

# Risk and Assurance Committee

## NOTICE IS GIVEN

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

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**Thursday, 13 February 2020 commencing at 9.30 am.**

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Fiona McTavish  
Chief Executive  
5 February 2020





# Risk and Assurance Committee

## Membership

<b>Chairperson</b>	Cr David Love
<b>Deputy Chairperson</b>	Bruce Robertson (Independent)
<b>Members</b>	Cr Bill Clark Cr Stuart Crosby Cr Andrew von Dadelszen Cr Te Taru White
<b>Ex Officio</b>	The Chairman is an ex-officio member of every committee (including standing, special, joint and subcommittees) of the Bay of Plenty Regional Council Toi Moana pursuant to section 41A(5) of the Local Government Act 2002.
<b>Quorum</b>	Three members, consisting of half the number of members
<b>Meeting frequency</b>	Quarterly

## Purpose

Monitor the effectiveness of Council's funding and financial policies and frameworks to ensure the Council is managing its finances in an appropriate manner.

Monitor the effectiveness of Council's performance monitoring framework.

Ensure that Council is delivering on agreed outcomes.

## Role

- 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.

## **Power to Act**

To make all decisions necessary to fulfil the role and scope of the committee subject to the limitations imposed.

## **Power to Recommend**

To Council and/or any standing committee as it deems appropriate.

- The Risk and Assurance Committee is not delegated 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.

The Risk and Assurance Committee reports directly to the Regional Council.





## 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.





# Agenda

<b>1</b>	<b>Apologies</b>	
<b>2</b>	<b>Public Forum</b>	
<b>3</b>	<b>Acceptance of Late Items</b>	
<b>4</b>	<b>General Business</b>	
<b>5</b>	<b>Declarations of Conflicts of Interests</b>	
<b>6</b>	<b>For information: Previous Minutes</b>	
<b>6.1</b>	<b>Audit and Risk Committee Minutes - 12 September 2019</b>	<b>15</b>
<b>7</b>	<b>Reports</b>	
<b>7.1</b>	<b>Committee Chairperson's Report</b>	<b>27</b>
	APPENDIX 1 - Risk and Assurance Work Programme February 2020 to December 2020	31
	APPENDIX 2 - Audit & Risk Completed Work Programme September 2017 to December 2020	35
<b>7.2</b>	<b>Presentation: KPMG - Risk and Assurance</b>	
<b>7.3</b>	<b>Final Audit Management Report for year ending 30 June 2019</b>	<b>39</b>
	APPENDIX 1 - Final Audit Management Report on Bay of Plenty Regional Council for the year ending 30 June 2019 - Audit New Zealand	43
<b>7.4</b>	<b>Kopeopeo Canal Remediation Project - Update 24 - Close Out</b>	
	This report will be distributed under separate cover.	
<b>7.5</b>	<b>Internal Audit Status Update</b>	<b>75</b>
<b>8</b>	<b>Public Excluded Section</b>	<b>79</b>

## **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 For Information: Public Excluded Audit and Risk Committee Minutes - 12 September 2019	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 - October to December 2019	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)
9.3 Cyber Security Risk Management	To protect measures that may prevent or mitigate material loss	Good reason for withholding exists under Section 48(1)(a)
9.4 School Bus Services Risks	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

<b>8.1 For Information: Public Excluded Audit and Risk Committee Minutes - 12 September 2019</b>	<b>81</b>
<b>8.2 Key Risk Register Quarterly Update - October to December 2019</b>	<b>85</b>
APPENDIX 1 - Key Risk Register - December 2019	89
APPENDIX 2 - Key Risk Register - Heat Map Dec 2019	121
<b>8.3 Cyber Security Risk Management</b>	<b>125</b>
<b>8.4 School Bus Services Risks</b>	<b>135</b>
APPENDIX 1 - School Bus Services Risks	141

## **9 Confidential Business to be Transferred into the Open**

## **10 Readmit the Public**

## **11 Consideration of Late Items**

## **12 Consideration of General Business**





## **For information: 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, 12 September 2019 commencing at 9.30 a.m.**

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**Present:**

**Chairman:** J Cronin

**Deputy Chairman:** D Love

**Councillors:** S Crosby, A Tahana, A von Dadelszen

**Ex Officio:** Chairman D Leeder

**Appointees:** B Robertson (via audio visual link)

**In Attendance:** Councillors: K Winters, B Clark, J Nees, T Marr  
Staff: Fiona McTavish - Chief Executive; Mat Taylor - General Manager, Corporate; Chris Ingle - General Manager, Integrated Catchments; Sarah Omundsen - General Manager, Regulatory Services; Namouta Poutasi - General Manager, Strategy & Science; Steven Slack - Risk & Assurance Manager; Debbie Hyland - Finance and Corporate Planning Manager; Mark Le Comte - Programme Manager Corporate; Donna Llewellyn - In-House Legal Counsel; Graeme Howard - Corporate Planning Lead; Claire Gordon - Internal Auditor; Jessica Easton - Solicitor; Brendon Love - Contractor Project Manager for Kopeopeo; Merinda Pansegrouw - Committee Advisor  
External presenters: Ben Halford and Anton Labuschagne, Audit New Zealand

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**1 Apologies**

Nil

**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 Previous Minutes

### 7.1 Audit and Risk Committee Minutes - 12 June 2019

#### Resolved

That the Audit and Risk Committee:

- 1 Confirms the Audit and Risk Committee Minutes - 12 June 2019 as a true and correct record.

Love/Von Dadelszen  
CARRIED

9:32 am Cr Tahana joined the meeting.

## 8 Reports

### 8.1 Interim Management Report for the year ending 30 June 2019

External Auditors Ben Halford and Anton Labuschagne from Audit New Zealand and Finance and Corporate Planning Manager Debbie Hyland presented the external audit Interim Management Report for the year ending 30 June 2019:

#### Key Points highlighted by External Auditors:

- The purpose of the interim audit was to review and perform testing on the Council's control environment and internal control systems. The overall control environment had been assessed as effective
- Areas of improvement had been identified and subsequent recommendations had been made. However, no recommendations had been prioritised as urgent
- Since Council had elected to adopt the PBE IFRS 9 Financial Instruments in preparing the 30 June 2019 financial statements (based Quayside Group adopting NZ IFRS 9 Financial Instruments for the year ended 30 June 2019), the impact of the change in standards had been highlighted to management to ensure that early consideration was given to these accounting standards
- Commended Council for closing a number of prior year issues
- Confirmed that the final audit report for the year ended 30 June 2019 would be available for consideration at the next Council meeting. Confirmed that the final letter to be signed by the Chairman and Chief Executive would be a standard letter of representation.

#### Key Point raised by Staff:

- Seven of the twelve new actions had been resolved and this would be verified by Audit New Zealand as part of the final Management Letter.

#### Members' Comments:



- Supported the recommendation that significant IT risks (such as cyber risk/protection of data) be included in the Corporate Risk Register for continuous review by management and reporting to governance. Expressed appreciation for the support provided by PWC in this regard
- Noted the importance of having up-to-date policies relating to procurement/bribery and corruption in place
- Noted the Fraud and Corruption Standard Operating Procedures would be reviewed against the Ministry of Justice' guidelines to meet best practice standards. Since this was a dynamic environment, constant adjustments to the framework and ongoing staff training were required.

9:45 am Chairman Leeder **joined** the meeting.

## Resolved

**That the Audit and Risk Committee:**

- 1 Receives the report, Interim Management Report for year ending 30 June 2019.**

Love/Von Dadelszen  
**CARRIED**

## 8.2 2018/19 Draft Annual Report Review

*Supporting Document 1 (Draft Annual Report 2018-2019), Supporting Document 2 (Draft Annual Report 2018-2019 Financial Statements) and Supporting Document 3 (Draft Annual Report Summary 2018-2019) were circulated under separate cover (Refer Objective IDs A3364516, A3364517 and A3364515)*

Finance and Corporate Planning Manager Debbie Hyland, and External Auditors Ben Halford and Anton Labuschagne from Audit New Zealand, presented the draft annual report for the year ending 30 June 2019 prior to adoption by Council on 26 September 2019.

