

Audit and Risk Committee

NOTICE IS GIVEN

that the next meeting of the **Audit and Risk Committee** will be held in **Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga** on:

Wednesday, 12 June 2019 commencing at 9.30 am.

Fiona McTavish
Chief Executive
4 June 2019



Audit and Risk Committee

Terms of Reference

The Audit and Risk Committee has a core function for the formulation, review and monitoring of audit and risk frameworks. It will also monitor the effectiveness of funding and financial policies and Council's performance monitoring framework. It will receive and review the draft Annual Report, and external Audit letter and management reports.

Delegated Function

To monitor the effectiveness of Council's funding and financial policies and frameworks.

To monitor the effectiveness of Council's performance monitoring framework.

To approve and review Council's audit and risk policies and frameworks.

Membership

Five councillors, one independent Council appointee, and the Chairman as ex-officio.

Quorum

In accordance with Council standing order 10.2, the quorum at a meeting of the committee is not fewer than three members of the committee.

Term of the Committee

For the period of the 2016-2019 Triennium unless discharged earlier by the Regional Council.

Meeting frequency

Quarterly.

Specific Responsibilities and Delegated Authority

The Audit and Risk Committee is delegated the power of authority to:

- Monitor the effectiveness of Council's funding and financial policies and Council's performance monitoring framework (financial and non-financial);
- Review Council's draft Annual Report prior to Council's adoption;
- Receive and review external audit letters and management reports;
- Approve and review the internal audit plan and review the annual programme report;
- Approve, review and monitor Council's risk framework and policy;
- Review the risk register;
- Monitor Council's legislative compliance and receive reporting on non-compliance matters as part of risk management reporting.

Note:

- The Audit and Risk Committee reports directly to the Regional Council.
- The Audit and Risk Committee is not delegated the power of authority to:
 - Develop, review or approve strategic policy and strategy.

Develop, review or approve Council's Financial Strategy, funding and financial policies and non-financial operational policies and plans.

Public Forum

1. A period of up to 15 minutes may be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
 - name of participant;
 - organisation represented (if any);
 - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.

Membership

Chairperson:	J Cronin
Deputy Chairperson:	D Love
Councillors:	S Crosby, A Tahana, A von Dadelszen
Ex Officio:	Chairman D Leeder
Appointees:	B Robertson
Committee Advisor:	M Pansegrouw

Recommendations in reports are not to be construed as Council policy until adopted by Council.

Agenda

- 1 Apologies**
- 2 Public Forum**
- 3 Acceptance of Late Items**
- 4 General Business**
- 5 Confidential Business to be Transferred into the Open**
- 6 Declarations of Conflicts of Interests**
- 7 Previous Minutes**
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- 8.1 Committee Chairperson's Report** **21**
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- 8.2 Internal Audit Status Update and Proposed Internal Audit Work Plan 2019/20 to 2021/22** **33**

8.3 Review of Performance and Effectiveness of the Audit and Risk Committee 61

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8.5 Presentation: Ōpōtiki Harbour Development

Presentation by Engineering Manager Mark Townsend

9 Public Excluded Section 93

Resolution to exclude the public

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

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
9.1 Public Excluded Audit and Risk Committee Minutes - 07 March 2019	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
9.2 Kopeopeo Canal Remediation Project Update 22	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)
9.3 Key Risk Register Quarterly Update - April to June 2019	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)
9.4 Treasury Strategy 2019/20	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
9.5 Public Transport - NZ Bus Contracting Risks	To protect measures that may prevent or mitigate material loss	Good reason for withholding exists under Section 48(1)(a)

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9.2 Kopeopeo Canal Remediation Project Update 22 101

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9.5 Public Transport - NZ Bus Contracting Risks	269
10 Confidential Business to be Transferred into the Open	
11 Readmit the Public	
12 Consideration of General Business	

Previous Minutes

Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Thursday, 7 March 2019 commencing at 9.30 a.m.

Present:

Chairman: J Cronin

Deputy Chairman: D Love

Councillors: A Tahana, S Crosby, A von Dadelszen

Appointees: B Robertson

In Attendance: Councillors: K Winters, L Thurston; J Nees; P Thompson
Staff: Fiona McTavish - Chief Executive; Mat Taylor - General Manager, Corporate; Chris Ingle - General Manager, Integrated Catchments; Namouta Poutasi - General Manager, Strategy and Science; Sam Rossiter-Stead - Communications Manager; Steven Slack - Risk & Assurance Manager; Debbie Hyland - Finance and Corporate Planning Manager; Andy Dixon - Accounting Team Leader; Claire Gordon - Internal Auditor; Jessica Easton - Solicitor; Matt Hunt - Marketing & Communications Advisor; Merinda Pansegrouw - Committee Advisor.
External presenters: Ben Halford and Anton Labuschagne, Audit New Zealand

Apologies: Chairman D Leeder

1 Apologies

Resolved

That the Audit and Risk Committee:

- 1 Accepts the apology from Chairman D Leeder tendered at the meeting.**

**Love/Cronin
CARRIED**

2 Public Forum

Nil

3 Acceptance of Late Items

Nil

4 **General Business**

Nil

5 **Confidential Business to be Transferred into the Open**

Nil

6 **Declaration of Conflicts of Interest**

Nil

7 **Order of Business**

Members agreed to the reordering of items to accommodate the arrival of external presenters. Accordingly, item 8.3 "2018/19 External Audit Plan" was considered as the first item on the agenda, prior to item 7 "Confirmation of Minutes".

8 **2018/19 External Audit Plan**

External Auditors Ben Halford and Anton Labuschagne from Audit New Zealand (Audit NZ) presented the report on the draft Audit New Zealand Audit Plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2019.

Key Points

- Audit NZ had identified the following new focus areas:
 - Revaluation of property, plant and equipment
 - Fair value assessment for property, plant and equipment
 - Debt funding
 - The risk of management override of internal controls
- Fraud risk would remain a continuous focus
- Enhanced ongoing focus on substantively testing operating expenditure/sensitive expenditure

9:39 am Cr Tahana **joined** the meeting.

- Highlighted issues related to entities in the Quayside Group
- Invited any additional matters Audit NZ should consider, or risks that have not been covered in the plan
- Provided a proposed indicative timetable
- Confirmed that where possible, Audit NZ would aim to bring audit procedures earlier in the year.

Points Raised by Members

- The financial sustainability of BOPRC and the identification of a process to analyse trends/rating requirements and operational costs needed to be reviewed at a strategic level. Noted that the Auditor General, as part of assessing the Council's long term plan, did review/assess financial sustainability
- Noted that the issue of sustainability would be a matter considered by the Audit and Risk Committee, after finalisation of the annual results at its meeting on 12 September 2019.

Matter for Audit NZ Follow-up

- **Lake Rotorua Incentives Board:** Requested Audit NZ to review the matter of conflicts of interest. Although a Conflicts of Interests Register was in place and parties continued to declare interests, the likelihood of a perceived conflict of interest/advantage remained a concern – particularly relating to the purchasing of nitrogen, as parties, notwithstanding declaring and withdrawing from discussion, still had access to privileged information. Attention should be given to verifying whether the correct systems were in place to address this matter.

9:45 am Cr Thompson joined the meeting

Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, 2018/19 External Audit Plan;**
- 2 **Notes the draft Audit Plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2019 (Appendix 1).**

Von Dadelszen/Love
CARRIED

9 Previous Minutes

9.1 Audit and Risk Committee Minutes - 28 November 2018

Resolved

That the Audit and Risk Committee:

Confirms the Audit and Risk Committee Minutes - 28 November 2018 as a true and correct record.

Love/Crosby
CARRIED

10 Reports

10.1 Committee Chairperson's Report

General Manager, Corporate Mat Taylor updated members on the Audit and Risk Committee's activities and provided an overview of the work programme for the period March 2019 to September 2019.

Points Raised by Members

- A sustainability review of BOPRC, in the first instance, required a strategic conversation by full Council; however, since it fell within the risk area and therefore within the area of responsibility of the Audit & Risk Committee, it would be the Committee's responsibility to support/provide guidance
- A sustainability framework/policy should be developed at a strategic level, ideally as soon as possible.
- A sustainability review to be added to the Audit and Risk Programme for September 2019

- Consideration of a process/policy to regularly review issues relating to Council's financial sustainability to be addressed by Council at the next available Councillors Strategic Session, preceded with discussion between members of the Audit and Risk Committee and the General Manager, Corporate to clarify expectations
- A report on payments in excess of \$50,000 to be included on the work programme of the Committee for September 2019 (after conclusion of the financial year).

Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Committee Chairperson's Report.**

**Cronin/Tahana
CARRIED**

10.2 Update on Preparation for CouncilMARK Assessment

Communications Manager Sam Rossiter-Stead provided an update on progress made in preparing for the CouncilMARK assessment process scheduled during the first quarter of 2019.

Key Points

- Work on completing the PAF (Performance Assessment Framework) was currently underway by the project team, comprising of staff from the corporate planning and communications teams
- An initial briefing had taken place with the BOPRC Chair, Chief Executive and CouncilMARK Project Manager meeting with LGNZ's Deputy Chief Executive Commercial
- A clear message from this meeting was that LGNZ's focus would be on a cycle of continuous improvement, rather than the grade obtained in the first of the two assessments
- Areas for improvement had been identified and remedial actions have been undertaken to mitigate these
- The next steps involved: completion of the PAF, compilation of supporting documentation, establishment of a committee to oversee the programme, selection of external stakeholders to meet the assessors and the drafting of an agenda for the two-day on-site assessment
- Release of the final assessment report was scheduled for late October 2019, after conclusion of the local government elections
- In preparation for the two-day assessment, a Council Workshop had been planned for May 2019.

Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Update on Preparation for CouncilMARK Assessment.**

**Cronin/Love
CARRIED**

10.3 Internal Audit Status Update 2018/19

Refer tabled item Objective ID A3151353

Risk & Assurance Manager Steve Slack provided an outline of the report updating the Committee on the status of the year to date internal activities, including the Executive Summary for Asset Management Planning Framework and Maturity Assessment and Civil Defence Response Capability, and responded to questions.

Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Internal Audit Status Update 2018/19;**
- 2 Notes that it has received the Executive Summary of the completed internal audit reviews - Asset Management Planning Framework and Maturity Assessment (Appendix 1) and Civil Defence Response Capability (Appendix 2).**

**Cronin/Love
CARRIED**

10:29 a.m. - The meeting **adjourned**.

10:48 a.m. - The meeting **reconvened**.

10.4 Public Excluded Section

Resolved

Resolution to exclude the public

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

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General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
9.1 Public Excluded Audit and Risk Committee Minutes - 28 November 2018	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
9.2 Key Risk Register Quarterly Update - January to March 2019	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)
9.3 Kopeopeo Canal Remediation Project Update 21	To protect the commercial position of an individual	Good reason for withholding exists under Section 48(1)(a)

**Cronin/Love
CARRIED**

10.5 **Confidential Business to be Transferred into the Open**

Nil

The meeting closed at 12:47 p.m.

Confirmed

Chairperson, Audit and Risk Committee

Date

Reports



Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 12 June 2019

Report From: Mat Taylor, General Manager, Corporate

Committee Chairperson's Report

Executive Summary

This report provides the Committee with an update on Audit and Risk Committee activities.

Recommendations

That the Audit and Risk Committee:

- 1 **Receives the report, Committee Chairperson's Report;**
- 2 **Notes the Committee's completed work programme and forward looking work programme.**

1 Council Performance Monitoring Report – Detailed Briefings for Councillors

The following monthly financial monitoring meetings (detailed financial briefings) have been arranged with Councillors invited to attend:

Monday, 24 September 2018	Months 1 to 2
Tuesday, 16 October 2018	Months 1 to 3
Wednesday, 12 December 2018	Months 1 to 4
Friday, 8 February 2019	Months 1 to 6
Wednesday, 8 May 2019	Months 1 to 9

2 Audit and Risk Work Programme

Appendix 1 shows the Audit and Risk work programme for the final meeting scheduled for this triennium in September 2019.

