

Mā tō tātou takiwā
For our District

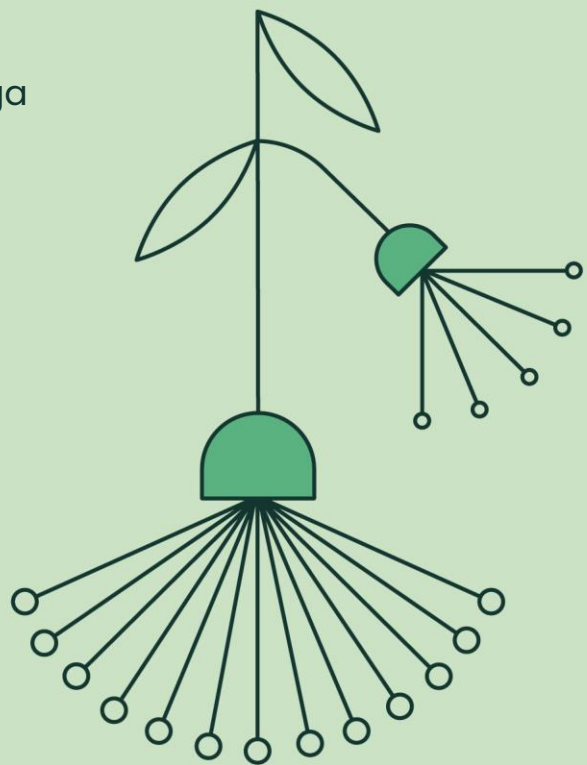
Audit and Risk Committee

Komiti Taiwhenua

AR22-3

Tuesday, 9 August 2022, 9.30am

Council Chambers, Barks Corner, Tauranga



Audit and Risk Committee

Membership:

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

Role:

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

Scope:

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

Responsibilities:

External Audit and External Accountability

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

Internal Audit

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

Risk Management

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

Other Matters

- Review the effectiveness of the control environment established by management including computerised information systems controls and security. This also includes a reviewing/monitoring role for relevant policies, processes and procedures.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies

- Engage with internal and external auditors on any specific one-off audit assignments.
- Consider financial matters referred to the committee by the Chief Executive, Council or other Council committees.

Power to Act:

The Committee is delegated the authority to:

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

Notice is hereby given that a Audit and Risk Committee Meeting will be held in the Council Chambers, Barks Corner, Tauranga on:
Tuesday, 9 August 2022 at 9.30am

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1 PRESENT**2 IN ATTENDANCE****3 APOLOGIES****4 CONSIDERATION OF LATE ITEMS****5 DECLARATIONS OF INTEREST**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest that they may have.

6 PUBLIC EXCLUDED ITEMS**7 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

8 PRESENTATIONS

8.1 BANCORP TREASURY UPDATE AND PRESENTATION

File Number: A4614080

Author: David Jensen, Chief Financial Officer

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

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

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

RECOMMENDATION

1. That the Chief Financial Officer's report dated 9 August 2022 titled 'Bancorp Treasury Update and Presentation' be received.
2. That the presentation from Bancorp Treasury dated 9 August 2022 be received.

9 REPORTS

9.1 TREASURY UPDATE REPORT

File Number: A4632247

Author: David Jensen, Chief Financial Officer

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

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

RECOMMENDATION

That the Chief Financial Officer's report dated 9 August 2022 titled 'Treasury Update Report' be received.

BACKGROUND

1. Council has a Treasury Policy which sets the strategic direction for Council's treasury function and the mitigation procedures in place to minimise Council's exposure to treasury related risk. This report provides an update on the treasury related risks presented on 9 August 2022 and assesses Council's exposure as required by Council's Treasury Policy.

INTEREST RATE RISK

2. 'Interest Rate Risk' is the risk that either investment returns will fall materially short of forecast, or, that financing costs will exceed projections due to adverse movements in interest rates.
3. The Reserve Bank ('RB') raised the Official Cash Rate ('OCR') to 2.50% in its Monetary Policy Statement on 13 July 2022. The RB noted that 'spending and investment demand continues to outstrip supply capacity' and that the RB would 'continue to lift the OCR to a level where it is confident consumer price inflation will settle within the target range' of between 1% and 3%. The RB currently forecasts the OCR to peak at 3.94%.
4. Council's interest rate hedging remains within policy, and we have a large degree of price certainty relating to our borrowing costs for the next 12 months, due to our mixture of fixed and floating rate debt. Council's weighted average cost of capital is currently lower than budgeted and the 2022/2023 Annual Plan included an increase to Council's interest rate assumption, which is forecast to cover the market increases throughout the year.

5. Council continues to work with Bancorp Treasury to manage hedging positions to strike a balance between price certainty and flexibility, and Council's interest rate risk remains low.

LIQUIDITY AND FUNDING RISK

6. 'Liquidity Risk' is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations. This is because Council's cash flow is dependent on the maturity of cash investments and loans.
7. Council's 2022/2023 Annual Plan shows an increase in borrowing as a result of the large 2023 capital programme. Council's actual borrowing requirements will continue to be driven by the achievement of the capital programme which has been demonstrated to be challenging.
8. Council began the financial year in a strong cash position and continues to hold positive balances. Viewing this in conjunction with Council's ability to access capital from the Local Government Funding Agency, Council's liquidity and funding risk remains low.

FOREIGN EXCHANGE RISK

9. 'Foreign Exchange Risk' is the risk that volatile movements in foreign currency may adversely affect the cost to Council of entering into arrangements with offshore parties.
10. Council has not entered into any significant foreign exchange contracts and this risk remains low.

COUNTERPARTY CREDIT RISK

11. 'Counterparty Credit Risk' is the risk of losses occurring as a result of a counterparty default.
12. Council continues to require credit ratings of 'A' or higher when placing funds on deposit. This requirement may need to be revised, depending on the current review of bank credit ratings by their respective rating agencies.
13. While there is a possibility that banks may receive a lower rating, they are not yet considered at risk of default. Council continues to view its counterparty risk as low.