### Key Points:

- Highlighted the updated figures for the valuation of the Put Option and Council's Local Government Funding Agency (LGFA) Shareholding
- Council had delivered its work programme for year one of the Long Term Plan 2018-2028 through operating expenditure of \$126.3 million compared to a budget of \$133.0 million. This was an underspend of \$6.7 million. As a result, Council's draft operating surplus was \$4.7 million which was \$6.5 million higher than the budgeted deficit of \$1.8 million
- Council had delivered a significant capital works programme with capital expenditure of \$56.6 million (2018: \$36.5 million) compared to a budget of \$57.9 million
- The Long Term Plan 2018-2028 included 32 performance measures of which Council had achieved 78 % (or 25) of the targets for these measures for the year ending 30 June 2019.

### Members' Comments:

- Commended staff for the successful delivery of a significant capital works programme
- Queried the sample size of the customer service survey relevant to consents and whether the current process was statistically robust.

## Resolved

That the Audit and Risk Committee:

- 1 Receives the report, 2018/19 Draft Annual Report Review.

Love/Cronin  
CARRIED

### 8.3 Kopeopeo Canal Remediation - Project Update 23

*Refer PowerPoint Presentation Objective ID A3362456*

General Manager, Integrated Catchments Chris Ingle and Contractor Project Manager for Kopeopeo Brendon Love provided an overview of progress made on the Kopeopeo Canal Remediation Project (KCRP).

#### Presentation Key Points:

- Dredging and validation of the entire length of canal (5.1 km) had been completed
- Containment Site Capping and Bioremediation
- Flood Control Structure Removal/Modifications
- Risks
- Lessons Learned
- Kopeopeo Extension West Investigation
- Next Steps:
  - 6 months to 1 year
    - To complete capping, tree planting and bioremediation (For Containment Sites 1 and 3)
    - Vehicle access opened to public through Containment Site 3
    - Investigation of contamination to west and develop remedial options
  - 1 to 15 years
    - Ongoing bioremediation works
    - Monitoring of canal and containment sites
    - Planning and implementation of long term land use.

#### Members' Comments:

- Although this report was the last regular update on KCRP to the Audit and Risk Committee, this was not seen as a final report on the Kopeopeo Canal Remediation project. Further updates by the General Manager, Integrated Catchments should be provided to Council if required, until the project had been finally signed off
- Noted investigation into contamination of the Kopeopeo Canal to the west of SH30 would recommence in the near future, with options to be brought to Council for consideration by June 2020 as a new project
- Emphasized that the lessons learnt from the Kopeopeo Canal Remediation project needed to be implemented for all future projects
- Noted the total cost of the project was \$21.3 million (from 2011 to 2019) and that a claim to the Ministry for the Environment (MfE) for the remainder of their share (\$9.9 million) was currently progressing
- Community representatives should be consulted during the process of reviewing lessons learnt, obtaining feedback from their perspective
- Noted ongoing monitoring of the geotube bags/water velocity measurements would help identify any potential risks.

## Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Kopeopeo Canal Remediation - Project Update 23.

Cronin/Crosby  
CARRIED

10:33 a.m. - The meeting adjourned.

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

### 8.4 Expenditure and Koha Report

Finance and Corporate Planning Manager Debbie Hyland presented the report highlighting a list of payments to third parties for the 2018/19 financial year as well as a list of Koha recipients for the two financial years 2017/18 and 2018/19.

In Response to Questions:

- Noted future reports on payments to third parties would be available on the Bay of Plenty Regional Council's website

Members' Comments:

- Reports on Koha payments should reflect a total amount spent, avoiding too much detail
- Suggested in future, reports on Koha payments be considered as part of the public excluded discussion as, in Māori tikanga, a koha was seen as a gift, a present or offering - an acknowledgement of generosity and could therefore be a sensitive matter
- Reporting on Council's supplier spend was seen as an operational matter which did not add specific value for the Audit and Risk Committee from a risk review perspective
- Acknowledged that in terms of transparency requirements, the report on payments to third parties should be available for public scrutiny.

## Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Expenditure for the 2018/19 financial year and Koha Report for the two financial years 2017/18 and 2018/19.

Cronin/Von Dadelszen  
CARRIED

### 8.5 Committee Chairperson's Report

General Manager, Corporate Mat Taylor presented an overview of the work programme of the Audit and Risk Committee over the past triennium for the period March 2017 to June 2019, highlighting the areas of focus relating to council activities and the general nature of the Committee's work.

## Resolved

That the Audit and Risk Committee:

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

Cronin/Von Dadelszen  
CARRIED

### 8.6 Chairman's Discretionary Fund 2018/19

General Manager, Corporate Mat Taylor outlined the report on the Chairman's Discretionary Fund expenditure for 2018/19.

#### In Response to Members:

- With reference to the funding provided to Tauranga City Council to assess the feasibility of a Western Bay of Plenty sub-regional multi-purpose stadium, it was noted that the needs assessment and feasibility study had been completed with the outcome that there was currently no need for a sub-regional multi-purpose stadium.

## Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Chairman's Discretionary Fund 2018/19.

Love/Von Dadelszen  
CARRIED

### 8.7 Local Government Official Information & Meetings Act 1987 - Annual Report for Period 1 July 2018 to 30 June 2019

In-House Legal Counsel Donna Llewellyn and Solicitor Jessica Easton presented information relating to the Local Government Official Information and Meetings Act 1987 (LGOIMA) requests for 2018/19.

#### Key Points:

- Received 132 requests for official information during the period 1 July 2018 to 30 June 2019, with statistics demonstrating an increase in the number of official information requests
- For the 2018/19 financial year, Council had achieved 99% compliance in meeting statutory timeframes under LGOIMA (i.e. 3 out of 132 requests were responded to within 20 working days). This was an improvement on last year's 95% compliance rate
- Council also responded to four investigations of complaints to the Office of the Ombudsman
- A key learning from the Ombudsman's Targeted Investigations for 2017/18 was to look at the opportunity to improve access to minutes of public excluded meetings where reasons for exclusion no longer applied.

#### Members' Comments:

- Supported the notion to improve access to minutes of public excluded meetings where reasons for exclusion no longer applied

## Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, Local Government Official Information & Meetings Act 1987 - Annual Report for Period 1 July 2018 to 30 June 2019.**

**Cronin/Von Dadelszen  
CARRIED**

## 8.8 Annual Report on Legal Services & Legislative Compliance

In-House Legal Counsel Donna Llewellyn and Solicitor Jessica Easton provided an update on the legislative compliance framework and Bay of Plenty Regional Council's legislative compliance during the 2018/19 financial year.

### Key Points:

- During this financial year it was estimated that the time spent on providing in-house legal services to the organisation has an equivalent value of approximately \$1.8 million, should such legal advice been sourced from external legal providers
- Clarified that the legal services fee of \$1,224,308 paid to Holland Beckett Lawyers during the 2018/2019 financial year included a capital spent of \$1.2 million, with legal fees totalling \$17,000. Similarly the amount of \$586,665 paid to Norris Ward McKinnon Lawyers, included capital expenditure for the Kaituna Wetland acquisition, highlighting that the legal services reflected in the expenditure report also included capital expenditure.

### In Response to Questions:

- Noted that processes were in place to review the quality of legal advice provided in-house at the end of each legal activity.

## Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, Annual Report on Legal Services & Legislative Compliance.**

**Cronin/Love  
CARRIED**

## 8.9 Internal Audit Status Update and Annual Report

Risk & Assurance Manager Steve Slack updated members on progress made with the internal audit reviews, highlighting two internal audits, namely rates and procurement/contract management completed since the last update in June 2019.

### Key Points:

- Fraud Risk Assessment had been scoped by the external provider KPMG and on that basis had determined there would be more value by including it in the Policy Framework Review in the 2019/20 Audit Plan
- ICT security had also been included as part of the Internal Audit Work Plan for the three years to 2022.

11:40 am Cr Marr **joined** the meeting.

## Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Internal Audit Status Update and Annual Report;
- 2 Notes that it has received and reviewed the Internal Audit Annual Report for the 2018/19 financial year (Appendix 1); and
- 3 Notes that it has received the executive summary of two completed internal audit reviews – Rates (Appendix 2) and Procurement/Contract Management (Appendix 3).