3 Audit and Risk Committee Programme September 2017 to March 2019

Appendix 2 shows the Audit and Risk Committee programme for September 2017 to March 2019.

4 Budget Implications

4.1 Current Year Budget

This work is being undertaken within the current budget for the Governance Activity in the Annual Plan 2018/2019.

4.2 Future Budget Implications

Future work is provided for in the Council's Long Term Plan 2018-2028.

5 Community Outcomes

This item directly contributes to the Community Outcome in the Council's Long Term Plan 2018-2028.

Mat Taylor
General Manager, Corporate

31 May 2019

APPENDIX 1

September Audit and Risk Committee Programme

Audit and Risk Committee Programme September 2019

September 2019 TBC
<ul style="list-style-type: none"> • Internal Audit Status Update • Internal Audit Annual Report 2018/19 and Review Update
<ul style="list-style-type: none"> • Key Risk Register – Quarterly Update • Kopeopeo Canal Contamination Remediation Project Cost & Risk Update
<ul style="list-style-type: none"> • Chairperson’s Report (including Work Programme) • Council Chairman’s Discretionary Fund – Annual Report • Draft Annual Report Review 2018/19 • Koha Payments 2018/2019 • Flood Protection Critical Assets 2019- Performance Assessment • External Audit Interim Management Report for the Year ended 30 June 2019

External Audit	Internal Audit	Risk	Other
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APPENDIX 2

Audit and Risk Completed Work Programme September 2017 to March 2019

***Audit and Risk Completed Work Programme
September 2017 to March 2019***

Meeting date	Report title	Purpose of report
19 September 2017 Committee Meeting	<ul style="list-style-type: none"> External Audit Arrangements Letter for the Audit on 30 June 2017 	To receive Audit New Zealand's audit arrangements letter for audit of the Regional Council's Annual Report for the year ending 30 June 2017
	<ul style="list-style-type: none"> External Audit Interim Audit Management Report for the year ended 30 June 2017 	to receive the Audit New Zealand Interim Management Report for the year ended 30 June 2017
	<ul style="list-style-type: none"> Internal Audit Annual Report 2016/17 and Internal Status Update 2017/18 	Periodic Review
	<ul style="list-style-type: none"> Quarterly Key Risk Report to September 2017 	Periodic Review
	<ul style="list-style-type: none"> Accela Implementation Project Cost and Risk Update 10 	To review the Project Status and associated risks
	<ul style="list-style-type: none"> Kopeopeo Canal Contamination Remediation Project Update 15 	To review the project status and associated risks
	<ul style="list-style-type: none"> 2016/17 Draft Annual Report Review 	To provide the draft 2016/17 Annual Report and Summary to the Audit and Risk Committee.
	<ul style="list-style-type: none"> Chairman's Discretionary Fund 2016/17 	To provide a report on the Chairman's Discretionary Fund expenditure in 2016/17
	<ul style="list-style-type: none"> Regional Council Rates Update 	To review the scope of section 53 of the Local Government (Rating) Act and how Regional Councils work with TA's including agreeing updated agreements, formalising approval processes for rates assessments, penalties and remissions.
	<ul style="list-style-type: none"> Legislative Compliance Review 	This report has been prepared to address concerns of the Audit and Risk Committee raised at the 13 June 2017 meeting

Meeting date	Report title	Purpose of report
19 December 2017 Committee Meeting	<ul style="list-style-type: none"> Committee Chairperson's Report 	To provide the Committee with an update on Audit and Risk activities
	<ul style="list-style-type: none"> Audit Engagement Letter: Audit of the consultation document and Long-Term Plan for the period commencing 1 July 2018 	The purpose of the report is outline the terms of the Audit New Zealand audit of the consultation document and Long Term Plan for the period commencing 1 July 2018
	<ul style="list-style-type: none"> External Audit Management Report for the year ended 30 June 2017 	The purpose of this report is for the Audit and Risk Committee to receive the Audit New Zealand Management Report for the year ended 30 June 2017
	<ul style="list-style-type: none"> Kopeopeo Canal Remediation Project Update 16 	The purpose of the report is to provide an update on the Kopeopeo Canal Remediation project
	<ul style="list-style-type: none"> Internal Audit Status Update 2017/18 	To provide an update of the Internal Audit work program for 2017/18
	<ul style="list-style-type: none"> Quarterly Key Risk Register Update – October to December 2017 	The purpose of this report is to update the Committee on key risks across the organisation

***Audit and Risk Completed Work Programme
September 2017 to March 2019***

Meeting date	Report title	Purpose of report
1 March 2018 Committee Meeting	<ul style="list-style-type: none"> Committee Chairperson's Report 	To provide the Committee with an update on Audit and Risk activities
	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update December 2017 to February 2018 	Periodic review
	<ul style="list-style-type: none"> Internal Audit Status Update 2017/18 	To provide the Committee with an update on the status of internal audit activities
	<ul style="list-style-type: none"> Kopeopeo Canal Remediation Project Update 17 	Receive Update
	<ul style="list-style-type: none"> External Audit Management Report for the Long Term Plan 2018-28 Consultation Document 	Consider external audit management recommendations
	<ul style="list-style-type: none"> Rangitāiki River Scheme Review: Implementation update 	To update on progress Council is making to implement the recommendations contained in the Rangitāiki River Scheme Review

Meeting date	Report title	Purpose of report
12 June 2018 Committee Meeting	<ul style="list-style-type: none"> Committee Chairperson's Report 	To provide the Committee with an update on Audit and Risk activities
	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update March 2017 to May 2018 	Periodic review
	<ul style="list-style-type: none"> Review of Performance and Effectiveness of the Audit and Risk Committee 	To propose a review of the Performance and Effectiveness of the Audit and Risk Committee
	<ul style="list-style-type: none"> Setting of Rates 2018/19 	To review the format of the annual rates setting process
	<ul style="list-style-type: none"> Treasury Framework for Long Term Plan 2018-2028 	Receive Update
	<ul style="list-style-type: none"> Internal Audit Status Update and Proposed Internal Audit Work Plan 2018/19 to 2020/21 	To provide the Committee with an update on the status of internal audit activities and Propose Work plan
	<ul style="list-style-type: none"> Internal Audit Health and Safety Review 	Receive Update
	<ul style="list-style-type: none"> Kopeopeo Canal Remediation Project Update 18 	Receive Update
	<ul style="list-style-type: none"> Kopeopeo Extension West Risk Report 	Receive Update
<ul style="list-style-type: none"> Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update 	To update on progress Council is making to implement the recommendations contained in the Rangitāiki River Scheme Review	

***Audit and Risk Completed Work Programme
September 2017 to March 2019***

Meeting date	Report title	Purpose of report
11 September 2018 Committee Meeting	• Committee Chairperson's Report	To provide the Committee with an update on Audit and Risk activities
	• 2017/18 Draft Annual Report Review	To provide the draft 2017/18 Annual Report to the Audit and Risk Committee.
	• Key Risk Register – Quarterly Update June 2018 to September 2018	Periodic review
	• Production Forestry Debris Mobilisation Risk for the Bay of Plenty	To update the Audit and Risk Committee on the risk of debris mobilisation from production forests in our region
	• Chairman's Discretionary Fund 2017/18	To provide a report on the Chairman's Discretionary Fund expenditure in 2017/18
	• Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update	To update on progress Council is making to implement the recommendations contained in the Rangitāiki River Scheme Review
	• External Audit: Final Management Report on the audit of the Long Term Plan 2018-2028	To receive Audit New Zealand's Report on the audit of the Long Term Plan 2018-2028
	• Internal Audit Status Update	To provide the Committee with an update on the status of internal audit activities
	• Internal Audit Annual Report 2017/18 and Review Update	Receive Update
	• Kopeopeo Canal Remediation Project Update 19	Receive Update
• Transport Activities Risks	To update the Committee on the risks to the successful delivery of the Council's Transport Activities	

Meeting date	Report title	Purpose of report
28 November 2018 Committee Meeting	• Committee Chairperson's Report	To provide the Committee with an update on Audit and Risk activities.
	• External Audit: Final Management Report on the audit of the Annual Report for the year ending 30 June 2018	To receive Audit New Zealand final Management Report on the Audit of the audit of the Bay of Plenty Regional Council and Group for the year ending 30 June 2018 (Appendix 1)
	• Legal Services Annual Report & Legislative Compliance	To provide an update on the legislative compliance framework on the Council's legislative compliance during the year.
	• Update on Preparation for CouncilMARK Assessment	To update the Committee on the progress to date in preparing this assessment.
	• Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update	To update on progress Council is making to implement the recommendations contained in the Rangitāiki River Scheme Review.
	• Internal Audit Status Update 2018/19	To provide the Committee with an update of internal audit activities.
	• Internal Audit 2018/19 Review Update	To provide the Committee with an update internal audit activities.
	• Kopeopeo Canal Remediation Project Update 20	Receive update
• Key Risk Register Quarterly Update – October to December 2018	Periodic Review.	

***Audit and Risk Completed Work Programme
September 2017 to March 2019***

Meeting date	Report title	Purpose of report
7 March 2019 Committee Meeting	<ul style="list-style-type: none"> • Committee Chairperson's Report 	To provide the Committee with an update on Audit and Risk activities.
	<ul style="list-style-type: none"> • Update on Preparation for CouncilMARK Assessment 	To update the Committee on the progress to date in preparing for this assessment.
	<ul style="list-style-type: none"> • 2018/19 External Audit Plan 	To receive the draft New Zealand Audit Plan for the audit of the BOPRC for the year ending 30 June 2019.
	<ul style="list-style-type: none"> • Internal Audit Status Update 2018/19 	To update the Committee on the status of the internal audit recommendations and management actions to 31 December 2018.
	<ul style="list-style-type: none"> • Bus Contract Procurement Review (Confidential) 	To update the Committee on the procurement and planning approach leading to the appointment of New Zealand Bus Tauranga Ltd to provide the Western Bay of Plenty public transport services.
	<ul style="list-style-type: none"> • Key Risk Register Quarterly Update – January to March 2019 (Confidential). 	To update the Committee of our risk related information for our most significant and high profile risks, including items that would have a current risk factor of major or catastrophic in relation to the ability of Council to meet key objectives.
	<ul style="list-style-type: none"> • Kopeopeo Canal Remediation Project Update 21(Confidential) 	To provide an update on the Kopeopeo Canal Remediation Project, highlighting progress since the last report to the Audit and Risk Committee on 28 November 2018.



Report To: Audit and Risk Committee
Meeting Date: 12 June 2019
Report From: Mat Taylor, General Manager, Corporate

Internal Audit Status Update and Proposed Internal Audit Work Plan 2019/20 to 2021/22

Executive Summary

This report provides an update on the status of internal audit activities as at 30 April 2019 and includes:

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 March 2019;
- The proposed Internal Audit Work Plan for the three years 2019/20 to 2021/22 (Appendix 1).

Since the last and Risk Committee meeting in March the fieldwork of two internal audit reviews have been completed, and are in the reporting phases.

A full process has been undertaken to follow up with management on open actions resulting from previous reviews. At 31 March 2019 there were 53 open actions.

The proposed Internal Audit Work Plan for the three years 2019/20 to 2021/22 has been prepared and is presented to the Committee for review and approval.

Recommendations

That the Audit and Risk Committee:

- 1 Receives the report, Internal Audit Status Update and Proposed Internal Audit Work Plan 2019/20 to 2021/22;**
- 2 Approves the Internal Audit Work Plan 2019/20, 2020/21, 2021/22, including the detailed work plan for 2019/20.**

1 Introduction and Context

This report provides the quarterly update on internal audit activity undertaken by internal audit staff and external internal audit specialists, KPMG, as part of Bay of Plenty Regional Council's co-sourced internal audit approach. It includes:

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 March 2019;
- The proposed Internal Audit Work Plan for the three years 2019/20 to 2021/22 (Appendix 1).

Since the last Audit and Risk Committee meeting in March 2019 two internal audit review have completed fieldwork and are in the reporting phases.

