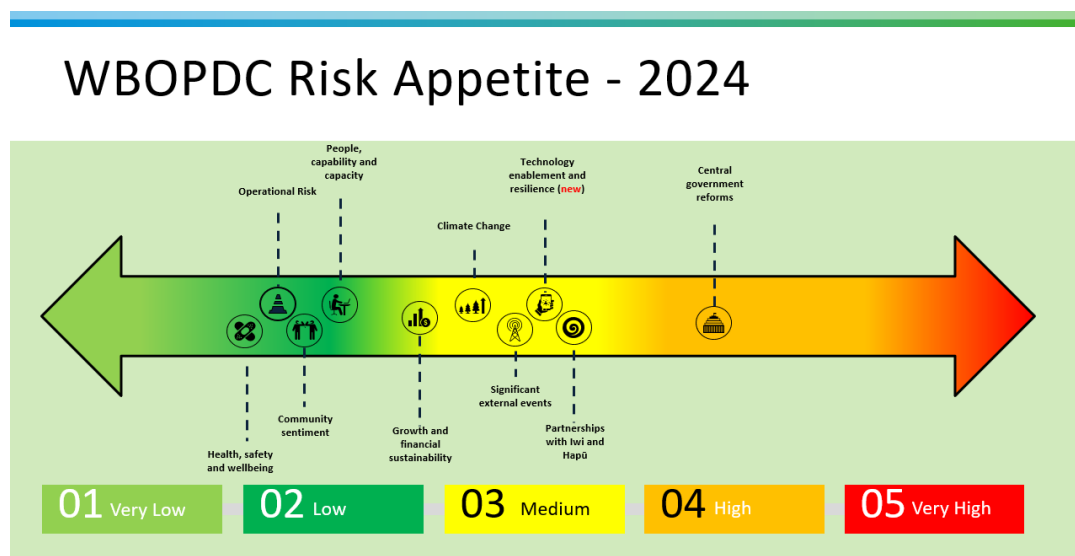
- Updated the Community sentiment, and the Partnerships with iwi and hapū emerging risks.



- Updated our mitigations to show “What we are doing about it” – current work underway for the Community sentiment, and for the Growth and financial sustainability emerging risks.
- Updated our mitigation to show “What else is planned” – future work program for the Operational, the Health, safety and wellbeing, and the People, capability and culture emerging risks.

### 1.3 WBOPDC Key Strategic Risks

The Council's Strategic Risk Register has been reviewed at the recent SLT risk workshop. Below are the updated strategic risks and risks appetite for each:



## How to interpret risk appetite statements

**Risk Owner:** Senior Leadership Team

**OVERVIEW OF RISK AREA**  
The overview provides details of the risk area and where possible refers back to the risks within Western Bay of Plenty District Council (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 WBOPDC and should be used to drive decision making, and backlog prioritisation.

**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 over the page are upstream and downstream connected risks. Often there will be areas of grey, tension and trade-offs with these connected risks.*

**Risk Ratings**

**RISK CHANGE**  
Indication of how the current risk landscape is influencing the management of this risk. Increasing or decreasing uncertainty caused by emerging risks will increase or decrease the residual risk of each strategic risk area.

Residual risk is a reflection of the overall risk that remains after controls or mitigation measures are in place. It is also a reflection of the level of uncontrollability, or how much resource is available to manage this risk down further. The lower the residual, the more controllable the risk is, given the associated complexity and investment required to manage this risk effectively.

## How to interpret risk appetite – emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Risks identified that are growing in importance to WBOPDC and should be considered to support the way forward of how each strategic risk area is being managed.

**WHAT WE ARE DOING ABOUT IT**

- What activities or mitigations council currently has in place that will support the management of this emerging risk moving forward.

**WHAT ELSE IS PLANNED**

- What activities or mitigations that are not currently in place but are being planned will support the management of this risk once these activities are implemented.

**Risk Ratings**

**RISK CHANGE**

**Upstream/Emitters**  
Risks that when managed well or mismanaged will have flow-on impacts to how this risk is managed (emitter risks that create upstream impacts)

**Risk**

**Downstream/Receivers**  
Risks that will be influenced by how this risk is managed and therefore receive downstream impacts

## Risk 1: Operational risk

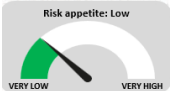
**Risk Owners:** Senior Leadership Team

**OVERVIEW OF RISK AREA**

Delay or inability to deliver and execute on projects or provide services or conduct regular Council operations because 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 (LTP) is critical to the achievement of planned community outcomes and is central to the key strategic vision of 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 expectation.



**WHERE WILL WE TAKE 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 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.

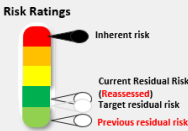
The Council has 'Medium - High' appetite to engage and procure services from small community organisations, for lower risk rated services to drive and foster social outcomes, while effectively managing risks.

**WHERE WILL WE NOT TAKE 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, 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 CHANGE**  
The risk rating has been reassessed due to the influence of the emerging risks

- EMERGING RISKS**
- Deliverability of projects due to financial constraints – Inflation, cost of capital etc
  - Government reform uncertainty
  - Retention of institutional knowledge

1
2
3
4
5
6
7
8
9
1
0

Risk 1: Operational risk – emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Deliverability of projects due to financial constraints – Inflation, cost of capital etc
- Retention of institutional knowledge
- Government reform uncertainty and evolving legislative landscape

**WHAT WE ARE DOING ABOUT IT**

- Consideration of levels of service through the LTP and analysis of other practicable "levers" to manage impacts of affordability with project delivery
- Uplifted approach to retention of staff with increased staff benefits
- Implementation of new systems training modules for staff
- Introduction of psychosocial assessments to monitor overall well-being
- Considering deferral of adoption of the LTP until uncertainty surrounding reform is reduced.
- Increased involvement in working groups, local government collaboration opportunities to remain informed where possible with upcoming changes

**WHAT ELSE IS PLANNED**

- Stronger reporting of projects in terms of performance constraints, milestone date changes and percentage completion.
- Reserves contract coming to an end though has performance issues to sort prior to renewal.
- Leveraging employee value proposition to increase attraction to our organisation.
- Resourcing in the market to support retention of institutional knowledge.
- Increased effort to build relationships with local MP's and local councils across the region.
- Awaiting Three Waters update from the Government.

**Risk Ratings**

**RISK CHANGE**  
The risk rating has been reassessed due to the influence of the emerging risks

**Upstream/Emitters**

- Climate change
- Significant external events
- People, capability and capacity
- Health, safety and wellbeing
- Central government reforms

**Operational risk**

**Downstream/Receivers**

- Health, safety and wellbeing
- Partnership with Iwi and Hapū
- Community sentiment

Risk 2: Health, safety and wellbeing

**Risk Owners:** Senior Leadership Team

**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: 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 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 if such spending does not 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 Ratings**

**RISK CHANGE**  
The risk rating has been reassessed due to the influence of the emerging risks

**EMERGING RISKS**

- Increasing need for vigilance over staff well-being (handling confronting situations with public)



Risk 2: Health, safety and wellbeing – emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Increasing need for vigilance over staff well-being (handling confronting situations with public)

**WHAT WE ARE DOING ABOUT IT**

- Introduced staff training to support staff in managing confronting situations
- Introduction of psychosocial assessments to monitor overall well-being

**WHAT ELSE IS PLANNED**

- Reflection on the maturity of H&S systems in terms of reporting.

**Risk Ratings**

**RISK CHANGE**  
The risk rating has been reassessed due to the influence of the emerging risks

**Upstream/Emitters**

- Operational risk
- Significant external events
- Climate change
- People, capability and capacity

**Health, safety and wellbeing**

**Downstream/Receivers**

- People, capability and capacity
- Community sentiment
- Partnership with Iwi and Hapū

Risk 3: Community sentiment

**Risk Owners:** Senior Leadership Team

**OVERVIEW OF RISK AREA**

WBOPDC's inability to maintain a strong 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 may not be supported by the community. This may adversely impact the Council's reputation and its ability to successfully deliver on key initiatives and plans.

**RISK APPETITE STATEMENT**

The Council aims to have increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop strong relationships. This encompasses current market affordability conditions and the flow on to social inequality. This reflects in the Council's 'Low' risk appetite for failing to anticipate and support potential opportunities for development in the district.

**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 for resilient infrastructure balanced against affordability.

**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 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 Ratings**

**RISK CHANGE**  
The risk rating has increased due to the influence of the emerging risks

**EMERGING RISKS**

- Central government reform and the impact on community perception of local government
- Increasing expectations from community following increased frequency of extreme weather events

1

2

3

4

5

6

7

8

9

10

Risk 3: Community sentiment– emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Central government reform and the impact on community perception of local government

Increasing expectations from community following increased frequency of extreme weather events

Feasibility of Three Waters as a stand-alone going concern.

**WHAT WE ARE DOING ABOUT IT**

- Ongoing development and investment into community relationships through service delivery contracts
- Funding support engagement with key community networks
- Community matching funds for project delivery

Reprioritising of priorities in Long term plan to manage impacts of affordability with project delivery

Perform a feasibility assessment within 12 months to ascertain whether Western Bay's Three Water operations will be a stand-alone going concern.

**WHAT ELSE IS PLANNED**

- More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.

**Risk Ratings**

**RISK CHANGE**

The risk rating has increased due to the influence of the emerging risks

**Upstream/Emitters**

- Operational risk
- Significant external events
- Climate change
- Health, safety and wellbeing

**Community sentiment**

**Downstream/Receivers**

- Growth and financial sustainability
- Partnership with iwi and Hapū

Risk 4: Partnerships with iwi and hapū

**Risk Owners:** Senior Leadership Team

**OVERVIEW OF RISK AREA**

There is a risk that Council fails to maintain a trustful relationship with iwi and hapū through a perceived lack of commitment or understanding of Council's statutory obligations and/or how the Treaty of Waitangi applies in a local government context.

**RISK APPETITE STATEMENT**

Council has committed to a strategic priority to grow authentic Treaty based relationships with iwi and hapū, while at the same time fulfilling wider community expectations. The Council has a 'Medium-High' risk appetite for managing this risk.

**WHERE WILL WE TAKE RISK?**

The Council will collaborate and, where appropriate, partner with iwi and hapū to deliver on expectations and define its Treaty relationship. The commitment to collaboration and partnership does not compromise Council's obligations to the wider community.

**WHERE WILL WE NOT TAKE RISK?**

The Council is committed to building strong and enduring relationship with the iwi and hapū through transparent and open communication, collaboration and partnership. 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 fostering iwi and hapū relationships and not identifying opportunities for partnering particularly to promote social procurement and economic development.

**Risk Ratings**

**RISK CHANGE**

The risk rating has remained stable

**EMERGING RISKS**

- The need to collaboratively define and agree what authentic Treaty based relationships mean in the context of local government.

**Risk appetite: Medium - High**

Risk 4:Partnerships with iwi and hapū – emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- The need to collaboratively define and agree what authentic Treaty based relationships mean in the context of local government.
- Central Government messaging creating changes in political environment as a result of heightened issues around Te Tiriti agreement.

**WHAT WE ARE DOING ABOUT IT**

- Partnership engagement agreements
- Memoranda of understanding relationship documents
- Adopted strategic priority to grow authentic Te Tiriti based relationships
- Exploration of successful governance structures with Iwi and Hapū

**WHAT ELSE IS PLANNED**

- Introduction of Māori ward(s)
- Define what authentic relationships with Iwi and Hapu will envision and how this aligns with strategic priorities

**Risk Ratings**

**RISK CHANGE**  
The risk rating has remained stable

**Upstream/Emitters**

- Climate change
- Central government reforms
- Operational risk
- Significant external events
- Growth and financial sustainability

**Partnership with Iwi and Hapu**

**Downstream/Receivers**

- Community sentiment

Risk 5: Climate change

**Risk Owners:** Senior Leadership Team

**OVERVIEW OF RISK AREA**

The failure to adequately identify, understand, address and respond to statutory climate change obligations including reducing greenhouse gas emissions, and considering the wider impacts.

**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.

**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* iwi and hapū to pursue green 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 effort. 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 progressing place based spatial planning and zoning land for development. 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 Ratings**

**RISK CHANGE**  
The risk rating has remained stable

**EMERGING RISKS**

- Growing need to understand the impacts of climate on our lifeline assets
- Balancing cost implications of working through climate response and how to fund this approach
- Ability to meet climate related disclosures/reporting

1

2

3

4

5

6

7

8

9

10



Risk 5:Climate change– emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Growing need to understand the impacts of climate on our lifeline assets

**WHAT WE ARE DOING ABOUT IT**

- Asset Management Planning including infrastructure risk assessments to identify assets most at risk in the AMP planning horizon( 20 years)
- Ongoing Natural Hazards planning programme in partnerships with TCC / BOPRC
- Focus on councils own corporate emissions through Toitu
- Use evidence based natural hazards models to understand impact on land use of various climate change scenarios
- Key input into Te Puke Spatial Plan.

**WHAT ELSE IS PLANNED**

- Need for council to develop a plan or strategy for moving critical lifeline infrastructure
- Need for a plan or strategy to protect lifeline assets from climate related impacts (roading against flooding etc)

Balancing cost implications of working through climate response and how to fund this approach

Ability to meet climate related disclosures/reporting

Increasing staff knowledge through ongoing participation in climate change webinars and forums

More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.

Regional collaboration with other Councils

**Risk Ratings**

**RISK CHANGE**  
The risk rating has remained stable

**Upstream/Emitters**  
• Central government reforms

**Climate change**

**Downstream/Receivers**  
• Significant external events  
• Operational risk  
• Health, safety and wellbeing  
• Growth and financial sustainability

Risk 6: Growth and financial sustainability

**Risk Owners:** Senior Leadership Team

**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 its strategic priorities 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.

**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 Ratings**

**RISK CHANGE**  
The risk rating has increased due to the influence of the emerging risks

**EMERGING RISKS**

- Balancing the impacts of affordability and costs to rate payers
- Uncertainty around waters reform

1

2

3

4

5

6

7

8

9

10

Risk 6: Growth and financial sustainability – emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Balancing the impacts of affordability and costs to rate payers
- Uncertainty around water reform

**WHAT WE ARE DOING ABOUT IT**

- Reprioritising of priorities in LTP to manage impacts of affordability with project delivery
- Exploring the advantages of shifting from financial contributions to development contributions
- Understanding of financial position to manage costs without increasing rates
- Continue to focus on keeping informed of current economic environment, so that once clarity is given, we can adapt quickly to new requirements.
- LTP review and engagement.

**WHAT ELSE IS PLANNED**

- More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.

**Risk Ratings**

**RISK CHANGE**  
The risk rating has increased due to the influence of the emerging risks

**Upstream/Emitters**

- Climate change
- Operational risk
- Significant external events
- Community sentiment

**Growth and financial sustainability**

**Downstream/Receivers**

- Operational risk
- Community sentiment
- Partnership with iwi and Hapū

Risk 7: Central government reforms

**Risk Owners:** Senior Leadership Team

**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 statutory reforms being considered 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 statutory 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.

**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, in its response to 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 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 change implications and developing appropriate response strategies that align with Council's key outcomes.

**Risk Ratings**

**RISK CHANGE**  
The risk rating has increased due to the influence of the emerging risks

**EMERGING RISKS**

- General impacts from government reform. This includes understanding the uncertainty of the future of water management models, grants and funding availability, and how this will look for local government.

**Risk appetite: High**



Risk 7:Central government reform– emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- General impacts from government reform, This includes understanding the uncertainty of the future of water management models, grants and funding availability, and how this will look for local government.

**WHAT WE ARE DOING ABOUT IT**

- Robust process surrounding financial analysis impacts from 3 waters (staff displacement, stranded overhead, asset movement)
- Investment of staff to advocate in regional working groups
- Involvement at national level with Taituarā
- Dedicated policy team that focuses on implementing legislative changes

**WHAT ELSE IS PLANNED**

- Continued exploration of external consultancy partnerships for advisory services
- Conversations with local council partners but with specific focus on what the upcoming reform model will look like and how can we adapt to it

**Risk Ratings**

**RISK CHANGE**  
The risk rating has increased due to the influence of the emerging risks

**Upstream/Emitters**

- Climate change
- Health, safety and wellbeing

**Central government reforms**

**Downstream/Receivers**

- Operational risk
- Growth and financial sustainability
- Climate change
- Community sentiment
- Partnership with Iwi and Hapū

Risk 8: Significant external events

**Risk Owners:** Senior Leadership Team

**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 increases in interest rates and uncertainty in the political and social environment. These may potentially impact the Council's ability to provides 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.

**WHERE WILL WE TAKE RISK?**

The Council acknowledges that the current external environment is very dynamic and continuously evolving (including 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 Ratings**

**RISK CHANGE**  
The risk rating has remained stable

**EMERGING RISKS**

- Increasing frequency of severe weather events
- Increasing cost of insurance
- Increasing expectations from community following increased frequency of extreme weather events

1

2

3

4

5

6

7

8

9

0

## Risk 8: Significant external events– emerging risks

**Risk Owners:** Senior Leadership Team

### EMERGING RISK

- Increasing frequency of severe weather events and the associated financial cost to council

### WHAT WE ARE DOING ABOUT IT

- Annual business continuity plan testing
- Ongoing commitment to natural hazard modelling
- Staff training for working in emergency environments
- Ongoing commitment to supporting community response plans

### WHAT ELSE IS PLANNED

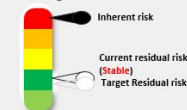
- Increased cost of insurance

- Review of insurance policies

- Increasing expectations from community following increased frequency of extreme weather events

- Reprioritising of priorities in Long term plan to manage impacts of affordability with project delivery
- Exploration of ways to communicate with community surrounding project delivery and the associated cost implications

### Risk Ratings



### RISK CHANGE

The risk rating has remained stable

Upstream/Emitters  
• Climate change

### Significant external events

Downstream/Receivers  
• Operational risk  
• Community sentiment  
• Growth and financial sustainability  
• Health, safety and wellbeing  
• People, capability and capacity  
• Partnership with iwi and Hapu

## Risk 9: People, capability and capacity

**Risk Owners:** Senior Leadership Team

### 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.



### 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 as 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' 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.

### Risk Ratings



### RISK CHANGE

The risk rating has remained stable

### EMERGING RISKS

- Retention of staff in key strategic areas and specialised roles
- Loss of institutional knowledge

Risk 9: People, capability and culture– emerging risks

**Risk Owners:** Senior Leadership Team

**EMERGING RISK**

- Retention of staff in key strategic areas and specialised roles

**WHAT WE ARE DOING ABOUT IT**

- Employee value proposition developed

**WHAT ELSE IS PLANNED**

- Leveraging employee value proposition to increase attraction to our organisation

**Risk Ratings**

**RISK CHANGE**  
The risk rating has remained stable

**Upstream/Emitters**

- Health, safety and wellbeing
- Growth and financial sustainability
- Operational risk

**People, capability and capacity**

**Downstream/Receivers**

- Operational risk
- Community sentiment
- Growth and financial sustainability
- Health, safety and wellbeing
- Partnership with Iwi and Maori stakeholders

Risk 10: Technology enablement and resili

**Risk Owners:** Senior Leadership Team

**OVERVIEW OF RISK AREA**

The risk that WBOPDC does not effectively leverage technological innovations due to inadequate funding allocation, resulting in missed opportunities to improve operational efficiency and enhance community experiences in communicating with the Council. This also includes inadequate system/technical capability to manage digital risks effectively. This can potentially impact quality of service delivery and efficiency of business activities.