9.2 QUARTERLY REVIEW OF RISK PROFILE

File Number: A4632254

Author: David Jensen, Chief Financial Officer

Authoriser: James Graham, Acting General Manager Corporate Services

BACKGROUND

1. In the prior quarter, risk categories had been identified by Elected Members through a workshop held with KPMG which covered strategic risks relating to the delivery of the Long-Term Plan (LTP), and the growth and performance of the Western Bay of Plenty District Council.
2. The new strategic risk categories identified by Elected Members have been discussed and work shopped by the Senior Leadership Team (SLT) in facilitated sessions with KPMG. Operational risks under these strategic categories have been identified and risk appetite and risk profiles have been defined and scored accordingly, to form an overall risk profile against each category. These Risks are reviewed and updated quarterly, if necessary, based on the internal and external operating environment.

RECOMMENDATIONS

That the Chief Financial Officer's report dated 9 August 2022 titled 'Quarterly Review of Council's Risk Profile' be received.

RISK REPORTING

3. The top eight risk categories form the risk profile for Western Bay of Plenty District Council and the trend remains stable (*Risk Category Matrix table included in the report below*). There are no significant emerging risks to be added since the June 2022 Audit and Risk Committee meeting.
4. The following items staff continue to monitor in terms of the external operating environment and any potential impact on the current (residual)scoring for our risk categories:
 1. Continuing labour shortages for Council and its contractors is impacting adversely on Councils **Operational Risk Category** with slower than forecast delivery of capital works programme and operational services. The availability of consenting staff is causing a delay in some projects. Staff continue to mitigate by recruiting as quickly as possible and a significant piece of work has been undertaken on our employee value proposition. (How we retain existing staff and market Council to perspective employees)

- II. Supply chain disruptions are causing delays in the supply of materials and are impacting on capital programme delivery in the **Operational Risk Category**. This is a particular issue for any overseas purchases with lead times of up to six months. This is being mitigated via careful project management and order placement linked to Councils workplans.
 - III. A second wave of COVID-19 and a particularly nasty winter seasonal flu has seen a significant increase in staff and contractors being off sick. This impacts on our **Health and Safety** and **Operational Risk Categories**. To a certain extent mitigating this risk is somewhat uncontrollable, however Council continues to promote remote working and COVID-19 Orange setting recommendations.
 - IV. Impact of several regulatory reforms on Council strategy and activities. The high-risk appetite rating in **Regulatory Change Category** is indicative of our inability to control the outcomes and impact. Council continues to actively work with central Government to advocate and partner in the processes.
 - V. Monetary policy decisions particularly related to inflation and rising interest costs are an issue for Council. This has an impact on the **Growth and Financial Stability Risk Category**. Staff see no need to change the risk setting as Council is well hedged from a treasury perspective on our borrowings and the current annual plan assumptions for capital projects has been increased by 10% to mitigate the impact of inflation.
5. Business Continuity Plans are in place for most business-critical functions to deliver our services in the event of an unexpected business interruption.

ACTIVITIES DELIVERED DURING CURRENT AND NEXT QUARTER

- 6. An Executive Risk Management Committee has been formed to monitor the implementation of Council's risk Management framework and maturity road map. This group has met for the second time and is heavily focused on implementing a culture of Risk Management in the Council. (*Refer to progress against Risk maturity roadmap tables below for further detail*)
- 7. The development of the Risk Management Policy & Framework is underway.
- 8. Council staff have worked with KPMG to scope up the Councils first internal assurance audit. This first function to be reviewed will be the procurement function.
- 9. The appointment of the new independent committee advisor is complete. Stuart Henderson will attend his first meeting in August. Recruitment is also underway for a new Assurance and Risk Manager to assume responsibility for the implementation of the new Risk Maturity framework.
- 10. An independent review of Councils payroll-related taxes has been completed. The overall results were strong, and Council is meeting its obligations. The review also covered the internal processes undertaken in the payroll process. There were no issues of concern raised in terms of fraud and segregation of duties.

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 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.
12. In terms of the Significance and Engagement Policy this decision is of low significance as residents and ratepayers are not affected by the review even though the risk may occur later. Ratepayers and residents would only be affected if a significant risk occurred.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