2 Internal Audit Work Plan 2018/19 Status

On 12 June 2018, the Audit and Risk Committee approved the Internal Audit Work Plan for the three years to 2021, including the detailed internal audit work plan for 2018/19.

Since the las update, on 7 March 2019, two reviews have progressed in to the reporting phase, Procurement and Contract Management and Rates. The following table summarises the status of internal audit reviews for 2018/19.

Review	Field work	GM Sponsor	Status	Status of Internal Audit				
				Planning /Scope	Fieldwork	Draft Report	Mgmt Actions	Final Report
Maritime Disaster Preparedness	BOPRC	Regulatory Services	Complete	Complete	Complete	Complete	Complete	Complete
Civil Defence Response Capability	BOPRC	Regulatory Services	Complete	Complete	Complete	Complete	Complete	Complete
Asset Management Planning	KPMG	Corporate	Complete	Complete	Complete	Complete	Complete	Complete
Procurement	BOPRC	Corporate	In Progress	Complete	Complete	Complete	In Progress	
Contract Management	BOPRC	Corporate						
Rates	BOPRC	Corporate	In Progress	Complete	Complete	Complete	In Progress	
Budgeting and Monitoring	BOPRC	Corporate	In Progress	Complete	In Progress			
Fraud Risk Assessment	KPMG	Corporate	In Progress	In Progress				
Performance Management	BOPRC	Corporate	Removed					

Changes to the 2018/19 Work Plan, from that approved on 12 June 2018 are:

- The Procurement and Contracts Management reviews were combined into a single review to minimize business disruption and increase efficiency, the fieldwork for the both reviews has been completed with the reporting to be combined.
- The Performance Management review has been removed to avoid duplication with the work performed during the external audit.

3 Internal Audit Follow Up

Internal Audit has reviewed all open management actions as part of the follow up work in the 2018/19 Work Plan. At the start of the quarter (1 January 2019) there were 39 open management actions.

During the quarter 16 new actions were added, and two actions were closed. The total of actions open as at 31 March 2019 is 53, the majority of these relate to Grants (sixteen) and Asset Management (fourteen).

Grants – Internal Audit is comfortable with the progress. All actions are due to be complete by end of the financial year. A piece of work, run by a Steering Group, has been undertaken to relook at how Accela is being used by the Land Management teams, and if there are better ways of working. The Steering Group are actively considering the audit actions as they progress this piece of work.

Of the open actions 36 are past their original due date. The overdue actions relate predominately to Grants (thirteen), Legislative Compliance Framework (nine) and Health and Safety (nine).

Legislative Compliance – With the newly formed Risk and Assurance team, we have established a project plan with the legal team to implement solutions to these actions with an amended completion date of 31 December 2019.

Health and Safety - With the newly formed Risk and Assurance team, we have established a project plan to implement solutions to these actions with an amended completion date of 31 December 2020 as these actions relate to addressing continuous improvement actions rather than control weaknesses.

4 Proposed Internal Audit Work Plan to 2021/22

The first Internal Audit Work Plan was approved by the Audit and Risk Committee in May 2014. This Work Plan is a rolling three-year plan which is reviewed annually.

During early 2019, Internal Audit undertook a planning process to refresh the Internal Audit Work Plan for the three years 2019/20 to 2021/22 (provided in Appendix 1).

A risk based approach has continued to be used to assess the internal audit needs of the Bay of Plenty Regional Council and audit priorities.

We reviewed the Key Risk Register at March 2019 and ensured that for those key risks where mitigations and controls have significantly reduced the risk rating, that they have been included within the 'audit universe' to ensure that the Audit and Risk Committee has confidence that the mitigations and controls are in place and operating effectively.

In addition, based on discussions with General Managers, reviewing prior plans and reviewing the 'audit universe' of other councils we have included the following audits:

- Policy Framework
- People and Capability Framework
- Accela Invoicing
- Gravel Extraction Process
- Hapu / Iwi Identification in RMA Process
- Health and Safety – Critical Risk Identification
- Regional Integrated Ticketing System (RITS)

The Internal Audit work programme for 2019/20 has been developed based on the level of resources currently available. This is primarily one full time Internal Auditor staff members and funding for consultancy services sufficient for two to three reviews – depending on scope.

The proposed detailed work plan for 2019/20 is provided within the overall plan and is shown in the following table.

IA Ref	Description
3	Policy Framework E
10	Conflict of interest management
16	Accela Invoicing
17	Fixed asset security and records
21	ICT security E
27	Gravel Extraction Process
28	Hapu / Iwi Identification in RMA Process
29	Health and Safety – Critical Risk Identification
30	Regional Integrated Ticketing System (RITS) Post Implementation Review

At this stage whether the review will be undertaken by Regional Council staff or our external provider KPMG (denoted with 'E') is indicative only.

The Internal Audit Work Plan for the three years 2019/20 to 2021/22 has been given management approval by the Chief Executive and is now provided to the Audit and Risk Committee for its review and approval.

5 Internal Audit Annual Report 2018/19

At the next meeting of the Audit and Risk Committee, Internal Audit will provide an Annual Report for the year ending 30 June 2019.

6 Council's Accountability Framework

6.1 Community Outcomes

This work directly contributes to all the Community Outcome/s in the council's Long Term Plan 2018-2028.

6.2 Long Term Plan Alignment

This work is planned under the Governance Services activity in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Internal Audit Activity in the Annual Plan 2019/20 or Year 1 of the Long Term Plan 2018-2028.

Future Budget Implications

Future work on Internal audit activities is provided for in Council's Long Term Plan 2018-2028.

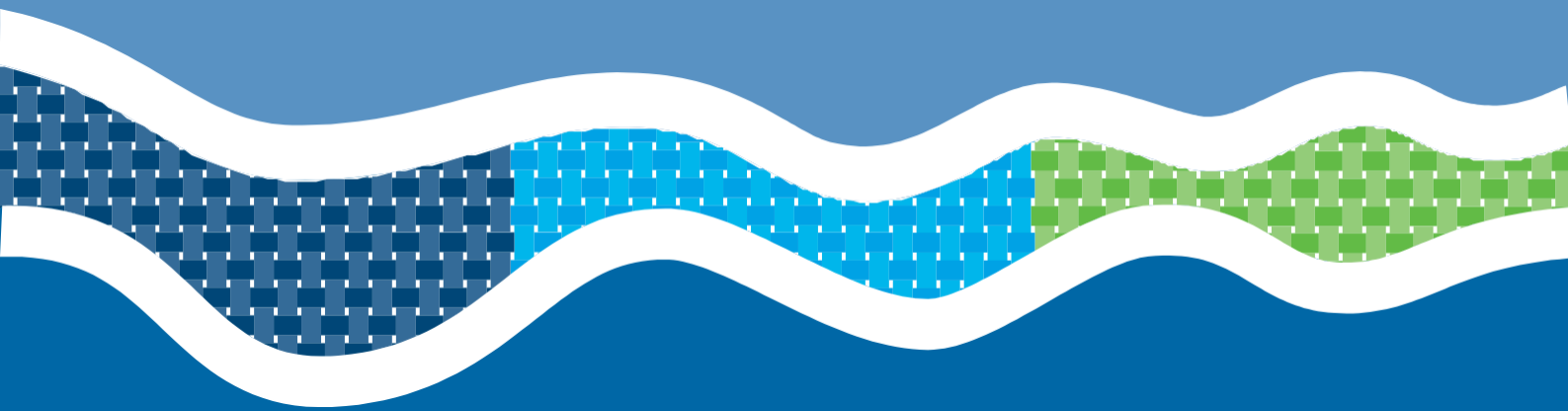
Steven Slack
Risk & Assurance Manager

for General Manager, Corporate

31 May 2019

APPENDIX 1

Internal Audit Work Plan 2019-21



Internal Audit Work Plan

2019/20, 2020/21, 2021/22

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Internal Audit planning process

Introduction

The annual internal audit planning process was performed during April and May 2019 to develop the Internal Audit Work Plan of Bay of Plenty Regional Council for the three years 2019/20, 2020/21 and 2021/22.

The Internal Audit program is continuously reviewed during the year to ensure it is aligned with the risk register and emerging issues. Any substantial re-prioritisation or amendments of the audit plan will be reported to the Audit and Risk Committee.

This document sets out the Internal Audit Work Plan, based on standards developed by the Institute of Internal Auditors.

Information on Bay of Plenty Regional Council’s approach to internal audit, internal control framework, internal audit charter and protocols are set out in the appendices.

Approach

The Internal Audit Work Plan has been developed with input from Bay of Plenty Regional Council councillors, management and Council’s external provider for internal audit delivery.

A summary of the steps taken to achieve an effective Internal Audit work plan and an effective level of internal auditing is shown below in Diagram 1.

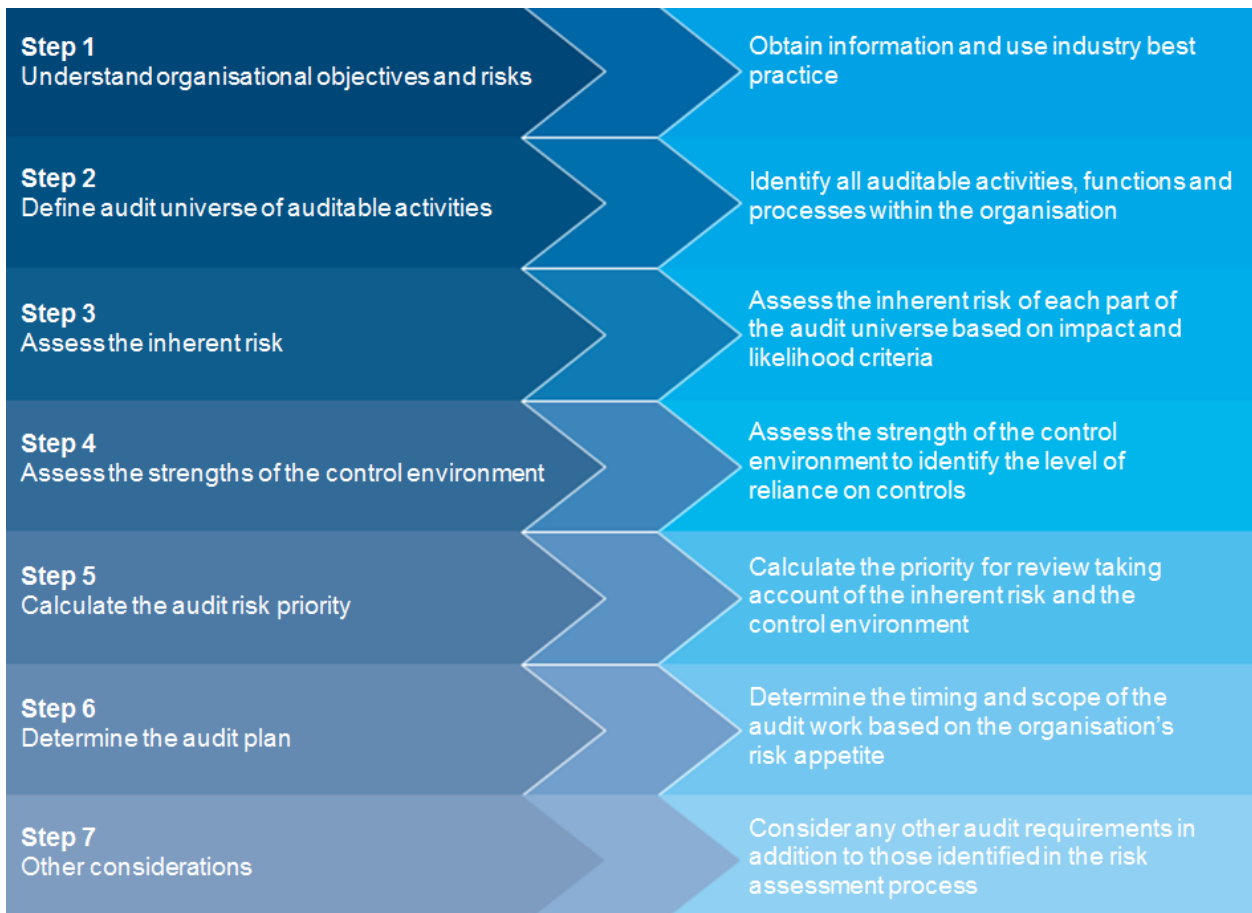


Diagram 1 – The seven steps to success



Risk based assessment

A risk based approach was used to assess the internal audit needs of Bay of Plenty Regional Council.