Cronin/Love  
CARRIED

## 9. Public Excluded Section

### Resolved

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 Minutes of the meeting of 12 June 2019	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 - July to September 2019	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)
9.3 Treasury Update Tuatahi 2019/20	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

Von Dadelszen/Love  
CARRIED

## 10. Confidential Business to be Transferred into the Open

Nil

## 11. General Business

### End of triennium words of appreciation

Appreciation was expressed towards Councillor John Cronin, Chairman of the Audit and Risk Committee for the past two trienniums, and prior to that, serving four terms as Chairman of BOPRC, for his valuable contribution towards local government and the Bay of Plenty Region in particular.

Best wishes were extended to all for the upcoming Local Government Elections.

4 October 2019

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Cr John Cronin  
Chairperson, Audit and Risk Committee

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Date

4 October 2019

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Fiona McTavish – Chief Executive  
Bay of Plenty Regional Council

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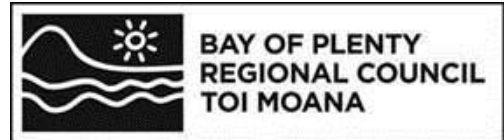
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# Reports





**Report To:** Risk and Assurance Committee  
**Meeting Date:** 13 February 2020  
**Report From:** Mat Taylor, General Manager, Corporate

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## **Committee Chairperson's Report**

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### **Executive Summary**

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

### **Recommendations**

**That the Audit and Risk Committee:**

- 1 Receives the report, Committee Chairperson's Report;**
- 2 Approves the Risk and Assurance Committee Work Programme**

### **1 Risk and Assurance Work Programme**

Appendix 1 shows the Risk and Assurance work programme for 2020. This Work Programme sets out the planned and scheduled reporting to the Risk and Assurance Committee.

The appendix is categorised to identify the broad areas of responsibility for the Committee. Other items may be added by councillors and staff should this be required to respond to issues as they occur throughout the year.

### **2 Audit and Risk Committee Completed Work Programme from September 2017 to December 2019**

For information, Appendix 2 shows the Audit and Risk Committee completed Work Programme for 2019.

### **3 External Audit Report**

**NZTA (New Zealand Transport Agency) Bay of Plenty Regional Council Investment Audit Report**

NZTA undertook an Investment Audit of the Plenty Regional Council in 2019. Summarised below are the findings of that External Audit.

### **NZTA EXTRACT**

<b>Approved Organisation (AO):</b>	<i>Bay of Plenty Regional Council</i>
<b>NZ Transport Agency Investment (2018 – 2021 NLTP)</b>	<i>Budgeted programme \$36,663,700</i>
<b>Date of investment audit:</b>	<i>2-5 September 2019</i>

### **REPORT EXECUTIVE SUMMARY**

*Council has well established procedures in place for ensuring it is getting value for money from its investment in the region's bus services. Good processes were evident for monitoring and managing the delivery of these contracts. It also has effective financial processes to manage the land transport disbursement account.*

*All contracts examined complied with the Transport Agency's procurement procedure requirements and were consistent with Council's procurement strategy.*

*The Total Mobility Scheme continues to be well managed given the constraints of the current manual system. The introduction of RideWise will enable Council to better monitor the performance of the Scheme as well as reducing the administration requirement on Council staff.*

### **NZTA - AUDIT RATING ASSESSMENT**

<b>Issue</b>		<b>Rating Assessment</b>
1	<i>Financial processes</i>	<i>Effective</i>
2	<i>Procurement procedures</i>	<i>Effective</i>
3	<i>Contract management</i>	<i>Effective</i>
4	<i>Total Mobility &amp; SuperGold Schemes</i>	<i>Effective</i>
<b>Overall rating</b>		<b>Effective</b>

The full report and findings will be reported to the Public Transport Committee in February 2020.

## **4 Budget Implications**

### **4.1 Current Year Budget**

This work of this Committee is planned under the Governance Activity in the Long Term Plan 2018-2028.

#### **4.2 Future Budget Implications**

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

### **5 Community Outcomes**

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

Mat Taylor  
**General Manager, Corporate**

**4 February 2020**



# **APPENDIX 1**

## **Risk and Assurance Work Programme February 2020 to December 2020**





# *Risk & Assurance Committee Work Programme*

## *February 2020 to December 2020*

February 2020	May 2020 TBC	September 2020 TBC	December 2020 TBC
<ul style="list-style-type: none"> <li>• Cyber Security Risk Management</li> <li>• Final Audit Management Report for year ending 30 June 2019</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit Arrangements Letter for the Audit to 30 June 2020</li> <li>• External Audit Interim Management Report for the Year Ended 30 June 2020</li> </ul>		<ul style="list-style-type: none"> <li>• External Audit Management Report for the Year Ended 30 June 2020</li> </ul>
<ul style="list-style-type: none"> <li>• Internal Audit Status Update</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Status Update</li> <li>• Internal Audit Work Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Status Update</li> <li>• Internal Audit Annual Report 2019/20 and Review Update</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> </ul>
<ul style="list-style-type: none"> <li>• Key Risk Register – Quarterly Update October to December 2019</li> <li>• School Bus Services Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Key Risk Register – Quarterly Update</li> </ul>	<ul style="list-style-type: none"> <li>• Key Risk Register – Quarterly Update</li> </ul>	<ul style="list-style-type: none"> <li>• Key Risk Register – Quarterly Update</li> </ul>
<ul style="list-style-type: none"> <li>• Chairperson’s Report (including Work Programme)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson’s Report (including Work Programme)</li> <li>• Setting of Rates 2020/21</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson’s Report (including Work Programme)</li> <li>• Council Chairman’s Discretionary Fund – Annual Report</li> <li>• Draft Annual Report Review 2019/20</li> <li>• Expenditure and Koha Report</li> <li>• Local Government Official Information &amp; Meetings Act 1987 – Annual Report for period 1 July 2019 – 30 June 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson’s Report (including Programme)</li> </ul>

External Audit	Internal Audit	Risk	Other
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## **APPENDIX 2**

### **Audit & Risk Completed Work Programme September 2017 to December 2020**



***Audit & Risk Completed Work Programme  
March 2019 to December 2019***

<b>Meeting date</b>	<b>Report title</b>	<b>Purpose of report</b>
<b>7 March 2019 Committee Meeting</b>	<ul style="list-style-type: none"> <li>Update on Preparation for CouncilMARK Assessment</li> </ul>	To update the Committee on the progress to date in preparing for this assessment.
	<ul style="list-style-type: none"> <li>2018/19 External Audit Plan</li> </ul>	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"> <li>Internal Audit Status Update 2018/19</li> </ul>	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"> <li>Bus Contract Procurement Review</li> </ul>	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"> <li>Key Risk Register Quarterly Update – January to March 2019</li> </ul>	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"> <li>Kopeopeo Canal Remediation Project Update 21</li> </ul>	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.

<b>Meeting date</b>	<b>Report title</b>	<b>Purpose of report</b>
<b>12 June 2019 Committee Meeting</b>	<ul style="list-style-type: none"> <li>Internal Audit Status Update and Proposed Internal Audit Work Plan 2019/20 to 2021/22</li> </ul>	To update the Committee on the status of internal audit activities as at 30 April 2019.
	<ul style="list-style-type: none"> <li>Review of Performance and Effectiveness of the Audit &amp; Risk Committee</li> </ul>	To update the Committee on the results of the survey undertaken about the insight into the Regional Council's activities through our Audit & Risk Committee.
	<ul style="list-style-type: none"> <li>Setting of Rates 2019/20</li> </ul>	To provide the draft Council Rates Resolution and requirements to ensure statutory compliance for the setting of Rates 2019/20
	<ul style="list-style-type: none"> <li>Kopeopeo Canal Remediation Project Update 22</li> </ul>	To provide an update on the Kopeopeo Canal Remediation Project, highlighting progress since the last report to the Audit & Risk Committee on 12 June 2019.
	<ul style="list-style-type: none"> <li>Key Risk Register Quarterly Update – April to June 2019</li> </ul>	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"> <li>Treasury Strategy</li> </ul>	To provide an outline of the key treasury management decisions for 2019/20.
	<ul style="list-style-type: none"> <li>Public Transport – NZ Bus Contracting Risks</li> </ul>	To provide details of what steps we have taken to mitigate each of these risks and how we will continue to strengthen Council's position and reduce the three present risks to Council at present.