**RISK APPETITE STATEMENT**

WBOPDC recognises that in order to effectively deliver on its strategic priorities, and maintain pace with the current market environment, it must be willing to accept more risk where the benefits will enhance and therefore improve the organisations current business operations, service delivery, communication channels and overall capability of the business. Given our appetite for change, and drive to uplift institutional knowledge and system infrastructure, WBOPDC has a "Medium-High" appetite for Technology enablement and resilience.

**Risk appetite: Medium - High**

**WHERE WILL WE TAKE RISK?**

Council understands that during times of people change, there will be increased risk until key personnel in critical roles can be replaced to then fill the institutional knowledge that has left with outgoing staff members. During this time, council accepts a "Medium" appetite to risk while attracting new personnel with the required capability.

Council has a "Medium" appetite to uplifting its current system capability. This acknowledges the need to replace systems that are nearing end of life but also representative of the inherent risks to data governance and cyber resilience that are associated with implementing new systems.

Council has a "High" appetite to exploring a lean approach to new system implementation. Looking to understand where current process can be improved while navigating increased risk while new processes are being designed and then understood.

**WHERE WILL WE NOT TAKE RISK?**

The Council has "Low" risk appetite to implementing new systems without leveraging knowledge from local council partners

The Council has a "Low" risk appetite to not having delivered appropriate training to support staff in upskilling in the use of new systems

**Risk Ratings**

**RISK CHANGE**  
New Risk

**EMERGING RISKS**

- End of life ERP system
- Loss of institutional knowledge

1

2

3

4

5

6

7

8

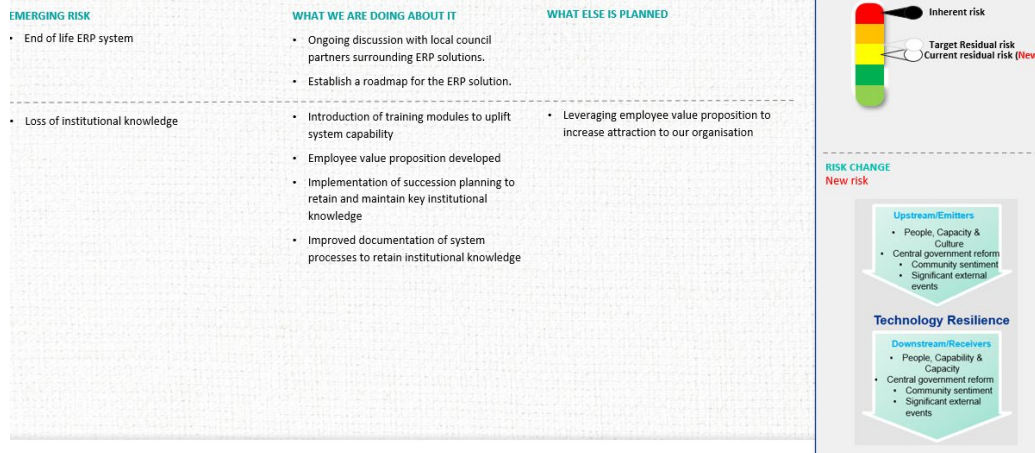
9

10



## Risk 10: Technology enablement and resilience – emerging risks

Risk Owners: Senior Leadership Team



## 1.4 Progress Report on Risk Management Work Programme

The following work has progressed within the risk management programme since the last Audit, Risk and Finance Committee:

- Fraud Policy is being presented at the February ARF meeting.
  - A Tier 3 Fraud workshop currently has been completed in January.
- Sensitive Expenditure policy workshop review has been completed and policy is presented at Feb AFR.
- Risk and Assurance have engaged KPMG and Nintex to provide Tier 3 Managers and SLT a workshop in November. As a result of the workshop staff will be rolling out an initial organisational wide Promapp training before rolling out the risk module.

## 2. Internal Audit (IA)

### 2.1 Internal Audit Plan 2023/24 to 2025/26

The Internal Audit Plan for the calendar year ending 29 February 2024 currently has 10 audits that SLT approved that were indicated as areas that the business requires further assurance.

We have 7 internal audits/reviews to be completed. Due to the recent vacancy of our Risk and Assurance Manager, the newly appointed Risk and Assurance Manager will be reassessing our work program and provide an update at the next ARFC in June on which audits we intend to either add, delay or reprioritize for completion within the future calendar years.

There have been some changes made to the plan and the following are the changes:

- The Asset purchase and disposal (non-construction) (previously listed as item 22) was removed as it was already listed under item 13, the Asset Management Review.
- Removed the Environmental, Social and Governance: –Sustainability Framework (previously item 15) review as we have been advised that Toitu report replaces the review.
- The Vested Asset Process Review (previously item 24) was rolled up into item 13, the Asset Management Review.

#### **Updated Internal Audit Plan**

#	Review	YE 29 Feb 24	YE 28 Feb 25	YE 28 Feb 26
Core / cyclic coverage				
<b>Key Risks Areas</b>				
1.	Rates setting, billing, remissions & collection.		✓	
<b>2.</b>	<b>Financial Contributions inputs, setting and billing.</b>	✓		
3.	Procurement Accounts payable, banking and transaction controls. Operational spend monitoring/management. Probity/sensitive expenditure controls, analysis and sample-test.		✓	
4.	Payroll processing.			✓
<b>5.</b>	<b>Capital spend/project management: Sample test and review key project controls.</b>	✓	✓	✓
6.	Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations.  <i>Update: moved forward to 23/24</i>	✓		
7.	Contract management.		✓	
8.	LIMs preparation, billing and issuing.			✓
<b>9.</b>	<b>Fraud Gap Analysis</b>	✓		
10.	Alcohol, Food license - billing, issuing, & compliance Resource consent – billing & issuing. Building consent – billing & issuing. Animal control - billing, issuing, & enforcement.		✓	
<b>11.</b>	<b>Resource consent and Building Consent – enforcement. Resource consent compliance.</b>	✓		

#	Review	YE 29 Feb 24	YE 28 Feb 25	YE 28 Feb 26
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"> <li>Fleet Management</li> <li>Asset purchase and disposal (non-construction)</li> <li>Vested Asset Process Review</li> </ul>		✓	
14.	Management of Forestry		✓	
15.	Cash Control Review			✓
16.	Facilities maintenance and security		✓	
17.	Treasury & cash flow management.			✓
18.	<b>GST, PAYE and FBT tax compliance evaluation</b>	✓		
19.	IT software license management			✓
20.	Credit management		✓	
21.	Infrastructure renewals planning and prioritization.		Roading ✓	Water, Property & Reserves ✓
22.	Parks management/operations		✓	
23.	Property Lease Management			✓
24.	Grant award: application evaluation, payment & performance	✓		
25.	Events: booking, billing, management			✓
26.	<b>Privacy Health Check</b>	✓		
27.	Cyber Security / Public Records Act compliance		✓	

**10.3 FINANCIAL PERFORMANCE UPDATE QUARTERLY REPORT 31 DECEMBER 2023****File Number:** A5929982**Author:** Sarah Bedford, Finance Manager**Authoriser:** Adele Henderson, General Manager Corporate Services**EXECUTIVE SUMMARY**

The purpose of this report is to provide an update on the financial results and Treasury dashboard to Elected Members for quarter two ended 31 December 2023.

This report provides the Audit, Risk and Finance Committee with the current Treasury Policy breaches in relation to interest rate hedging, which had been identified in previous financial reports.

**RECOMMENDATION**

That the Finance Manager's report dated 27 February 2024 titled 'Financial Performance Update Quarterly Report 31 December 2023' be received.

**SUMMARY – FINANCIALS**

1. The following is a summary of the financial performance for the period ended 31 December 2023 along with associated financial statements. (Refer to **Attachment 1**).
2. The current capital budgets are as per the adopted annual plan and approved carryforward funding from the prior year.
3. The below table is a summary of financial performance for the 6 months ended 31 December 2023.

<b>Statement of comprehensive revenue and expense</b>	<b>Actual YTD \$000's</b>	<b>Budget YTD \$000's</b>	<b>Variance YTD \$000's</b>
Revenue	68,113	79,354	(11,243)
Expense	66,348	63,340	(3,008)
Surplus/(deficit)	1,765	16,014	(14,250)
Total Revenue – Actual vs Budget	43%		
Total Expenses – Actual YTD vs Budget YTD	52%		
<b>Statement of financial position</b>	<b>Actual YTD \$000's</b>	<b>Budget Full Year \$000's</b>	
Assets	1,905,029	1,848,490	
Liabilities	110,124	182,136	
Equity	1,794,906	1,666,354	

4. Financial Performance – For the 6 months ended 31 December 2023 Council returned a surplus of \$1.7M, noting this was lower than budget. This is due to lower than planned Subsidies and Grants from Waka Kotahi (\$6m), lower Fees and Charges revenue, and lower Regulatory revenue as a result of the current economic climate.
5. Capital Expenditure – Total capital spent to December is \$20M against a full year budget of \$100M. This represents 18% of the full year budget, with a current forecast actual spend this financial year of 55% of total budget. Reporting is being developed to include commitments (projects under contract) to provide improved Council oversight and visibility on capital delivery. When including Wastewater and Transport contract commitments and actual spend YTD, Council capital spend and committed is at 71% of budget. Further details and updates relating to Councils capital projects will be provided through the Projects and Monitoring Committee, including contract commitments in the other activities of Council.



## ATTACHMENTS

1. **Financial Performance December 2023**  



**Pūrongo pūtea ia toru marama**  
**Q2 Quarterly Financial Report**

**December 2023 – Period 6**  
For the six months ended 31 December 2023



Contents

Financial Summary..... 1

    Financial Snapshot ..... 1

    Financial Statements ..... 2

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

        Financial performance variances commentary ..... 5

    Capital Expenditure ..... 7

    Capital Expenditure Analysis..... 11

    Statement of Financial Position..... 13

    Treasury – Funding..... 14

    Treasury – Hedging (before separation of affordable waters / current state)..... 15

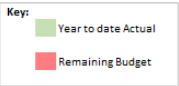
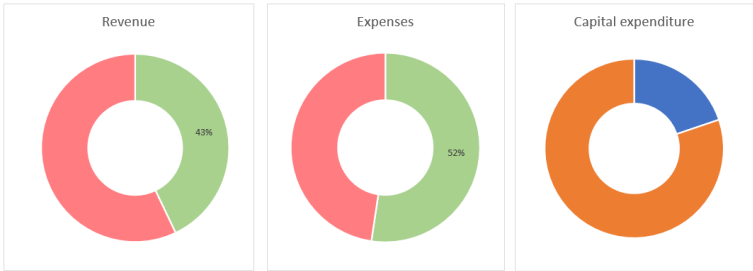
    Treasury – Investments & Bank Counterparty Limits..... 16

Q2 Quarterly Financial Report : December 2023 – Period 6

# Financial Summary

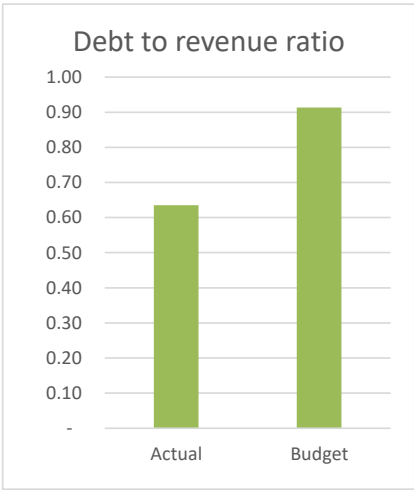
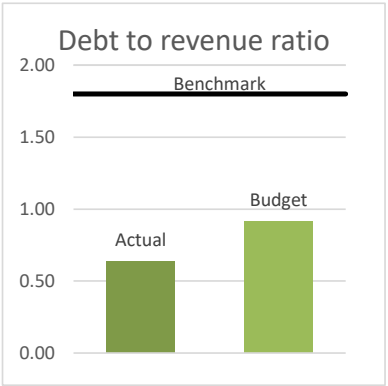
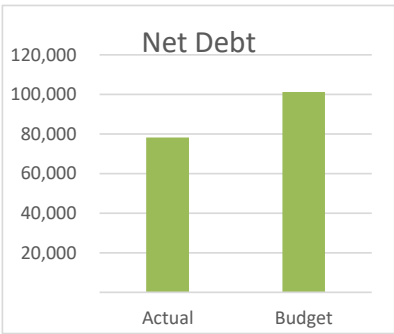
## Financial Snapshot

Year to date Actuals as a % of Budget



	Actual Year to date (\$000)	Budget Full year (\$000)
Total debt	93,200	134,000
less Cash and cash equivalents	15,021	32,761
<b>Net Debt</b>	<b>78,180</b>	<b>101,239</b>

	Actual Year to date (\$000)	Budget Full year (\$000)
Total debt	93,200	134,000
Total revenue (budget)	146,698	146,698
<b>Debt to revenue ratio</b>	<b>0.64</b>	<b>0.91</b>



Q2 Quarterly Financial Report : December 2023 – Period 6

## Financial Statements

### Statement of Comprehensive Revenue and Expense Council Wide

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 31 DECEMBER 2023	2024 Actual Year to date (\$000)	2024 Budget Year to date (\$000)	2024 Variance Year to date (\$000)	2023 Actual Year to date (\$000)	2024 Actual YTD as % of Budget Full	2024 Budget Full year (\$000)	2024 Forecast Full year
<b>Revenue</b>							
Rates	46,082	46,081	1	44,303	53%	92,163	92,163
Subsidies and grants	6,432	19,280	( 12,848)	5,912	17%	38,561	38,561
Development and financial contributions	7,441	6,005	1,435	5,940	62%	12,011	12,011
Fees and charges	5,611	6,490	( 879)	5,146	43%	12,979	12,979
Interest revenue	483	139	344	35	212%	278	278
Other revenue	2,064	1,359	706	1,439	74%	2,808	2,808
<b>Total revenue</b>	<b>68,113</b>	<b>79,354</b>	<b>( 11,242)</b>	<b>62,776</b>	<b>43%</b>	<b>158,800</b>	<b>158,800</b>
<b>Expenses</b>							
Personnel costs	16,872	15,754	( 1,118)	13,735	54%	31,508	33,745
Depreciation and amortisation expense	13,948	13,377	( 571)	11,043	53%	26,754	27,897
Finance costs	2,506	2,943	436	2,031	43%	5,886	5,013
Other expenses	33,021	31,266	( 1,755)	27,982	53%	62,533	66,042
<b>Total expenses</b>	<b>66,348</b>	<b>63,340</b>	<b>( 3,008)</b>	<b>54,791</b>	<b>52%</b>	<b>126,680</b>	<b>132,696</b>
<b>Surplus/(deficit) before tax</b>	<b>1,765</b>	<b>16,014</b>	<b>( 14,250)</b>	<b>7,986</b>	<b>5%</b>	<b>32,117</b>	<b>26,104</b>

Q2 Quarterly Financial Report : December 2023 – Period 6

## Statement of Comprehensive Revenue and Expense by Activity

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2024	2024	2024	2023	2024	2024	2024
	Actual	Budget	Variance	Actual	Actual YTD as	Budget	Forecast
FOR THE PERIOD ENDED 31 DECEMBER 2023	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year	Full year
Revenue	(000)	(000)	(000)	(000)		(000)	
Communities	6,456	8,474	( 2,018)	4,160	38%	16,947	16,947
Reserves & Facilities	6,939	6,813	126	2,156	51%	13,627	13,627
Regulatory	6,371	7,556	( 1,185)	3,893	42%	15,111	15,111
Water Supply	6,807	7,405	( 598)	8,468	46%	14,809	14,809
Wastewater	7,554	7,418	135	7,334	51%	14,836	14,836
Stormwater	3,108	3,648	( 540)	2,948	43%	7,296	7,296
Transport	19,111	27,309	( 8,198)	25,864	35%	54,618	54,618
Solid Waste	2,714	2,718	( 3)	2,105	50%	5,435	5,435
Natural Environment	650	521	130	407	62%	1,041	1,041
Representation	2,055	2,032	23	236	51%	4,063	4,063
Planning for the future	2,395	2,402	( 6)	2,102	50%	4,803	4,803
Economic	477	493	( 17)	491	48%	987	987
Corporate Services	3,477	2,567	910	2,613	67%	5,226	5,226
<b>Total revenue</b>	<b>68,113</b>	<b>79,354</b>	<b>( 11,242)</b>	<b>62,776</b>	<b>43%</b>	<b>158,800</b>	<b>158,800</b>

## Q2 Quarterly Financial Report : December 2023 – Period 6

	2024	2024	2024	2023	2024	2024	2024
	Actual	Budget	Variance	Actual	Actual YTD as	Budget	Forecast
	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year	Full year
	(000)	(000)	(000)	(000)		(000)	
<b>Expenses</b>							
Communities	5,161	4,357	804	3,395	59%	8,714	10,322
Reserves & Facilities	4,832	4,832	0	4,600	50%	9,664	9,665
Regulatory	5,939	5,236	703	5,021	57%	10,472	11,878
Water Supply	7,129	7,108	21	5,513	50%	14,216	14,258
Wastewater	7,891	6,339	1,552	4,723	62%	12,679	15,783
Stormwater	2,502	2,017	485	1,170	62%	4,034	5,004
Transport	12,869	13,713	( 844)	11,237	47%	27,426	25,738
Solid Waste	2,012	2,302	( 290)	2,302	44%	4,604	4,024
Natural Environment	624	717	( 93)	517	44%	1,433	1,247
Representation	1,118	1,254	( 136)	1,145	45%	2,509	2,237
Planning for the future	1,821	1,792	29	1,792	51%	3,584	3,641
Economic	270	402	( 132)	304	34%	804	540
Corporate Services	14,180	13,271	909	13,071	53%	26,541	28,359
<b>Total expenses</b>	<b>66,348</b>	<b>63,340</b>	<b>3,008</b>	<b>54,791</b>	52%	<b>126,680</b>	<b>132,696</b>
<b>Surplus/(deficit) before tax</b>	<b>1,765</b>	<b>16,014</b>	<b>( 14,250)</b>	<b>7,986</b>		<b>32,120</b>	<b>26,104</b>

Q2 Quarterly Financial Report : December 2023 – Period 6

## Financial performance variances commentary

### Revenue

- Subsidies and Grants of \$6.4M are \$12.8M behind budget. This is mainly due to Council's one network maintenance contract renewal not continuing and bringing these services in house. This has affected the timing of the Waka Kotahi subsidy claims (\$6.1M) being delayed and completion of this years work programme. Corresponding expenditure will be lower as a result.
- Financial Contributions of \$7.4M are better than budget by \$1.9M, this is primarily due to large consents being finalized and processed this financial year (rest homes)
- Fees and Charges of \$5.6M are \$0.9M behind budget, due to timing of receipt of invoicing and lower than anticipated activity.
- Regulatory Income including Subdivision, LIMS/PIMS, Inspections, Applications and Compliance is \$1.4m behind YTD due to lower than planned building activity due to the current economic environment.
- Other Revenue of \$2.06M is \$0.7M is better than budget due to Dividends and Forestry Harvesting Proceeds.



