

Audit and Risk Committee

NOTICE IS GIVEN

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

Tuesday, 12 June 2018 commencing at 10.30 am.

Mary-Anne Macleod
Chief Executive
5 June 2018



Audit and Risk Committee

Terms of Reference

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

Delegated Function

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

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

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

Membership

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

Quorum

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

Term of the Committee

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

Meeting frequency

Quarterly.

Specific Responsibilities and Delegated Authority

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

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

Note:

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

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

Public Forum

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

Membership

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

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

Agenda

- 1 Apologies**
- 2 Public Forum**
- 3 Acceptance of Late Items**
- 4 General Business**
- 5 Confidential Business to be Transferred into the Open**
- 6 Declarations of Conflicts of Interests**
- 7 Previous Minutes**
- 7.1 Audit and Risk Committee minutes - 01 March 2018** **13**
- 8 Reports**
- 8.1 Under separate cover: External Audit Interim Management Report for the year ended 30 June 2018**

Please note this report will follow under separate cover and be provided electronically via Stellar Library and the website.
- 8.2 2017/18 External Audit Plan** **21**

8.3 Under separate cover: Setting of Rates 2018/19

Please note this report will follow under separate cover and be provided electronically via Stellar Library and the website.

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Resolution to exclude the public

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

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
9.1 Public Excluded Audit and Risk Committee minutes - 01 March 2018	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
9.2 Internal Audit - Health and Safety Review Reports	To protect this information so it doesn't damage public	Good reason for withholding exists under

	interest	Section 48(1)(a)
9.3 Kopeopeo Extension West Risk Report	To protect the commercial position of an individual	Good reason for withholding exists under Section 48(1)(a)
9.4 Key Risk Register Quarterly Update - March 2017 to May 2018	To maintain legal professional privilege	Good reason for withholding exists under Section 48(1)(a)
9.5 Treasury Framework for Long Term Plan 2018-2028	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

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9.4 Key Risk Register Quarterly Update - March 2017 to May 2018	183
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9.5 Treasury Framework for Long Term Plan 2018-2028	227
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10 Confidential business to be Transferred into the Open

The Audit and Risk Committee to consider any matters in the Public Excluded Agenda to be released into the Open.

11 Readmit the Public

12 Consideration of General Business

Previous Minutes

Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Thursday, 1 March 2018 commencing at 9.30 a.m.

Present:

- Chairman:** J Cronin
Deputy Chairman: D Love
Councillors: S Crosby, A von Dadelszen, A Tahana
Ex Officio: Chairman D Leeder
Appointees: B Robertson

In Attendance: Councillor N Bruning, M Macleod (Chief Executive), M Taylor (General Manager Corporate Performance), S Hey (Manager Chief Executive’s Office), A Chappell (Property Manager), D Hyland (Finance and Corporate Planning Manager), N Newman (Principal Advisor), S Slack (Principal Internal Auditor), C Gordon (Internal Auditor), B Love (Contractor Project Manager for Kopeopeo Canal), R Garrett (Committee Advisor).

Apologies: A Tahana (lateness)

1 Apologies

Resolved

That the Audit and Risk Committee:

- 1 Accepts the apology tendered by Councillor Tahana for lateness**

**Cronin/Love
CARRIED**

2 Public Forum

Nil.

3 Acceptance of Late Items

The Committee was advised of the following tabled item for consideration:

- 1) Tabled Item 1, *External Audit: Management Report on the Long Term Plan 2018-2028 Consultation Document***

This item was not included in the agenda as the Management Report was not provided by Audit New Zealand until after the agenda had been published, and

its consideration could not be delayed until a subsequent meeting as the Consultation Process discussed in the report was due to commence.

Resolved

That the Audit and Risk Committee:

Pursuant to section 46A of the Local Government Official Information and Meetings Act 1987, considers the following late tabled item at the meeting:

Tabled Document 1	Agenda Report	Item 8.2	External Audit: Management Report on the Long Term Plan 2018-2028 Consultation Document
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Cronin/von Dadelszen
CARRIED

4 General Business

Nil.

5 Declaration of conflicts of interest

Councillor Love noted his membership of the Ōpōtiki District Council Audit and Risk Committee.

6 Previous Minutes

6.1 Audit and Risk Committee minutes - 19 December 2017

Resolved

That the Audit and Risk Committee:

- 1 Confirms the Audit and Risk Committee minutes of 19 December 2017 as a true and correct record.

Cronin/Love
CARRIED

7 Reports

7.1 Committee Chairperson's Report

General Manager Corporate Performance Mat Taylor updated members on Audit and Risk Committee activities. Mr Taylor noted that members would receive the first quarterly update on implementation of the Rangitāiki River Scheme Review report at the meeting, and that these updates were now included in the Committee work programme. In response to a member's question regarding the CouncilMARK™ process, Mr Taylor advised that an internal working group had been formed to manage the process, and that updates to members would be included at future meetings.