***Audit & Risk Completed Work Programme  
March 2019 to December 2019***

Meeting date	Report title	Purpose of report
<b>12 September 2019 Committee Meeting</b>	<ul style="list-style-type: none"> <li>• Committee Chairperson's Report</li> </ul>	
	<ul style="list-style-type: none"> <li>• Interim Management Report for year ending 30 June 2019</li> </ul>	To provide recommendations and prioritises them as urgent, necessary or beneficial
	<ul style="list-style-type: none"> <li>• 2018/19 Draft Annual Report Review</li> </ul>	To update the Committee on the draft financial and non-financial performance results of the Council for the year ended 30 June 2019.
	<ul style="list-style-type: none"> <li>• Kopeopeo Canal Remediation – Project Update 23</li> </ul>	To update the Committee on the Kopeopeo Canal Remediation Project since 12 June 2019 meeting.
	<ul style="list-style-type: none"> <li>• Expenditure and Koha Report</li> </ul>	To update the Committee about Council's supplier spend and details of the koha spend.
	<ul style="list-style-type: none"> <li>• Chairperson's Discretionary Fund 2018/19</li> </ul>	To update the Committee about financial assistance for events/activities to individuals that meet certain criteria for 2018/19.
	<ul style="list-style-type: none"> <li>• Local Government Official Information &amp; Meetings Act 1987 – Annual Report 1 July 2018 to 30 June 2019</li> </ul>	To provide the Committee with information relating to the Local Government Official Information & Meetings Act 1987 requests for 2018/19.
	<ul style="list-style-type: none"> <li>• Annual Report on Legal Services &amp; Legislative Compliance</li> </ul>	To update the Committee on Regional Council's legislative compliance during the year.
	<ul style="list-style-type: none"> <li>• Internal Audit Status Update and Annual Report</li> </ul>	To provide an update on the status of internal audit activities as at 31 July 2019.
	<ul style="list-style-type: none"> <li>• Key Risk Register Quarterly Update – July to September 2019</li> </ul>	<b>Confidential Report</b> to provide an update in relation to items that would have a high profile risk, including major or catastrophic risk factors to enable Council to meet their key objectives.
	<ul style="list-style-type: none"> <li>• Treasury Update Tuatahi 2019/20</li> </ul>	<b>Confidential Report</b> to provide an update to the Committee on progress towards implementing the Treasury Strategy 2019/20 to provide the opportunity for the Committee to fulfil its risk management and oversight roles for Treasury Management.



Receives Only – No Decisions

**Report To:** Risk and Assurance Committee

**Meeting Date:** 13 February 2020

**Report From:** Mat Taylor, General Manager, Corporate

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## Final Audit Management Report for year ending 30 June 2019

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### Executive Summary

The purpose of this report is for the Risk and Assurance Committee to receive the Audit New Zealand Final Audit Management Report for the year ended 30 June 2019 (Appendix 1). The final audit work was performed in August and September 2019.

The report provides recommendations and prioritises them as urgent, necessary or beneficial. There were no recommendations prioritised as urgent, six recommendations prioritised as necessary and no recommendations prioritised as beneficial.

### Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Final Audit Management Report for year ending 30 June 2019;**
- 2 Notes the recommendations and management actions set out in the report**

### 1 Introduction

In December 2019 Audit New Zealand released the final audit management report on Bay of Plenty Regional Council for the year ended 30 June 2019. The report, included as Appendix 1, sets out the findings from the final audit performed in August and September 2019.

Audit New Zealand has identified areas where Council is performing well and recommends areas where improvements could be made, and provided an update on action taken by staff against previous recommendations. The final audit management report includes responses from staff where appropriate.

The Audit New Zealand management report includes the results for Council and the Quayside group. The results for Council are summarised below.

### 2 Findings from the Audit

Audit New Zealand performed an assessment of the Council’s control environment, considering both the “design effectiveness” and “operational effectiveness”. Overall the assessed the control environment as effective. This means that based on the work performed, the Council has adequate internal controls in place that will either prevent or detect material misstatements in its financial statements or statements of service performance. Audit New Zealand also noted that there are some controls the council can further strengthen.

There were six necessary recommendations raised. Detailed information for each recommendation can be found in Appendix 1.

Following the audit staff have resolved all six of the six new actions; this work will be verified by Audit New Zealand as part of future audit work in 2019/20. In addition, Audit New Zealand has closed three of the nine actions that had been raised previously. Work is underway to address the remaining actions.

A high level reconciliation of the status of the Audit New Zealand recommendations is set out in the following table.

*Table 1 Status of Audit New Zealand Recommendations (staff view)*

Priority	Previous Open Actions	New Actions	Closed Actions	Current Open Actions
<b>Beneficial</b>	-	-	-	-
<b>Necessary</b>	9	6	9	<b>6</b>
<b>Urgent</b>	-	-	-	-
<b>Total</b>	<b>9</b>	<b>6</b>	<b>9</b>	<b>6</b>

### 3 Next steps

Audit New Zealand has highlighted recommendations from the final audit for the year ended 30 June 2019. These have been appropriately noted and actions are underway to address the remaining open recommendations.

### 4 Budget Implications

#### 4.1 Current Year Budget

This work is being undertaken within the current budget for the Finance Activity in year two of the Long Term Plan 2018-2028.

#### 4.2 Future Budget Implications

Future work in relation to the Council’s statutory external audit is provided for in the Long Term Plan 2018-2028.

### 5 Community Outcomes



This item/project directly contributes to all Community Outcomes in the Council's Long Term Plan 2018-2028.

Debbie Hyland  
**Finance & Transport Operations Manager**

**for General Manager, Corporate**

**3 February 2020**



# **APPENDIX 1**

## **Final Audit Management Report on Bay of Plenty Regional Council for the year ending 30 June 2019 - Audit New Zealand**



**Report to the Council  
on the audit of**

Bay of Plenty Regional Council

For the year ended 30 June 2019

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## Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where the Bay of Plenty Regional Council (the Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion dated 26 September 2019.

### Matters identified during the audit

This year revaluations were performed for flood protection assets as at 1 July 2018, and land and building assets as at 30 June 2019. We reviewed the scope of these valuations, ensuring the valuers and peer reviewers were independent, appropriately qualified and that the valuations were completed in accordance with valuation and accounting standards. We also reviewed the valuation adjustments to ensure these had been correctly accounted for and disclosed in the annual report.

Previously the Council has allocated funding from the contestable portion of the Regional Infrastructure Fund to four regional projects. The four projects committed to so far include the Tauranga Marine Precinct, the Tauranga Tertiary Campus, Scion Research facility, and the Ōpōtiki Harbour redevelopment. All projects were subject to certain conditions being met before funding could be paid. For the payments made during the current year, we confirmed the funds were used for the purposes intended and have been correctly accounted for. We are satisfied the disclosures in the Annual Report are appropriate.

A new Council Controlled Organisation, Toi Moana Trust, has been set up through the subsidiary Quayside Holdings Limited, effective at 1 July 2019. This has been adequately disclosed as a subsequent event in the annual report.

The Council early adopted PBE IFRS 9: *Financial Instruments* effective 1 July 2018. This has resulted in changes in the measurement and classification of some financial assets as well as additional disclosures in the 2018/19 annual report. We have worked with management to ensure adequate disclosure of the PBE IFRS 9 transition has been made in the annual report.

### Thank you

We would like to thank the Council, management, and staff for their assistance and availability during the audit.