Q2 Quarterly Financial Report : December 2023 – Period 6

### Expenses

- Personnel Costs of \$16.8M are \$1.1M ahead of budget year to date. Monthly accrued leave are now included in year to date balances (previously only accrued at year end). Four new business cases have been funded through Future Ready Organisation/3Waters or expense recovery. Capitalisation of time to projects will be completed. As a result of bringing the Transport delivery contract in house, personnel costs are higher than budget, but offset through reduced operating costs.
- Depreciation expense of \$13.9M is \$0.5M ahead of budget. This is due to revaluations that were undertaken for the year ending 30 June 2023, resulting in higher capital values and a higher depreciation expense requirement compared to when the budget was prepared.
- Finance Costs of \$2.5M is \$0.4m lower than budget due to lower than planned borrowings, and timing of the completion of capital projects
- Other Expenses for this year have been \$33.0M, which is \$1.8M more than the budget. The primary reason for this variance is the Maintenance Contract costs relating to Wastewater, and unplanned cost of repairs to the Katikati outfall.
- Transportation costs are lower than budget due to the transition of the contract inhouse and impacts on the overall work programme. More detail to be provided through the Projects and Monitoring Committee.

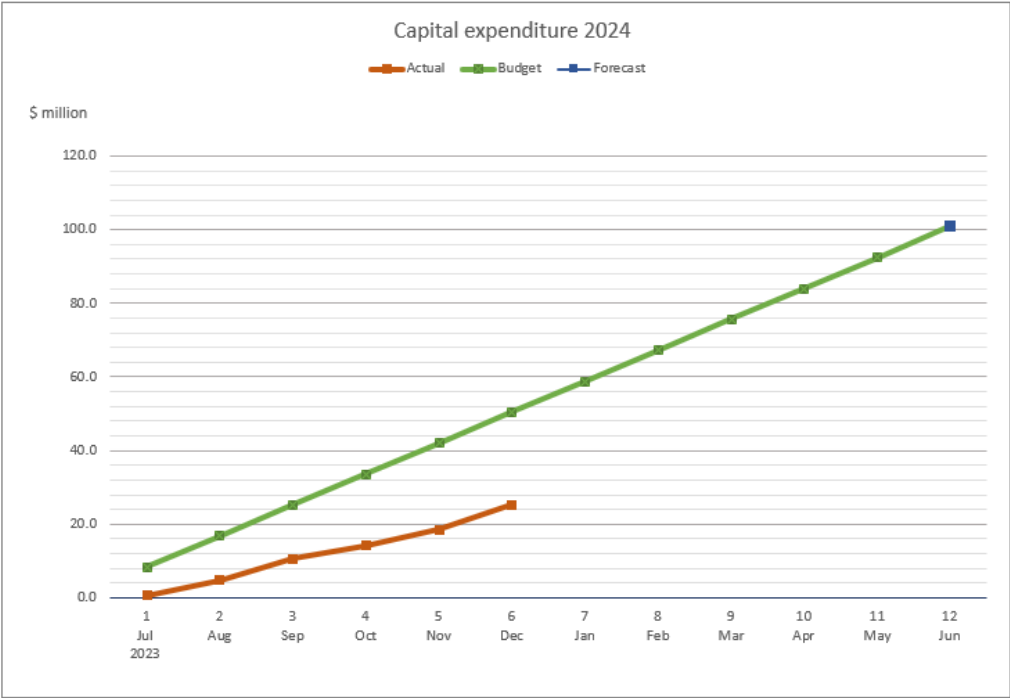
Q2 Quarterly Financial Report : December 2023 – Period 6

## Capital Expenditure

### Council Capital Expenditure

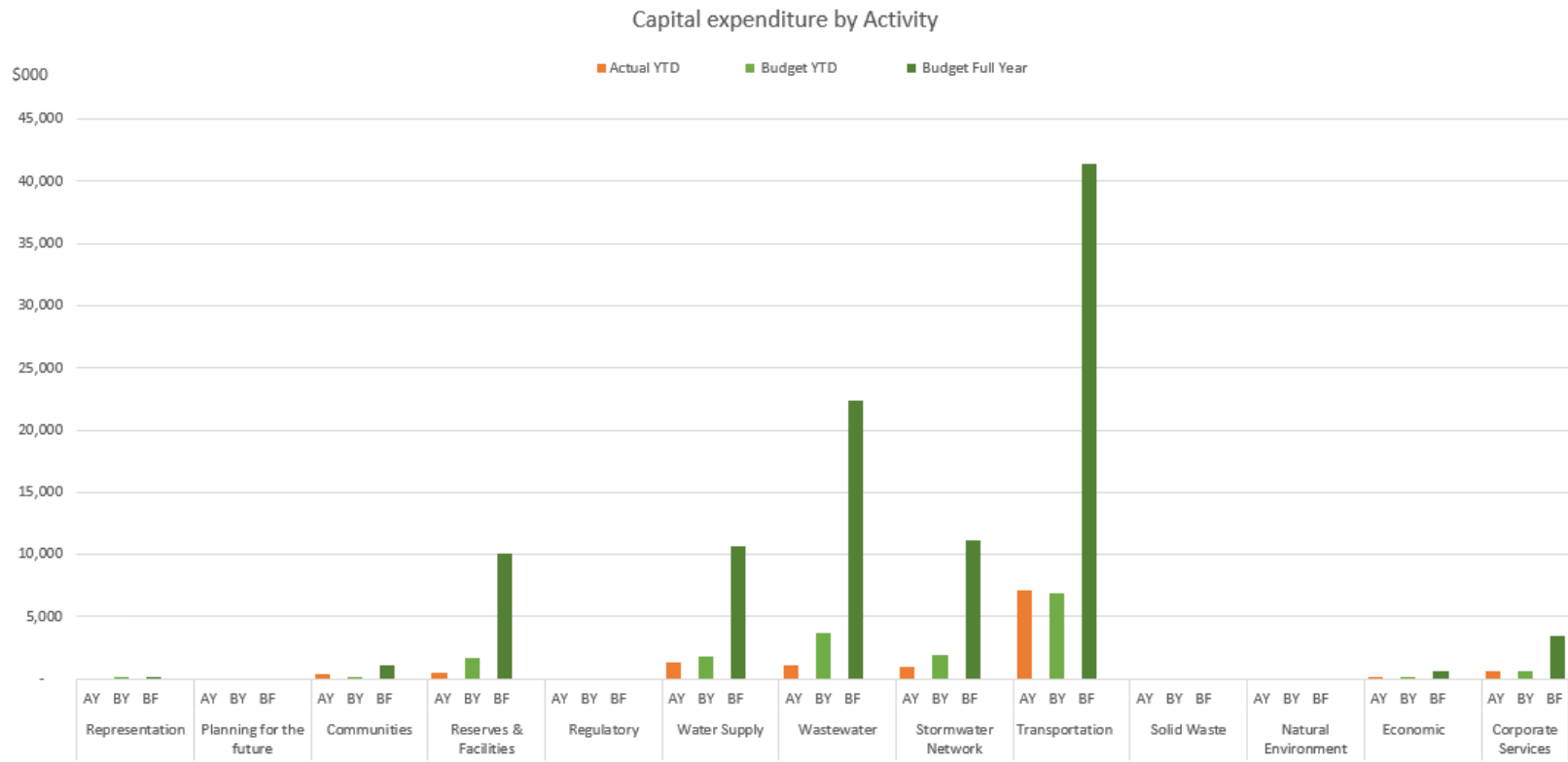
	2024 Actual Year to date	2024 Revised Budget Year to date	2024 Variance Year to date	2023 Actual Year to date	2024 Actual YTD as % of Revised Budget FY	2024 Revised Budget Full year	2024 Forecast Full year
<b>Total Capital Expenditure</b>	19,975	50,431	( 30,456)	23,417	18%	112,978	54,027

Overview



The council’s capital program spend is \$20.0M as at December 2023, or 18% of total budget. Detailed information on the forecast will be provided through the Performance and Monitoring Committee. Forecasting of Capital expenditure will now also capture projects information in contract to provide better oversight on project delivery.

Q2 Quarterly Financial Report : December 2023 - Period 6



Q2 Quarterly Financial Report : December 2023 – Period 6

**Capital expenditure by Activity**

	2024	2024	2024	2023	2024	2024	2024
\$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	Full year	Full year
					Budget FY		
Representation	-	19	( 19)	-	0%	74	-
Planning for the future	-	-	-	37	0%	-	37
Communities	( 342)	559	( 901)	1,440	0%	1,450	2,784
Reserves & Facilities	597	5,022	( 4,425)	3,795	1%	12,517	8,756
Regulatory	14	-	14	-	0%	-	25
Water Supply	2,882	5,337	( 2,454)	2,745	3%	13,073	4,687
Wastewater	2,205	11,177	( 8,972)	( 138)	2%	26,139	3,270
Stormwater Network	2,246	5,595	( 3,349)	1,268	2%	14,139	3,923
Transportation	10,597	20,698	( 10,101)	13,000	9%	41,395	26,819
Solid Waste	-	-	-	-	0%	-	-
Natural Environment	-	-	-	-	0%	-	-
Economic	19	283	( 264)	( 146)	0%	800	275
Corporate Services	1,757	1,743	15	1,416	2%	3,392	3,451
<b>TOTAL</b>	<b>19,975</b>	<b>50,431</b>	<b>( 30,456)</b>	<b>23,417</b>	<b>18%</b>	<b>112,978</b>	<b>54,027</b>

## Capital Expenditure Analysis

This commentary provides analysis of variances for amounts higher than \$300,000 against budget. Full details, forecast and contract commitments are provided through the Projects and Monitoring Committee.

- Communities currently have a credit of \$0.3M, thanks to a cash receipt of \$0.9M from DIA for Heron Crescent. As a result, it appears that Communities are behind their budget by \$0.9M. A portion of the variance can be attributed to the Waihi Beach Library being \$0.2M behind budget.
- Reserves & Facilities is \$4.4M behind budget year to date mainly due to the timing of budget phasing coming into summer work programmes delayed:
  - \$1,000,000 Panepane Wharf- due to delays in the planning and consenting process
  - \$620,000 Coastal Marine Structure Renewals- due to delays in the planning and consenting process
  - \$2,435,000 Dave Hume Pool Roof Project- due to delays in the planning and consenting process, and complexities within the site overlooked during the initial scoping of this project.
  - \$500,000 Dave Hume Pool Liner and Bulkhead project- due to resourcing and alignment with the roof project
  - \$620,000 Kauri Point development- this is a complex site, and we are currently engaging with Iwi
- Water supply is \$2.4M behind budget due to the timing of completion of the Reservoir from 2024 to 2025, and the Omokoroa Industrial Zone water supply delay due to project timing and carryforward to 2025 of \$1.4m. Delays are expected with the Youngson WTP upgrade due to contractor availability. KatiKati Structure Plan delayed due to Middlebrook Road Transport project.
- Wastewater is \$9M behind budget mainly due to timing of phasing and coming into summer works programmes.
  - Waihi Beach WW SAS Lagoon project & Waihi Beach WWTP upgrade behind budget due to delays with rescoping of the project. Detailed design is now underway noting the project is forecast to be a \$1.5M underspent for the 2023/24 financial year.

## Q2 Quarterly Financial Report : December 2023 – Period 6

- Te Puke WWTP & Rangiora Business Park's contribution is \$7.4M behind budget due to consent delays and impacts on planning and design. More details on this significant project is discussed at the Projects and Monitoring Committee.
- Omokoroa Wastewater Structure Plan is progressing, however forecasting an underspend of \$1m this financial year due to timing of the completion of this work.
- Katikati Treatment Plant emergency storage expected to start and span into next financial year, with a forecast underspend of \$300k this financial year.
- Stormwater Network is \$3.3M behind budget mainly due to delays in Omokoroa Structure Plan projects and delays related to design updates for Prole Road. Project now anticipated to span into next financial year. Two Mile Creek project is anticipated to be \$800K better than budget due to project savings. Approval will be sought for this carryforward into the 2024/25 financial year to cover increased scope relating to upstream properties.
- Transportation is \$10.1M behind budget, of which \$8m relates to Omokoroa Road (Prole Road to Railway) Structure Plans – dependent on Omokoroa Intersection and four laning for Prole Road design. In addition, Middlebrook Road Structure Plan is \$1m behind budget due to timing delays.

Q2 Quarterly Financial Report : December 2023 – Period 6

## Statement of Financial Position

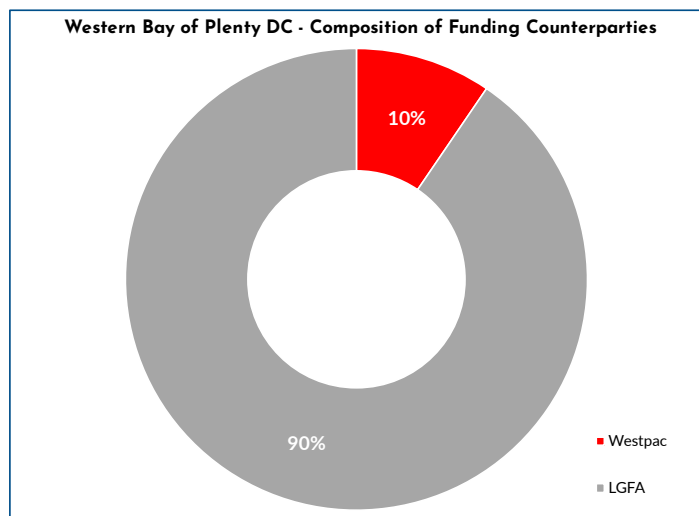
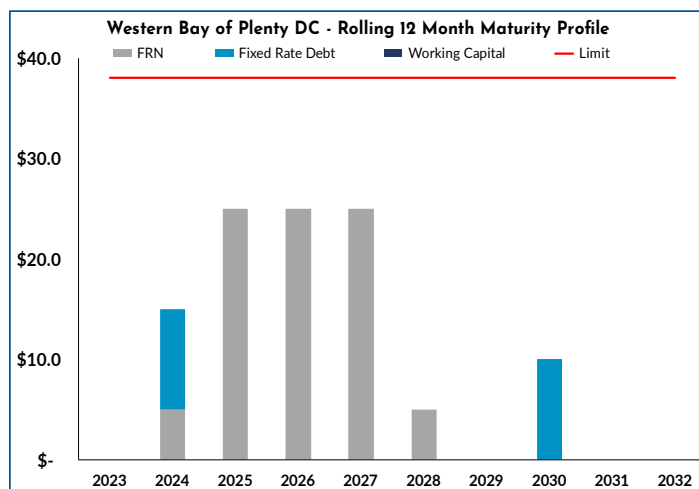
	2024	2024	2023
STATEMENT OF FINANCIAL POSITION	Actual	Budget	Actual
AS AT 31 DECEMBER 2023	Year to date	Full year	Year to date
	(\$000)	(\$000)	(\$000)
<b>Current assets</b>			
Cash and cash equivalents	15,021	40,114	22,063
Receivables	7,039	10,155	1,016
Prepayments	1,692	496	182
<b>Total current assets</b>	<b>23,751</b>	<b>50,764</b>	<b>23,262</b>
<b>Non-current assets</b>			
Other financial assets	12,965	12,542	12,542
Investment in associates	4,048	4,666	3,316
Property, plant and equipment	1,851,177	1,765,557	1,675,213
Intangible assets	4,823	6,022	4,709
Forestry assets	8,266	8,938	8,938
<b>Total non-current assets</b>	<b>1,881,278</b>	<b>1,797,726</b>	<b>1,704,720</b>
<b>Total assets</b>	<b>1,905,029</b>	<b>1,848,490</b>	<b>1,727,981</b>
<b>Current liabilities</b>			
Payables and deferred revenue	13,937	29,881	15,487
Derivative financial instruments		795	( 138)
Borrowings and other financial liabilities	15,000		
Employee entitlements	4,972	3,032	2,619
Provisions	313	313	313
<b>Total current liabilities</b>	<b>34,222</b>	<b>34,021</b>	<b>18,281</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	( 2,580)	6,478	( 1,540)
Borrowings and other financial liabilities	78,200	141,353	80,000
Employee entitlements	19	19	19
Provisions	262	265	265
<b>Total non-current liabilities</b>	<b>75,901</b>	<b>148,115</b>	<b>78,744</b>
<b>Total liabilities</b>	<b>110,124</b>	<b>182,136</b>	<b>97,025</b>
<b>Net assets</b>	<b>1,794,906</b>	<b>1,666,354</b>	<b>1,630,956</b>
<b>Equity</b>			
Accumulated Funds	993,353	1,015,282	972,868
Reserves	801,553	651,073	658,088
<b>Total equity</b>	<b>1,794,906</b>	<b>1,666,354</b>	<b>1,630,956</b>

13



Q2 Quarterly Financial Report : December 2023 – Period 6

## Treasury – Funding



Debt  
**\$95.0m**  
 Total Drawn Debt

Weighted Average Margin  
**0.61%**  
 Margin on Facilities

Headroom  
**\$30.0m**  
 Undrawn Bank Facilities

Liquidity  
**\$13.9m**  
 Cash + Deposits

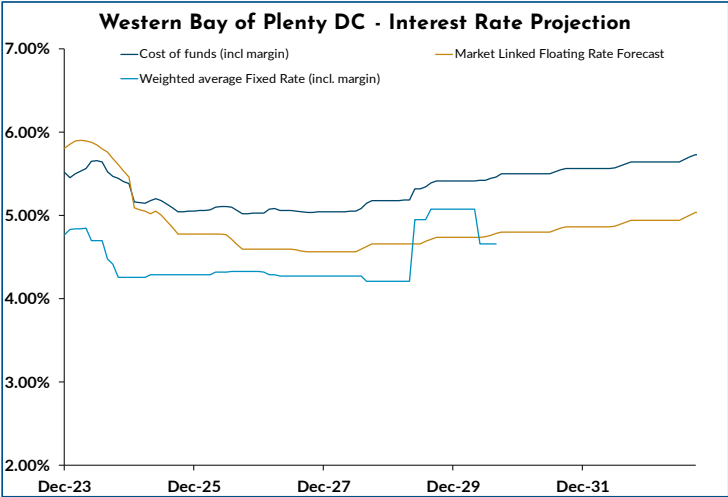
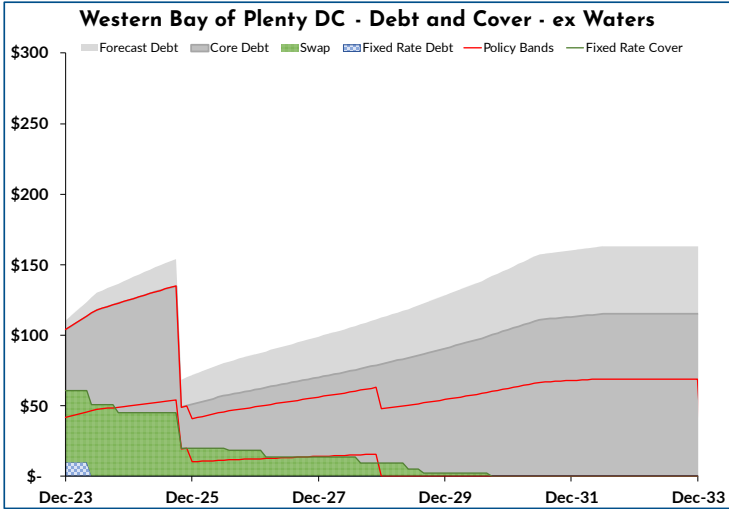
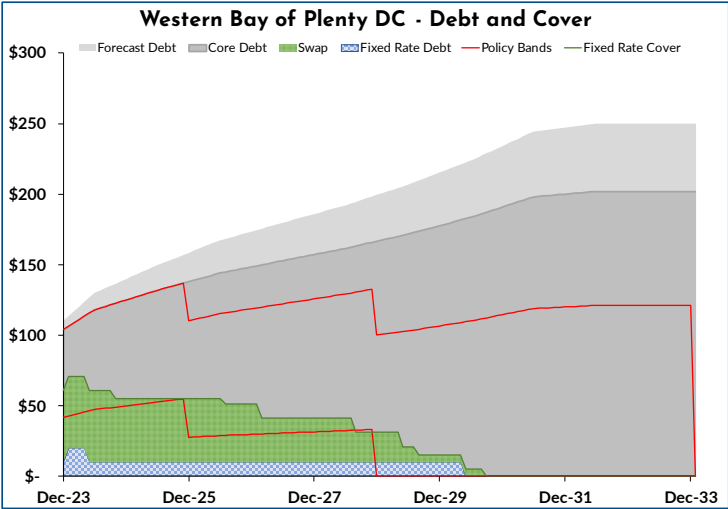
### Key Metrics