The Key Risk Register, at March 2019, was reviewed to ensure that for those key risks where mitigations and controls have significantly reduced the risk rating, they are included within the ‘audit universe’ to ensure that the Audit and Risk Committee has confidence that the mitigations and controls are in place and operating effectively.

Key organisational documents were also considered, including previous internal audit and external audit documents.

Interviews with executive management and activity managers were conducted where possible to identify areas where internal audit focus would add value, and to identify key risks, controls, projects and anticipated changes.

The Council’s external auditor, Audit New Zealand and co-sourced internal audit provider, KPMG, were also provided the opportunity to comment.

The Audit and Risk Committee reviewed the Internal Audit Work Plan.

Using this information, potential auditable areas were identified.

A straightforward risk model – using priority ranking A, B, or C was used to determine the depth of audit coverage. The assessment of the audit priorities was validated with management, to recommend the Internal Audit Work Plan for the three years to 2021/22.

The risk ranking model (below) highlights the differentiation between each group of activities for review.

<p>A Business critical function or process Large value/high risk</p>	<p>B Important or significant process Medium value/medium risk</p>	<p>C Non key, routine process Lower value/lower risk</p>
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Diagram 2 – Risk Ranking Model



Internal Audit Work Plan 2019/20

The detailed Internal Audit Work Plan 2019/20 is set out below and on the following page. The Internal Audit Work Plan for the three years to 2021/22 is set out in Appendix A.

The Internal Audit Work Plan 2019/20 has been developed based on the level of resources currently available. It provides for 375 days of internal auditing delivered by BOPRC Internal Audit, including 25 days for audit follow up and a contingency of 120 days for responsive reviews. In addition, the Internal Audit Work Plan 2019/20 provides for 65 auditing days delivered by external providers.

The Internal Audit Work Plan 2019/20 makes an estimate of the number of days needed for the following processes to undertake the audit review:

- Prepare and agree scope;
- Undertake internal audit review (fieldwork); and
- Report preparation, including findings, recommendations and management comments.

Each audit will be undertaken using recognised international auditing standards - using guidance on matters such as audit documentation and working papers, and auditing practices to ensure consistency and value. Further information on the internal audit process is set out in the Internal Audit Protocol (Appendix E).

Task	BOPRC (days)	EXTERNAL (days)	TOTAL (days)
Delivery of Internal Audit Work Plan	320	60	380
Follow up and tracking of audit management actions	25		25
Annual risk and control assessment and annual planning	10	2	12
Administration, reporting, committee preparing and attendances	15	2	17
Liaison with external auditors	1		1
Quality assurance process	4	1	5
Total Indicative Days	375	65	440

Diagram 3 – Indicative Audit Effort

IA Ref	Description	Risk ¹
3	Policy Framework E	
10	Conflict of interest management	
16	Accela Invoicing	
17	Fixed asset security and records	
21	ICT security E	
27	Gravel Extraction Process	
28	Hapu / Iwi Identification in RMA Process	
29	Health and Safety – Critical Risk Identification	
30	Regional Integrated Ticketing System (RITS) Post Implementation Review	

Notes:

¹ Risk ranking

<p>A Business critical function or process Large value/high risk New or changed systems or process; limited separation of duties; cash related activity; high transactional value</p>	<p>B Important or significant process Medium value/medium risk System procedures and controls not clearly documented and reviewed; medium transactional value</p>	<p>C Non key, routine process Lower value/lower risk Well established system procedures and controls clearly documented and reviewed; low transactional value</p>
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E Denotes reviews which may be undertaken by an external provider.



Appendix A: Internal Audit Work Plan 2019-2022

IA ref	Review	Objective	Last audit	Indicative days		
				2019/20	2020/21	2021/22
Framework reviews						
1	Project management	To assess the adequacy and effectiveness of the framework to plan, manage and monitor projects and the maturity of that framework.	NA		X	
2	Business Continuity	To assess adequacy and effectiveness of the framework to manage, monitor and mitigate key business continuity risks.	NA		X	
3	Policy Framework	To assess adequacy and effectiveness of the framework to manage, monitor and mitigate key business risks.	NA	X		
4	People and Capability Framework	To assess adequacy and effectiveness of the framework to manage employees.	NA			X
5	Treaty of Waitangi / Maori Engagement	To assess the current processes and controls that exist in Council to meet the engagement requirements under Treaty of Waitangi principles, Māori legislative rights, Treaty settlements, memorandums of understanding and service agreements/protocols.	NA		X	
Framework (1st time review) – Operational Risk (2nd time review)						
6	Asset management planning	To assess the adequacy and effectiveness of the framework to manage and monitor key assets and the maturity of that framework.	2018/19			X
7	Budgeting and monitoring	To assess the adequacy and effectiveness of the governance and management control framework to support budgeting, monitoring and forecasting.	2018/19			X
8	Fraud risk assessment	To evaluate the vulnerability of the organisation to internal and external fraud including the effectiveness of controls for detecting fraud and mitigating its effects.	2018/19			X
9	Risk management	To assess the adequacy and effectiveness of the design and implementation of the risk management framework and processes and the maturity of that framework.	2015/16		X	



IA ref	Review	Objective	Last audit	Indicative days		
				2019/20	2020/21	2021/22
10	Conflict of interest management	To assess the effectiveness of the implementation of the conflict of interest management framework and the operation of key controls and processes.	2015/16	X		
11	Contracts management	To assess the effectiveness of the implementation of the contracts management framework and the operation of key controls and processes.	2018/19			X
12	Fees and charges	To assess whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to the setting and collection of fees and charges.	2016/17		X	
13	Legislative compliance	To assess the effectiveness of the implementation of the legislative compliance framework and the operation of key controls and processes.	2014/15			X
14	Procurement	To assess the effectiveness of the implementation of the procurement framework and the operation of key controls and processes.	2018/19			X
Operational Risk reviews						
15	Delegations	To assess the level of compliance with Council's policy and decisions in relation to financial and non-financial delegations and to determine whether key controls are operating effectively.	NA		X	
16	Accela Invoicing	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to Accela Invoicing.	NA	X		
17	Fixed asset security and records	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to fixed asset processes.	NA	X		
18	Finance	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to finance processes, cash, payables, receivables.	2016/17		X	
19	Grants	To assess the level of compliance with Council's policy and decisions in relation to grant activities and to and to determine whether key controls are operating effectively.	2017/18		X	



IA ref	Review	Objective	Last audit	Indicative days		
				2019/20	2020/21	2021/22
20	Health and safety	To assess the level of health and safety performance in accordance with good practice and the Health & Safety at Work Act 2015.	2017/18		X	
21	ICT security	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to specific areas of information, communication and technology (including cybersecurity and disaster recovery).	2014/15 2015/16	X		
22	Investments / treasury	To assess the level of compliance with Council's policy and decisions in relation to of investment and treasury activities and to determine whether key controls are operating effectively.	2016/17		X	
23	New systems – ICT	To ensure adequate controls are built into the new system and are operating effectively, and to ensure that end-user needs are met.	2016/17		X	
24	Payroll	To assess the robustness and effectiveness of controls in place to mitigate key risks in relation to payroll processes (including staff reimbursements).	2013/14 2017/18			X
25	Rates	To review the process for rates determination, rate deferment decisions, collection of rates, rate rebates and refunds, remissions and monitoring of arrears to ensure compliance with legislation and Council's policies and decisions.	2018/19			X
26	Sensitive expenditure	To review the reasonableness of sensitive expenditure incurred in the Council and compliance with policies and procedures for staff and councillors.	2014/15 2017/18			X
27	Gravel Extraction Process	To review the systems and processes relating to gravel extraction.	NA	X		
28	Hapu / Iwi Identification in RMA Process	To review the systems and processes for identifying Hapu and Iwi that are required to be engaged under the RMA process.	NA	X		
29	Health and Safety – Critical Risk Identification	To review the processes BOPRC has in place for identifying critical health and safety risks and implementing controls to mitigate these risks.	NA	X		



IA ref	Review	Objective	Last audit	Indicative days		
				2019/20	2020/21	2021/22
30	Regional Integrated Ticketing System (RITS) Post Implementation Review	To conduct a post implementation review of the RITS project.	NA	X		
Strategic Risk reviews						
31	Drinking Water Contamination Management	To assess whether findings of Havelock North Stage 2 inquiry have been assessed and addressed	NA		X	



Appendix B: Internal Audit Background

1 Introduction and background

At the October 2012 meeting of the Finance and Corporate Committee councillors received a report - Internal Audit and Internal Control. This report set out an approach to audit that included the setting up of a Co-Sourced Audit Model, including an externally sourced audit and review process and an internal audit function to systematically review and audit appropriate functions and processes within Bay of Plenty Regional Council.

Management have since established a structure to systematically review and evaluate key risk areas across the Council. This structure will support management and governance with focused and timely reviews to highlight where improvements and changes can be made.

2 Management review processes

The three elements, or work streams, are:

- Business reviews;
- Strategic risk reviews; and
- Operational risk reviews.

The nature of each review type, highlighting who undertakes the review and the focus for each is shown in Diagram 1 (below).

Management support network of reviews

Business reviews

Undertaken by a business unit such as Organisational Solutions or IT

Reviewing how economically, efficiently and effectively the team, programme or system meets objectives

Examples

Consents lifecycle
HR systems review

Strategic risk reviews

Identified from the risk register and undertaken by internal audit or external audit partner

Reviewing key Council risk areas

Examples

Air Emissions
Maritime Disaster Preparedness

Operational risk reviews

Undertaken by internal audit or specialist provider

Reviewing compliance, and the control environment for each operational process

Examples

Payroll
Sensitive Expenditure

Diagram 1 – Management review work streams



3 The audit review of risks

A Co-Sourced Internal Audit Model using of both internal and external resources is considered to be the most responsive and flexible approach to the audit review of risks.

Strategic risks

Council risks that are identified within the Risk Management Framework and recorded in the Risk Register require one-off scopes of work, with Internal Audit or an appropriate provider being appointed, dependent on the nature of the risk.

These reviews will assess whether the mitigating actions that have been but in place by BOPRC to reduce the inherent risk to a residual risk that is within the Council risk tolerance are in place and operating effectively.

Operational risks

Internal Audit systematically reviews appropriate operational functions and processes within Council.

To be effective and provide reasonable assurance, Internal Audit reviews do not review all transactions in a particular process or system. Samples are chosen in a systematic way with system reviews being undertaken for each process that is reviewed. In this way, audits will cover a reasonable breadth and depth of operational activity.

The overarching Internal Control Framework, set out in Appendix C, has been prepared to highlight and to strengthen and integrate all elements of internal control – including risk management.

The Council's external auditor – Audit New Zealand, provide assurance and regulatory review and commentary to the public, Council and management on a range of important and largely externally focused plans, strategies, and financial statements.

Internal Audit provides governance and management with independent assurance regarding internal controls and highlights risks, making recommendations for improvements across a range of activities and provides input into process improvement and efficiencies in Council.



Appendix C: Internal Control Framework

1 Definition of internal control

Internal control is a process effected by the Council, management and all staff designed to provide reasonable assurance of effectively and efficiently meeting various governance, compliance, financial, and operational objectives.

Council and staff at Bay of Plenty Regional Council are responsible for establishing internal control processes to keep the Council on course towards meeting its financial goals, manage and minimise risk, and to more effectively deal with change.

2 Component of internal control

Control environment

The control environment sets the tone for Council. It provides discipline and structure and strongly influences the control consciousness of the people within Council. Key factors in the control environment include the integrity, ethical values and competence of staff.

Risk management

Risk management is the identification and effective management of risks which may prevent Council meeting its objectives. The Risk Management Framework has been established to capture and control key and strategic risks.