B H Halford  
Appointed Auditor  
11 December 2019

# 1 Recommendations



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

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

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Ref	Priority
Physical inspection of Rivers and Drainage assets is undertaken.	4.1.1	Necessary
Consider the impairment of Rivers and Drainage assets as at 30 June.	4.1.2	Necessary
Improvements to the capitalisation process of Work in Progress .	4.1.3	Necessary
Ensure sensitive expenditure transactions have appropriate supporting documents and are coded correctly.	4.2	Necessary
Continue to improve the narratives for non-financial reporting.	4.3	Necessary
Ensure consultation on the establishment of a CCO occurs.	4.4	Necessary



**1.2 Status of previous recommendations**

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open				
Implemented or closed		3		3
Matters that will be followed up during our 2019/20 audit visits		6		6
<b>Total</b>		<b>9</b>		<b>9</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 26 September 2019. This means we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There were no significant misstatements identified during the audit that required correcting.

### 2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
<p><b>Note 20 – Financial instruments</b></p> <p>NZ IFRS 7: <i>Financial instrument disclosures</i>, paragraph 23B requires an entity to disclose a profile of the timing of the nominal amount of the hedging instrument. The Group has interest rate swaps as at 30 June 2019; however, the profile of the timing of the nominal amount of the interest rate swaps has not been disclosed in the financial statements.</p>	<p><i>The disclosure issue was detected after the accounts had been adopted by Quayside and this will be adjusted as at 30 June 2020.</i></p>

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



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management. This included the dates we required the information to be provided to us.

All information was supplied to us within the agreed timeframes and was of a good standard.

### 3 Matters raised in the Audit Plan



In our Audit Plan dated 24 July 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Revaluation of property, plant, and equipment</b>	
<p>The Council has property, plant, and equipment of \$425 million and a policy of recording certain assets (land, buildings and infrastructure assets) at fair value.</p> <p>The fair value of property, plant, and equipment is a significant matter due to the magnitude and judgement involved in the assessment of the revaluation of these assets.</p> <p>This year the Council revalued land, buildings and flood protection assets.</p> <p>The audit procedures we perform include:</p> <ul style="list-style-type: none"> <li>• assessing the competence, objectivity, and independence of the valuer and peer reviewer;</li> <li>• ensuring the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value;</li> <li>• reviewing key assumptions; and</li> <li>• ensuring the valuation movement was correctly accounted.</li> </ul>	<p>From the work conducted we were satisfied that the revaluations this year of land, buildings, and flood protection assets have been performed in accordance with appropriate accounting and valuation standards. We concluded that the value of land, buildings, and flood protection assets fairly reflects the fair value.</p> <p>We noted the increase in the value of assets was primarily due to an increase in the median price of land and buildings in the Bay of Plenty region, inflation, and an uplift of construction costs.</p> <p>No issues were identified from our review. However, we have made some recommendations for improvement in relation to flood protection revaluations in section 4.1.1 of this report.</p>
<b>Fair value assessment of property, plant, and equipment</b>	
<p>The accounting standard PBE IPSAS 17: <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p>	<p>We reviewed the Council’s fair value assessment of assets that were not revalued as at 30 June 2019 and are satisfied with management’s assessment that the asset fair values do not differ materially from their net book values.</p>

Audit risk/issue	Outcome
<b>Debt funding</b>	
<p>The 2018-28 Long Term Plan signalled the Council’s intention to draw down on Local Government Funding Agency (LGFA) debt and on-lend a portion of these funds to the Council’s Council Controlled Organisation (CCO), Quayside Holdings Limited (QHL). It is expected that QHL’s treasury function will be able to generate a return greater than the cost of LGFA debt.</p>	<p>At 30 June 2019, \$50 million had been loaned to QHL to replace existing debt that QHL had with a third party.</p> <p>We reviewed the loan agreement and confirmed the loan has been adequately disclosed in the annual report.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>We did not identify any issues regarding management override of controls.</p> <p>We undertook the following:</p> <ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>• Reviewed accounting estimates for bias and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>• Reviewed significant transactions outside the normal course of business, or that otherwise appear to be unusual, to determine whether the transaction suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</li> </ul> <p>We are satisfied the risks around management override of controls were appropriately considered.</p> <p>We undertook the same procedures in the completion of QHL’s audit.</p> <p>We discussed management override of controls with the component auditor of Port of Tauranga Limited (POTL).</p>

Audit risk/issue	Outcome
	<p>The audit procedures performed by the component auditor were the same as those listed above. In addition they reviewed key management personnel arrangements and considered whether any financial statement captions may be more susceptible to manipulation or override of controls.</p> <p>They confirmed that no issues were identified.</p>
<b>Rotorua Te Arawa Lakes Programme</b>	
<p>The Council, along with Rotorua Lakes Council, and the Ministry for the Environment, has established the Lake Rotorua Incentives Board. This is a Committee of Council whose purpose is to oversee the enhancement of the water quality in Rotorua's lakes. The combination of the terms of reference and delegations policy creates the boundaries within which the Incentives Board operates.</p> <p>The objective of the Lake Rotorua Incentives Board is to achieve a 100 tonne reduction in the discharge of nitrogen into Lake Rotorua. This needs to be achieved within the budget of \$40 million and within the parameters of the Lake Rotorua Incentives Scheme Policy, which was adopted in July 2014.</p>	<p>We reviewed payments made towards the reduction of nitrogen levels in Lake Rotorua and confirmed the funds were only used for the intended purpose.</p> <p>In addition, we reviewed transactions with related parties of members of the Lake Rotorua Incentives Board and confirmed related party transactions were at arm's length.</p> <p>We will continue to monitor this issue as part of the 2019/20 audit.</p>
<b>Regional Infrastructure Fund (RIF)</b>	
<p>The Council is funding a programme of regional projects through the RIF. The four projects the Council has committed to are:</p> <ul style="list-style-type: none"> <li>• Tauranga Marine Precinct;</li> <li>• Tauranga University Campus;</li> <li>• Scion research facility; and</li> <li>• Ōpōtiki Harbour redevelopment.</li> </ul> <p>The funding is subject to certain conditions being met.</p>	<p>We confirmed the Council paid out \$5.2 million (total to date \$14.2 million) towards the Tauranga Tertiary Campus project during the year. No other payments have been made during the year.</p> <p>For the payments made during 2018/19 year, we have confirmed the funds were used for the purpose intended.</p> <p>We confirmed payments have been correctly accounted for and confirmed disclosures in the Annual Report relating to the payments are appropriate.</p> <p>We will continue to monitor payments from the RIF as part of the 2019/20 audit.</p>

Audit risk/issue	Outcome
<b>Consolidation of Group financial statements</b>	
<p>Quayside Group is a subsidiary of the Council. Adjustments may be required on consolidation to reflect differences in accounting policies between the Quayside Group and the Council Group.</p>	<p>Adjustments were required on consolidation to reflect differences in accounting policies between the Quayside Group and the Council. This is due to the Quayside Group being a for-profit entity and its policies are based on New Zealand International Financial Reporting Standards (NZ IFRS). We found all adjustments were made correctly.</p> <p>We also considered if there is an impairment of the Quayside Group. Due to the profitability of the Group, the positive net asset position, and the flow of dividends to the Council, we confirmed that no impairment was necessary.</p>

## 4 Other findings and areas of focus.



In this section, we have detailed our key findings from the audit, in order of significance. We have also detailed our findings in relation to other areas of focus.

### 4.1 Fixed assets

#### 4.1.1 River and Drainage valuation

The Council's flood protection assets have been internally valued by the Council as at 1 July 2018, with a peer review being undertaken by Opus.

As part of the work undertaken, we:

- assessed the competency and experience of the internal valuer and the external peer reviewer;
- assessed the methodology and assumptions applied in the valuation and agreed a sample of unit rates to contracts;
- performed a sensitivity analysis on fluctuations in the unit rates; and
- made contact with the external peer reviewer to understand the process they undertook when performing the peer review.

As a result we concluded the methodology and assumptions applied in the valuation was in line with the accounting and valuation standards.

However, we identified that a formal physical inspection has not been undertaken for a number of years by the external peer reviewer.

We recommend, in future reporting periods, physical inspection of assets is undertaken by the external peer reviewer to ensure the accuracy, existence, and condition of the assets being valued.