External % Debt Borrowed as Floating	81.7%
External % Debt Borrowed as Fixed	18.3%
Current % of Debt Fixed	58.2%
Current % of Debt Floating	41.8%
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)	4.77%
Value of Forward Starting Cover	\$31.0
Weighted Average Cost of Forward Starting Cover	4.32%
Value of Floating Rate (m)	\$43.5
Current Floating Rate	5.81%
Current Floating Rate (incl margin)	6.43%
All Up Weighted Average Cost of Funds Including Margin	5.51%
Total Facilities In Place	\$125.0

### Policy Bands

	Minimum	Maximum	Weighted Average Cover %	Policy
0 - 2 years	40%	100%	58.2%	Compliant
2 - 5 years	20%	80%	39.9%	Breach
5 - 10 years	0%	60%	18.6%	Compliant

Treasury – Interest Rate Hedging



Strategy

- › In January 2024, Western Bay had a requirement to borrow \$10m from the LGFA. This was undertaken on a fixed rate basis to lift hedging towards policy minimums of its interest rate hedging policy. Given the material fall in interest rates since the October 2023 peak, it was deemed appropriate to take advantage of interest rates being near a 15-month low to initially address the policy breach, although a minor breach remains at the end of the 2-5 year period. This decision was further supported by the fact that the change in Government has ended the Affordable Waters reforms and for final reference we have shown above the implications on debt had the reforms progressed.
- › Based on the revised debt and cover model, above left, Western Bay still has a need to lift hedging levels further following confirmation of the current LTP. With markets now somewhat assured the RBNZ OCR hiking cycle did end in May 2023, focus has now shifted to the quantum and speed of OCR cuts from mid 2024.
- › We maintain our view that once the RBNZ has eventually conquered inflation, the new 'neutral' OCR will ultimately be somewhere between 2.50%-3.50% 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. With this in mind we are comfortable awaiting the final approved LTP and for swap rates (excluding LGFA borrower credit margins), both outright and forward starting to ease under 4.00%.
- › We will continue to monitor markets in the interim.

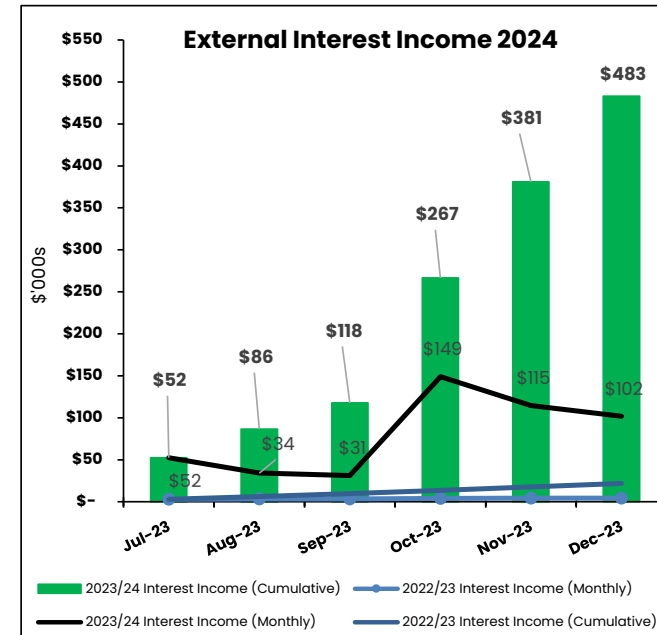
Q2 Quarterly Financial Report : December 2023 – Period 6

## Treasury – Investments & Bank Counterparty Limits

WEIGHTED AVERAGE INTEREST RATE FOR CURRENTLY HELD INVESTMENTS		
	Amount	Average Rate
Call Deposits	\$3,700,000	4.80%
Term Deposits	\$9,000,000	5.82%
	<b>\$12,700,000</b>	
Weighted Average Interest Income Rate as at 31 Dec		5.52%
WBOPDC Cost of Funds (incl. Margin, Swaps etc.) as at 31 Dec		5.70%

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into. Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Western Bay of Plenty District Council remains within its bank counterparty exposure policy limits.



BANK / INVESTMENT COUNTERPARTY EXPOSURE LIMITS as at 31 Dec							
Counterparty	Rating (minimum long term)	Gross Limit (m)	IR Swaps (m)	Bank/Investments (m)	Total (m)	% of Gross Limit	% of Total Exposure
ANZ	AA-	30	2.7	4.9	7.6	25%	37%
ASB	AA-	30	1.4	4	5.4	18%	26%
BNZ	AA-	30	2.6	5	7.6	25%	37%
Westpac	AA-	30	0.0	0	0.0	0%	0%
(Source = S&P Global)		120	6.7	13.9	20.6	17%	100%

**10.4 FINAL AUDIT MANAGEMENT REPORT 2023****File Number:** A5939199**Author:** Sarah Bedford, Finance Manager**Authoriser:** Adele Henderson, General Manager Corporate Services**EXECUTIVE SUMMARY**

1. The purpose of this report is to provide Elected Members an opportunity to review the Audit Management Report on the audit of Western Bay of Plenty District Council for the year ended 30 June 2023.

**RECOMMENDATION**

That the Finance Manager's report dated 27 February 2024 titled 'Final Audit Management Report 2023' be received.

**BACKGROUND**

2. The final audit Management Report (the report) was issued on 19 January 2024 and has been reviewed by the Management Team. Management comments have been provided setting out proposed actions and areas for improvement in response to audit findings provided in the report.
3. Audit New Zealand issued a non-standard audit report on 14 December 2023. Without modifying their opinion, they included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the possible impact of the Government's three waters reform on the District Council.  
  
This means that Audit New Zealand was satisfied with the financial statements and statement of service performance fairly reflected Council's activity for the year and financial position at the end of the year.
4. Matters raised in Audit New Zealand's audit plan, together with other findings and areas of focus, are noted in sections 3 (page 9) and section 4 (page 12) of the report.

**ATTACHMENTS**

1. **Final Audit Management Report 2023** 

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Western Bay of Plenty District Council

For the year ended 30 June 2023

Contents

Key messages.....	3
1        Recommendations .....	4
2        Our audit report.....	6
3        Matters raised in the Audit Plan .....	9
4        Significant matters identified during the Audit .....	12
5        Public sector audit.....	15
6        Useful publications.....	16
Appendix 1: Status of previous recommendations .....	19
Appendix 2: Disclosures.....	30



## Key messages

We have completed the audit of Western Bay of Plenty District Council (the Council) for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

### Audit report

We issued a non-standard audit report on 14 December 2023. Without modifying our opinion, we included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the developments in the Government's water services reform programme. This means that we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

### Matters identified during the audit

#### Asset valuations

We reviewed the revaluations and fair value assessments to confirm that they were soundly based and had been correctly accounted for in the Council's financial statements.

#### Quality and timeliness of information provided to Audit NZ

The annual report and audit process did not go as smoothly as anticipated and this created additional challenges to both management and us in completing the audit within the statutory deadline. This meant the annual report was adopted by Council after the statutory deadline. We will seek recoveries for the additional audit costs incurred. Looking forward, we will meet with management to determine how to improve the efficiency of the annual report process.

### Issues identified, open and closed during the audit

There were six new recommendations raised in the current audit period, while nine recommendations were closed, 23 issues remain open.

### Thank you

We would like to thank the Council, management and staff for the assistance received during the audit. We appreciate the co-operation we received, and the way management worked with us to ensure the Annual Report was adopted before calendar year end.



Leon Pieterse  
Appointed Auditor  
19 January 2024

# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason need to be addressed without delay.
Necessary	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Review of users with database administrator rights</b> Users with database administrator rights to the Ozone accounting system to be reviewed by an independent authorised staff member.	4.1	Necessary
<b>Work-In-Progress not accurately valued</b> Job costs are to be tracked and allocated to projects in a timely manner and completed projects are to be closed and allocated to additions in a timely manner.	4.2	Necessary
<b>Valuation of Transportation Infrastructure Assets - Cycleways</b> When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.	4.3	Necessary

Recommendation	Reference	Priority
<b>External review of GST and FBT compliance</b> Implements the recommendations made by PwC in their compliance reports. Priority must be given to those recommendations identified as high-risk.	4.4	Necessary
<b>Land purchases - Second-hand goods input tax credit</b> Care must be taken to ensure the correct treatment of GST is taken into account when concluding land purchases.	4.5	Necessary
<b>Valuations – Recommendations from Valuers for improvement</b> Implements the recommendations made by the Valuers in their reports for improvements to be made for future valuations.	4.6	Beneficial
<b>CCO annual reports not been uploaded to the Council's website within one month of receiving the audited annual reports.</b> The annual reports of the CCO's are uploaded within one month of receiving them.	4.7	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations at the end of the prior period	-	27	5	32
New recommendations in the current period	-	6	1	7
Recommendations closed during 2023	-	8	1	9
<b>Total open recommendations at the end of this period</b>	-	25	5	30

## 2 Our audit report

### 2.1 We issued a non-standard audit report



We issued a non-standard audit report on 14 December 2023. Without modifying our opinion, we included an emphasis of matter paragraph drawing attention to the disclosures in the financial statements about the developments in the Government's water services reform programme.

This means that we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the matters in sections 3 and 4. Please refer to these sections for further detail on these matters.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed in Appendix 2 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr) \$000	Dr (Cr) \$000	Dr (Cr) \$000	Dr (Cr) \$000
Work In Progress	1	523	(523)		
Gain On Disposal	2	1,682			(1,682)
<b>Total</b>		<b>2,205</b>	<b>(523)</b>	<b>-</b>	<b>(1,682)</b>

#### Explanation of uncorrected misstatements

- 1 Variance between work in progress per the general ledger and the work in progress per the annual report. Immaterial for adjustment.
- 2 The aggregate gain on sale of the Omokoroa Special Housing development not recognised as a gain on disposal and still recognised in work in progress. Immaterial for adjustment.

### 2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
Fair value loss on forestry assets and intangible assets is incorrectly disclosed under other comprehensive revenue and expense on the Statement of Comprehensive Revenue and Expenditure. The total fair value loss of \$1,275m should have been recorded under expenditure on the Statement of Comprehensive Revenue and Expenditure.	Immaterial for adjustment.

### 2.4 Corrected misstatements and disclosure deficiencies

We also identified misstatements and disclosure deficiencies that were corrected by management. A list of these misstatements has been supplied separately to management.

### 2.5 Corrected performance reporting misstatements

We identified performance reporting misstatements that were corrected by management. A list of these performance reporting misstatements has been supplied separately to management.

### 2.6 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. AuditDashboard was used again in 2023 that provided a list of the information and the dates we required the information to be provided to us. Discussions were also held with management throughout the entire process around audit expectations and timing.

The audit process did not go as smoothly as anticipated and this created additional challenges to both management and us in completing the audit. The audit team were onsite from 28 August 2023 and the first draft of the Annual Report was only received on 11 September 2023 and this draft was incomplete. We identified a significant number of misstatements in the Annual Report and as a result we spent additional time and costs to complete the audit. There were nine drafts of the Annual Report provided to us during the course of the audit. Due to the delays experienced, the audit came to a halt on 21 September 2023 and recommenced 6 November 2023. This meant the annual report was adopted by Council after the statutory deadline. We are seeking approval from the Office of the Auditor General for an additional fee recovery for the resultant additional audit work which was over and above that envisaged when the fee was negotiated.

Looking forward we will be meeting with management to determine how to improve the efficiency of the annual report and audit process. We are committed to meeting the statutory timeframe for the 2023/24 audit. We will therefore be extremely clear about our delivery expectations that will be closely monitored by both the Appointed Auditor and Audit Manager. Any concerns with timeliness and quality of the information provided will be promptly communicated to the Chief Executive, Chair of the Audit and Risk Committee and the Mayor.

From our perspective, the Council will need to reconsider their current approach to the annual report and audit process. There needs to be strong project management in place together with strong quality mechanisms over the information provided for the audit. Any significant issues or risks need to be flagged as early as possible that are supported by robust workpapers (including external technical advice where required) on significant judgements. Implementing this process should improve the efficiency of the upcoming annual report and audit processes.

**Management comment**

*Council agrees that some of the above points raised are valid. We are taking the steps now to ensure an improved reporting process for the next Annual Report. Some of the steps we are taking include implementation of a Value Financials tool 'Caseware' which is widely used by other Council's and is a familiar tool for Audit. Resourcing is also being reviewed with additional team members being involved in the reporting process.*

*However, not all the above comments are a complete record of all issues experienced during this audit. Some other topics include breakdown in communication between Audit and Council staff, and lack of direction given to Council staff by Audit. Rework was required by both Audit and Council teams which caused additional workloads and time to complete the Audit process. Part of this was a result of change in staff throughout the Audit for the Audit team. Timing of when issues were raised by Audit also caused significant problems as the issues raised were in the final days of the Audit and had a potential material impact on the financial statements.*

*Council was also dealing with several issues carried forward from prior years that were not correctly reflected in prior years statements that were missed by both Council and Audit teams in prior Audit including Long Term Plan. Going forward Council will be making significant efforts to improve our processes including more robust and planned communication with the audit team and management. We look forward to having a debrief with the Audit NZ to ensure that the process is better managed for both teams.*



### 3 Matters raised in the Audit Plan



In our Audit Plan of 18 May 2023, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
<b>Fair value assessment and valuation of property, plant and equipment</b>	
<p>For property, plant and equipment held at fair value PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>The Council revalued three waters assets; transportation; reserves, facilities and costal marine; solid waste and libraries collection, as at 30 June 2023.</p> <p>For land and buildings, the Council completed a fair value assessment as at 30 June 2023 to assess if a revaluation was required.</p>	<p>In summary, there was a \$151 million increase in asset carrying values at balance date, with \$120 million relating to three waters assets, \$25 million relating to transportation assets and \$6 million relating to reserves, facilities and coastal marine assets and library assets.</p> <p>We obtained confirmations from all external valuers regarding their methodology and compliance with the relevant valuation and accounting standards. We contacted the valuers to discuss key aspects of the valuations and we tested valuation assumptions/unit rates to recent contracts and other supporting information where available.</p> <p>We concluded the valuations were based on reasonable assumptions and supporting information. The information was appropriate for inclusion in the financial statements. We also confirmed the valuation movements were correctly recognised in the financial statements.</p> <p>Council provided a fair value assessment as at 30 June 2023 for land and buildings which demonstrated there were no indications of asset classes being carried at materially different values.</p> <p>We reviewed the assessment and undertook our own review using external expert information on price movements.</p> <p>We concluded there were no indications of a material misstatement in the carrying values of land and buildings at 30 June 2023.</p>

Audit risk/issue	Our audit response
<b>Major capital projects</b>	
<p>The Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence.</p> <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 Commissioners are responsible for managing the financial statement risks associated with capital projects.</p>	<p>We reviewed additions to the fixed asset register. We also reviewed the Work in Progress (WIP) asset class and confirmed that all projects that were completed during the year have been capitalised. We also confirmed that any significant items still included in WIP were incomplete at balance date.</p> <p>We further reviewed projects that had little or no movement to their balances during the audit period and confirmed there were no indications of impairment. We identified there was an aggregate gain on sale of the Omokoroa Special Housing development not recognised as a gain on disposal and still recognised in work in progress. The Council did not adjust this error as it was not material. Refer to 2.2 above.</p> <p>We concluded the balances in WIP are reasonable, valid, and appropriately classified at balance date.</p>
<b>Impact on assets due to recent weather events</b>	
<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>We anticipated the weather events could impact the control environment as well as presenting reporting and accounting challenges for the 30 June 2023 annual report.</p>	<p>We reviewed the assessments completed by the Council on the impact of the severe weather events has had on the Council during the year.</p> <p>The revaluations did consider any impact the severe weather events had on the Council's assets and the revaluation adjustments reflected any impairment of the assets. We also confirmed repair costs and any grants received for repairs were correctly accounted for.</p>
<b>Three waters reform</b>	
<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 reform, the Government announced a number of changes to the reform.</p>	<p>We reviewed the disclosure relating to the reform in the annual report and concluded it was appropriate and in line with current legislation.</p> <p>Given the high level of uncertainty relating to the current legislation remaining in place, as well as the timing and value any asset transfers, we included an emphasis of matter in our audit report to highlight this to the reader.</p>

Audit risk/issue	Our audit response
<p>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>See section 2.1 of this report.</p> <p>However we note the incoming government has now announced that it intends to change this legislation.</p>
<b>Adoption of PBE FRS 48 Service Performance Reporting</b>	
<p>PBE FRS 48 <i>Service Performance Reporting</i> replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> 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 council, it is for the year ending 30 June 2023.</p> <p>PBE FRS 48 imposes additional reporting obligations on entities.</p>	<p>We reviewed the Council's performance reporting disclosures against the new reporting standard and confirmed the Council included all the required elements in its non-financial reporting.</p> <p>We note the Council will be changing the layout of the 30 June 2024 annual report to have all performance measures reported in one section, rather than in each group of activities section.</p>
<b>The risk of management override of internal controls</b>	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> <li>• used a risk-based data analytics approach to select a sample of journals to test for appropriateness;</li> <li>• reviewed current year and prior year estimates for bias and accuracy; and</li> <li>• reviewed any unusual or one-off transactions.</li> </ul> <p>We have no areas of concern to bring to your attention.</p>

## 4 Significant matters identified during the Audit



We have identified, in broadly this order of importance, these significant matters, issues, or risks in this audit.

### 4.1 Review of users with database administrator rights

#### Background

We noted that a review of users with database administrator rights to the Ozone accounting system is not being performed.