Control activities

Control activities are the policies and procedures put in place to ensure that councillor and management decisions are implemented. Managers and staff must be aware of and understand all relevant policies and procedures and these must be supplemented with protocols and guidance when necessary.

Information and communication

Pertinent information must be identified, captured, and communicated in a form and timeframe that enables staff to carry out their responsibilities. Strong lines of communication are needed within and across teams.

Monitoring

Monitoring is a process that assesses the quality of the internal control system over time. Management is responsible for monitoring activities, and reporting to the appropriate Council governance body, on levels of control and assurance.

3 Internal control objectives

Management have established internal control objectives in order to effectively assess areas of potential risk.

The following key internal control objectives apply to Bay of Plenty Regional Council:

- Accuracy of financial statements;
- Validity of transactions;
- Timeliness and completeness in processing transactions;
- Compliance with applicable statutory regulations and Council policies.



4 Internal control activities

The following internal control activities are important tools used to accomplish these objectives:

Establishing a control conscious environment

Setting the tone within senior management is essential in developing sound internal control. Ensuring staff are properly trained, knowledgeable of Council policies and procedures and receive regular feedback are key factors to a good control conscious environment.

Segregation of duties

The separation of certain functions such as initiating, authorising, and recording and reconciling transactions is an important control activity. The amount of segregation possible is dependent on the size and structure of individual teams. However, every effort should be made by management to ensure no one person has control of all parts of a transaction.

Authorisation and approval process

Authorisation and approval responsibilities should be limited to as few people as possible. Any delegation should be clearly documented and passwords must be kept confidential. Supporting documentation should be scrutinised for validity, completeness, and accuracy.

Physical control of assets

Managers are responsible for the physical control of assets used by their teams. Safeguards should be implemented to ensure proper accountability of assets.

Monitoring

Monitoring activities carried out by management are reported to Council periodically, and supplemented by reviews undertaken by internal review processes such as Internal Audit.



Appendix D: Internal Audit Charter

1 Introduction

This Charter provides the framework for the conduct of the Internal Audit function in the Bay of Plenty Regional Council.

The Internal Audit function is part of the Corporate Team and the Risk and Assurance Manager (“Audit Manager”) is responsible for the Internal Audit function in Bay of Plenty Regional Council. The Internal Audit function is administered by the Audit Manager; audits are performed by the Internal Audit Team and any external organisation appointed as required.

The Chief Executive determines the structure, delegation and authority of Internal Audit in Bay of Plenty Regional Council.

2 Objectives of Internal Audit

Internal Audit provides an independent and objective service to:

- Provide independent assurance to the Chief Executive and Council that the Bay of Plenty Regional Council’s financial and operational controls are operating in an efficient, effective, economical and ethical manner; and
- Assist management in improving business performance.

3 Scope of Internal Audit activity

Internal Audit activity encompasses the review of all financial and non-financial policies and operations. Internal Audit reviews may cover any of the programmes and activities of the Bay of Plenty Regional Council. The scope of Internal Audit will be agreed in the Internal Audit Work Plan.

The Internal Audit Work Plan may include (but is not limited to) audits with the following orientation:

- The adequacy and effectiveness of internal controls such as those relating to finance, operations, information technology systems and information security;
- Compliance with legislative requirements, New Zealand Local Government and Bay of Plenty Regional Council policies, procedures and guidelines;
- Recording, control and use of Bay of Plenty Regional Council’s assets;
- Performance auditing (e.g. key performance indicators);
- Risk management framework monitoring;
- Fraud control; and
- Project management assurance.

The Internal Audit Work Plan is prepared in consultation with the Chief Executive and senior management.

The Internal Audit Work Plan is given management approval by the Chief Executive. The Audit and Risk Committee review and approve the Internal Audit Work Plan.

4 Authority and confidentiality

All reviews are undertaken under the authority of the Chief Executive. Internal Audit is authorised to have full, free and unrestricted access to all functions, premises, systems, assets, personnel, records and other documentation and information that internal audit considers necessary to enable Internal Audit to meet its responsibilities, subject to Internal Audit protocols.



All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. Internal Audit is responsible and accountable for maintaining the confidentiality of the information received during the course of internal audit work.

5 Responsibilities of Internal Audit

Internal Audit will be expected to:

- Play an active role in:
 - Developing and maintaining a culture of accountability, integrity and adherence to high ethical standards;
 - Facilitating the integration of risk management into day-to-day business activities and processes; and
 - Promoting a culture of cost-consciousness and managerial review.
- Prepare an Internal Audit Work Plan that:
 - Aligns the audit priorities with the risk profile of Bay of Plenty Regional Council;
 - Clearly explains the objective of each audit review;
 - Provides an estimate of resources required (internal and external);
 - Includes a rolling three-year timetable (with the first year in detail and the following two years in summary); and
 - Is adaptable and allows for ad hoc or responsive reviews.
- Report annually to the Audit and Risk Committee and quarterly to the Chief Executive on the audit programme including:
 - Audits completed;
 - Progress on implementation of the Internal Audit Work Plan; and
 - Status of the implementation of agreed internal audit recommendations.
- Comply with legislation, auditing standards, professional standards of conduct and Bay of Plenty Regional Council guidelines, policies and procedures, and exercise due professional care in performing the duties of Internal Audit.

The Internal Audit Team will perform the majority of the internal audit activity. To maintain independence, the Internal Audit Team have no direct management responsibilities in relation to non-audit activities.

6 Responsibilities of management

- Ensure Internal Audit has full, free and unrestricted access to functions, premises, systems, assets, personnel, records and other documentation and information and systems;
- Provide management responses to Internal Audit reports in a prompt manner, stating whether management agrees or disagrees with the findings and recommendations, and if it disagrees, identify the reasons why;
- Provide the timeframe and position responsible for implementing any Internal Audit recommendations; and
- Ensure that resourcing is provided to implement any agreed Internal Audit recommendations.

The Chief Executive will provide support for an independent quality assessment to be carried out on the Internal Audit function periodically as required by professional standards.



7 Responsibilities of the Audit and Risk Committee

- Approve and review the Internal Audit Work Plan;
- Review the Internal Audit programme Annual Report;
- Provide Internal Audit free and open access to the Committee Chairperson to strengthen communication and ensure independence;
- Provide feedback about the performance of Internal Audit;
- Periodically review the method of Internal Audit delivery to ensure it meets the Council's needs, taking into consideration the:
 - Nature of the Bay of Plenty Regional Council's risk and control environment;
 - Size, scale, location, and diversity of operations;
 - Complexity, nature and scale of information technology systems; and
 - Reliance placed on the transparency of management controls as well as internal and external assurance.

8 Relationship with external auditors and other assurance activities

Internal Audit will establish and maintain an effective relationship with Audit New Zealand and any other assurance providers through proactive, open dialogue. Internal Audit will plan its activity to help ensure the adequacy of overall audit coverage and to minimise duplication of assurance effort. The external auditors have full and free access to Internal Audit's Work Plan and any documentation relating to Internal Audit activity.

9 Review of the Internal Audit Charter

This Charter will be reviewed at least three-yearly or more frequently if circumstances require it. Any changes will be approved by the Chief Executive.

10 Related Policies and Guidance

Office of the Auditor General - Audit Committees in the Public Sector.

Bay of Plenty Regional Council - Fraud Policy; Internal Audit Framework and Protocol; Internal Control Framework; Risk Management Framework and Policy.



Appendix E: Internal Audit Protocol

1 Introduction

This protocol outlines the respective roles and responsibilities of Internal Audit and management in the course of an audit and the opportunities for consultation during the audit process.

The purpose, responsibilities and authority of the Internal Audit function are set out in the Internal Audit Charter which was approved by the Chief Executive.

2 Planning and consultation

Internal Audit prepares an Internal Audit Work Plan in consultation with the Chief Executive and senior management. The Audit Work Plan is based on the risks facing Bay of Plenty Regional Council and the business improvement opportunities available to it.

The Internal Audit Work Plan is approved by the Chief Executive. The Audit and Risk Committee review and approve the Internal Audit Work Plan. The Internal Audit Work Plan is available on request.

In addition, internal audits not on the Work Plan can be commissioned by the Chief Executive.

3 Audit process

The various stages in the audit process are outlined below. The Chief Executive will be consulted where management agreement is not achieved during the audit process.

4 Preliminary consultation

Prior to commencing the audit, Internal Audit will consult with the relevant General Manager (or the Chief Executive where applicable) on the:

- Objectives and scope of the audit;
- Likely commencement date, duration and resources required;
- Locations to be visited;
- Nomination of a responsible manager from the area audited; and
- Legal compliance requirements including the Privacy Act 1993.

Internal Audit will consult the Privacy Officer prior to accessing records containing personal information of staff.

The relevant General Manager (or the Chief Executive where applicable) and the Audit Manager will sign off on each internal audit scope and the resources required to support the audit process.

Any significant changes from the objectives documented in the approved Internal Audit Work Plan will be subject to approval by the Chief Executive.

5 Opening interview

An opening interview will be conducted shortly before the start of the audit with management of the area to be reviewed. The purpose of the opening interview is to:

- Enable the audit team to meet key staff of the area being reviewed;
- Clarify the objectives, scope and timing of the audit;
- Provide an opportunity for staff of the area being reviewed to present their views and perspectives on the matters subject to audit;



- Finalise the plan for conducting the audit in terms of timing, duration, staff involvement; and
- Arrange access to buildings, personnel, files, systems and data in order to commence fieldwork.

6 Fieldwork

Internal Audit is committed to a “no surprises”™ approach and ongoing discussions will be held with management as findings emerge and conclusions are developed. At the mid-point of the audit, a formal meeting will be sought with the audited area to discuss the progress of the internal audit and any emerging issues.

If necessary, Internal Audit will communicate significant matters of concern to the Chief Executive prior to the completion of the final report.

At the conclusion of the fieldwork, Internal Audit will hold discussions with nominees of the audited area. The aim of the discussions is to explain the issues identified by Internal Audit and to develop practical responses in cooperation with the area under review.

7 Close out interview

Following the discussions, Internal Audit will prepare a first draft report to be used as the basis for discussion at a close out interview.

The purpose of the close out interview is to:

- Advise management about the provisional findings, conclusions and recommendations;
- Afford management the opportunity to correct any misunderstandings or misinterpretations;
- Discuss findings and conclusions and obtain management’s views; and
- Discuss the practicality of recommendations and timeframes.

8 Draft report

Internal Audit will issue a final draft audit report to management of the work area under review, promptly following the close out interview, generally within 15 working days.

9 Management comments

On receipt of the final draft report, management of the work area under review will:

- Consider the findings and recommendations in the draft report;
- Formally advise Internal Audit whether management agrees or disagrees with the recommendations in the draft report;
- Where management agrees with a recommendation, management will:
 - Prepare an action plan to address the recommendation;
 - Set a timeframe for implementing the action plan; and
 - Nominate the position responsible for implementation;
- Where management disagrees with a recommendation, the reason for the disagreement will be provided.

If any residual errors of fact remain, management must notify Internal Audit promptly.

Management comments are required generally within 15 working days of the receipt of the draft report so that they can be included in the final report.



10 Final report

Generally within five working days of the receipt of management comments, Internal Audit will issue a final report to:

- The Chief Executive;
- The General Manager Corporate; and
- Management of the audited area, including the relevant General Manager.

Internal audit reports will be issued internally as confidential management reports, subject to the Local Government Official Information and Meetings Act. Bay of Plenty Regional Council staff can access the internal audit reports via management of the audited area.

Where appropriate, lessons learnt and examples of better practice will be disseminated to a wider audience in Bay of Plenty Regional Council.

A client satisfaction questionnaire will be sent with the final report. The manager of the audited area should complete the client satisfaction questionnaire and return it to Internal Audit. Internal Audit will follow up on any feedback indicating possible shortcomings in Internal Audit performance.

11 Monitoring the implementation of agreed recommendations

The relevant General Manager (or Chief Executive where applicable) is responsible for examining all internal audit reports for their areas of responsibility and implementing agreed recommendations.