#### **Management comment**

*We will ensure at the next asset review the scope of work for the external peer reviewer will include a physical inspection.*

#### 4.1.2 Rivers and Drainage flood damage

In April 2017 a severe weather event caused significant damage to the Council's flood protection assets. As at 30 June 2018, an impairment relating to the damage of \$10.1 million was factored in the valuation for the year. During the 2018 and 2019 financial

years, capital works have been undertaken in the flood protection area. We note that the rivers and drainage valuation as at 1 July 2018 was adjusted for the capital works completed and this resulted in the impairment reducing to \$7.1 million.

However, as at 30 June 2019, this impairment amount has not been reassessed and is expected to only be assessed again for the revaluation as at 1 July 2019.

Although we do not consider this to be material this year, we recommend that the impairment is assessed and adjusted for capital works completed at each year-end.

#### **Management comment**

*We acknowledge that the valuation timing is at the beginning of the financial year and it would be prudent to complete an impairment assessment at the financial year end. We will ensure this is in our valuation and impairment timetable for future reporting periods.*

#### **4.1.3 Capitalisation of fixed assets**

We have identified the following from our infrastructural and operational fixed asset additions testing:

- two instances where the asset capitalisation date does not agree to the invoice date where the asset capitalisation is not a Work in Progress (WIP) project;
- one instance of an asset capitalised in 2019, but back-dated into 2018;
- two instances where assets were capitalised from WIP but there was no evidence that the project manager confirmed the assets were complete;
- two instances where assets were not depreciated but should have been depreciated; and
- assets that were capitalised a few months after the assets were completed and in use.

We recommend WIP is reviewed on a regular basis and an assessment made whether capitalisation is required, with assets being capitalised when they are available for use.

We further recommend, where assets are capitalised from WIP, the Council ensures there is evidence to support the approval of the capitalisation occurring and depreciation is accurately calculated.

#### **Management comment**

*We now have a dedicated resource with the responsibility of asset and WIP management. This role will ensure the regular review of WIP and capitalisation assessment. Supporting evidence, such as invoices and business approval, is attached and saved alongside the transaction.*



## 4.2 Sensitive expenditure

Sensitive expenditure is the subject of significant public scrutiny.

We reviewed of a sample of sensitive expenditure transactions, including P-card, international travel, and expense claim transactions. We identified one instance where a P-card transaction did not have appropriate supporting documentation and one instance where a transaction has been incorrectly coded. These items were for a valid business purpose.

Whilst the amounts involved were immaterial, these transactions are susceptible to higher public scrutiny.

We recommend the Council ensures transactions are coded correctly and appropriate supporting documentation is attached to ensure all transactions have sufficient evidence and are allocated to the correct general ledger.

### Management comment

*Continual engagement and reiteration with the wider staff as to appropriate coding and supporting documentation is ongoing.*

## 4.3 Preparation of service delivery performance information

We reviewed the service performance information disclosure in the annual report in order to ensure that it complies with legislative requirements.

In general we found the commentary provided for measures that were “not achieved” to be comprehensive, and told the “story” of how the Council performed. However, the measures that have been “achieved” did not always describe the work that the Council performed that enabled the Council to achieve the results reported on.

We recommend the Council continues to add to the narratives in its performance reporting to better describe why the Council has “achieved” the results reported so that the reader can further understand the performance of the Council.

### Management comment

*Agreed – we will continue to include the narratives in our performance reporting.*

## 4.4 Establishment of Toi Moana Trust

The Council has used its subsidiary Quayside holdings Limited (QHL) to establish a portfolio investment entity (PIE) as an investment mechanism for the Council to invest its \$45 million Toi Moana Funds (TMT). QHL has set up the unit trust as at 1 July 2019. This has been adequately disclosed as a subsequent event in the annual report.

The Council obtained legal and accounting advice on the creation of TMT and that advice noted that TMT is a Council Controlled Organisation (CCO) and subsidiary of the Council. We agree with the advice obtained.

When setting up a CCO the Council is required to consult under section 56 of the Local Government Act 2002 (the Act). The Council sought separate independent advice about whether TMT is a CCO and whether the required consultation under the Act had taken place. That advice stated that it would not be unreasonable to treat the consultation to date as sufficient to meet the section 56 obligations in all the circumstances.

We sought our own technical advice from the Office of the Auditor-General (the OAG) as to whether proper consultation has taken place. The OAG's advice concluded that neither the Consultation Document nor the Long Term Plan mentions that a CCO is being established or that the Council will become a shareholder. Therefore, overall, we do not believe that the consultation was adequate.

The OAG's Legal team advises us that there is not much risk to the Council in this instance and the non-compliance with the Act requires no remediation and also has no impact on the audit opinion.

We recommend that appropriate consultation is undertaken to comply with the Local Government Act for any future CCOs that are set up.

#### **Management comment**

*We engaged independent advice and at the time understood we were in compliance with the LGA. We acknowledge the differing opinion of OAG.*

#### **4.5 Other matters**

#### **4.6 Adoption of new accounting standard – NZ PBE IFRS 9 *Financial Instruments***

Adoption of PBE IFRS 9: *Financial instruments* is mandatory for public benefit entities for periods starting on or after 1 January 2021, however, the Council has early-adopted this standard effective 1 July 2018 due to its subsidiary Quayside Holdings Limited (QHL) adopting NZ IFRS 9.

We reviewed management's transition work completed by the Council and are satisfied the conclusions reached are reasonable and complete.

The assessment made concluded that:

- there is a change in the classification description of financial assets;
- there is no change to the measurement category or carrying amount of financial assets; and
- there are no expected credit losses to be recognised on intercompany loans.

We requested management perform an assessment on the expected credit losses for QHL in relation to intercompany loans which supported these conclusions. We reviewed the assessment and agreed with management's conclusion.

We reviewed the NZ IFRS 7: *Financial Instruments* disclosures made in the financial statements. The disclosure requirements of NZ IFRS 7 were amended by NZ IFRS 9.

IFRS 7: *Financial instrument disclosures*, paragraph 23B requires an entity to disclose a profile of the timing of the nominal amount of the hedging instrument. The Group has interest rate swaps as at 30 June 2019; however the profile of the timing of the nominal amount of the interest rate swaps has not been disclosed in the financial statements. This disclosure deficiency has been included in the Letter of Representation.

We are satisfied other material disclosures have been made.

#### **4.6.1 Valuation of the Put Option**

An external valuer has performed the valuation of the Put Option as at 30 June 2019. This year the value of the Put Option has decreased from \$15 million (30 June 2018) to \$3.4 million. A number of key factors have contributed to this reduction including the value of QHL's investment in Port of Tauranga Limited increasing, as well as the recent improvement in the credit rating of Port of Tauranga Limited.

As part of the work undertaken we:

- assessed the competency and experience of the external valuer;
- assessed the methodology and assumptions applied in the valuation; and
- contacted the external valuer to understand the process undertaken in conducting the valuation.

We concluded the methodology and assumptions applied in the valuation are in line with the accounting and valuation standards.

#### **4.6.2 Rates**

Rates are the Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.

We understand the Council has agreements in place with the seven Territorial Local Authorities (the TLAs) that collect rates on behalf of the Council.

As part of our 2019 audit, we have requested confirmations from the auditors of the TLAs to confirm that the TLAs have appropriate controls in place to ensure that rates are collected in line with legislation.

The Council should continue to engage with the TLAs to ensure that the collection of rates complies with legislation.

We reviewed compliance with legislation but emphasise that this review is completed for the purposes of expressing our audit opinion. It is not, and should not be seen as, a comprehensive legal review. This is beyond the scope of the audit and our expertise as auditors. The Council is responsible for ensuring that it complies with applicable laws and regulations.

#### **4.6.3 Debenture Trust Deed**

We intend issuing an assurance report to the Trustees of the Council's Debenture Trust Deed (the Deed). This requirement is included in the Council's Deed dated 30 November 2011.

We will obtain the reporting certificate from the Council and ensure that it complies with the Deed and our findings from the annual audit work.

## 5 Public sector audit



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

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

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

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

We did not note any areas of concern from our work completed over the above matters. We were able to conclude the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

## 6 Group audit



The group comprises the Council and the Quayside Group.