#### Recommendation

We recommend that users with database administrator rights to the Ozone accounting system be reviewed by an independent authorised staff member.

#### Management comment

*We agree this process could happen more regularly and has not due to staff changes. Going forward this will become a pre-year-end check and will ensure GM Corporate Services will be the independent authoriser of this process.*

### 4.2 Work-In-Progress (WIP) not accurately valued

#### Background

We noted during our review of the WIP listing that there were a number of projects with minimal or nil movements between 2022 and 2023 financial years.

Projects with minimal or nil movements could be as a result of:

- job costs that still need to be analysed and allocated to projects;
- AssetFinda not being set up to record the respective three waters assets;
- not being able to access the records of culverts to accurately record the costs for Reserves and Omokoroa; and
- completed projects not being transferred to asset additions in a timely manner.

#### Recommendation

We recommend that job costs are tracked and allocated to projects in a timely manner and that completed projects are closed and allocated to additions in a timely manner.

**Management comment**

*A new Asset Accountant has been employed to address timely capitalisation of work in progress. The role of the Asset Solutions Lead is being recruited with a finance strength and background.*

**4.3 Valuation of Transportation Infrastructure Assets****Background**

The revaluation of the Transportation Infrastructure Assets did not include cycleways. As a result, Cycleways has not been revalued in the 2023 financial year.

The accounting standards require the entire class of property, plant and equipment to which that asset belongs shall be revalued. As the value of cycleways is not material, no further work was required.

**Recommendation**

We recommend that when an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.

**Management comment**

*This recommendation will be considered in the next cycle of revaluations.*

**4.4 External review of GST and FBT Compliance****Background**

We note that PwC performed a review of GST and FBT compliance during the financial year and raised recommendations for the Council to implement for improved compliance and processes.

**Recommendation**

We recommend that the Council implements the recommendations issued by PwC in their GST and FBT compliance reports. Priority must be given to those recommendations identified by PwC as high-risk.

**Management comment**

*This review has been completed and an implementation program is on track for completion by June 2024 and will be tabled at the next Audit, Risk & Finance Committee.*

**4.5 Land purchases - second-hand goods input tax credit****Background**

During the performance of our testing of land purchases, we noted two instances when the council did not claim a second-hand input tax credit. The amounts that the Council could claim for the purchases are \$17,609 and \$273,913 respectively.

**Recommendation**

The Council should ensure that it has process in place to ensure the correct GST treatment of land purchases and sales.

**Management comment**

*A review has been completed and implementation programme to ensure correct treatment of land purchases and sales has been established. This includes widening the scope of the staff involved in the process and additional training to upskill staff.*

**4.6 Valuations – Improvements and Recommendations****Background**

We noted for the following revaluations and peer reviews performed that the Valuers made recommendations for improvements for future valuations:

- Three Waters Infrastructure Assets (valuation performed by AECOM);
- Solid Waste Plant and Libraries Collection (valuation performed by AECOM); and
- Transportation Infrastructure Assets (valuation performed by WSP).

**Recommendation**

We recommend that the Council implements the recommendations made by the Valuers for improvements for future valuations.

**Management comment**

*Council will review the valuers recommendations and implement where practicable.*

**4.7 CCO Annual Reports****Background**

We noted that the annual reports for BOPLASS 2021/22 and 2022/23 as well as LGFA 2022/23 have not been uploaded to the Council's website within one month of receiving the audited annual reports.

**Recommendation**

We recommend that the Council upload the outstanding audited annual reports as soon as possible and that going forward the annual reports of the CCO's are uploaded within one month of receiving them.

**Management comment**

*Council have now included this on the Council's Website the Annual Reports for the CCO's .We recommend that this matter is now closed.*

## 5 Public sector audit



The Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely, and in the way, the Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.

Refer to appendix 1 for status of previous recommendations relating to these matters.



## 6 Useful publications



Based on our knowledge of the Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Setting and administering fees and levies for cost recovery: Good practice guide</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: <a href="#">Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</a>

Description	Where to find it
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice</p> <p>Link: <a href="#">Tax Matters</a></p>
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Sensitive expenditure</b>	
<p>The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: <a href="#">Sensitive expenditure</a></p>

Description	Where to find it
<b>Good practice</b>	
<p>The OAG's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"><li>• audit committees;</li><li>• conflicts of interest;</li><li>• discouraging fraud;</li><li>• good governance;</li><li>• service performance reporting;</li><li>• procurement;</li><li>• sensitive expenditure; and</li><li>• severance payments.</li></ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Formalisation of the procurement delegations</b>		
We recommend procurement delegations in Ozone to be reviewed and formalised. We also recommend that all access changes to the procurement delegation are reviewed by an independent authorised staff member.	2021/22	<p><b>In Progress</b></p> <p>The Council is currently implementing new delegations software.</p> <p>The software 'Locosoft' was introduced in November 2023 and is currently in the testing phase.</p> <p><b>Management comment</b></p> <p><i>We have implemented 'Locosoft' and the matter can now be closed.</i></p>
<b>Asset Management Planning</b>		
Review and, where appropriate, implement the recommendations in KPMG's report on asset management.	2018/19	<p><b>In progress</b></p> <p>The Council is working through the issues raised in the report, which had not all been resolved at the time of our final audit.</p> <p><b>Management comment</b></p> <p><i>Council is investing additional resourcing for new staff and KPMG's report will be reviewed and recommendations implemented where practicable.</i></p>
<b>General Ledger reconciliations</b>		
Ensure all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early and rectified.	2017/18	<p><b>In progress</b></p> <p>We continue to note instances where reconciliations have not been prepared or reviewed in a timely manner.</p> <p>We recommend that the reviewer signs-off and dates them to ensure that there is timely review of the reconciliations.</p> <p><b>Management comment</b></p> <p><i>Council has established a reconciliations working group identifying staff to complete and review in a timely manner. and the matter can now be closed.</i></p>

Recommendation	First raised	Status
<b>Improvements to the procurement process</b>		
<p>An independent one-up review of key procurement and contract management documentation to be undertaken throughout the process to ensure all documentation is in-line with the Procurement Manual requirements.</p> <p>The Procurement Manual and Variation Order form to be updated to provide clear criteria or thresholds for when a variation requires to go to open tender.</p>	2018/19	<p><b>In progress</b></p> <p>The Council has started a review of its procurement process.</p> <p><b>Management comment</b></p> <p><i>Reviews of the procurement process remain ongoing and note that resourcing remains an issue within this team, recruitment is underway.</i></p>
<b>Sensitive expenditure policies improvements</b>		
<p>Policies covering sensitive expenditure that are overdue for review to be updated and that the elements of good practice which are currently not documented in the policies to be considered for inclusion.</p> <p>We recommend that the Council update the sensitive expenditure policy approvals to ensure one-up approval.</p>	2018/19	<p><b>Outstanding</b></p> <p>The applicable policies have not been updated.</p> <p><b>Management comment</b></p> <p><i>The sensitive expenditure policy has been workshopped with Elected Members and due for adoption in Q1 2024. No further action required and the matter can be closed once adopted by council.</i></p>
<b>Asset improvement programme</b>		
<p>Create a formal asset improvement programme in response to the valuer's recommendations and puts an action plan in place to address the issues in a timely manner.</p>	2017/18	<p><b>Outstanding</b></p> <p>As part of our review of the valuations performed for the current financial year, we have noted that the valuers have made recommendations for improvements before the next valuation is undertaken.</p> <p>We have noted this in the Opteon, WSP and AECOM valuations.</p> <p><b>Management comment</b></p> <p><i>Please refer to point 4.6.</i></p>
<b>High number of superusers in Ozone and network, including Datacom staff</b>		
<p>Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data.</p>	2016/17	<p><b>In progress</b></p> <p>Ozone superuser access has been reduced and Datacom access locked out except as required.</p>

Recommendation	First raised	Status
		<p>Generic administrator accounts have now been disabled. Audit NZ is of the view that the number of domain administrator at the network level is still too high for the size of the Council.</p> <p><b>Management comment</b></p> <p><i>Internally this function has been reviewed by the IT team and believe the number of administrators is sufficient to provide adequate coverage and support to the wider Council team. We recommend this matter can now be closed.</i></p>
<b>Improvements to IT change management procedures</b>		
All changes made to production environments should follow an approved change process. Procedures for small, medium, large and emergency changes should be established.	2017/18	<p><b>In progress</b></p> <p>The Council have engaged a contract change manager who has been working with the Council's project specialist to plan for the implementation of the Council's Project Management Framework.</p> <p>A project plan and timeframe are under development.</p> <p><b>Management comment</b></p> <p><i>A process is in place to capture IT system changes, these are recorded within the ManagEngine ServiceDesk Change module procedures. All changes that involve risk are reviewed by the IT Operation Team Leader and approved for implementation by him after technical review from subject matter experts. This process mainly impacts small and medium changes to the production environment.</i></p> <p><i>For large IT system changes, Council staff apply a formal Project Management Structure eg HRIS upgrade. In this case both a Project Manager, and Change Manager are bought in to support the team and to have the right level of rigour and approval process before implementation changes are made. A similar example of another large change was for the CRM project which followed a similar change process as above the HRIS project.</i></p>

Recommendation	First raised	Status
		<p><i>Emergency changes are advised to all staff via a Teams site with details of the change and the reason for the change. This provides staff sufficient opportunity to respond to the timing of the change and potential implications. We believe that this process is appropriate, with internal checks being undertaken to ensure that the change was carried out was completed effectively. We are comfortable with this level of procedure and process around emergency fixes. These are normally carried out after hours to avoid any issues during the workday and the ability to go to another date in the event that issues were identified with the emergency change that could not be patched correctly.</i></p> <p><i>Council is reviewing the requirement for a Change Advisory Board as we grow but at this stage it would be largely impractical as planned changes are generally sound and incidents are minimal.</i></p> <p><i>We consider this matter now closed.</i></p>
<b>Over claimed funding from New Zealand Transport Agency (NZTA) as special conditions of network contract not satisfied</b>		
We recommended the Council ensures all emergency work claims to NZTA comply with contract conditions.	2019/20	<p><b>Outstanding</b></p> <p>We will follow this issue up when the next NZTA Investment Audit Report is received.</p> <p><b>Management comment</b></p> <p><i>Waka Kotahi undertook an Audit of Council and WSP in relation to emergency works, this audit came back clear for Council. We recommend that this matter can now be closed.</i></p>
<b>Project management</b>		
We recommended the Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.	2019/20	<p><b>Outstanding</b></p> <p>The applicable improvements have not been implemented as yet.</p> <p><b>Management comment</b></p> <p><i>A Principle Project Management Advisor was recruited during 2023/24.</i></p>

Recommendation	First raised	Status
		<i>Recommendations from the report are being actioned through this resource including training and support for staff. A report has been prepared, with future reporting enhancements in development. We recommend that this matter can now be closed.</i>
<b>Review of network and applications user accounts</b>		
We recommended cyclical reviews of network and application users to ensure access remains appropriate.	2019/20	<p><b>In progress</b></p> <p>We noted that review of accounts at the network level is occurring. At the application level, a regular formal review is being recommended.</p> <p><b>Management comment</b></p> <p><i>Refer to point 4.1 above.</i></p>
<b>Reconciliation of Assetfinda</b>		
We recommended the Council ensures all reconciliations are prepared in a timely manner to ensure that any problems or inaccuracies can be detected early and rectified. We also recommend that all GL reconciliations are up to date before year-end.	2019/20	<p><b>In progress</b></p> <p>Although reconciliations between Assetfinda and the GL are occurring more frequently. We continue to recommend these are reconciled in a timelier manner.</p> <p><b>Management comment</b></p> <p><i>Refer to previous comment regarding asset capitalisations. Council has increased resourcing to better manage information and risk in this area. The Asset Solutions role has now been filled with a person who has a financial background to support better processes.</i></p>
<b>Revaluation reports</b>		
We recommend the Council ensures a formal revaluation report is prepared for all revaluations.	2020/21	<p><b>In progress</b></p> <p>Formal revaluation reports were prepared for Three Waters Infrastructure Assets and Transportation Infrastructure Assets.</p> <p>Formal peer review reports were prepared for internal valuations performed by the Council for Solid Waste Plant and Libraries Collection, Reserves and Facilities and Coastal Marine.</p> <p>Formal fair value assessment report was prepared for land and buildings.</p>



Recommendation	First raised	Status
		<b>Management comment</b> <i>Full revaluation reports for revaluations were undertaken and received for the 2022/2023 year. We recommend that this matter be closed.</i>
<b>Coastal assets in use held at nil book value</b>		
We recommend that the useful lives for all assets that remain in use after exceeding their useful lives be reviewed annually.	2020/21	<b>In progress</b> We noted the useful life policy had been updated to reflect the actual useful lives of assets. We continue to recommend a review of assets held at nil book value. <b>Management comment</b> <i>This will be included in the review of processes by Council when planned increases to resourcing has occurred.</i>
<b>Capitalisation date of assets</b>		
We recommend that the Council review the capitalisation process, particularly over capital works, to ensure asset managers are prompted to communicate the completion of work in progress in a timely manner.	2020/21	<b>Outstanding</b> Formal documentation of asset capitalisation has not been implemented as at the final. <b>Management comment</b> <i>Council has reviewed the process of reviewing capitalisation timing to ensure documentation and timely information to complete this. This is now being completed on a quarterly basis.</i>
<b>Depreciation accounting policy</b>		
We recommend that the Council review the depreciation rates applied in the Fixed Asset Register to ensure alignment with the depreciation policy. We recommend that the Council review the schedule of depreciation rates to ensure these are in line with the class of asset to which the asset is classified and align with other local government sector entities.	2020/21	<b>In progress</b> We noted the useful life policy had been updated to reflect the actual useful lives of assets. We continue to recommend a review of assets held at nil book value. <b>Management comment</b> <i>Council will ensure that the fixed asset register will align with the depreciation policy going forward. We now have an accounting and asset resource inhouse to manage this.</i>

Recommendation	First raised	Status
<b>Disposal of revalued assets</b>		
We recommend that the Council review processes relating to the disposal of revalued assets to ensure the accounting treatment for the transfers in and out of equity are appropriate.	2020/21	<p><b>In progress</b></p> <p>No significant disposal of depreciated assets in the current financial year. To be followed up at next audit.</p> <p><b>Management comment</b></p> <p><i>We have recruited a asset accounting resource who will ensure that this is completed on an annual basis.</i></p>
<b>Performance Measure - dry weather overflows</b>		
We recommend that the Council implement a robust review process of the underlying data supporting the reported results for the “dry weather sewerage overflow” measure to ensure accurate reporting of events meeting the DIA definition.	2020/21	<p><b>Outstanding</b></p> <p>We continue to recommend that the data is reviewed to ensure the DIA definition is met.</p> <p><b>Management comment</b></p> <p><i>Council will continue to review performance reporting against defined measures.</i></p>
<b>Undeclared interests</b>		
<p>We recommend that current interest registers are updated to reflect all interests with Councillors and Senior Management.</p> <p>We recommend that management performs their own search of the Companies Office Register and the Charities Register to ensure all interests are identified.</p>	2020/21	<p><b>Outstanding</b></p> <p>The applicable improvements have not been implemented yet.</p> <p><b>Management comment</b></p> <p><i>Council has completed a register of interest for Senior Management and Councillors, this includes cross checks with the Companies Office Register as well as the Charities Register. We consider the matter is now closed.</i></p>
<b>AS-Built check sheet</b>		
We recommend that all supporting documents are maintained and readily available for checks as and when required.	2021/22	<p><b>Outstanding</b></p> <p>We continue to recommend that all supporting documents are maintained and readily available for checks as and when required.</p> <p><b>Management comment</b></p> <p><i>Council will review as part of the asset management process, the vacancy has now been recruited.</i></p>

Recommendation	First raised	Status
<b>Bonds and Fees not reviewed regularly</b>		
We recommend that management review the outstanding bonds and fees to be refunded/written off.	2021/22	<p><b>Outstanding</b></p> <p>We continue to recommend that management review the outstanding bonds and fees to be refunded/written off.</p> <p><b>Management comment</b></p> <p><i>This forms part of the debt management role. This process is being implemented currently and bonds and fees are being reviewed regularly. A quarterly report will be generated for the appropriate GM for review.</i></p>
<b>Fraud Policy</b>		
Policies act as a guidance and processes for the entity, we therefore, emphasise on the importance of reviewing the fraud policy on a planned periodic basis.	2021/22	<p><b>In progress</b></p> <p>Deloitte was engaged on 8 May 2023 to carry out a Fraud Gap Analysis. Part of the scope of the review was to review the Fraud Policy.</p> <p>Deloitte completed their review and a draft of the policy has been provided to Audit.</p> <p>The policy is in the process of being approved and will be put forward at the Audit, Risk and Finance Committee in November 2023 for the review and consideration.</p> <p><b>Management comment</b></p> <p><i>Council is currently implementing updated training for staff and updated Fraud policy. This matter can now be closed.</i></p>
<b>Beneficial</b>		
<b>Contract management system</b>		
Consider improving the functionality of the District Council's contract management system.	2017/18	<p><b>Outstanding</b></p> <p>Based on our discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.</p> <p><b>Management comment</b></p> <p><i>This will form part of the procurement process review that is currently being undertaken.</i></p>

## Implemented or closed recommendations

Recommendation	First raised	Status
<b>Staff who departed still included in authorised bank signatories</b>		
We recommend the authorised bank signatories to be reviewed, updated frequently and when there are changes to staff who has authority.	2021/22	<p>We have confirmed that the Council performed a full review of bank signatories and a 'tidy up' of all signatories during the financial year.</p> <p>Effective from 9 January 2023, Treasury Management has a newly created Financial Analyst role which will assume these responsibilities moving forward.</p> <p>We consider this matter now closed.</p>
<b>Asset Write - off</b>		
We recommend that a formal document is drawn up and appropriate approval sought from the authorised personnel for the write off assets with proper documentation on how the assets will be disposed of to ensure transparency of the write off process.	2021/22	<p>We have confirmed the process to write off assets.</p> <p>We have noted that the disposal of assets during the financial year were appropriately authorised with proper supporting documentation.</p> <p>We consider this matter now closed.</p>
<b>Lack of evidence for approval of insurance expenditure</b>		
We recommend the Council have a clear documentation and storage of the approval for these insurance invoices.	2021/22	<p>We have confirmed that the Council have implemented Audit's recommendation to have a clear documentation and storage of the approval for insurance invoices.</p> <p>We consider this matter now closed.</p>
<b>Creditor Masterfile Change Report not available</b>		
We recommend the Council should safely maintain a record of their creditor masterfile changes. There should be evidence that it has been prepared and reviewed.	2021/22	<p>We have confirmed that the Council have maintained a record of creditor masterfile changes.</p> <p>We have noted through evidence that a record of creditor masterfile changes is being prepared and reviewed.</p> <p>We consider this matter now closed.</p>

Recommendation	First raised	Status
<b>Ozone asset module not updated</b>		
Review the options available when a significant system fault occurs and ensure systems can be reinstated as soon as possible. This would include processes to ensure all information and transactions that occurred in the intervening period are captured in a timely manner.	2018/19	<p>We have confirmed the process to ensure all information and transactions that occurred in the intervening period are captured in a timely manner.</p> <p>We have confirmed the process during our testing of additions and disposals to ensure that all information and transactions that occurred in the intervening period are captured in a timely manner.</p> <p>We consider this matter now closed.</p>
<b>Self-approved journals</b>		
Monthly review of all self-authorised journals is reinstated and evidenced as occurring.	2018/19	<p>We have confirmed the process to review self-authorised journals.</p> <p>We have noted evidence that a monthly report of 'journal postings by user' is run each month and reviewed by authorised personnel.</p> <p>We consider this matter now closed.</p>
<b>Approval of asset capitalisation</b>		
We recommend that asset capitalisations for transportation assets be recorded and adequately evidenced.	2020/21	<p>We have confirmed the process for asset capitalisation of transportation assets.</p> <p>We have noted through our audit work performed (WIP testing), that for the items selected for testing, the appropriate asset capitalisation approval was obtained.</p> <p>We consider this matter now closed.</p>
<b>Disposal of assets</b>		
We recommend that the Council review all infrastructure asset disposals, ensuring the correct treatment of accumulated depreciation.	2020/21	<p>We have confirmed the process for the disposal of infrastructure assets.</p> <p>We have noted that disposals are posted in the Ozone accounting system through the Asset Management module. The Asset Management module performs the necessary disposal calculations and then posts the journal entries in Ozone.</p> <p>We consider this matter now closed.</p>

Recommendation	First raised	Status
<b>Vested assets</b>		
<p>We recommend that the Council review projects resulting in vested assets be performed regularly to ensure the 224 certificate is obtained timely.</p> <p>We recommend that the Council ensure the relevant accounting treatment is applied in recognising vested assets in the fixed asset register.</p>	2020/21	<p>We have confirmed the process to recognise vested assets.</p> <p>We have noted through our audit work performed that the list of subdivisions has been reviewed and reconciled and 224 notifications are being passed through the workflow as expected.</p> <p>We consider this matter now closed.</p>

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in the areas of the Debenture Trust Deed assurance engagement and will complete a LTP audit in the new year, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council.</p>
Fees	<p>The audit fee for the year is \$223,000 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$9,000 for the review of the Debenture Trust Deed reporting certificate and \$23,340 for assurance over the procurement of a Wastewater Treatment Plant contractor.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 621  
Tauranga 3144  
Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)





**10.5 SENSITIVE EXPENDITURE POLICY****File Number: A5278944****Author: Azoora Ali, Chief Financial Officer****Authoriser: Adele Henderson, General Manager Corporate Services****EXECUTIVE SUMMARY**

The purpose of this report is to request that the Elected Members review Council's Sensitive Expenditure Policy and approve any amendments accordingly.