Internal Audit assists the Chief Executive and the relevant General Manager in monitoring progress in implementing agreed recommendations. Internal Audit will, therefore, periodically seek advice from management regarding progress in implementing agreed recommendations.

With the endorsement of the Chief Executive, Internal Audit may conduct further reviews with a view to determining whether agreed action has been completed and the reported issue satisfactorily addressed.

While management agreement is not always necessary, it would be expected that discussions would be held with the aim of reaching agreement. The reasons for any disagreement will be included in the final audit report together with any Internal Audit response.

12 Related policies and guidance

Office of the Auditor General - Audit Committees in the Public Sector.

Bay of Plenty Regional Council - Fraud Policy; Internal Audit Framework and Charter; Internal Control Framework; Risk Management Framework and Policy.





Receives Only – No Decisions

Report To: Audit and Risk Committee
Meeting Date: 12 June 2019
Report From: Mat Taylor, General Manager, Corporate

Review of Performance and Effectiveness of the Audit and Risk Committee

Executive Summary

We are committed to effective and efficient governance and insight into the Regional Council’s activities, through our Audit and Risk Committee.

We have undertaken a short survey which was sent to all Bay of Plenty Regional Councillors, our independent committee member and the Leadership Team.

Results of the survey highlight strong support for the current approach and some suggested enhancements to feed into the next triennium.

Recommendations

That the Audit and Risk Committee:

- 1 Receives the report, Review of Performance and Effectiveness of the Audit and Risk Committee;**
- 2 Notes the survey results and recommends to Council that this information feeds into the upcoming Governance Review of Council’s Committee Structures for the new Triennium.**

1 Introduction

Audit and Risk Committee approved the undertaking of a review of the Committee’s effectiveness which was to begin with a high level internal self-assessment process through a questionnaire.

This survey has now been undertaken and this report provides a summary of responses.

2 Survey

As an initial step to evaluating effectiveness, an internal self-evaluation assessment through a simple survey questionnaire was undertaken in April 2019. This provides a useful benchmark and comparator and also sets a baseline for all future assessments and evaluations.

The survey focussed on a range of questions relating to risk and assurance, and support for the committee, and it was circulated to committee members, other councillors, and the Leadership Team.

Results of the Survey are attached at Appendix A, and are summarised below:

- 100% satisfaction levels for all questions about *creating an effective committee*
- 100% satisfaction levels in key areas of focus like relationships between members and staff, quality of reports, and management reporting
- Very constructive and clear feedback about possible changes and improvements that can be made in areas such as:
 - Members' knowledge of the business
 - Adding in updates on emerging risks, markets and trend

It is recommended that the results of the survey directly feed in to the committee structure review and governance arrangements for the new triennium.

Staff will progress with actions relating to this feedback, including all comments made and any received at the meeting, when setting our meeting support and management input for future meetings of the committee.

3 Budget Implications

3.1 Current Year Budget

There are no direct financial implications related to this review.

3.2 Future Budget Implications

Any future implications will be assessed as part of any committee structure review and included within the Governance Activity budget.

4 Community Outcomes

This project indirectly contributes to the Community Outcome in the Council's Long Term Plan 2018-2028.

General Manager, Corporate

31 May 2019

APPENDIX 1

Triennium Review Results final

Triennium Review Results – Audit and Risk Committee 2016 – 2019

Part 1: Creating an effective Committee

	Question	YES	NO
1.1	Are you satisfied that Committee members, as a whole, have sufficient skills, experience, time and resources to undertake their duties?	11	
1.2	Are you satisfied that Committee members have a sufficient understanding of the organisation and the sector in which it operates?	10	
1.3	Are you satisfied that all Committee members exercise their own judgement; voice their own opinions; and act freely from any conflicts of interest?	11	
<p>Other comments regarding creating an effective Committee:</p> <p><u>Question 1.2.</u> Answer is assisted by our independent member who has a high level of knowledge of the sector. I am not 100% sure we have a high level of knowledge of the organisation.</p> <p>Most members take their role very seriously and perform well. The committee relies on the commitment of its members.</p> <p><u>General Comments</u> The makeup of this Committee (within this Triennium) includes plenty of Local Government experience.</p> <p>To be an effective Audit and Risk Committee the Members must know the business so they can identify risks and ask and challenge the status quo.</p> <p>This is important both from a regional, national and sometimes international (investments, trends and events).</p> <p>We are very fortunate that the skill set is so high, and very competent BOPRC staff working together, ensure financial control, stability and competence.</p> <p>This is an early assessment. I have only been at 2 meetings to date. They are developing (and I would argue with more to go) and a good boost was the recent risk seminar for councillors and senior staff. This showed direct benefit at the next day committee meeting. So good steps to tap into the Committee’s potential.</p> <p>Two things I have noted that add value:</p> <ul style="list-style-type: none"> • The openness and transparency of the CEO; she is setting an important tone for the Committee and development of a suitable risk culture • The leadership of the Committee (John Cronin) who’s approach is treating the management of risk seriously 			

Part 2: Running an Effective Committee

	Question	YES	NO
2.1	Are you satisfied the Committee has a relevant Terms of Reference in place that enables it to be effective?	11	
2.2	Are you satisfied that the Committee's workload is appropriately managed?	10	1
2.3	Are you satisfied that Committee meetings are conducted in a manner that encourages open discussion, healthy debate and allows each Committee member to clearly add value to discussion and decisions?	10	1
2.4	Are you satisfied that the relationship between the Committee and the CEO/CFO/members of the Senior Management Team strikes the right balance between challenge and mutuality?	11	
2.5	Are you satisfied that the Committee's meeting arrangements are effective? For example, frequency, timing, venue, format and duration to allow sufficient time for discussion of substantive matters?	9	1
2.6	Are you satisfied with the quality of the Committee papers? For example, not overly lengthy and clearly explains the key issues, risks and priorities?	10	
2.7	Does management provide timely, appropriately detailed, and frank/open reporting to the Committee?	9	
2.8	Are you satisfied with the processes in place for keeping the Committee informed on important material matters between meetings? For example, emerging risks, market and regulatory changes?	9	1
2.9	Do you agree that moving to a more "risk and assurance" model for the Committee's responsibilities, would improve the areas of focus for the committee.	9	1
<p>Specific Comments</p> <p>2.1 Worth revisiting after the election and the current risk development process.</p> <p>2.2 I think we are recognising we need more time for each meeting; workshops help.</p> <p>2.3 We need more time (in a forum section) to consider what is happening nationally and internationally that will influence the role and function of the regional council. Just receiving and commenting on the agenda paper is not stretching the committee and identifying other risks and improvements.</p> <p>2.4 I think an understanding is developing but suspect it will always be a tension point.</p> <p>2.5 Only on timing at this stage</p> <p>2.8 While we receive excellent financial and project updates between meetings we could also add emerging risks, markets and trends.</p> <p>2.9 Only way to go!</p>			

General other comments regarding running an effective Committee:

I have no problem with the focus on Risk and Assurance, but without a separate Finance Committee, it is important that Audit & Risk shows particular attention to financial robustness.

Overall my view is that the Committee is developing its usefulness. It is approaching it correctly – we need “to practice by doing”.

With the re-organisation in this triennium we have not had the informal contact or briefings the chairman, deputy and certain members previously enjoyed. Nor do I believe the current version of the CPMR is anywhere as good as the previous version in succinctly providing the requisite information to governance.

While effective as an Audit & Risk, it may be better to consider a change to Risk Assurance, which will be a more efficient method of operation and will give the Committee a better mandate to oversee the changes in Council operations within a changing Government & political climate for the benefit of the Bay of the Plenty Regional Council.



Receives Only – No Decisions

Report To: Audit and Risk Committee
Meeting Date: 12 June 2019
Report From: Mat Taylor, General Manager, Corporate

Setting of Rates 2019/20

Executive Summary

This report provides the draft Council Rates Resolution, and its specific wording requirements to ensure continued statutory compliance for the setting of Rates 2019/20.

Simpson and Grierson have been engaged to perform a current review of statutory compliance for this year's rate assessment and collection processes. This review is still on-going and will be discussed at the meeting.

Recommendations

That the Audit and Risk Committee:

- 1 **Receives the report, Setting of Rates 2019/20;**
- 2 **Notes the draft rate setting information provided, and the process that will be followed at Council on 27 June 2019.**
- 3 **Notes that the legal review of statutory compliance for this year's rate assessment and collection process is still on-going and an update will be provided at the meeting.**

1 Rates Setting

1.1 Background

The Local Government Act 2002 (*the Act*) and more specifically the Local Government (Rating) Act 2002 (*the Rating Act*) sets out the process for setting rates for a property. This involves the preparation of three formal documents;

- i. Funding Impact Statement;
- ii. Rates Resolution;
- iii. Long Term Plan; and

iv. Annual Plan

Funding Impact Statement (FIS)

The Funding Impact Statement (FIS) is a detailed explanation to the community of what rates will be charged, how they will be calculated and what they will be used for. Ratepayers should be able to work out what they will pay from this document.

To prepare an Annual Plan (Schedule 10, part 2 Clause 20) and Long Term Plan (Schedule 10, part 1 Clause 5 and 15) in accordance with *the Act*, the plan must include a FIS for the year to which it relates. It must be in the prescribed form, and must identify:

- a) The sources of funding to be used by the local authority;
- b) The amount of funds expected to be produced from each source; and
- c) How the funds are to be applied

Rates Resolution (Resolution)

The Resolution is a local authority's formal legal decision to impose specific rates on a community, and creates the obligation to pay. Each rate must be set in keeping with the relevant FIS and Long Term Plan.

The preparation of the Resolution must be in accordance with section 23 of *the Rating Act*. The rates set in the resolution must;

- a) Relate to a financial year;
- b) Be set in accordance with the relevant provisions of the Council's LTP and FIS for that financial year.

Long Term Plan (LTP)

The LTP shows what the Council intends to do and how it will go about it for the next three years. It is finalised after consulting the community.

The detailed legal requirements on what is to be included in the LTP is set out in schedule 10, part 1 of the *Act*. This includes the FIS, a policy governing Council's financial strategy for the next three years and Council's revenue and financing policy. This ensures prudent financial management by providing a guide for the Council to consider proposals for funding and expenditure against.

It also provides the basis for Council's funding mix, including the source of funds.

Annual Plan (AP)

The AP shows what the Council intends to do and how it will go about it for the next year. It is finalised after consulting the community.

The detailed legal requirements on what is to be included in the AP is set out in schedule 10, part 2 of the *Act*. This includes the FIS and rating database

information. This ensures prudent financial management by providing a guide for the Council to consider proposals for funding and expenditure against.

2 Local Government Rate Setting Reviews

2.1 Audit New Zealand Review

Council has consistently complied with the rate assessment and setting requirements as established by the *Act*.

Audit NZ reviewed in depth Council's Long Term Plan 2018-2028 rates resolution with no changes being required.

2.2 Legal Review

Simpson and Grierson have been engaged to perform a current review of statutory compliance for this year's rate assessment and collection processes. This review is still on-going and will be discussed at the meeting.

Management will ensure these recommendations from the review are included in the final resolution for 2019/20.

In order to ensure that the Council's rates documentation continues to be legally compliant it is considered prudent to conduct an annual review of the documents and ensure all relevant points are incorporated.

3 Draft Rates Setting 2019/20

3.1 Changes from 2018/19

There are no process changes in 2019/20.

3.2 Draft Rates Resolution 2019/20

A draft Rates Resolution has been prepared and included as an appendix to this report. The draft rates resolution includes the draft schedule for each 2019/20 rate.

4 Council's Accountability Framework

4.1 Community Outcomes

This work directly contributes to the Community Outcomes in the council's Long Term Plan 2018-2028.

4.2 Long Term Plan Alignment

This work is planned under the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028.

Future Budget Implications

Future work is provided for in Council's Annual Plan 2019/20.

Andy Dixon

Accounting Team Leader

for General Manager, Corporate

4 June 2019

APPENDIX 1

Rates Resolution 2019-20.