The Quayside Group comprises:

- Quayside Holdings Limited (QHL);
- Quayside Properties Limited (QPL);
- Quayside Securities Limited (QSL);
- Quayside Securities Limited as Trustee for the Quayside Investment Trust (QIT)
- Quayside Securities Limited as Trustee for the Quayside Unit Trust (QUT);
- Aqua Curo Limited (ACL);
- Cibus Technologies Limited (CTL); and
- Port of Tauranga Limited (POTL).

We have not identified any of the following during our audit for the year ended 30 June 2019:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the Group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

**6.1 Matters raised in Quayside Group’s Audit Plan**

The following matters have been identified as the main audit risks and issues for the Quayside Group, in the audit plan dated 24 July 2019.

Audit risk/issue	Outcome
<b>Fair value assessment for property, plant and equipment</b>	
<p>The Quayside Group has property, plant, and equipment of \$1,542 million and a policy of recording certain assets (land, buildings, wharves, hardstanding, harbour improvements and bearer plants) at fair value.</p> <p>Quayside Group is a listed entity and is required to include key audit matters in the audit opinion. The fair value of property, plant, and equipment is a key audit matter due to the magnitude and judgement involved in the assessment of the fair value of these assets.</p> <p>We were satisfied that the revaluations this year of land and bearer plants have been performed in accordance with appropriate accounting and valuation standards. We came to the conclusion that the value of land and bearer plants fairly reflects market value.</p> <p>For assets that were not revalued this year (wharves, hardstanding and harbour improvements), we were satisfied that fair value assessments have been performed using market evidence and applicable industry data. We agreed with management’s assessment that the expected fair value movement in each class would not result in a material difference to the assets’ carrying value.</p>	<p>As group auditors we held discussions with the component auditor, KPMG, and reviewed their audit work papers relating to the fair value of property, plant, and equipment, including the revaluation of land.</p> <p>The audit procedures performed by the component auditor included:</p> <ul style="list-style-type: none"> <li>• assessing the competence, objectivity and independence of the valuer;</li> <li>• ensuring the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value;</li> <li>• ensuring the valuation movement was correctly accounted for within the revaluation reserve, statement of comprehensive income and income statement;</li> <li>• reviewing key assumptions; and</li> <li>• challenging management’s assessment of the fair value movements in each class.</li> </ul> <p>Land values have continued to increase in Tauranga and Auckland where POTL has significant land holdings. As such POTL’s management determined it was appropriate to have land independently revalued as at 30 June 2019. As a result land was valued upwards by \$72.8 million to a carrying amount of \$803 million.</p> <p>POTL management has applied judgement in determining there have been no substantial changes to the key assumptions used in the valuation methodology of the remaining assets.</p>

Audit risk/issue	Outcome
<b>Investment property and bearer plants (QPL only)</b>	
<p>QPL annually revalues its bearer plants, kiwifruit licenses, investment properties and forestry to comply with NZ IAS 16 <i>Property, Plant and Equipment</i>, NZ IAS 38 <i>Intangible Assets</i>, NZ IAS 40 <i>Investment Property</i> and NZ IAS 41 <i>Agriculture</i>. These standards require those assets to be measured at fair value.</p> <p>This has resulted in the following fair value movements:</p> <ul style="list-style-type: none"> <li>• \$1,619,000 increase to bearer plants through comprehensive income;</li> <li>• \$256,000 increase to kiwifruit licences through comprehensive income;</li> <li>• \$3,487,000 increase to investment property through profit and loss; and</li> <li>• \$95,000 decrease to forestry through profit and loss.</li> </ul>	<p>We confirmed the valuation movements and balances at year end were correctly recognised in the financial statements.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• assessing the competence, objectivity and independence of the valuers used by management;</li> <li>• assessing whether the valuation methodologies used to fair value each asset class was in accordance with professional valuation standards and suitable for determining the fair value of the identified assets;</li> <li>• comparing the valuation methodologies applied to prior periods and considering whether any changes to the methodologies were appropriate;</li> <li>• agreeing the assets recorded in the fixed asset register to those valued by the independent valuer to ensure all applicable assets had been revalued; and</li> <li>• comparing the key assumptions within each assessment to market evidence and applicable industry data and challenging the application of assumptions in significant items.</li> </ul>



Audit risk/issue	Outcome
<b>Share investments (QHL, QUT and QIT only)</b>	
<p>All investments held at balance date must be revalued and carried at fair value.</p> <p>Investment transactions during the period need to be appropriately authorised.</p>	<p>We found the investments were recorded at fair value and correctly disclosed in the financial statements.</p> <p>We reviewed a sample of purchases and sales of investments and found they were appropriately approved by the Board, Chief Executive or Investment Manager.</p> <p>Supporting documentation was reviewed and we were able to confirm that gains and losses were correctly accounted for.</p> <p>The year-end valuations of the QHL, QIT, and QUT investments were reviewed and we confirmed a sample of investments to supporting documentation.</p> <p>QHL and QUT have continued to transfer all listed shares to QIT (except POTL shares) as planned.</p>

## 7 Useful publications



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

Description	Where to find it
<b>Client updates</b>	
<p>In March and April 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> </ul> <p>including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Tax Matters</a></p>

Description	Where to find it
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: <a href="#">Severance payments</a></p>
<b>Matters arising from the 2017/18 audits</b>	
<p>The OAG has published a report on the results of the 2017/18 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Links: <a href="#">Local Government</a></p>
<b>Post-implementation reviews</b>	
<p>The OAG has recently completed a review of Auckland Council's post-implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post-implementation review checklist.</p>	<p>On the OAG's website under publications.</p> <p>Link: <a href="#">Post-implementation review process</a></p>

Description	Where to find it
<b>Good practice</b>	
<p>The OAG’s website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG’s website under good practice. Link: <a href="#">Good practice</a></p>
<b>Reporting fraud</b>	
<p>The OAG has released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data. Link: <a href="#">Reporting Fraud</a></p>

# Appendix 1: Status of previous recommendations

## Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<p><b>Journals are prepared and approved by the same person</b></p> <p>We recommended that the review of journal entries prepared and approved by the same person is undertaken shortly after month-end has closed to ensure that any inappropriate or incorrect journal entries are identified early.</p>	<p>2019 Interim</p>	<p><b>2019 final audit update</b></p> <p>We have discussed with management and note that self- approved and posted journal report is now run on a monthly basis and reviewed.</p> <p>We will however follow up on this matter as part of the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>
<p><b>Timely review of reconciliations</b></p> <p>We recommended that monthly reconciliations are reviewed in a timely manner and evidence of this review is clearly documented within the system. Best practice suggests that a timely review is one that is performed in the month following the month for which the reconciliation is prepared.</p>	<p>2019 Interim</p>	<p><b>2019 final audit update</b></p> <p>We have discussed with management and note that this is completed as part of the month end process. We will however follow up on this matter as part of the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>
<p><b>Sensitive Expenditure Policy</b></p> <p>We recommended best practice improvements to be included in the updated Sensitive Expenditure Policy.</p>	<p>2019 Interim</p>	<p><b>2019 final audit update</b></p> <p>We understand that the review and updating of the policy is currently underway. We will follow up on this matter as part of the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>

Recommendation	First raised	Status
<p><b>Expenditure – incorrect coding and GST calculations</b></p> <p>We recommended the Council ensures that expenses are coded correctly and that appropriate GST is recorded.</p>	<p>2019 Interim</p>	<p><b>2019 final audit update</b></p> <p>We have identified one instance during the final audit where expenditure has been coded incorrectly.</p> <p>We will follow up on this matter as part of the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>
<p><b>Disposal of fixed assets</b></p> <p>We recommended that the Disposal Form be completed for all asset disposals, and appropriate authorisation is documented to confirm the disposal.</p>	<p>2019 Interim</p>	<p><b>2019 final audit update</b></p> <p>We have sighted the new disposal form that will be implemented as part of the asset disposal process. The form will be reviewed and authorised by the asset manager and the finance team.</p> <p>We will test this as part of our 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>
<p><b>Declaration of interests</b></p> <p>We recommended all interests are declared and recorded in the Interest Registers.</p>	<p>2018</p>	<p><b>2019 final audit update</b></p> <p>We understand from management that the process going forward has been amended to ensure that declarations of interests are captured accurately. This includes reviewing what Councillors have declared against the Companies Register. This will be performed on a quarterly basis.</p> <p>We will test this as part of the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Recommendation has been implemented.</i></p>