**RECOMMENDATION**

1. That the Chief Financial Officer's report dated 27 February 2024 titled 'Sensitive Expenditure Policy' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Audit, Risk & Finance Committee approve the updated Sensitive Expenditure Policy.

Or

4. That the Audit, Risk & Finance Committee do not approve/or recommend changes to the updated Sensitive Expenditure Policy.

**BACKGROUND**

1. The current policy was approved by the Policy Committee 6 August 2018 and is now due for review. Audit New Zealand's interim audit of the Annual Report recommended the policy be reviewed. Therefore, the Audit, Risk & Finance Committee are requested to review the updated policy.
2. The policy was reviewed by the Senior Leadership Team 27 March 2023, 1 May 2023 and 27 November 2023.
3. Amendments between the previous and the proposed policies are as follows:
  - (a) Under car travel, the following bullet point has been added "Their vehicle is legally compliant and they carry insurance to cover liabilities to third parties."
  - (b) Under Travel Arrangements the supplier noted is altered from AOG Air New Zealand to "Council's preferred supplier".
  - (c) Under Accommodation and Meals the following amendments have been made:

- (i) The amendment to the private overnight accommodation reimbursement (maximum) has been raised from \$65.00 per night to \$80.00 per night.
- (ii) It has been added that Council staff will be reimbursed for meals (including non-alcoholic drinks) to a maximum cost of \$30 per breakfast, \$40 per lunch and \$60 per dinner per staff member per day (previously stated specific roles only).
- (iii) It has been added that "Purchase of alcohol that may be required for events/functions is to be approved by the Chief Executive Officer in advance of travel".
- (d) Clauses 4.4, 4.5 and 4.6 have moved to this section from the Policy Procedures section (deleted).
- (e) A Professional Membership section has been added.
- (f) Under Entertainment and Hospitality Expenditure the following amendments have been made:
  - (i) 4.1 Definition points have been altered to read:
    - (1) Third bullet - Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality.
    - (2) Fifth bullet added – Building revenue.
  - (ii) 4.2.4 wording changed to "Entertainment expenses must be moderate and conservative, acting with integrity, and preserving impartiality. An unusual or large....."
  - (iii) A new paragraph has been added to refer the reader to a new policy which covers staff/team related recognition, the "Informal Acknowledgement and Recognition Policy".
  - (iv) Replaced approval of Chief Executive Officer's expenses to the General Manager Corporate Services or the Chief Financial Officer rather than the Deputy Mayor.
  - (v) Replaced approval of Elected Members expenses to the Chief Executive Officer or the General Manager Corporate Services rather than the Group Manager Technology, Customer and Community Services.
- (g) Under Sale of Surplus Council Assets the following staff changes have been made:
  - (i) Deputy CEO/Group Manager Infrastructure updated to General Manager Infrastructure Services.

- (ii) Group Manager Policy, Planning & Regulatory updated to General Manager Regulatory Services.
- (iii) General Manager Corporate Services added.
- (iv) Strategic Property Manager updated to Operations Manager.
- (h) Under Sale of Surplus Council Assets the following has been added "In any event, the sale of surplus assets must be documented by the issuance of a tax invoice and receipt."
- (i) Under Private Use of Council Assets the following has been removed "Route K toll cards issued in connection with official Council business may not be used for private purposes."
- (j) Under Sponsorship of Events and Teams:
  - (i) Removal of clause stating \$600 per annum for sponsorship.
  - (ii) Removed "Once the annual budget has been allocated, there shall be no further sponsorship for that financial year. The Chief Executive Officer's decisions shall be final."
  - (iii) Added that the relevant group General Manager can approve applications for sponsorship within existing budgets.
- (k) Added the Informal Acknowledgement and Recognition Policy to the list of Associated Policies.
- (l) In Donations, added that donations may be approved by the relevant General Manager.
- (m) Communications Technology clause replaced with "Refer to HR policies for information regarding reimbursement to Council for the costs of personal use of Council assets."

## SIGNIFICANCE AND ENGAGEMENT

4. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
5. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
6. In terms of the Significance and Engagement Policy this decision is considered to be of low significance because

- (a) It is a legislative requirement for councils to hold/adhere to a Sensitive Expenditure Policy.
- (b) All ratepayers and residents are affected as it is in the interest of the community that Council staff and Elected Members follow Council's Sensitive Expenditure Policy and remain transparent in all transactions.
- (c) Council and its staff or agents are required to spend public funds subject to the standards of probity and financial prudence, such that all expenditure withstands public scrutiny.

### ENGAGEMENT, CONSULTATION AND COMMUNICATION

7. If there is no requirement for an engagement plan, please fill in the following table with other communication which may have taken place or be required to keep our communities fully informed.

Interested/Affected Parties	<b>Completed/Planned Engagement/Consultation/Communication</b> <b>Or</b> <b>Insert/refer to/attach to report Engagement Plan</b>		
Name of interested parties/groups	Staff Elected Members	Planned	Completed
All Staff	All staff to be notified accordingly and the updated policy to be uploaded to the policy library on the intranet.		

### ISSUES AND OPTIONS ASSESSMENT

That the Audit, Risk & Finance committee approve the updated Sensitive Expenditure Policy.	
Reasons why no options are available Section 79 (2) (c) and (3) Local Government Act 2002	Legislative or other reference
<p>It is a legislative requirement for councils to hold/adhere to a Sensitive Expenditure Policy. The Policy is due for review.</p> <p>Council can adopt the revised policy as recommended, or provide officers with any proposed changes to be included in a final document.</p>	<p>Local Government Act 2002</p> <p>NZ International Financial Reporting Standards</p> <p>Goods &amp; Services Tax</p> <p>Fringe Benefits tax</p> <p>Income Tax Act</p>

**STATUTORY COMPLIANCE**

8. The above recommendations are compliant with the Local Government Act 2002 and the review of the Sensitive Expenditure Policy.

**FUNDING/BUDGET IMPLICATIONS**

<b>Budget Funding Information</b>	<b>Relevant Detail</b>
N/A	All funding and budgets will be managed through existing budgets.

**ATTACHMENTS**

1. **Sensitive Expenditure Policy**  



Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 2 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

**Policy Name:** Sensitive Expenditure Policy 2023

**Endorsed by:** Senior Leadership Team

**Group:** Risk and Assurance, Corporate Services

**Approved by:** Chief Executive Officer

**Date adopted:** 27 February 2024

**Review by:** 31 January 2027

**Review:** Every 3 years, or as required. Next review to be completed by 31 January 2027.  
This Policy does not cease to have effect because it is due for review, or in the process of being reviewed.

**Consultation:** Internal

**Policy Type:** Council Operational

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 3 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

<b>1. Purpose .....</b>	<b>4</b>
<b>2. General Approach .....</b>	<b>4</b>
<b>3. Travel and Accommodation Expenditure .....</b>	<b>4</b>
3.1 General .....	4
3.2 Air Travel .....	6
3.3 Car Travel .....	6
3.4 Taxis .....	7
3.5 Travel Arrangements .....	7
3.6 Airline Lounge Membership .....	8
3.7 Accommodation and Meals .....	8
3.8 Credit Cards and Cash Advances .....	9
<b>4. Entertainment and Hospitality Expenditure .....</b>	<b>9</b>
<b>5. Goods and Services Expenditure .....</b>	<b>11</b>
5.1 Sale of Surplus Council Assets .....	11
5.2 Private Use of Council Assets .....	12
5.3 Council Use of Private Assets .....	12
5.4 Private Use of Council Suppliers .....	12
<b>6. Staff Support and Welfare Expenditure .....</b>	<b>12</b>
6.1 Clothing and Grooming .....	12
6.2 Financing Activities of the Staff Social Club .....	13
6.3 Farewells and Retirements .....	13
6.4 Sponsorship of Staff or Other .....	13
6.5 Professional Membership .....	13
<b>7. Other Expenditure .....</b>	<b>14</b>
7.1 Corporate Boxes – Acquisition and Use .....	14
7.2 Donations .....	14
7.3 Koha .....	15
7.4 Communications Technology .....	15
7.5 Gifts .....	15
<b>8. Associated Policies .....</b>	<b>15</b>
<b>9. Associated Procedures .....</b>	<b>16</b>
<b>10. Relevant Legislation .....</b>	<b>16</b>



Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 4 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

## Sensitive Expenditure Policy

### 1. Purpose

- 1.1 The policy objective is set in accordance with the financial management sections 100 and 101 of the Local Government Act 2022 (financial prudence); and, with due regard to the Controller & Auditor-General's good practice guide, "Controlling sensitive expenditure: Guidelines for public entities" (October 2020).
- 1.2 Council and its staff or agents are required to spend public funds subject to the standards of probity and financial prudence, such that all expenditure withstands public scrutiny.

### 2. General Approach

- 2.1 The standards of probity and financial prudence apply the principles that expenditure decisions:
  - Have a justifiable business purpose
  - Preserve impartiality
  - Are made with integrity
  - Are moderate and conservative, having due regard to the circumstances
  - Are made transparently, and
  - Are appropriate in all respects

### 3. Travel and Accommodation Expenditure

#### 3.1 General

- 3.1.1 Business travel is any travel that an elected member or employee is required to undertake during their term or employment in order to carryout Council business and includes travel undertaken for education and development purposes, such as attendances at conferences or courses.
- 3.1.2 When elected members or employees must travel on Council business, Council aims to provide for their comfort and well being, while at the same time receiving the best value for the money spent on business travel expenses.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 5 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- 3.1.3 Generally, Council will pay for accommodation, meals and other reasonable business travel expenses. Elected members and employees are expected to live normally while on Council business without experiencing any personal financial loss. At the same time, elected members and employees are asked to spend public money with the same care and judgment that they would use with their own funds.
- 3.1.4 A spouse or partner may accompany the Mayor, Chief Executive Officer, Deputy Chief Executive Officer, Elected Member, Chief Financial Officer or General Manager to a business conference or event only when required to represent Council in an official capacity and where their attendance contributes to a clear business purpose. Council shall pay for the conference registration (where applicable) and the cost of their spouse/partner attending the official conference dinner. This is restricted to the Chief Executive Officer, Deputy Chief Executive Officer, the Mayor, elected members, Chief Financial Officer and General Managers spouse/partner only and does not include any other extra activities, airfares or meals. Such attendance requires prior approval from the Chief Executive Officer or, in the case of the Chief Executive Officer's spouse/partner, the Mayor.
- 3.1.5 Employees are permitted to undertake private travel before, during or at the end of business travel that is paid for by Council provided that there is no additional cost to Council and the private travel is only incidental to the business purpose.
- 3.1.6 In respect of tipping, individuals must have due regard for the principles of moderate and conservative expenditure. Council shall not reimburse for costs incurred for tipping while on Council business in New Zealand. Tipping expenses incurred during international business travel may be reimbursed providing they are not extravagant and only in places where tipping is local practice.
- 3.1.7 Further details on the treatment and process of travel and accommodation expenses are detailed in Policy HRP800-805.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 6 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

### 3.2 Air Travel

#### 3.2.1 Domestic:

Economy class shall be used for all flights within New Zealand.

#### 3.2.2 International:

International travel requires prior written approval from the Chief Executive Officer.

Economy class shall be used for all flights except in special or certain circumstances, for example, long-haul flights (7-8 hours) where, with the prior approval of the Chief Executive Officer, business class or Pacific class may be appropriate.

Council will pay for stopovers only when there is a clear business purpose and with prior approval of the Chief Executive Officer.

### 3.3 Car Travel

#### 3.3.1 Vehicle Use:

When driving is the most convenient and economical means of transportation, employees must, in the first instance, use a Council vehicle to reach their destination or for use during the business trip.

Council expects employees to hire the most economical type and size of rental car for use on Council business, taking into account the distance and number of people. Rental cars shall be arranged by the Executive Assistants who will obtain at least two quotes and ensure best value for money.

Employees who wish to, or those without access to a Council vehicle, may use their personal vehicle for a business trip provided that:

- They obtain their supervisors/managers approval in advance;
- Use of their vehicle is the most economical and convenient form of transportation to the business site; and
- Their vehicle is legally compliant, and they carry insurance to cover liabilities to third parties.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 7 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

Reimbursement of expenses associated with the use of a personal vehicle is calculated at a rate per kilometre. The maximum amount the Council will pay for a trip during which an elected member or employee uses a personal vehicle will be the amount that would have been reimbursed if they had taken an economy class flight.

The current rate per kilometre reimbursed for use of a personal car is shown on the Expenses Claim Form.

Elected members and employees shall be responsible for any fines incurred (parking or traffic offences) whilst using a vehicle for Council business. Employees may not be required to pay fines relating to an aspect of the condition of a vehicle being used for Council business that is outside their control.

#### 3.4 Taxis:

- 3.4.1 Elected members and staff will be issued with and use the taxi card/voucher system when on Council business or if the travel is part of a full itinerary including flights and accommodation the Executive Assistant can use Council's travel management supplier who will organise a taxi. The Executive Assistants issuing taxi cards/vouchers will record the name of the recipient and purpose for which each card/voucher is issued.

#### 3.5 Travel Arrangements

- 3.5.1 Elected members travel shall be booked through the Governance Team or Mayor's Executive Assistant and employees travel shall be booked through their respective Executive Assistant. All flights are to be booked via the Council's preferred supplier or portal unless a full itinerary is required that includes flights and accommodation. The booking for a full itinerary should be made with Council's travel management supplier via their online booking system. Accommodation can be booked separately adhering to Council's travel guidelines. Purchase orders are required before any travel arrangements are booked. In all cases the most economical prices for airfares, car rentals, hotels and other related expenses shall be obtained, with two quotes being obtained for international travel from TANZ accredited travel agents.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 8 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

### 3.6 Airline Lounge Membership

- 3.6.1 Council will meet the full annual cost of airline lounge club membership for the Chief Executive Officer and the Mayor, for those airlines used for travel on official Council business.
- 3.6.2 The cost of airline lounge club membership may be fully or partially met by Council as approved by the Chief Executive Officer on a case-by-case basis for elected members and senior staff (third tier managers and above), or as agreed per individual employment package.

### 3.7 Accommodation and Meals

- 3.7.1 Elected members and employees will be expected to demonstrate prudence in their selection of hotel accommodation in order to minimise costs without compromising the business/education investment or their personal safety/security. This means that individuals may not necessarily stay at the course/conference venue. A comparison of accommodation should be undertaken, and a final assessment be made, taking into consideration best value, commuting costs, etc.
- 3.7.2 Elected members arrangements shall be made through the Democracy team or the Mayor's Executive Assistant and employee's arrangements shall be made through the group Executive Assistant who will check corporate rates and availability.
- 3.7.3 Elected members and employees may choose to make private accommodation arrangements and stay with friends or family. It is recognised that, in this situation, Council will not incur any accommodation costs and, accordingly, reasonable claims will be approved for expenditure incurred in return for hospitality received by individuals staying privately. The reimbursement shall not exceed \$80 per night.
- 3.7.4 Council may reimburse the Mayor, elected members and Council staff for meals whilst on Council business. Such expenditure shall be moderate and conservative and must be supported by itemised tax receipts and details of the circumstances of the expenditure. Meals (including non-alcoholic drinks) to a maximum cost of \$30 per breakfast, \$40 per lunch and \$60 per dinner per staff member per day.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 9 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

3.7.5 At the Chief Executive Officer's discretion, reimbursement may be denied in the event expense claims are deemed unreasonable in the circumstances. Council shall not reimburse costs incurred for mini-bar or in-room entertainment (e.g. pay-per-view televised sports events). Council shall not reimburse separate meal expenses where meals are included in the education/conference package paid for by Council. Purchase of alcohol that may be required for events/functions is to be approved by the Chief Executive Officer in advance of travel.

3.7.6 Overseas expense claims for meals, accommodation, taxis and any other expenses incurred while overseas are GST exempt and should not be claimed on an expense claim form.

#### 3.8 Credit Cards and Cash Advances

3.8.1 The use of credit cards is defined in Council's Credit Card Policy.

3.8.2 Credit Cards must not be used for cash advances unless in an emergency (usually travel related).

3.8.3 In instances where an elected member or employee does not have a corporate credit card and is required to travel overseas on Council business, it may be necessary to provide a cash advance.

3.8.4 The amount of any cash advance shall be determined in consideration of the nature and duration of the business travel being undertaken.

3.8.5 Original receipts and invoices are to be submitted with all remaining cash from the advance upon return. These are to be reconciled to the original amount of cash advances. Any shortfalls must be reimbursed to Council by the individual to whom the cash was advanced.