Report To: Regional Council
Meeting Date: 27 June 2019
Report From: Mat Taylor, General Manager, Corporate

Setting of Rates 2019/20

Executive Summary

This report is to recommend the setting of rates, due dates for the payment of rates and penalties for 2019/20 in accordance with sections 23, 24, 57 and 58 of the Local Government (Rating) Act 2002.

The report sets out;

- The general and targeted rates Council will set for 2019/20, and
- The dates of instalments and penalties.
- The appointment of the local district and city councils to collect the rates assessed by Bay of Plenty Regional Council in accordance with section 53 of the Local Government (Rating) Act 2002.

Recommendations

That the Regional Council:

- 1** Receives the report, **Setting of Rates 2019/20;**
- 2** Confirms that the rates for the financial year **1 July 2019 to 30 June 2020** are set and assessed in accordance with the **Local Government (Rating) Act 2002.**
- 3** Confirms that the significance of the decision has been assessed as **MEDIUM**, and under **Section 79 of the Local Government Act 2002 (LGA)** confirms the written record of the manner in which **section 77 and section 78 matters** have been addressed.
- 4** Notes that, as required by the **Local Government Act 2002**, Council followed the special consultative procedure on the funding impact statement that was part of the **Annual Plan 2019/20** process.
- 5** Confirms that the amounts of the rate specified in the rate tables of the resolution, for the financial year commencing **1 July 2019 to 30 June 2020**, includes the Council's **Goods and Services Tax** component.

- 6 Sets a general rate based on land value, calculated as a rate in the dollar of the rateable land value of each rateable rating unit in the region. The rate in the dollar is different according to the location of the land within each district and city council as land values are equalised.**

General Rates Land Value	\$13,339,236
Constituent Authority	Rates Expressed as cents per dollars of rateable land value
Kawerau	0.023680
Ōpōtiki	0.031731
Rotorua (Pt)	0.026752
Taupō (Pt)	0.026192
Tauranga	0.023680
Western Bay of Plenty	0.028352
Whakatāne	0.029624
Offshore Islands	0.134696

- 7 Sets a uniform annual general charge as a fixed amount per rating unit on all rateable land in the region.**

Uniform Annual General Charge	\$18,575,555
Fixed amount per rating unit	\$144.05

- 8 Sets targeted rates for Kaituna Catchment Control Scheme. These rates are set differentially for all rateable land situated in the Kaituna Catchment Control Scheme within the Tauranga, Western Bay of Plenty and Rotorua constituent districts.**

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.

Kaituna Catchment Control Scheme targeted rates

Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1P	226.32	226.32	448,756
A2P	181.06	203.69	27,262
A3P	135.79	181.06	23,041
A4P	90.53	158.43	25,073
A1	181.06	169.74	112,243
A2	147.11	147.11	52,668
A3	113.16	147.11	53,030
A4	79.21	147.11	30,613
A5	67.90	147.11	55,470
A6	56.58	124.48	21,612
A7	40.74	113.16	22,516
A8	27.16	0.00	3,002

A9	9.05	0.00	779
A10	4.53	0.00	754
A11	2.26	0.00	478
B1	27.16	67.90	23,314
B2	20.37	56.58	7,300
B3	11.32	45.26	20,871
B4	6.79	33.95	35,500
B5	4.53	33.95	61,431
C1	6.79	33.95	6,785
C2	3.96	33.95	112,968
C3	2.72	33.95	31,462
C4	2.26	0.00	4,835
C6R	1.36	0.00	1,454
C8	0.91	22.63	6,490
C5	2.72	22.63	116,554
C6	1.58	18.11	17,698
C7	0.91	67.90	2,415
C9	0.68	18.11	4,547
R01	45.26	90.53	23,342
R02	0.00	67.90	70,991
R03	33.95	28.29	683,357
TP1	22.63	33.95	99,462
Total			2,208,074

- 9 Sets a targeted rate for the Rangitāiki-Tarawera Rivers Scheme. The rate is set differentially for all rateable land situated in the Rangitāiki-Tarawera Rivers Scheme catchment within the Whakatāne, Kawerau, Rotorua and Taupō constituent districts. The targeted rate is set as follows;**
- (i) Where the land is situated and calculated using the area of land within the rating unit.

Rangitāiki-Tarawera Rivers Scheme targeted rates

Category	Rate per hectare \$	Revenue sought \$
A1	170.07	1,368,845
A2	120.47	189,016
A3	92.12	168,450
A4	70.86	79,424
A5	60.23	415,418
A6	21.26	3,438
B1	106.29	225,405
B2	85.04	41,273
B3	63.78	45,258
B4	49.60	425,704
B5	35.43	56,794
B6	12.76	472
B7	9.92	1,783
C1	9.21	73,761
C2	6.38	329,830
C3	2.13	201,585

C4	1.42	88,868
C5	1.06	23,073
U1	5,421.03	216,869
U2	5,102.14	289,343
U3	921.22	23,112
U4	602.34	469,080
U5	425.18	43,303
Total		4,780,104

10 Sets targeted rates for Whakatāne-Tauranga Rivers Scheme. These rates are set differentially for all rateable land situated in the Whakatāne-Tauranga Rivers Scheme catchment within the Whakatāne constituent district.

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,**
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.**

Whakatane-Tauranga Rivers Scheme targeted rates

Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1	203.97	203.97	150,732
A2	172.59	172.59	68,551
A3	141.21	149.06	225,316
A4	117.68	133.37	357,891
A5	86.30	0.00	20,838
A6	62.76	109.83	27,274
A7	47.07	94.14	35,118
A8	31.38	86.30	76,021
A9	15.69	0.00	2,027
B1	70.61	0.00	155,687
B2	39.23	70.61	110,325
B3	31.38	47.07	56,816
B4	23.54	39.23	10,372
B5	3.14	0.00	1,419
C1	9.41	78.45	41,009
C2	6.28	31.38	62,233
C3	4.71	31.38	44,461
C4	3.14	7.85	7,369
C5	1.57	7.85	37,445
U1	706.05	211.82	565,573
U2	517.77	164.75	162,539
U3	274.58	109.83	255,415
U4	172.59	94.14	123,675
U5	15.69	0.00	11
Total			2,598,117

11 Sets targeted rates for the Waioeka-Otara Rivers Scheme. The rates are set differentially for all rateable land situated in the Waioeka-Otara Rivers Scheme catchment within the Opōtiki constituent district.

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.

Waioeka-Otara Rivers Scheme targeted rates

Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1A	385.47	444.77	23,046
A2	207.56	326.16	28,273
A2A	296.51	370.64	13,397
A3	177.91	266.86	134,208
A3A	237.21	326.16	6,810
A4	148.26	207.56	79,993
A4A	192.73	266.86	4,487
A5	133.43	207.56	61,358
A6	103.78	207.56	944
A7	88.95	207.56	10,719
A8	74.13	207.56	96,572
B1	59.30	0.00	15,993
B2	8.90	0.00	152
C1	14.83	177.91	43,819
C2	8.90	177.91	14,996
C3	5.93	148.26	14,592
C4	4.45	59.30	21,119
C5	2.97	59.30	3,291
C6	1.19	59.30	10,633
R	2.97	0.00	281
U1AC	1,779.07	1,304.65	47,606
U1AR	889.54	652.33	74,203
U1C	1,423.26	1,067.44	160,165
U1R	711.63	533.72	448,704
U2AC	1,304.65	948.84	16,468
U2AR	652.33	474.42	54,387
U2C	948.84	830.23	10,744
U2R	474.42	415.12	127,954
U3R	118.60	237.21	98,625
Total			1,623,538

- 12 Sets a targeted rate for the Rangitāiki Drainage Rating Area. The rate is set differentially for all rateable land situated in the defined Rangitāiki Drainage Rating Area situated on the Rangitāiki Plains within the Whakatāne constituent district.**

The targeted rate is set as follows;

Rangitāiki Drainage targeted rates

Category	Rate per hectare \$	Revenue sought \$
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A	67.92	525,272
B	61.13	67,903
C	57.05	82,317
D	49.58	302,718
E	40.75	107,819
F	30.56	75,106
G	23.09	86,161
H	16.98	1,892
I	8.15	5,944
U1	135.84	29,589
U2	67.92	4,270
Total		1,288,992

- 13 Sets a targeted rate for Passenger Transport. The rate is set differentially as an amount per rating unit on all rateable properties within the defined boundaries of Tauranga City, Urban Rotorua, Western Bay District and Whakatāne District. The passenger transport targeted rate is set as follows;**

Where the rateable unit is situated.

- (i) Where the land is situated and calculated using the area of land within the rating unit.**

Passenger Transport targeted rate		
Category	Rate per rating unit \$	Revenue sought \$
Tauranga City	168.16	9,625,380
Rotorua Urban	76.56	1,685,479
Western Bay District	25.91	571,909
Eastern Bay - Kawerau	0.00	0
Eastern Bay - Ōpōtiki	0.00	0
Whakatāne District	13.05	193,605
Total		12,076,372

- 14 Sets a targeted rate for the Rotorua Lakes Programme. The rate is set differentially as an amount per rating unit on all rateable properties within the Rotorua constituent district. The Rotorua Lakes programme targeted rate is set as follows;**
- (i) Area of land within the rating unit.**

Rotorua Lakes Programme targeted rate		
Category - All Properties	Rate per rating unit \$	Revenue sought \$
0 - 1.9999ha	112.13	2,847,172
2 - 9.9999ha	208.48	146,982
10ha and over	681.89	518,237
Total		3,512,390

- 15 Sets a targeted rate for Rotorua Air Action Plan Implementation. The rate is set differentially as a fixed amount per rating unit on all rateable properties within the defined boundary of Urban Rotorua**

The Council sets the Rotorua Air Action Plan Implementation targeted rate as follows;

- (i) Where the rateable unit is situated.**

Rotorua Air Action Plan Implementation targeted rate		
Category	Rate per rating unit \$	Revenue sought \$
Rotorua Urban	16.50	364,428

- 16 Sets a targeted rate for Civil Defence Emergency Management. The rate is set differentially as an amount per rating unit on all rateable properties within the Kawerau, Ōpōtiki, Rotorua, Tauranga, Western Bay of Plenty and Whakatāne constituent districts. The Civil Defence Emergency Management targeted rate is set as follows;**
- (i) Where the rateable unit is situated.

Civil Defence Emergency Management targeted rate		
Category - All Properties	Rate per rating unit \$	Revenue sought \$
Kawerau	23.28	66,774
Ōpōtiki	22.35	110,442
Rotorua	22.32	600,262
Tauranga	21.05	1,204,752
Western Bay of Plenty	20.72	457,281
Whakatāne	23.52	348,882
Total		2,788,393

- 17 Sets a targeted rate for Rotorua Air Clean Heat Conversion. The rate is set differentially as an amount per rating unit within the defined boundary of Rotorua Air shed Area with liability to Council. The Council sets the Rotorua Air Clean Heat Conversion targeted rate as follows;**
- (i) Where the rateable unit is situated, and calculated based on the extent of loans provided by Council under the Clean Heat Conversion scheme.