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

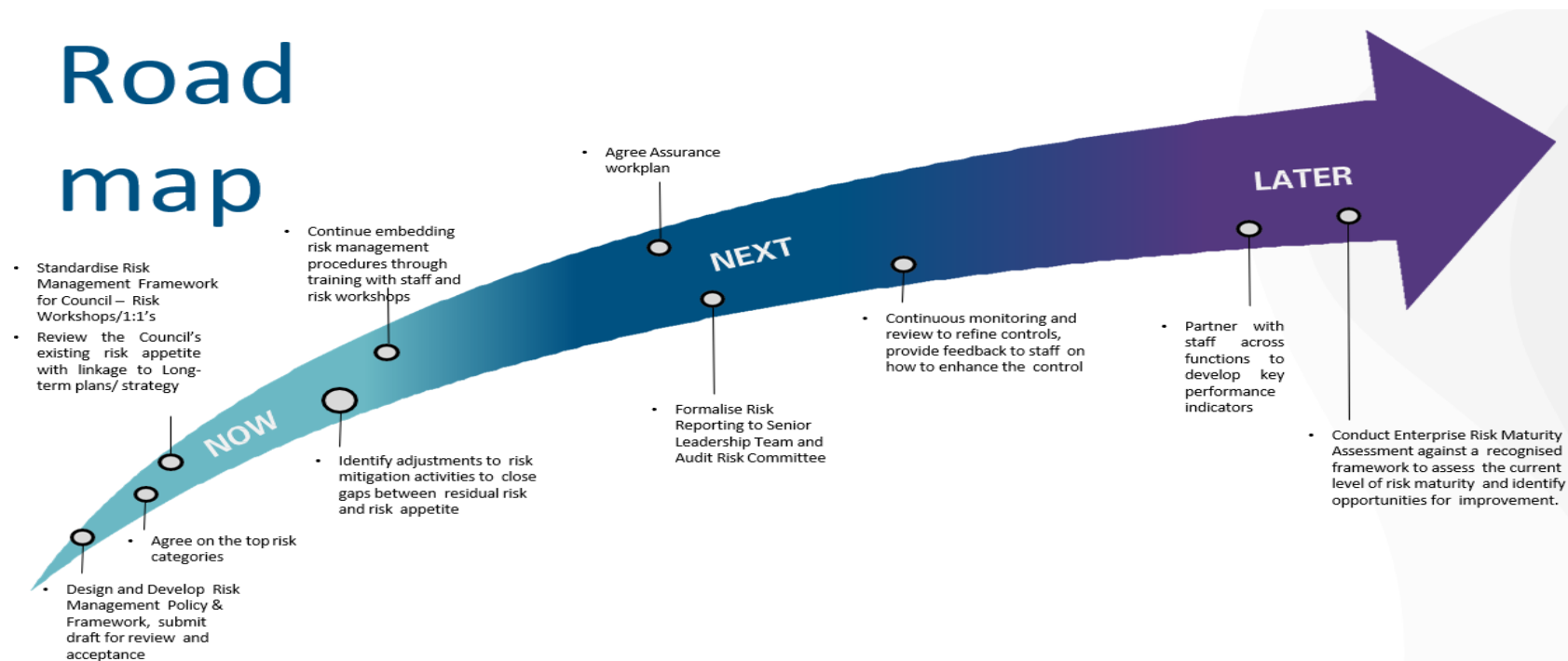
STATUTORY COMPLIANCE

13. The recommendation in this report complies with Council's current Risk Management Policy and Risk Management Framework.

FUNDING/BUDGET IMPLICATIONS

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

RISK MATURITY ROAD MAP







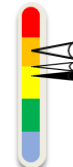
PROGRESS AND WORKPLAN – THE JOURNEY TO RISK MATURITY


Complete (Past 6 months)	NEXT (12 MONTHS)
<p>Completed:</p> <ul style="list-style-type: none"> — Top risk categories identified and agreed by Governance. — Staff have scored Risk categories for Risk Appetite and Residual Risk and syndicated with Governance. — Reviewed the Council's existing risk appetite with linkage to Long- term plans/ strategy — KPMG undertaken training with Governance and Staff. Key outcomes linkage to strategy and common language and roles and responsibilities. — Establishment of Executive Risk forum to direct the implementation of the road map to maturity and good risk management at Council. — Recruited new independent audit committee member. <p>Comments: The focus in the last 6 month has concentrated on redefining how Council manages risk in the delivery of the Council's strategy. This has concentrated on a culture change in terms of moving from transactional risk management and reporting to an integrated strategic risk management framework. It should not be underestimated the level of change management required in terms of training, education and coordination required to implement the initial steps in our Risk Maturity Road Map.</p>	<p>Planned:</p> <ul style="list-style-type: none"> — Design and Develop Risk Management Policy & Framework, submit draft for review and acceptance — Agree and Implement Internal Assurance Programme. Procurement currently at scoping stage. — Induct new Council and provide training for new Triennium. — Review the Council's existing risk appetite with linkage to new Long- term plans/ strategy — Continue embedding risk management procedures through training with staff and risk workshops. — Update and formalise risk reporting to SLT and Audit and Risk Committee. — Deep dive workshops with Councillors on Risk Categories to further understanding and tease out the Councils Risk Appetite.



RISK CATEGORY MATRIX

◁ Residual risk ▷ Risk appetite

Risk name and description	Risk owner	Risk settings	Risk appetite rationale
<p>Operational risk</p> <p>The risk of delay or inability to deliver and execute on projects or services provided by the Council or regular Council operations as a result of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial losses and loss of reputation from IT/cyber risk events, fraud events, internal process/control failure, and inadequate or inappropriate people capacity, capability, and culture.</p>	<p>James Graham - General Manager Corporate Services</p> <p>Gary Allis - Deputy Chief Executive Officer/General Manager Infrastructure</p>		<p>Delivery of key projects and the long-term plan is critical to the achievement of planned community outcomes and is central to achieve the key strategic vision of the Council. The Council has a 'Low' risk appetite for the management of operational risk which could cause potential delays in project delivery, impact the Council's operations, quality of service delivery, and result in failure to meet community expectations.</p>
<p>Health, Safety and Wellbeing</p> <p>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.</p>	<p>James Graham - General Manager Corporate Services</p>		<p>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 (like the current pandemic). The Council recognises this as its key priority and has a 'Low' risk appetite for the risk, considering some risks will be outside of its ability to control. Health, Safety and Wellbeing risks will not be traded-off while delivering on its strategic objectives.</p>

<p>Relationships with key stakeholders (Central Government and Community)</p> <p>WBOPDC's inability to maintain a strong strategic relationships with Central Government, its agencies, and the wider Community. This may potentially lead to missed opportunities, the inability to adequately influence, respond and adapt to government reforms, failure to meet community expectations, and/or deliver on the Council's long-term plan outcomes.</p>	<p>Rachael Davie – General Manager Strategy and Community</p>		<p>The Council aims to continually build on its engagement approach with the community to be able to understand, identify, manage and deliver on their expectations and develop a strong relationship.</p> <p>Further, the Council aims to enhance and grow its strategic relationships with Central Government and key government agencies to gain additional insights and guidance to anticipate and support potential opportunities for development in the region.</p> <p>This reflects in the Council's 'Low' risk appetite.</p>
<p>Partnership with Iwi and Mana Whenua</p> <p>There is a risk that WBOPDC fails to honour the principles of Te Tiriti o Waitangi and its statutory obligations to Iwi Māori which would compromise relationships, our ability to meet the expectations of tangata whenua, including in delivering on key projects.</p>	<p>Rachael Davie – General Manager Strategy and Community</p>		<p>Council continually strives to prioritise and build key relationships with Iwi and hapū within our rohe. This is important to deliver on wellbeing outcomes, long-term plan commitments, statutory obligations and treaty principles. The Council has a 'Medium-High' risk appetite for managing the risk.</p>
<p>Climate change</p> <p>The failure to adequately identify, understand, plan for, address and respond to climate change obligations and reform including reducing greenhouse gas emissions, the consequences of which pose risk to people, communities and the environment.</p>	<p>Rachael Davie – General Manager Strategy and Community</p> <p>Gary Allis – Deputy Chief Executive</p>		<p>There is a strong emphasis from Central Government on climate change and emissions reduction and emerging national guidance in this space, with the recent release of the Emissions Reduction Plan and planned Climate Change Adaptation Act as part of the RMA reform agenda. This provides clear national guidance where</p>