## 4. Entertainment and Hospitality Expenditure

4.1 Council's Entertainment and Hospitality Expenditure can be defined as for the purposes of:

- Building relationships;
- Representing the organisation;

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 10 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality;
- Recognising significant business achievement; and
- Building revenue.

4.2 It is Council's policy to reimburse elected members and employees for expenses incurred in business entertainment according to the following:

- 4.2.1 Management personnel will conduct entertainment of business associates. On occasions where circumstances justify business entertainment by elected members or employees other than management, prior approval must be obtained from the Chief Executive Officer or the employee's General Manager.
- 4.2.2 Entertainment expenses will be reimbursed only for business meals or where these are related to a justified business purpose. The principles of moderate and conservative expenditure and appropriateness are particularly relevant and, accordingly, Council shall reimburse entertainment expenses incurred, including for the provision of alcohol, only where these principles and the integrity of the organisation remain uncompromised. Expenses for entertainment of a personal nature are ineligible for reimbursement.
- 4.2.3 Requests for reimbursement of entertainment expenses must be approved by the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer or appropriate General Manager and submitted to Accounts Payable on an Expenses Claim Form. Claims must contain detailed itemisation of expenses and the date, place and business reason for the entertainment, in addition to the names of those present (including the relationships to Council. Claims must include itemised tax receipts for all expenditure. Unsupported expenses claims will not be reimbursed.
- 4.2.4 Entertainment expenses must be moderate and conservative, acting with integrity, and preserving impartiality. An unusual or large expenditure for entertainment must be approved by the Chief Executive Officer, before the event.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 11 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

4.2.5 Reimbursement of expenses for entertainment of Council employees must have prior approval of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer or General Manager.

4.2.6 Entertainment expenses are subject to controls for monitoring and reporting purposes.

4.3 For staff related recognition refer to the Informal Acknowledgement and Recognition Policy.

4.4 The Chief Executive Officer's expenses are to be approved by the Mayor and General Manager Corporate Services or Chief Financial Officer.

4.5 The Mayor's expenses are to be approved by the Chief Executive Officer or the Deputy Mayor.

4.6 Elected members expenses will be approved and authorised for payment by the Chief Executive Officer or the General Manager Corporate Services.

## 5. Goods and Services Expenditure

### 5.1 Sale of Surplus Council Assets

5.1.1 The principles of impartiality and integrity are particularly relevant. Council assets above \$500 shall be sold with prior approval of the Chief Executive Officer and for the maximum possible price.

5.1.2 Two valuations are to be obtained prior to sale. If Council assets are being sold to an elected member or staff member, three valuations are required.

5.1.3 As Asset reserve prices are to be approved by two of the following:

- Chief Executive Officer
- General Manager Strategy and Community
- General Manager Infrastructure Services
- General Manager Regulatory Services
- General Manager Corporate Services
- Chief Financial Officer
- Operations Manager



Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 12 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- 5.1.4 Any method of sale that allows Council to meet the authorised reserve is permissible.
- 5.1.5 The Operations Manager has authority to alter the reserve by 10%.
- 5.1.6 In any event, the sale of surplus assets must be documented by the issuance of a tax invoice and receipt.

## 5.2 Private Use of Council Assets

- 5.2.1 Unauthorised private use of Council assets is theft and therefore Council assets may not be used for private purposes unless such use is approved by the Chief Executive Officer or otherwise as specifically provided for in the employee's contract of employment. This includes but is not limited to, private use of Council vehicles, stationery, photocopiers, telephones, mobile telephones, email and internet services. Refer also to Personal Use of Council Technology (Phones, Photocopiers) Policy.
- 5.2.2 Parking permits issued in connection with official Council business may not be used for private purposes.

## 5.3 Council Use of Private Assets

- 5.3.1 Reimbursement for Council use of personal assets may, from time to time, be approved for reasons such as cost, convenience and availability and where Council would not fully use such an asset if it was acquired directly. For example, business use of private motor vehicle, private mobile telephone, home telephones and computers.
- 5.3.2 Individuals may not approve or administer payment to themselves for use of their assets; managers approving such payments must ensure the principles of justified business purpose, impartiality, integrity and appropriateness are applied.
- 5.3.3 Reimbursement of Council use of private assets is subject to scrutiny, monitoring and reporting.

## 5.4 Private Use of Council Suppliers

- 5.4.1 All staff with delegated authority are responsible for ensuring the selection of suppliers is in Council's best interests and is not influenced

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 13 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

by purchasing privileges available to staff in accordance with Council's Procurement Policy.

## 6. Staff Support and Welfare Expenditure

### 6.1 Clothing and Grooming

- 6.1.1 Other than where uniforms or health and safety clothing/equipment are supplied, staff shall not normally be entitled to expenses for clothing or grooming (e.g. dry cleaning, hairdressing etc.) for normal business activity.

### 6.2 Financing Activities of the Staff Social Club

- 6.2.1 Council will support the Staff Social Club and will assist by way of salary deductions and other activities as approved by the Chief Executive Officer as referenced within the Social Club Policy.

### 6.3 Farewells and Retirements

- 6.3.1 Expenditure on farewells (including the cost of functions and gifts) shall be moderate and relevant and with prior approval of the Chief Executive Officer. The Chief Financial Officer will be advised of all costs for FBT purposes as referenced within the Informal Acknowledgement, Recognition, Long Service and Staff Leaving Policy.

### 6.4 Sponsorship of Events and Teams

- 6.4.1 All sponsorship events shall be budgeted in the Staff Welfare Account. The details of the sponsorship shall be as referenced within the Sponsorship of Teams and Events Policy.
- 6.4.2 All applications from staff for sponsorship shall be in writing to the Chief Executive Officer or the relevant General Manager. Delegation is with the Chief Executive Officer or General Manager and funded within existing budgets. All proposals must include specific details on how the acknowledgement of the sponsorship from the Western Bay of Plenty District Council will be shown, e.g. this could be by acknowledging on T-shirts, naming the team, etc.
- 6.4.3 Team/Project Leaders for each sponsored event are required to submit a written report to the Chief Executive Officer or relevant group General Manager detailing how the event went and how the team was placed.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 14 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

#### 6.5 Professional Membership

- 6.5.1 Due to the personal nature of professional membership, this is categorised as sensitive expenditure.
- 6.5.2 Any payment of professional fees by Council on behalf of a staff member must be:
- Approved as detailed in HRP800–806 Membership of Professional Organisations.
  - Clearly relevant to the performance of the staff member's duties and responsibilities; accordingly are not liable for fringe benefit tax due to the benefit to Council.
  - For no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two year membership to be an advantage to the Council.
  - For the benefit of the Council and are not intended to be a personal benefit to staff members, and accordingly are not liable for fringe benefit tax.
  - Cancelled or transferred to an appropriate staff member if the staff member's employment with the Council is terminated, via resignation or otherwise.
  - Refunded directly to the Council if the membership is cancelled.

### 7. Other Types of Expenditure

#### 7.1 Corporate Boxes – acquisition and use

- 7.1.1 Council shall not, as a general principle, acquire corporate boxes.

#### 7.2 Donations

- 7.2.1 Where payment (in money or provision of goods or services) is made without expectation of receiving goods or services in return, it is a donation.
- 7.2.2 As a general principle Council does not make donations.
- 7.2.3 Donations may only be approved by the Chief Executive Officer or the relevant General Manager and must be:

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 15 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- Disclosed
- Consistent with Council business
- Lawful
- Unpolitical
- Appropriate in size to the circumstances, and
- Shall not result in any counterparty obligation.

7.2.4 Approved donations shall be made only to recognised organisations (rather than an individual) and be by normal commercial means, i.e. by bank deposit rather than cash.

### 7.3 Koha

7.3.1 Koha is acknowledged as a gift, token or contribution given on appropriate occasions as outlined in Council's Koha and Kuia-Kaumatua Payments Policy.

7.3.2 Issuing koha shall have a justified business purpose and be in accordance with Council's Koha and Kuia-Kaumatua Payments Policy which defines appropriate occasions, size of koha, and approval requirements.

### 7.4 Communications Technology

7.3.1 Refer to HR policies for information regarding reimbursement to Council for the costs of personal use of Council assets.

### 7.5 Gifts

7.4.1 Gifts and gratuities or personal benefits offered to elected members and Council employees must be declared for inclusion in Council's Gift Register and are subject to public scrutiny as outlined in Council's Giving and Receiving Gifts Policy.

7.4.2 Criteria and conditions that apply to the giving and receiving of gifts are specified for staff in the Giving and Receiving Gifts Policy, and in the Code of Conduct for Elected Members.

## 8. Associated Policies

- Koha and Kuia-Kaumatua Payments Policy
- Giving and Receiving Gifts (Council officers and staff)

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Sensitive Expenditure Policy				
Subject	Sensitive Expenditure Policy				Page 16 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- Protected Disclosures (Whistleblowing) Policy
- Sponsorship of Teams and Events Policy
- Credit Card Policy
- Membership of Professional Organisations Policy
- Informal Acknowledgment and Recognition Policy
- Fraud and Corruption Policy

## 9. Associated Procedures

- Procurement Framework
- Code of Conduct Elected Members
- Declaration of Interests (Elected Members)
- Declaration of Interests (Staff)
- Expenses Claim Form
- Petty Cash Voucher
- Cash Refund Slip
- Refund Payment Voucher
- Request for Overseas Travel
- Declaration of Gifts received/offered Elected Members
- Declaration of Gifts given/offered Elected Members
- Declaration of Gifts received/offered Employees
- Declaration of Gifts given/offered Employees

## 10. Relevant Legislation

- Local Government Act 2002
- NZ International Financial Reporting Standards
- Goods and Services Tax
- Fringe Benefits Tax
- Income Tax Act

## 10.6 FRAUD AND CORRUPTION POLICY

**File Number:** A5731773

**Author:** Azoora Ali, Chief Financial Officer

**Authoriser:** Adele Henderson, General Manager Corporate Services

### EXECUTIVE SUMMARY

1. The purpose of this policy is to provide guidance for the prevention, detection and overall response to fraud and corruption incidents within or involving the Western Bay of Plenty District Council ("WBOPDC or Council").

### RECOMMENDATION

1. That the Chief Financial Officer's report dated 27 February 2024 titled 'Fraud and Corruption Policy' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Audit, Risk & Finance Committee adopt the Fraud and Corruption Policy (**Attachment 1** of this report) **OR:**
4. That the Audit, Risk & Finance Committee do not adopt/or recommend changes to the Fraud and Corruption Policy (**Attachment 1** of this report).

### BACKGROUND

2. The policy and procedures were due to be reviewed in April 2022 and it was recommended by Audit NZ to carry out a full review on the policy.
3. Council engaged Deloitte to review and refresh the Policy to align with best practice (specifically in relation to AS: 8001:2021 Fraud and corruption control standards, MOJ/OAG guidance) and the needs of Council.

### GAP ANALYSIS

4. In order to ensure that our overall risks are strengthened, Council undertook a gap analysis. The purpose of the gap analysis was to identify key risks and provide recommendations for Council to consider in its effort to strengthen its fraud and corruption framework to align with recommended practice.
5. Deloitte worked with senior Council staff and undertook a Better Practice Gap Analysis Workshop. The workshop was informed by key documents relevant to Council's counter-fraud and corruption efforts.

6. The gap analysis measured how well Council approaches and manages its foundation, prevention, detection, and response to fraud and corruption risk. The key findings highlighted that Council's strongest areas are prevent and respond, with key strengths being internal controls, disciplinary procedures, and investigation processes.

### **FRAUD & CORRUPTION POLICY**

7. The review resulted in multiple updates to align with current best practice. Notwithstanding updates to presentation and structure, generally key updates comprised of:
- Including and reiterating Council's commitment to zero tolerance to fraud;
  - Inclusion (update) of objectives/scope/fraud and related definitions and application of policy;
  - Assignment of dedicated roles and responsibilities/accountabilities;
  - Providing for an annual confirmation of compliance;
  - Outline procedures the Council will follow to recover losses from fraudulent or corrupt activity;
  - Highlighting how incidents of fraud and corruption will be treated under the organisation's disciplinary process;
  - Provide warning of the high penalties that people can face if they are convicted of fraud or corruption offences under the Crimes Act 1961 or the Secret Commissions Act 1910; and
  - Inclusion of requirement for staff to undergo fraud awareness training on a regular basis to educate staff about risks specific to the Council.
  - Consideration of legal action for recovery (where applicable);
  - Reiterating the need for staff to report any suspicious behaviour immediately upfront in the policy;
  - Minor updates resulting from the Strategy and Policy Workshop 7 December 2023.

### **THE SCOPE AND OBJECTIVE OF THE POLICY**

8. The scope and objective of the policy:
- Council's zero tolerance stance to fraud and corruption;
  - The consequences of a breach of the Policy;
  - How fraud and corruption are defined for the purposes of this policy and the Council;
  - Clear roles and responsibilities for all Council personnel (defined in Section 6 below) and Elected Members in relation to fraud and corruption;

- Council's key fraud and corruption prevention controls;
  - Reporting and investigation of suspected fraud or corruption; and
  - Monitoring of suspected and confirmed fraud or corruption events.
9. Where the allegation of fraud or corruption is considered significant, the Risk and Assurance Manager will notify the Chief Executive Officer and Chairperson of the Audit, Risk and Finance Committee as soon as practicable.
10. The Risk and Assurance Manager will monitor and review the Council's Policy and recommend updates as required. In collaboration with the Chief Executive Officer, these recommendations will be considered on a periodic basis.

### SIGNIFICANCE AND ENGAGEMENT

11. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy in order to guide decisions on approaches of engagement and degree of options analysis. In making this formal assessment it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
12. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
13. In terms of the Significance and Engagement Policy this decision is considered to be of **low** significance because it is predominately an internal policy

### ENGAGEMENT, CONSULTATION AND COMMUNICATION

Interested/Affected Parties	Communication		
Name of interested parties/groups	Staff will be provided training on the Policy and its requirements. Regular follow ups will be undertaken to maintain a high awareness.	Planned	Completed
Tangata Whenua	Not required		
General Public	Not required		

### ISSUES AND OPTIONS ASSESSMENT

14. Option A – Adopt policy with no further changes OR;



15. Option B – Adopt policy with recommended changes from the Audit, Risk & Finance Committee.

### STATUTORY COMPLIANCE

16. Council Personnel and Elected Members can make a protected disclosure for instances of suspected Serious Wrongdoing under the Protected Disclosures (Protection of Whistleblowers) Act 2022. Please refer to the Council's Protected Disclosure – Whistleblowing Policy on how to report.
17. Other policies and relevant Acts to the Fraud and Corruption policy are noted below
- Standard of Conduct – Employee Responsibilities – Business Ethics
  - Fraud and Corruption Reporting Procedures
  - Protected Disclosure (Whistleblowing) Policy
  - Discipline and Procedural Fairness
  - Conflict of Interests Policy
  - Sensitive Expenditure Policy
  - Delegations Manual
  - Discipline and Procedural Fairness Policy
  - Koha and Kuia-Kaumatua Payments Policy
  - Giving and Receiving Gifts Policy
  - Local Government Act 2002, Sections 100 and 101 (financial prudence)
  - Local Authorities (Members' Interests) Act 1968
  - Protected Disclosures (Protection of Whistleblowers) Act 2022
  - Secret Commissions Act 1910
  - Crimes Act 1961, Sections 99, 105 and 105A Fraud and Corruption Procedures

### FUNDING/BUDGET IMPLICATIONS

18. All funding and budgets will be managed through existing budgets.

### ATTACHMENTS

1. **Fraud & Corruption Policy** 

# **Mā tō tātou iwi** **For our People**

## **Fraud and Corruption Policy**



**Western  
Bay of Plenty**  
District Council

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 2 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

**Policy Name:** Fraud and Corruption Policy 2023

**Endorsed by:** Senior Leadership Team

**Group:** Corporate Services

**Approved by:** Chief Executive Officer

**Date adopted:** 27 February 2024

**Review by:** 31 January 2027

**Review:** Every 3 years, or as required. Next review to be completed by 31 January 2027.  
This Policy does not cease to have effect because it is due for review, or in the process of being reviewed.

**Consultation:** Internal

**Policy Type:** Council Operational

1.	Purpose .....	3
2.	Scope .....	3
3.	Council's Response to Fraud and Corruption .....	4
4.	Objectives .....	4
5.	Consequences of a Breach .....	5
6.	Definitions .....	5
7.	Examples of Fraud and Corruption .....	7
8.	Roles and Responsibilities .....	9
9.	Reducing the Risk of Fraud and Corruption .....	12
10.	Reporting and Investigation .....	12
11.	Protected Disclosures .....	14
12.	Confidentiality .....	14
13.	Monitoring .....	15
14.	Relevant Law, Council Policies and Procedures .....	16

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 3 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

# Fraud Prevention Policy

## 1. Purpose

- 1.1 The purpose of this policy is to provide guidance for the prevention, detection and overall response to fraud and corruption incidents within or involving the Western Bay of Plenty District Council ("**WBOPDC** or **Council**").
- 1.2 The policy outlines:
  - a) The scope and objective of the policy;
  - b) Council's zero tolerance stance to fraud and corruption;
  - c) The consequences of a breach of the policy;
  - d) How fraud and corruption are defined for the purposes of this policy and Council;
  - e) Clear roles and responsibilities for all Council staff (defined in Section 6 below) and Elected Members in relation to fraud and corruption;
  - f) Council's key fraud and corruption prevention controls;
  - g) Reporting and investigation of suspected fraud or corruption; and
  - h) Monitoring of suspected and confirmed fraud or corruption events.
- 1.3 This policy is to be read in conjunction with the:
  - a) WBOPDC Fraud and Corruption Reporting Procedures ("**the Procedures**"); and
  - b) Protected Disclosure – Whistleblowing Policy.

## 2. Scope

- 2.1 This policy applies to all Council Staff (defined in Section 6 below) and Elected Members in relation to all fraud or corruption incidents, whether suspected, alleged or proven, that are either committed:
  - a) Against Council by a person or another organisation; or
  - b) By any Council Staff or Elected Member against any third party.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 4 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

### 3. Council's Response to Fraud and Corruption

- 3.1 As a public sector organisation that is entrusted with public funds, Council must set and maintain the highest standards of honesty, integrity and transparency. Allegations of fraud and corruption can cause serious reputational, cultural, financial and legal harm for Council. As such, all Council staff (defined in Section 6 below) are expected to act in accordance with these high legal and ethical standards at all times.
- 3.2 This policy reflects Council's commitment to preventing, detecting and responding to fraud and corruption threats. Council has a zero tolerance stance in relation to fraud and corruption.
- 3.3 Zero tolerance within Council means:
- In accordance with this policy, all instances of suspected fraud or corruption will be assessed and/or investigated, with appropriate action taken;
  - All confirmed suspicions of fraud or corruption will be treated as serious misconduct in accordance with Council's Discipline and Procedural Fairness Policy and, where deemed appropriate (i.e. significant incidences of fraud or corruption as defined in section 6 below), will be referred to the Police, Serious Fraud Office, or any other appropriate enforcement agency where applicable; and
  - Where deemed appropriate, Council will take all necessary steps to recover any loss or expenditure attributable to fraud or corruption activities. This includes, but is not limited to, recovery of intellectual property, physical assets, money, third party expenses incurred and investigation costs.