Rotorua Air Clean Heat Conversion targeted rate		
Category	Rate \$	Revenue sought \$
CH001	\$680.00	42,840
CH002	\$660.00	13,860
CH003	\$640.00	19,840
CH004	\$620.00	17,360
CH005	\$600.00	10,800
CH006	\$580.00	6,380
CH007	\$560.00	7,840
CH008	\$540.00	5,400
CH009	\$520.00	1,560
CH010	\$500.00	2,000
CH011	\$480.00	2,400
CH1	\$460.00	141,220
CH2	\$455.00	21,840
CH3	\$450.00	18,000
CH4	\$445.00	11,570
CH5	\$440.00	22,440

CH6	\$435.00	13,920
CH7	\$430.00	21,070
CH8	\$425.00	13,600
CH9	\$420.00	10,500
CH10	\$415.00	14,525
CH11	\$410.00	9,020
CH12	\$405.00	7,695
CH13	\$400.00	7,600
CH14	\$395.00	16,985
CH15	\$390.00	12,870
CH16	\$385.00	15,785
CH17	\$380.00	4,560
CH18	\$375.00	8,250
CH19	\$370.00	9,990
CH20	\$365.00	6,205
CH21	\$360.00	6,480
CH22	\$355.00	2,485
CH23	\$350.00	5,250
CH24	\$345.00	9,660
CH25	\$340.00	4,080
CH26	\$335.00	4,355
CH27	\$330.00	9,570
CH28	\$325.00	12,675
CH29	\$320.00	3,200
CH30	\$315.00	4,725
CH31	\$310.00	3,100
CH32	\$305.00	1,525
CH33	\$300.00	4,500
CH34	\$295.00	4,720
CH35	\$290.00	5,510
CH36	\$285.00	1,425
CH37	\$280.00	4,480
CH38	\$275.00	1,925
CH39	\$270.00	5,670
CH40	\$265.00	530
CH41	\$260.00	1,300
CH42	\$255.00	2,040
CH43	\$250.00	1,750
CH44	\$245.00	1,225
CH45	\$240.00	1,680
CH46	\$235.00	705
CH47	\$230.00	1,840
CH48	\$225.00	3,375
Total		627,705

- 18 Sets targeted rates for the minor rivers and drainage scheme. The rates are set differentially for all rateable land situated in the defined communal pumped drainage and defined minor river and drainage schemes areas.**

The Council sets one targeted rate for each scheme as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit.**

Waiohahi River District targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	153.56	16,677
B	122.85	19,976
C	92.13	17,615
D	51.19	2,602
E	30.71	2,331
F	15.36	2,898
Total		62,100

Huntress Creek Drainage District targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	50.20	10,574
B	38.49	3,054
C	25.10	1,822
D	16.73	892
E	11.71	384
F	5.02	1,675
Total		18,400

Waiohahi Drainage District targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	22.20	1,895
B	18.50	3,844
C	14.80	934
D	11.10	499
E	7.40	32
F	3.70	846
Total		8,050

Omehehu West Communal Pumped Drainage Scheme targeted rate

Category	Rate per hectare \$	Revenue sought \$
A	0	0

B	0	0
C	0	0
Total		0

Awaiti West Pumped Drainage Scheme targeted rate

Category	Rate per hectare \$	Revenue sought \$
A	86.75	1,093
B	39.91	5,874
C	17.35	3,424
D	8.68	419
Total		10,810

Withy Communal Pumped Drainage Scheme targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	0.00	0
B	0.00	0
C	0.00	0
Total		0

Omeheu Adjunct Communal Pumped Drainage Scheme targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	49.13	505
B	36.85	2,953
C	27.02	1,505
D	14.74	1,287
E	7.37	399
F	2.46	58
URBAN	130.19	5,598
Total		12,305

Lawrence Communal Pumped Drainage Scheme rates

Category	Rate per hectare \$	Revenue sought \$
A	0	0

B	0	0
C	0	0
D	0	0
Total targeted rates		0

Murray's Communal Pumped Drainage Scheme rates

Category	Rate per hectare \$	Revenue sought \$
A	127.07	15,804
B	91.49	1,084
C	81.32	3,321
D	35.58	1,411
Total		21,620

19 Sets targeted rates uniformly for all rateable land situated in the defined drainage and defined minor river and drainage schemes areas.

The rates are set as follows;

- (i) Where the land is situated and calculated using the land area of each scheme.

Minor Drainage Schemes targeted uniform rates

Category	Rate per hectare \$	Revenue sought \$
Angle Road	27.06	6,210
Awakeri	44.72	12,765
Baird-Miller	91.92	12,650
Foubister	60.27	6,325
Gordon	81.84	8,050
Greigs Road	42.06	30,015
Halls	161.48	39,100
Hyland-Ballie	31.73	7,475
Riverslea Road	0.00	0
Kuhanui	145.55	12,075
Longview-Richlands	79.36	9,200
Luxton	0.00	0
Martin	516.23	69,000
Massey	46.10	19,665
Mexted-Withy	89.71	24,955
Nicholas	0.00	0
Noord-Vierboon	0.00	0
Omeheu East	79.54	33,350
Pedersen - Topp	50.29	5,750
Platts	9.99	3,680
Reynolds	108.11	13,915
Robins Road	0.00	0
Robinsons	180.10	13,225
Thompson-Ernest	0.00	0

Travurzas	11.62	2,300
Wylds	22.65	4,255
Poplar Lane	56.23	3,163
Awaiti East	164.63	23,460
Total		360,583

20 Sets the following instalment due dates for all rates other than the Minor River and Drainage Scheme rates as set out below. The due dates for each territorial constituent area are for an equal amount of the rates.

(i) The respective instalment due dates are as follows;

Kawerau District	
Instalment One	23 August 2019
Instalment Two	22 November 2019
Instalment Three	21 February 2020
Instalment Four	22 May 2020
Ōpōtiki District	
Instalment One	24 August 2019
Instalment Two	23 November 2019
Instalment Three	22 February 2020
Instalment Four	24 May 2020
Rotorua District	
Instalment One	20 August 2019
Instalment Two	20 November 2019
Instalment Three	20 February 2020
Instalment Four	20 May 2020
Taupō District	
Instalment One	20 August 2019
Instalment Two	20 November 2019
Instalment Three	20 February 2020
Instalment Four	20 May 2020
Tauranga City	
Instalment One	31 August 2019
Instalment Two	28 February 2020
Western Bay of Plenty District	
Instalment One	21 September 2019
Instalment Two	28 February 2020
Whakatāne District	
Instalment One	24 August 2019
Instalment Two	23 November 2019
Instalment Three	22 February 2020
Instalment Four	24 May 2020

21 Sets the following penalties regime for all rates other than the Minor River and Drainage Scheme rates;

(i) Pursuant to sections 57 and 58(1)(a) of the Local Government (Rating) Act 2002, with respect to rates assessed in the 2019/20 year, a penalty of 10% for all areas other than the Kawerau District and 5% for the Kawerau District will be added to the amount of any instalment that has been assessed after 1 July 2020 and which is unpaid after the relevant due date set out in section 20.

(ii) The respective instalment penalty dates are as follows;

Kawerau District	
Instalment One	26 August 2019
Instalment Two	25 November 2019
Instalment Three	24 February 2020
Instalment Four	25 May 2020
Ōpōtiki District	
Instalment One	29 August 2019
Instalment Two	28 November 2019
Instalment Three	27 February 2020
Instalment Four	29 May 2020
Rotorua District	
Instalment One	21 August 2019
Instalment Two	21 November 2019
Instalment Three	21 February 2020
Instalment Four	21 May 2020
Taupō District	
Instalment One	27 August 2019
Instalment Two	27 November 2019
Instalment Three	27 February 2020
Instalment Four	27 May 2020
Tauranga City	
Instalment One	6 September 2019
Instalment Two	7 March 2020
Western Bay of Plenty District	
Instalment One	26 October 2019
Instalment Two	22 March 2020
Whakatāne District	
Instalment One	31 August 2019
Instalment Two	30 November 2019
Instalment Three	28 February 2020
Instalment Four	31 May 2020

(iii) Pursuant to sections 57 and 58(1)(b) of the Local Government (Rating) Act 2002, with respect to rates assessed before 1 July 2019, a penalty of 10% for all areas other than the Kawerau District and 5% for the Kawerau District will be added to any rates unpaid on 5 July 2020. The penalty will be added on the date shown below.

The respective additional penalty dates are as follows;

	Penalty assessed date	Penalty application date
Kawerau District	5 July 2019	5 July 2019
Rotorua District	6 July 2019	6 July 2019
Taupō District	5 July 2019	5 July 2019
Tauranga City	5 July 2019	6 July 2019
Western Bay of Plenty District	5 July 2019	5 July 2019
Whakatāne District	1 October 2019	2 October 2019

- (iv) Pursuant to sections 57 and 58(1)(c) of the Local Government (Rating) Act 2002, with respect to rates assessed in previous financial years, a further penalty of 10% for all areas other than the Kawerau District and 5% for the Kawerau District will be added on any rates to which a penalty has been added under 21(ii) if the rates remain unpaid six months after the previous penalty was added.

The respective additional penalty dates are as follows;

	Penalty application date
Kawerau District	7 January 2020
Rotorua District	8 January 2020
Tauranga City	7 January 2020
Western Bay of Plenty District	7 January 2020

- 22 Set that Minor River and Drainage Scheme rates shall be payable at the office of the Bay of Plenty Regional Council, Quay Street, P O Box 364, Whakatāne in one instalment on or by 20 January 2020.
- 23 Set the following penalties regime for the Minor River and Drainage Scheme rates:
- (i) Pursuant to sections 57 and 58(1)(a) of the Local Government (Rating) Act 2002, with respect to the Minor River and Drainage Scheme rates assessed in the 2019/20 year, a penalty of 10% will be added to the amount that remains unpaid after the date stated above, on 20 February 2020.
- (ii) Pursuant to sections 57 and 58(1)(b) of the Local Government (Rating) Act 2002, with respect to Minor River and Drainage Scheme rates assessed before 1 July 2019, a penalty of 10% will be added on any rates that remain unpaid on 5 July 2019. The penalty will be added on 5 July 2019.
- (iii) Pursuant to sections 57 and 58(1)(c) of the Local Government (Rating) Act 2002, with respect to Minor River and Drainage Scheme rates, a further penalty of 10% will be added on any rates to which a penalty has been added under (ii) if the rates remain unpaid six months after the previous penalty was added. The penalty will be added on 20 February 2020.
- 24 Pursuant to section 27(7) of the Local Government (Rating) Act 2002, the Council delegates' authority to the constituent district and city councils of the Bay of Plenty region to keep and maintain the rating information database for those areas on its behalf.

- 25 Appoints in accordance with section 53 of the Local Government (Rating) Act 2002 the constituent district and city councils of the Bay of Plenty region, i.e. Kawerau District Council, Ōpōtiki District Council, Rotorua District Council, Taupō District Council, Tauranga City Council, Western Bay of Plenty District Council, Whakatāne District Council, to collect the rates assessed by Bay of Plenty Regional Council, excluding Minor River and Drainage Scheme targeted rates.**
- 26 Agrees that in respect of the Minor River and Drainage Scheme targeted rates which are collected directly by the Bay of Plenty Regional Council, where the total amount of rates payable, in respect of any property is \$9.99 or less, pursuant to Section 54 of the Local Government (Rating) Act 2002, the rates payable in respect of the property will not be collected.**
- 27 Confirms that the decision has a medium level of significance as determined by the Council’s Significance and Engagement Policy. Council has identified and assessed different options and considered community views as part of making the decision, in proportion to the level of significance.**

1 Introduction

The Consultation Document for the Annual Plan 2019/20 was made available to the public on 18 March 2019, with a closing date for submissions being 6 May 2019. Hearings of submissions and deliberations on all submissions received as part of the consultation process were held before Council in June 2019.

The rates set out in this paper are in accordance with the Annual Plan 2019/20 Revenue and Financing Policy and Funding Impact Statement, as required by section 23 of the Local Government (Rating) Act 2002.

A resolution is required to set the rates, due dates and penalties regime for the 2019/20 financial year.

2 Analysis of Options

Council participated in a comprehensive series of workshops and meetings as part of the development of the Annual Plan. A number of options and scenarios were considered on different components of the Plan during the course of this process. Further options on a number of key matters were considered as part of the deliberations process.

3 Community Views

Community views were sought using the special consultative procedure prescribed in the Local Government Act 2002. The Bay of Plenty community has had the opportunity to be involved in the Annual Plan through the submissions and hearings process. Councillors have considered the community views and feedback during the deliberations process.

4 Council’s Accountability Framework

4.1 Community Outcomes

This proposal directly contributes to all Community Outcomes in the council's Long Term Plan 2018-2028.

4.2 Long Term Plan Alignment

This work is planned under the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028.

Future Budget Implications

Future implications have been included in the Annual Plan 2019/20.

Andy Dixon

Accounting Team Leader

for General Manager, Corporate

Authorised Date