	Officer/General Manager Infrastructure		<p>there has been little in the past. Council will need to consider these plans/legislation [as it emerges] to appropriately plan its response.</p> <p>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.</p>
<p>Growth and financial sustainability</p> <p>The risk that WBOPDC is unable to manage financial risks resulting from growth opportunities and therefore has a significant impact on Council's ability to deliver and execute its district growth objectives.</p>	James Graham - General Manager Corporate Services		<p>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 and meeting the desired community outcomes. The Council has a conservative approach to its financial strategy considering the limited opportunity for obtaining additional funding support from the government. The Council has a 'Low-Medium' risk appetite for the risk and will need to be balanced with the delivery and achievement of the planned growth outcomes.</p>

<p>Regulatory change (Three waters reform, Future of local government, RMA)</p> <p>There is a risk that Council does not identify, understand the impact, advocate and respond to the changing regulatory reforms being considered by the Government. This also extends to the impact these new requirements have on delivery of current priorities. The risk 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 to projects, delivery of services, reputational loss, failure to meet government expectations and non-compliance with regulatory requirements.</p>	<p>Rachael Davie – General Manager Strategy and Community</p> <p>Gary Allis – Deputy Chief Executive Officer/General Manager Infrastructure</p>		<p>The Council acknowledges and anticipates the impact of legislative reform being introduced by Central Government. Council has a 'High' risk appetite which reflects a limited ability to control the changes being introduced and its aim to engage early on to support sector advocacy on key topics and work closely with the government agencies to understand the planned changes and associated impacts.</p>
<p>Significant external events</p> <p>WBOPDC's failure to appropriate design, prepare and execute on its Business Continuity Plan and/or Crisis Management Plan while responding to significant external events (including natural calamities, pandemic, and other macro-economic events) which may have a potential impact on the Council's ability to provide its services and continued impact on its operations.</p>	<p>James Graham – General Manager Corporate Services</p> <p>Gary Allis – Deputy Chief Executive Officer/General Manager Infrastructure</p>		<p>The Council recognises that continued operation of critical Council activities, movement of resources, successful implementation of business continuity or crisis management plan to effectively support the community and ensure 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.</p>

9.3 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) AUGUST 2022**File Number:** A4632257**Author:** Sarah Bedford, Financial Controller**Authoriser:** David Jensen, Chief Financial Officer**EXECUTIVE SUMMARY**

The purpose of this report is to provide status updates on management's response to recommendations raised in management reports as part of the following processes:

- (a) The audit of the Long-Term Plan and Annual Report carried out by Council's external auditor Audit New Zealand; and
- (b) Internal audit reviews carried out by Council's internal auditor, KPMG, as part of the internal audit work programme.

The status updates on open external and internal audit recommendations have been amalgamated into one report (**Attachment 1**).

RECOMMENDATION

That the Financial Controller's report dated 9 August 2022 titled 'Update on Outstanding Audit Items (Internal/External) August 2022' be received.

BACKGROUND**Audit New Zealand**

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

KPMG

4. During the 2016/2017 financial year KPMG was appointed as Council's internal auditor under a Bay of Plenty Local Authority Shared Services (BOPLASS) arrangement and worked with staff to establish a three-year internal audit plan. The audit plan was presented at the February 2020 Audit and Risk Committee meeting. The audit plan outlined the intended areas of focus for 2017, 2018 and 2019, with confirmation sought from senior management on an annual basis.
5. The annual internal audit plan review for 2018 identified asset management and key financial controls as areas of internal audit focus.
6. We have been able to close several of the Audit NZ and KPMG recommendations this quarter (pending Audit NZ confirmation). Closed audit items are available separately on Stellar.
7. The Status updates to the key findings are included in the attached 'Audit Monitoring' table (**Attachment 1**).

ATTACHMENTS

1. **Audit Monitoring Table**  

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

2020-2021 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management Response	Management Update
<p>“Dry weather overflows” performance measure</p> <p>During our testing of the dry weather overflows performance measure, we identified several incorrectly classified events in the underlying data supporting the result of this measure. Sixteen service requests did not meet the definition of a “dry weather sewerage overflow” event in terms of the DIA guidance. Further to this, we noted 15 service requests that did meet the DIA’s definition of a “dry weather sewerage overflow” event, however, they were excluded from the population on which the reported result was calculated.</p> <p>We recommend the District Council implements a robust review process of the underlying data supporting the reported results for this measure to ensure accurate reporting of events meeting the DIA definition.</p>	Necessary	Dec 2021	<p>August 2022 Update Received the year end results from 3 Waters Contract team on 19 July 2022. This information is to be reviewed and results included in the Annual Report.</p> <p>June 2022 Update Reporting currently being developed by 3 Waters Contract team. This will be available to Council to review by the end of May 2022.</p> <p>March 2022 Update Continuing to work with Tauranga City Council and the new contractor to identify process and create reports to show results.</p>
		<p>The process used to monitor the dry weather overflows was consistent with previous years and was found to comply with mandatory requirements. The service requests for dry weather overflows are classified on receipt of the service request based on the information supplied by the customer. However, the final classification is based on the maintenance database which captures the actual contractor’s classification on visiting the site. This is regarded as the most accurate and is aligned with the service request to maintain the audit trail. As an improvement initiative, we request that the Audit exit process enables the audit team to meet with the key staff to work through the issues intended to be included in the Report to the Council. This will enable any issues to be addressed, discussed and/or clarified in a timely manner. The new Three Waters Contract commenced 1 July 2021. This has resulted in a change of process and we are currently working with Tauranga City Council and the contractor to confirm the process and validate results.</p>	