### 4. Objectives

- 4.1 To reduce the risk of fraud or corruption within Council, the three key objectives that need to be met are:
- Prevention:** Reducing the risk of fraud or corruption taking place within Council;
  - Detection:** Identifying instances of fraud or corruption at the earliest instance and providing effective channels for reporting, responding, and managing these instances; and

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 5 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- c) **Response:** Taking immediate action to remedy the harm caused by fraud and corruption, including the preservation of crucial evidence to enable a meaningful and accurate response.

## 5. Consequences of a Breach

- 5.1 Any breach of this policy or relevant laws may result in any or all of the following:
- Disciplinary action in accordance with Council's Discipline and Procedural Fairness Policy;
  - Civil action; and
  - Criminal prosecution under the Crimes Act 1961 or the Secret Commissions Act 1910 (maximum penalties ranges from fines to imprisonment).

## 6. Definitions

Term	Definition
<b>Assets</b>	<p>These include, but are not limited to:</p> <ul style="list-style-type: none"> <li>Cash and cash equivalents;</li> <li>Property, plant and equipment;</li> <li>Furniture and fittings;</li> <li>ICT devices and equipment;</li> <li>Collections;</li> <li>Vehicles and other stock; and</li> <li>Intangible assets (e.g., computer software, licences); and</li> <li>Data; and</li> <li>Intellectual property of the Council.</li> </ul>
<b>Corruption</b>	<p>'Corruption' is defined as dishonest activity in which a person associated with an organisation acts contrary to the interests of the organisation and abuses their position of trust to achieve personal advantage or advantage for another person or organisation. This may include but is not limited to (both domestic and foreign) coercion, destruction, removal or disclosure of data, materials, assets or similar forms of inappropriate conduct.</p>

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 6 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

**Council staff**

For the purpose of this policy, Council staff includes:

- All current and former Council employees (casual, fixed term, permanent, part time and full time);
- Agency employees and individuals seconded to the Council;
- Council contractors (individuals, contractor staff, sub-contractors or persons affiliated with third parties) and consultants working with the Council; and
- Volunteers working for the Council.

**Error**

There is a distinction between 'fraud' and 'error'.

An 'error' is an unintended action or omission that occurs unknowingly due to a lack of knowledge or oversight by an individual or group. It can involve unintentionally providing incorrect information, neglecting to include an account or disclosure by mistake, or undertaking an action that leads to unexpected or unintended outcomes or consequences.

In contrast, 'fraud' is a deliberate act.

**Fraud**

'Fraud' refers to a broad category of illicit behaviours characterised by deliberate deception occurring during, before, or after an event, with the aim of obtaining unfair, unjust, or unlawful actual or potential advantages. Fraud involves intentional dishonest actions that result in actual or potential harm to individuals or organisations. Examples of fraud are provided in Section 7 below.

**Fraud Control Officer**

Designated role to support the Chief Executive Officer in the fraud and corruption risk management activities. This is assigned to the Risk and Assurance Manager and key roles and responsibilities are defined in Section 8 below.

**Serious Wrongdoing**

Serious wrongdoing is defined (by the Protected Disclosure (Protection of Whistleblowers) Act 2022) as any act, omission, or course of conduct in (or by) any organisation that is one or more of the following:

- An offence;
- A serious risk to:

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 7 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- Public health; or
- Public safety; or
- The health or safety of any individual; or
- The environment.
- A serious risk to the maintenance of law, including:
  - The prevention, investigation, and detection of offenders; or
  - The right to a fair trial.
- An unlawful, a corrupt, or an irregular use of public funds or public resources;
- Oppressive, unlawfully discriminatory, or grossly negligent, or that is gross mismanagement, and is done (or is an omission) by:
  - Council Staff;
  - A person performing (or purporting to perform) a function or duty or exercising (or purporting to exercise) a power on behalf of a public sector organisation or the Government.

**Significant incidences of fraud or corruption**

Incidences of 'significant' suspected fraud or corruption for the purpose of this policy and the Procedures, are incidences involving the suspected theft or misuse of Council assets valued at more than \$1,000 or of a nature that has the potential to adversely impact on business operations, service delivery or sector/public confidence in the Council.

## 7. Examples of Fraud and Corruption

### Fraud

- 7.1 Examples of fraud and dishonesty may include, but are not limited to:
- a) Knowingly providing false, incomplete or misleading information to the Council for unfair, unjustified or unlawful gain;
  - b) Forgery or alteration of data and securities;
  - c) Unauthorised possession, use or misappropriation of funds or assets, Council property, equipment, materials or records and intellectual property, whether the Council's or a third party;
  - d) Any irregularities of funds, securities, supplies or any other asset;



Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 8 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- e) Deliberate mishandling of or misreporting money or financial transactions;
- f) Misappropriation of furniture, fixtures and equipment;
- g) Any computer-related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or the misappropriation of Council owned software; or
- h) Any claims for reimbursement of expenses that are not made for the exclusive benefit of Council.

### Corruption

7.2 Examples of corruption include, but are not limited to:

- a) The provision or acceptance of cash (or similar), facilitation payments or kickbacks;
- b) Failure to disclose and or manage a conflict of interest with a third party that leads to preferential treatment (e.g. employing friends or relatives);
- c) Giving or receiving unauthorised gifts, travel and/or hospitality such as, accepting or seeking anything above \$50 value (see Giving and Receiving Gifts Policy) from vendors, contractors, consultants or persons, including before, during and after, any procurement process without prior consent of the Chief Executive Officer or General Manager;
- d) Any Council Staff who has a business involvement with a third party, improperly using, or trying to improperly use, the knowledge, power or resources of their position for personal gain or for the advantage of others;
- e) Knowingly providing, assisting or validating in providing false, misleading, incomplete or fictitious information to circumvent Council procurement processes and procedures to avoid further scrutiny or reporting;
- f) Disclosing private, confidential or proprietary information to outside parties without implied or expressed consent;
- g) Facilitation of business transactions such as securing contracts or persons, including before, during and after, any procurement processes;

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 9 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- h) A member of the public influencing or trying to influence Council Staff, an Elected Member or any other party that has a business involvement with the Council, to use their position in a way that is dishonest, biased or breaches public trust;
- i) The improper use of a political/business position of authority or 'influence'; or
- j) Giving or receiving unauthorised rebates or reimbursements.

## 8. Roles and Responsibilities

### Chief Executive Officer

- 8.1 The Chief Executive Officer has overall responsibility and accountability for preventing, detecting and responding to fraud and corruption within the Council.

### General Managers

- 8.2 General Managers are responsible for fostering effective management controls, processes, training, and awareness regarding fraud and corruption, within their areas of responsibility.
- 8.3 General Managers are responsible for role modelling high standards of ethical behaviour and setting the tone from the top on the Council's zero tolerance to fraud and corruption.
- 8.4 If required, General Managers shall seek support from and engage specialist resources in accordance with the Procedures, such as Legal, Finance, Procurement, or Risk and Assurance, to ensure effective prevention, detection, and response to fraud and corruption.
- 8.5 Within their respective business areas, all General Managers must ensure this policy and the Procedures are well understood and complied with.
- 8.6 All General Managers must provide consistent messaging to their business areas in relation to this policy and the Procedures both internally and externally with organisations that, or may, hold a business relationship with the Council.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 10 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

### Managers

8.7 All Managers are responsible for:

- a) Ensuring all Council Staff and individuals who interact with the Council have a clear understanding of the policy and Procedures and their responsibilities in relation to preventing, detecting and responding to fraud and corruption;
- b) Identifying the potential risks, including but not limited to the risk of fraud or corruption, that may impact the Council's systems, operations, and procedures;
- c) Developing and maintaining effective controls to prevent and detect fraud and corruption, within the Council's usual business and/or programmes of work;
- d) Ensuring that the Council's established controls and processes are actively complied with;
- e) Facilitating a culture that encourages proactive detection and reporting of fraud and corruption risks; and
- f) Ensuring employees who make allegations of fraud or corruption are supported and directed to the appropriate reporting channels when required.

### Fraud Control Officer (Risk and Assurance Manager)

8.8 The Risk and Assurance Manager (as the Fraud Control Officer) is accountable for ensuring the following:

- a) All reported allegations of fraud or corruption are assessed and/or investigated in a timely and appropriate manner. The Fraud Control Officer will authorise a lead investigator to carry out an investigation in accordance with the investigation process (refer to Section 10 and the Procedures). If the Fraud Control Officer is the subject of the investigation or otherwise conflicted, the Chief Financial Officer will be responsible;
- b) All allegations or reports of fraud and corruption are reported to the Chief Executive Officer in a timely manner (refer to Section 10);
- c) All allegations or reports of fraud and corruption are reported to the Audit, Risk and Finance Committee on a quarterly basis (refer to Section 13);

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 11 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- d) The register recording reports and investigations of fraud and corruption is maintained and regularly reviewed (refer to Section 13);
- e) Regular monitoring of the policy and its Procedures with updates made and communicated as required.

#### Head of People and Capability

- 8.9 Head of People and Capability (or appropriate delegate) is responsible for providing appropriate input and guidance into the employment element of the investigations to ensure that all people are treated fairly, in line with natural justice principles, and in accordance with the Council's Discipline and Procedural Fairness Policy.

#### All Council Staff and Elected Members

- 8.10 All Council Staff, including managers, and Elected Members are responsible for:
- a) Being aware of, and behaving in accordance with applicable laws, the Council's policies, procedures and Standard of Conduct;
  - b) Confirming, in writing, on a yearly basis, that they have complied with this policy and undertake to comply over the coming year;
  - c) Acting honestly, fairly and with integrity in undertaking Council tasks and activities;
  - d) Participating in fraud awareness training offered by the Council;
  - e) Remaining vigilant, promptly reporting any suspicions of fraud or corruption (including assisting or collaboration) in accordance with the Fraud and Corruption Procedures;
  - f) Promptly reporting any fraud or corruption control failures or breaches as soon as they become aware of them;
  - g) Assisting any person authorised by management to conduct an investigation;
  - h) Not knowingly making a false or misleading statement or report; and
  - i) Not hindering or impeding, or inappropriate disclosing details of an investigation.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 12 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

## 9. Reducing the Risk of Fraud and Corruption

- 9.1 The optimal way to reduce the risk of fraud and corruption is through the implementation of sufficient business processes and internal controls which are supported by written policies and procedures. These include, but are not limited to:
- a) Code of Conduct;
  - b) Setting the 'tone at the top';
  - c) Appropriate and regularly reviewed policy and procedural documentation;
  - d) Segregation of duties;
  - e) Appropriate delegations and authorisation levels;
  - f) Management of conflict of interest; and
  - g) Clearly outlined fraud control responsibilities.
- 9.2 Council's internal controls will be maintained and regularly reviewed by the Fraud Control Officer. Specific reviews of internal controls will be undertaken as part of Council's internal audit programme, along with ad hoc reviews as deemed appropriate by Council. Any weaknesses identified will be addressed on an ongoing basis.

## 10. Reporting and Investigation

- 10.1 All persons captured under the scope of this policy are required to immediately report all suspected incidents of fraud and corruption that they become aware of in accordance with the Procedures.
- 10.2 All persons captured under the scope of this policy who receive a report of suspected fraud and corruption are required to immediately notify the relevant parties in accordance with the Procedures.
- 10.3 Council will conduct an assessment and/or investigation of all suspected acts of fraud or corruption in accordance with the Procedures. Assessments and/or investigations will be appropriately documented, underpinning natural justice principles.
- 10.4 All reported allegations of fraud or corruption will be reported by the Fraud Control Officer to the Chief Executive Officer. The Chief Executive Officer will be informed of pertinent findings throughout the investigation process, and the outcome at the conclusion of the investigation.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 13 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- 10.5 Where there are reasonable grounds to indicate fraud or corruption has occurred and where deemed appropriate, the Fraud Control Officer, in collaboration with the Chief Executive Officer, the Mayor (where appropriate), and the Chairperson of the Audit, Risk and Finance Committee will report this to the Police, Serious Fraud Office or any other appropriate law enforcement authority or third party, in accordance with the Procedures.
- 10.6 The investigation team will be given free and unrestricted access to Council records and premises for the purpose of conducting its investigation and will ensure adherence to the Privacy Act 2020 and other relevant legislation where appropriate.
- 10.7 Council staff are not authorised to conduct or be involved in an investigation unless they have been assigned as the investigator in accordance with the Procedures.
- 10.8 The decision to engage specialist fraud or corruption experts will be made by the Fraud Control Officer, in collaboration with the Chief Executive Officer and where appropriate, the Chairperson of the Audit, Risk and Finance Committee and the Mayor as required.
- 10.9 Where an allegation of suspected fraud or corruption involves a person subject to the Council's Discipline and Procedural Fairness Policy, the Head of People and Capability must be notified, and the requirements of the disciplinary process must be followed.
- 10.10 The Head of People and Capability must promptly notify the Fraud Control Officer of all suspected incidents of fraud and corruption involving individuals subject to the Council's Discipline and Procedural Fairness Policy.
- 10.11 All suspected instances of fraud or corruption will be treated as serious wrongdoing. Each case of suspected fraud and corruption will be thoroughly assessed and/or investigated and reported in accordance with the Council's Discipline and Procedural Fairness Policy.
- 10.12 Council Staff subject to an investigation may be stood down on full pay for all or part of the duration of the investigation in accordance with the Discipline and Procedural Fairness Policy.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 14 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

## 11. Protected Disclosures

- 11.1 Council Staff and Elected Members may instead make a protected disclosure for instances of suspected Serious Wrongdoing under the Protected Disclosures (Protection of Whistleblowers) Act 2022. Please refer to Council's Protected Disclosure – Whistleblowing Policy on how to report.

## 12. Confidentiality

- 12.1 Subject to any legal or investigation requirements, all individuals including individuals of suspected of alleged wrongdoing or serious wrongdoing that are involved in a formal investigation or informal process has:
- The right to have their identity protected wherever possible without detriment to Council;
  - The right to have information they disclose kept confidential;
  - The duty to respect the rights of others to the maintenance of confidence; and
  - The right to have any limits of confidentiality explained to them.
- 12.2 All participants in an investigation or informal process shall keep the details and results of that process confidential.
- 12.3 Any Council Staff or Elected Member contacted by the media with respect to an investigation of fraud or corruption shall refer the media to the Chief Executive Officer in the first instance (who may consult with the Communications and Engagement Manager as applicable).
- 12.4 Unless authorised to do so, the details of the investigation shall not be discussed with any person or third party, including the media, other than through the Chief Executive Officer (who may consult with the Communications and Engagement Manager as applicable).
- 12.5 Individuals reporting suspected instances of Serious Wrongdoing are covered by the WBOPDC Protected Disclosure – Whistleblowing Policy in accordance with the Protected Disclosures (Protection of Whistleblowers) Act 2022.

Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 15 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

- 12.6 Notwithstanding the above, where fraud or corruption has occurred, the Council reserves the right to share information with the Audit, Risk and Finance Committee, Council members, the NZ Police, Serious Fraud Office, Audit New Zealand, Office of the Auditor General, the Council's insurers, or other appropriate parties.

### 13. Monitoring

- 13.1 The Fraud Control Officer (or if implicated, the Chief Executive Officer) will maintain the register that records fraud or corruption reports and investigations in a secure file and will ensure compliance with the Privacy Act 2020 and related Council policies.
- 13.2 The Fraud Control Officer will report to the Audit, Risk and Finance Committee quarterly on all allegations or reports of fraud and corruption in a Public-Excluded meeting. Reporting will be limited to the number of fraud or corruption reports, with a high-level summary of outcomes (i.e., no further action taken, upheld or dismissed) and reviewed by the Audit, Risk and Finance Committee.
- 13.3 Where the allegation of fraud or corruption is considered significant (defined at Section 6 above), the Fraud Control Officer will notify the Chief Executive Officer, the Mayor and Chairperson of the Audit, Risk and Finance Committee as soon as practicable.
- 13.4 The Fraud Control Officer will monitor and review the Council's Policy and recommend updates as required. In collaboration with the Chief Executive Officer, these recommendations will be considered on a periodic basis.



Western Bay of Plenty District Council People Policy and Procedures Manual					
Section	Fraud and Corruption Policy				
Subject	Fraud and Corruption Policy				Page 16 of 16
Authorised by	General Manager Corporate Services	Primary Document	Yes	Next review month	January 2027

#### 14. Relevant Law, Council Policies and Procedures

- [HRP200-201 Standard of Conduct – Employee Responsibilities – Business Ethics](#)
- Fraud and Corruption Reporting Procedures
- Protected Disclosure – Whistleblowing Policy
- [HRP1200-1201 Discipline and Procedural Fairness](#)
- Conflict of Interests Policy
- Sensitive Expenditure Policy
- Delegations Manual
- Discipline and Procedural Fairness Policy
- Koha and Kuia-Kaumatua Payments Policy
- Giving and Receiving Gifts Policy
- [Local Government Act 2002](#), Sections 100 and 101 (financial prudence)
- [Local Authorities \(Members' Interests\) Act 1968](#)
- [Protected Disclosures \(Protection of Whistleblowers\) Act 2022](#)
- [Secret Commissions Act 1910](#)
- [Crimes Act 1961](#), Sections 99, 105 and 105A Fraud and Corruption Procedures

## 11 INFORMATION FOR RECEIPT

### 11.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

**File Number:** A5929940

**Author:** Azoora Ali, Chief Financial Officer

**Authoriser:** Adele Henderson, General Manager Corporate Services

#### EXECUTIVE SUMMARY

The Audit, Risk and Finance Committee (ARFC) work programme for February – December 2024 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 2024 for Council and all its committees.

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

#### RECOMMENDATION

That the Chief Financial Officer's report dated 27 February 2024 titled 'Audit, Risk and Finance Committee Work Programme' be received.

#### BACKGROUND

The Audit, Risk and Finance Committee (ARFC) work programme for 2024 are in line with terms of reference for this Audit Risk and Finance Committee. The work programme sets out the reports for 2024 year.

Work Programme 2024				
	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)		✓ (LTP 3 yearly)		
Annual Report – Management Report from Audit NZ	✓			
Debenture Trust Deed Audit Report	✓			
Key Accounting Judgement (annually)		✓		
Tax Risk Management Framework (next report 2025)		✓		
Tax Risk Management Framework – yearly update			✓	
Insurance renewal – Aon (annually)		✓ (strategy)		✓ (endorse)
Insurance – Broker Presentation (Aon)				✓
Treasury Update & Presentation (Bancorp)		✓		
Credit rating review				✓

Work Programme 2024				
	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 (as required)	✓	✓	✓	✓
Cyber Security Report (as required)	✓	✓	✓	✓
Outstanding items raised by audits (ORR)	✓	✓	✓	✓
Draft annual report review (annually)			✓	
Review audit representation letters (annually)			✓ (depending on timing – here for now)	
Audit NZ interim audit report		✓		
Employee matters (as required)	✓	✓	✓	✓
Auditor NZ Update	✓	✓	✓	✓

**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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>12.1 - Outstanding Recommendations Register January 2024</b>	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  s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	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
<b>12.2 - Confidential Risk and Assurance Report February 2024</b>	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  s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	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

<b>12.3 – Litigation and Issues Watch Register Update February 2024</b>	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege	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
---	---	--