## Implemented or closed recommendations

Recommendation	First raised	Status
<p><b>Tolerance limits within the system exceeded</b></p> <p>As part of our expenditure testing we identified one instance where an invoice exceeding the 10% tolerance limit was not approved by the original approver of the purchase order. This occurred in the Unimarket system.</p>	<p>2019 Interim</p>	<p><b>Closed</b></p> <p>The new P2P system has now replaced the Unimarket system.</p> <p>The new P2P system does not allow manual override of the 10% tolerance limit and thus this issue cannot occur in the new system.</p> <p>We note that as of 23 March 2019, no purchase orders can be raised in the Unimarket system.</p>
<p><b>Property, plant, and equipment valuations - assets not revalued in line with accounting policy</b></p> <p>We recommended that revaluations are performed with sufficient regularity, and in line with the Council's accounting policy, to ensure that the carrying value of an asset does not differ materially from its fair value.</p>	<p>2018</p>	<p><b>Closed</b></p> <p>We reviewed the valuations undertaken in 2019 and consider them to be in line with the accounting policy of Council.</p>
<p><b>Property, plant and equipment valuation - process improvements</b></p> <p>We recommended the Council implements systems for processing asset revaluations in the accounting system, to ensure all assets to be revalued are accounted for.</p>	<p>2018</p>	<p><b>Closed</b></p> <p>During our testing of the asset revaluations in 2019, we consider the processing in the accounting system to be robust.</p>

# Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in the areas of the debenture trust deed, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Bay of Plenty Regional Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$132,165, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$6,000 for the debenture trust deed.</p> <p>There was also an audit fee of \$104,328 for the subsidiary, the Quayside Group.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council or its subsidiaries during or since the end of the financial year.</p>



# AUDIT NEW ZEALAND

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Receives Only – No Decisions

**Report To:** Risk and Assurance Committee  
**Meeting Date:** 13 February 2020  
**Report From:** Mat Taylor, General Manager, Corporate

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## Internal Audit Status Update

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### Executive Summary

This report provides an update on the status of internal audit activities as at 31 December 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 December 2019;

### Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Internal Audit Status Update;

### 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 December 2019.

### 2 Internal Audit Work Plan 2019/20 Status

On 12 June 2019, the Audit and Risk Committee approved the Internal Audit Work Plan for the three years to 2022, including the detailed internal audit work plan for 2019/20.

The following table summarises the status of internal audit reviews for 2019/20.

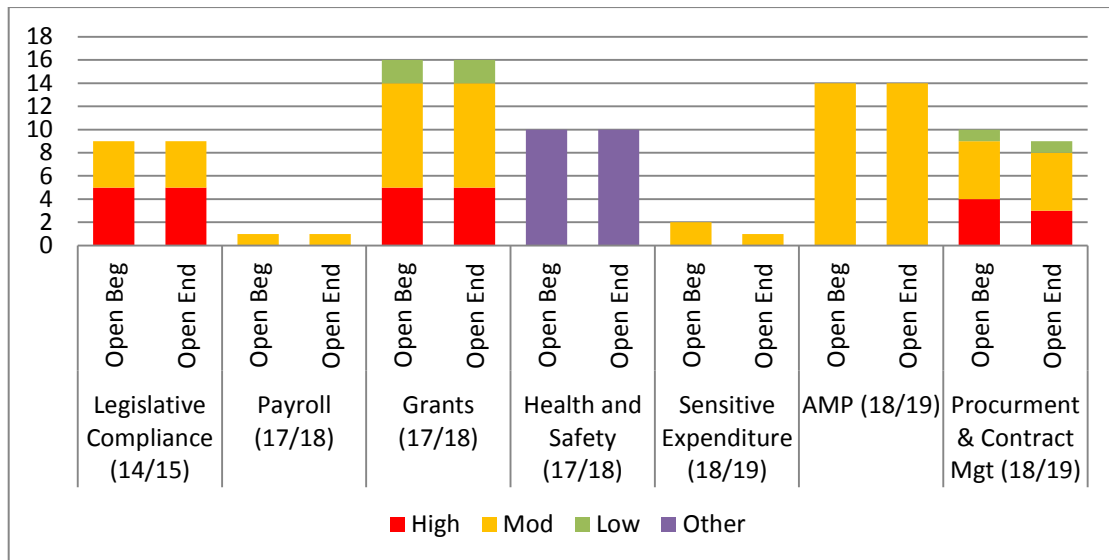
Review	Field work	GM Sponsor	Status	Status of Internal Audit				
				Planning /Scope	Fieldwork	Draft Report	Mgmt Actions	Final Report
Budgeting and Monitoring	BOPRC	Corporate	In Progress	Complete	Complete	In Progress		
Conflict of interest management	BOPRC	Regulatory Services	In Progress	Complete	In Progress			
Accela Invoicing	KPMG	Regulatory Services	In Progress	In Progress				
Gravel Extraction Process	BOPRC	Corporate	In Progress	In Progress				
Health and Safety – Critical Risk Identification	BOPRC	Corporate	In Progress	In Progress				
Policy Framework	KPMG	Regulatory Services						
Fixed asset security and records	BOPRC	Corporate						
ICT security	KPMG	Corporate						
Hapu / Iwi Identification in RMA Process	BOPRC	Corporate						

BOPRC’s internal auditor was seconded to the Finance Team in July 2019 as Management Accounting Team Lead through to November 2019 and this became permanent in December 2019. The Risk and Assurance Team is currently working through the recruitment process for a new Internal Auditor.

### 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 October 2019) there were 61 open management actions.

During the quarter two actions were closed. The total of actions open as at 31 December 2019 is 59, the majority of these relate to Grants (sixteen), Asset Management (fourteen), Procurement/Contract Management (nine), Health and Safety (nine) and Legislative Compliance (nine), of which thirteen actions that were overdue, the majority of these were Procurement/Contract Management (nine).



### **Internal Audit Management Actions – Progress Update**

#### **Legislative Compliance**

Many of the actions required following this internal audit required systemic changes and the introduction of a legal function and associated frameworks. These changes to be fully embedded and closed required a systematic approach that required the careful sequencing of actions and new processes.

For example, one action required the establishment of a compliance system that needed to be properly researched and procured. A contract, after extensive due diligence and systems compatibility testing, has been signed with ComplyWith, a NZ legislative compliance system provider who are now in the process of setting up the system within BOPRC.

Once this system has been installed, the system will be progressively rolled out across the organisation during 2020 commencing with the Corporate Group. When operational across the organisation, these management actions can be closed.

#### **Grants**

The management recommendations resulted in a pause and reevaluation of the approach to recording information and through working with the continuous improvement team a new process and system is under development.

The first phase relating to using Geoview as the interface was developed and is now operational and has positive feedback from staff in terms of usability, so much so that the biosecurity team have requested and are currently getting these enhancements.

The second phase of integration into Tech 1 system is in progress, awaiting the completion of the biosecurity enhancements. The new process has been designed to address the management recommendations from the grants audit, and as it's a significant change the management actions will only be closed when fully implemented.

## Procurement / Contracts Management

A new Commercial Team was established in December 2019 to manage Procurement and Contracts with additional resourcing being put in place to address the findings of the Internal Audit and strengthen the procurement and contract management framework including the management of contractors health and safety obligations.

## **4 Council's Accountability Framework**

### **4.1 Community Outcomes**

This work directly contributes to the Regional Collaboration & Leadership Community Outcome in the Council's Long Term Plan 2018-2028.

### **4.2 Long Term Plan Alignment**

This work is planned under the Governance Services activity in the Long Term Plan and Annual Plan 2019/20.

#### **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 2 of the Long Term Plan 2018-28.

#### **Future Budget Implications**

Future work on Internal Audit activities is provided for in Council's Long Term Plan 2018-28. The Long Term Plan 2018-28 contains budget for delivery of the co-sourced Internal Audit Work Plan. This includes staff resources and provision for external resource for specialist reviews.

Steven Slack  
**Risk & Assurance Manager**

**for General Manager, Corporate**

**3 February 2020**