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

2019-2020 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
Rates Resolution			
<p>Ensure the rates resolution is fully compliant with the Local Government (Rating) Act.</p> <p>In the local authority context, failure to comply with rating law and the associated consultation requirements can create risks for the revenue coming from rates. Therefore, we are required to obtain reasonable assurance that local authorities are complying with legal requirements that could put significant rates revenue at risk. As part of our audit work, we reviewed the rates setting process for the 2020/21 financial year and noted the following issues:</p> <ul style="list-style-type: none"> the 2020/21 rates resolution mentions the incorrect financial year in certain places, specifically "for the financial year commencing on 1 July 2019 and ending on 30 June 2020"; the rates resolution also states "the Western Bay of Plenty District Council sets that the water consumption rates (set under section 19 of the Local Government (Rating) Act) for the financial year commencing 1 July 2020 and ending on 30 June 2021 will be invoiced twice during the year and the due dates for payment will be 30 days from the date of each invoice being issued." Section 24 of the Local Government (Rating) Act 2002 states "A local authority must state, in the resolution setting a rate (a) the financial year to which the rate applies; and (b) the date on which the rate must be paid or, if the rate is payable by instalments, the dates by which the specified amounts must be paid." We consider that this requirement has not been fully met, as specific due dates for water rates are not disclosed in the resolution; and the actual rates for the 2020/21 year are not disclosed in the rates resolution but are disclosed in the Rates Setting Report included in the Council meeting agenda pack (June 2020). We would expect the rates adopted by Council to be disclosed in the rates resolution itself. <p>We noted management had engaged Simpson Grierson to review the rates resolution and these matters had been identified in their review. We understand that the Council was addressing the rating year issue and the inclusion of the rating information as part of its 24 September 2020 meeting. The issue with the water rates invoicing remains outstanding. We recommend the District Council ensures the rates resolution is fully compliant with the Local Government (Rating) Act.</p>	Necessary	<p>May 2021</p> <p>The issues relating to the reference to the 2020/21 financial year has been resolved through a resolution of the Council meeting held on 24 September 2020.</p> <p>The issue relating to water rates in Council's Rates Resolution has previously been raised in the 2016/17 Audit Management Letter and closed in the 2018/19 Audit Management Letter after an assessment of our 2018/19 Rates Resolution was performed. The matter was revisited during the 2019/20 audit and assessed by Audit New Zealand's technical team who did not deem the issues to be of significance to impact the 2019/20 audit opinion. Given Council's current meter reading process it is not possible to provide certainty of when meters will be read across our District, Council is not able to include further information with our Rates Resolution.</p> <p>Council will incorporate the rates to be adopted in the Rate Setting Report for 2021/22.</p>	<p>August 2022 Update Rates resolution was reviewed and will be retested by Audit New Zealand during the 21-22 Annual Report.</p> <p>June 2022 Update The rates resolution for the 2022/23 Annual Plan is being prepared for legal review by Simpson Grierson. Their feedback will be incorporated into the final resolution in order to resolve Audit's recommendation.</p> <p>March 2022 Update The changes in Council processes achieved through the implementation of the joint 3-Waters Contract have given greater certainty over water rate dates. These will be incorporated into the 2022/23 Rate Setting Report. Will be re-tested by audit during the 2021-22 Annual Report.</p> <p>November 2021 Update The outstanding issue regarding water rate dates in Council's rate resolution is being reviewed in conjunction with the implementation of the joint 3-Waters Contract with Downer who were successfully awarded the contract.</p> <p>This implementation includes a change to water meter reading processes intended to resolve the outstanding issue.</p>
Project Management			
<p>Management contracted KPMG to undertake a review of the District Council's Project Management processes during the audit period. The review identified a number of areas for improvement and made recommendations accordingly. We recommend the District Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.</p>	Necessary	<p>October 2020 Council's response to the KPMG report on project management is ongoing and a workplan for implementation of the recommendations is underway.</p>	<p>August 2022 Update Framework implementation in progress.</p> <p>June 2022 Update Project Management Specialist has been recruited and begun working with staff to implement and promote the Project Lifecycle and wider framework.</p> <p>March 2022 Update Project Lifecycle diagram and recommendations have been approved for implementation. Recruitment of a project management specialist to lead and champion the work is underway. In the meantime, existing staff are working on developing/reviewing templates and tools, using live projects across the organisation.</p> <p>November 2021 Update A Project Lifecycle diagram (Project Management Framework) has been completed and a recommendatory report prepared. The report identifies tasks required to implement the</p>

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

2018-2028 LTP AUDIT (MANAGEMENT REPORT ITEMS)		
<i>Update of the Asset Management Plans</i>	Priority	Status Update
During the LTP audit, we noted that the Asset Management Plans (AMPs) will not be updated with resulting changes from the consultation process until after the LTP is adopted. Given the AMPs are intended to drive the strategies and model, it is important that the AMPs reflect the information within the LTP. We recommend that Council updates the Asset Management Plans with changes resulting from the consultation process to ensure there is alignment between the LTP and the underlying information.	Recommended	<p>August 2022 Update CLOSED PENDING AUDIT CONFIRMATION - The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process.</p> <p>June 2022 Update The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process. The Strategic Property AMP update has been completed.</p> <p>March 2022 Update The Water, Stormwater, Wastewater and Transportation Asset Management Plans have been updated with the outcomes from the LTP. The Reserves and Facilities Asset Management Plan is being rewritten and updated as part of the Annual Plan process. The Strategic Property AMP will be completed by April.</p> <p>November 2021 Update</p>

BAU Monitoring Items

2020-2021 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
<i>Valuation and Accounting for Assets</i>			
<p>Approval of asset capitalisations During our testing of the capitalisation of assets for the transportation asset class we identified no formal approval process or evidence of review. This includes the files uploaded to Objective. Having a formal approval process will ensure only valid asset capitalisations are recorded.</p> <p>We recommend asset capitalisations for transportation assets are recorded, and evidence of review retained.</p>	Necessary	<p>Dec 2021 Council will ensure asset capitalisations are documented and evidence of review carried out is maintained.</p>	<p>August 2022 Update We continue to monitor and will update this item within the next 3 months with a view to closing this recommendation pending audit confirmation.</p> <p>June 2022 Update Council will ensure asset capitalisations are documented and evidence of review carried out is maintained. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p>
<p>Timing of asset capitalisations It is important for the District Council to ensure assets are capitalised when the asset is available for use. This ensures the depreciation of assets commences from the correct date. During our testing of asset additions and review of work in progress we have identified the capitalisation date of assets does not align to the date the asset was available for use.</p> <p>We recommend the District Council reviews its capitalisation process, to ensure asset managers are prompted to communicate the completion of work in progress in a timely manner.</p>	Necessary	<p>Dec 2021 Council will review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register.</p>	<p>August 2022 Update Council will continue to review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>June 2022 Update Council will continue to review its capitalisation process and ensure timely movement of completed capital work in progress to the Asset Register. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update</p>

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

Audit Finding & Recommendation	Priority	Management response	Status update
<p>Vested assets</p> <p>PBE IPSAS 17 paragraph 27 requires entities to initially recognise property, plant, and equipment acquired in a non-exchange transaction at its fair value at the date of acquisition. In the event of a vested asset, the date of acquisition is the date at which the section 224 certificate has been signed and the project has been completed. We have identified that the date on which vested assets are capitalised in the fixed asset register does agree with the section 224 notification. Often the processing of these assets is later. The delay can impact revenue timing, depreciation, and the recorded carrying values of the District Council's property, plant, and equipment.</p> <p>We recommend the District Council reviews its projects resulting in vested assets regularly to ensure the section 224 certificates are obtained on a timely basis. We also recommend the District Council applies the relevant accounting treatment in recognising vested assets in its fixed asset register.</p>	Necessary	<p>Dec 2021</p> <p>Council will review the projects that result in a 224 certificate and ensure it is obtained timely. Council has consistently applied the relevant accounting treatment in recognising assets in its fixed asset register and will continue to do so as soon as the 224 certificate is obtained.</p>	<p>August 2022 Update</p> <p>We continue to monitor and will update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>June 2022 Update</p> <p>Council will continue to review the projects that result in a 224 certificate. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update</p> <p>Council will continue to review the projects that result in a 224 certificate.</p>
2020-2021 INTERIM REPORT			
Audit Finding & Recommendation	Priority	Management response	Status update
<p>Asset disposal forms</p> <p>We understand that an "authority to dispose" form is prepared and signed-off as evidence of approval for assets that are disposed of by the Council. During our walkthrough of this process staff confirmed this form was signed before disposal, however, in one instance a signed authority to dispose form could not be located. We also noted that this form is not used to notify the accountant and support the disposal. We have been advised that most assets for disposals will be identified through the GL, which could be through a cash receipt being processed, or, for example, if the accountant has been informed of a sale and purchase agreement for land and buildings.</p> <p>We recommend an authority to dispose form is prepared and signed as evidence of approval for each asset disposal and that these forms are kept on file. We also recommend that approval forms are used to support the disposal of assets in the fixed asset register to ensure the fixed asset register is complete and accurate and does not include assets that have been disposed of.</p>	Necessary	<p>Sep 2021</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action.</p>	<p>August 2022 Update</p> <p>We continue to monitor and will update this item within the next 3 months with a view to closing this recommendation pending audit confirmation.</p> <p>June 2022 Update</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action. We will monitor and update this item within the next 6 months with a view to closing this recommendation pending audit confirmation.</p> <p>March 2022 Update</p> <p>Asset Managers will be reminded of their responsibilities to ensure that the appropriate form, depending on the disposal method, is completed. Any forms, once approved, will be forwarded to the accountant for action.</p>

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

2017-2018 ANNUAL REPORT			
Audit Finding & Recommendation	Priority	Management response	Status Update
<i>Asset Improvement Programme</i>			
<p>The Council creates a formal asset improvement programme in response to the valuer's recommendations and puts an action plan in place to address the issues in a timely manner.</p> <p>We followed up on this recommendation during our final audit visit and noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report, with the exception of points 3, 4 and 5 which are new.</p> <p>2019-2020 Audit Management Report Final</p> <p>We noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report.</p>	Necessary	<p>August 2021 Update</p> <p>We are still waiting on further information from WSP New Zealand on the asset valuation improvements. We expect these to be included in their latest revaluation report for 2021. We have discussed the recommendations from the 3 waters revaluation and will program these over the next year. No recommendations were made for our other revaluations.</p> <p>October 2020</p> <p>The Council has a number of workstreams underway to improve processes relating to asset information, including the recommendations made in the Opus Report.</p>	<p>August 2022 Update</p> <p>We expect to receive the draft valuation report by the end of August due to covid-related delays. The report will be reviewed with WSP with a view to satisfactorily closing several recommendations.</p> <p>June 2022 Update</p> <p>To discuss with Audit NZ about the improvement plan as some recommendations are ongoing.</p> <p>March 2022 Update</p> <p>The draft 2021 Roding valuation is currently being reviewed.</p> <p>November 2021 Update</p> <p>The draft 2021 Roding valuation is currently being reviewed.</p>

Audit Monitoring Table – Outstanding Management Report Items - Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status update
Variable application of asset management within asset portfolios: Decision making, business cases, benefits realization, quantified risk management, and condition assessments	<ul style="list-style-type: none"> Apply risk management principles to asset failure risk to determine the vulnerable, sensitive or critical assets. Communicate significant risk issues to senior management and implement appropriate risk mitigation tactics. 	Medium	<p>August 2022 Update Phase one of the assessment has been completed. The next phase is the exposure screening which is planned to start in August. There will be another workshop for staff in early September.</p> <p>June 2022 Update Workshops to discuss the scope and complete the data analysis have been held. The next phase is to complete the risk assessment (date to be determined).</p> <p>March 2022 Update Tonkin and Taylor (T&T) are going to lead the work on Infrastructure Risk Assessments for Council from mid March 2022. The purpose is to assess the risks to our assets from climate change and identify assets that are at highest risk. This information can then be included in Asset Management Plans and the Infrastructure Strategy, so Council can allocate funding to making those assets more resilient over time.</p>
	<ul style="list-style-type: none"> Undertake asset management system effectiveness reviews on an annual basis and report deficiencies against agreed asset management system maturity levels to senior executives. 		<p>August 2022 Update Internal Review by Asset Solutions team with support from various asset managers to begin in Q4 2022 and outcomes will be reported to GM Corporate Services and GM Infrastructure.</p> <p>June 2022 Update Internal Review by Asset Solutions team with support from various asset managers to begin in Q4 2022 and outcomes will be reported to GM Corporate Services and GM Infrastructure.</p> <p>March 2022 Update – This will be a future area of focus for the asset management working group.</p> <p>November 2021 Update This will be a future area of focus for the asset management working group and is scheduled for 2022.</p> <p>August 2021 Update No further update.</p>

9.4 HEALTH AND SAFETY REPORT

File Number: A4646807

Author: Ben Brown, Health and Safety Advisor

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

Health and Safety Report

This report provides a summary of:

- Health and Safety performance across the organisation;
- Significant Health and Safety risks and safety events for the reporting period; and
- Progress against the Health and Safety strategy and work programme.

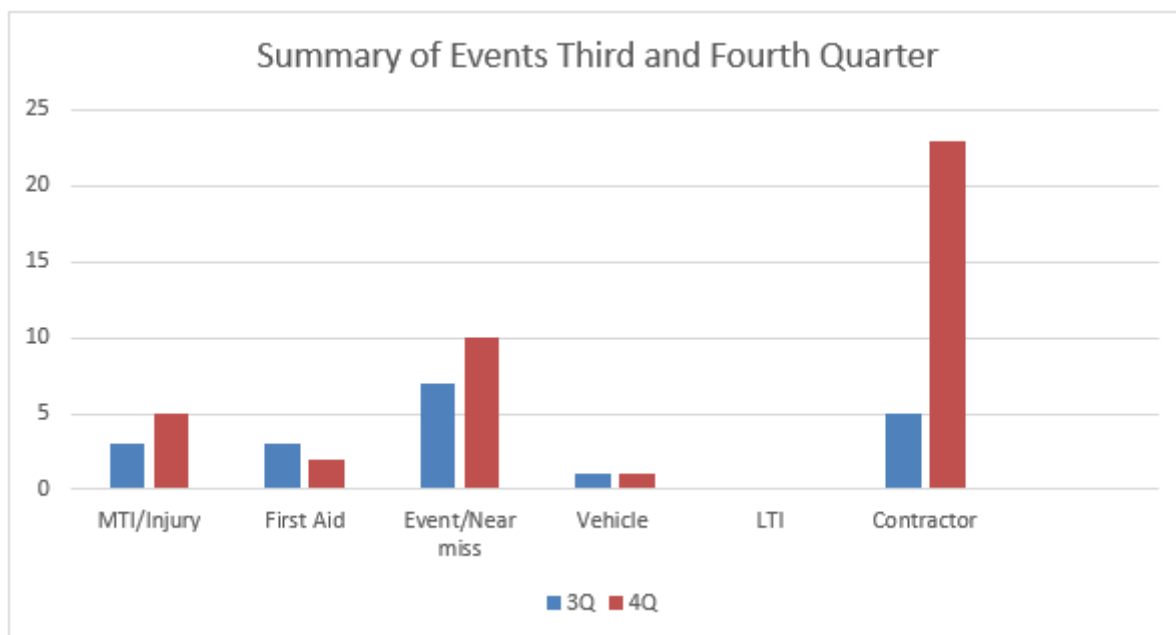
RECOMMENDATION

That the Health and Safety Advisor's report dated 9 August 2022 titled 'Health and Safety Report' be received.

BACKGROUND

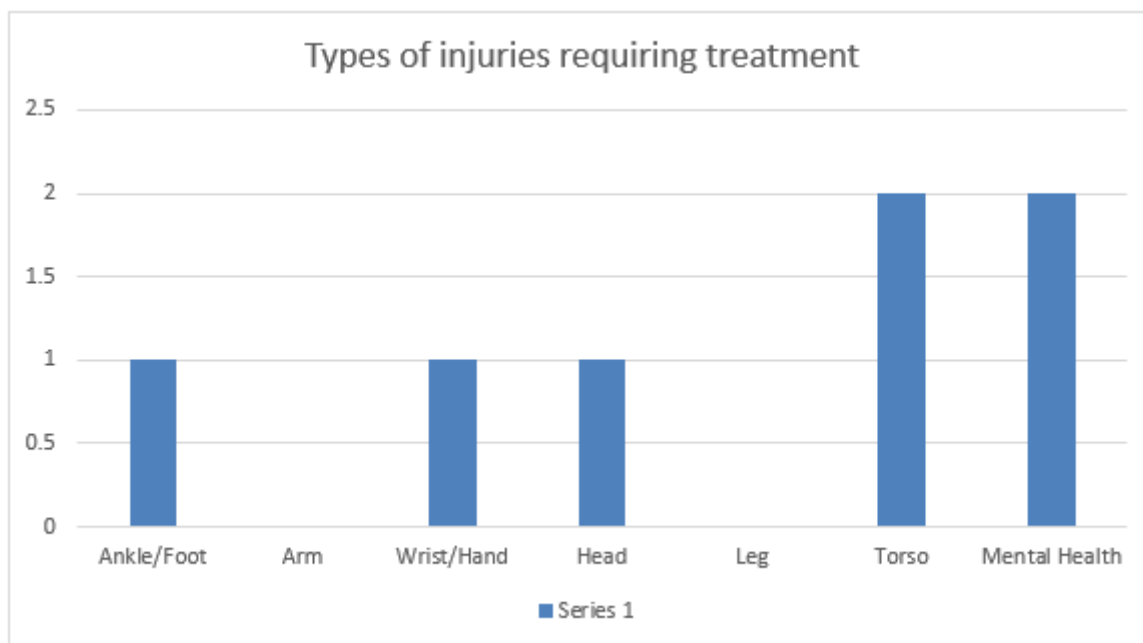
1. HEALTH AND SAFETY PERFORMANCE

The graph and data below provide an overview of Council's Health and Safety performance, with comparison statistics from quarters three and four 2022.



Quarter three is from 1 March to 30 April and quarter four is from 1 May to 18 July 2022.

Reporting of events has increased since the previous reporting period. There has been an increase in Council staff reporting and a significant increase in safety reporting from Councils key contractors. The health and safety team have been engaging with Council staff and key contractors about low reporting numbers and highlighting the importance of using our number one safety tool “your voice”. In the time period reported there have been zero LTI’s (lost time injuries) reported.



Type of Injuries Sustained, Year to Date – 1 May 2022 – 18 July 2022

Two reported events related to mental health. Further information is outlined in the safety events section below.

WBOPDC Policy and vision statement incorporated in delivery

Councils’ health and safety policy statement and vision statement document is being used to guide health and safety policy reviews. Our goal is to ensure the delivery of health and safety, making it more people focussed and not compliance driven.

Safety events

In June 2022, Animal Services, with the assistance of New Zealand Police, undertook a search warrant at a property to locate and seize two dogs which were hidden by the owner, having been previously stolen from the Tauranga Pound. The operation was well planned and managed with the animals successfully seized without incident. The owner of the dogs is well known to police and Council, and subsequently posted numerous threatening messages, texts and posted images of staff on Facebook, offering a reward for Councils staff identities. A safety plan was put in place for animal services staff and communications supplied to Customer

Services about the escalating incident. Police were advised and issued the animal owner with a harassment warning notice.

Two incidents of stress due to workplace pressures have been reported involving staff from the same department. These have been taken very seriously with immediate intervention, meeting with staff involved and planning solutions. The outcome of engaging further contracted assistance and senior staff recruitment has eased workplace allocation and deadline pressures. Further meetings and workshops with the wider team have also taken place to communicate incoming changes and ensure a more direct, open dialogue with the General Manager of Regulatory Services.

2. Accident/Incident Frequency Rates

The metrics reported are:

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

Metrics	Council's year to date records	Local Government Industry Benchmark
Average LTIFR (year to date)	.5	2.5
Average TRIFR (year to date)	7	7
Average Lost Time Injuries (LTI). Recorded (year to date) of LTI's.	1	3

3. Summary of Safety Events - Year to Date - 18 July 2022

Safety Events	Year to Date Results FY 2022 (Q,4)	Year to Date Results FY 2021	Year to Date Results FY 2020	Year to Date Results FY 2019
Medical Treatment Injury	15	3	5	1
First Aid Incidents	9	34	8	23
Near Miss Reports	39	67	64	84
Vehicle Reports	8	7	11	38
Lost Time Injury	1	2	3	4
Contractor Incidents	68	106	150	123
Total Safety Event Reports	140	219	241	273

Year to Date				
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Although there has been a jump in the numbers of medical treatment injuries, there are no recognisable trends to be identified in the reported events.

4. Health and Safety Hazard Risk Management

The Health and Safety team have created 'safe behaviour' and 'safe workplace' inspection tools for safety inspection, to be easily completed by people leaders and stored in Council's Safety Management system, using the Vault Notify mobile app.

AED defibrillators have been purchased with external locked cabinets for installation outside Katikati and Te Puke service centres. By having them outside with a lock code, available through the 111-emergency number, makes this a valuable community asset, available after hours.

Online contractor inductions have been prepared for Barkes Corner, Ōmokoroa and Pātuki Manawa. 44 Contractors have successfully completed an online induction to date.

5. Health and Safety Strategic Work Programme

- Policy template reviews;
- Review and re-categorising of departmental hazard risk register
- Re-classification and ranking of Critical risks;
- Safety site inspections and audits;
- Contractor management, including introduction of an online induction programme;
- Incident and accident safety management; and
- Engagement and training with safety and wellbeing.

Throughout the reporting period staff attended the following training:

- Four Wheel Drive Training;
- Safeguard National Health and Safety Conference; and
- Comprehensive Workplace First Aid.

Policies and procedures recently reviewed included:

- Covid -19 Protection Policy and associated risk assessment; and
- 113 - Putting Our Safety First, formally Refusal to Work on Grounds of Health and Safety.

6. Health and Safety Committee

The Health and Safety Committee meet on a bi-monthly basis and review safety events, policies and new legislation. The committee welcomed a new member from the waste/water treatment team. This came about when meeting with the treatment operators and they requested further representation. The committee includes

representation from across the organisation, service centres and senior management. To ensure we are meeting our due diligence, a member of the General Manager group must attend every Committee meeting.

A present focus of the committee is workshopping how, as Health and Safety representatives, we can work proactively with teams and not just to report on incidents that have happened.

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

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

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

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