Resolved

That the Audit and Risk Committee:

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

**Cronin/Love
CARRIED**

7.2 **External Audit: Management Report on the Long-Term Plan 2018-2028 Consultation Document**

General Manager Corporate Performance Mat Taylor noted that Audit New Zealand had previously presented to Council on their audit of the Long Term Plan 2018-2028 Consultation Document; and advised that this report requested the formal acceptance of the final management report.

Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, External Audit: Management Report on the Long Term Plan 2018-2028 Consultation Document;**
- 2 **Notes the final audit of the Long Term Plan 2018-2028 is scheduled to commence 5 June 2018.**

**Love/Crosby
CARRIED**

7.3 **Internal Audit Status Update 2017/18**

Principal Internal Auditor Steve Slack and Internal Auditor Claire Gordon updated members regarding progress made on the Internal Audit 2017/18 work programme, and noted the following points:

- Health and Safety and Grants audits were underway;
- The Asset Management Review had been rescheduled and would now take place in the first quarter of 2019; and
- Consideration was being given to bringing a small number of audits in the 2018/19 audit plan into the current year due to good progress being made with the 2017/18 work plan.

Mr Slack advised that 30 management actions remained open, with overdue actions being actively managed with appropriate staff. The overdue actions mainly related to three reviews: Legislative Compliance Framework, Accela Phase One and Enterprise Risk Management, and were being monitored closely by Internal Audit.

Mr Slack clarified for a member that, while no internal audit had been completed for Council's asset management as outlined in the Long Term Plan, the external audit had assessed the Council as low risk with appropriate asset management plans and processes.

Attendance

Councillor Tahana joined the meeting at 9.45 am.

Resolved

That the Audit and Risk Committee:

- 1 Receives the report, Internal Audit Status Update 2017/18.

Cronin/Love
CARRIED

7.4 Kopeopeo Canal Remediation Project Update 17

Refer PowerPoint Objective ID: A2815984

Refer website: <https://gen3.ricardo.co.nz/>

Kopeopeo Canal Project Manager Brendon Love updated members on recent progress with the Kopeopeo Canal remediation project, with key work including control structures in place, dredging commenced, compliance monitoring in place and eel removal and baseline tissue sampling completed. Mr Love advised that steady progress was being made with dredging, with validation results below the remediation target and excellent water quality achieved. Mr Love clarified for members the structure and function of the geobags, noted that the site would be capped with soil when the project was completed and explained the process of bioremediation. The eel removal was a one-off exercise before the control structure construction to remove dioxin-contaminated eels from the food chain.

In regards to iwi involvement, Mr Love advised that implementation of bioremediation was critical to Ngāti Awa, that a cultural monitor was on site at all times and that students from Te Wānanga o Awanuiāraangi were actively involved on site.

Mr Love updated members regarding two areas of project risk – the previously recorded geotechnical risk at Containment Site 3 had decreased with further mitigation measures implemented; and ongoing monitoring indicated that the systems in place to manage the risk of release of contaminant-laden water were working well. Mr Love demonstrated the use of the website *Ricardo* which provided live site images and real-time canal turbidity monitoring.

In response to members' questions regarding ongoing funding, Mr Love noted that funding for bioremediation was included in the Long Term Plan, and advised that further Ministry for the Environment funding was based on assessment of risk to health. General Manager Corporate Performance Mat Taylor clarified that the Long Term Plan included provision for investigations but not for capital expenditure.

Mr Love noted that a community open day and a Ministerial visit to the site were being planned.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Kopeopeo Canal Remediation Project Update 17.

von Dadelszen/Love
CARRIED

7.5 Rangitaiki River Scheme Review: Implementation update

Manager Chief Executive's Office Shelley Hey and Principal Advisor Nic Newman updated members on progress made with implementation of the recommendations

from the Rangitāiki River Scheme Review (the Review). Ms Hey noted that this was the first report to members following the delegation from Council of the monitoring function for the Review implementation to the Committee, and explained that implementation of the recommendations had been spread across a number of work streams, with an internal working group established to ensure co-ordination of responses and linkages with wider catchment work. Ms Hey noted that this report provided an overview across the range of work being undertaken rather than the detail of any particular work stream.

Members asked several points of technical clarification around redundancy in the catchment monitoring network and various stopbank sites. Ms Hey also advised that since the report had been written, tenders for the design of the College Road stopbank had closed and that the contract had been let, and that a paper addressing a shortfall in the project budget would be coming to full Council. General Manager Corporate Performance Mat Taylor further clarified that any necessary revisions to Long Term Plan estimates would come before members in the deliberations phase of the Long Term Plan.

Members noted the need for more detailed information to be provided for members to fully assess the financial implications of implementation actions; and also the need for options analysis to be included as members needed to have a high-level understanding of the different options and approaches being considered.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Rangitāiki River Scheme Review: Implementation update;**
- 2 Notes the work underway, to ensure an integrated response across Council and the progress that is being made to respond to the recommendations.**

**Love/Crosby
CARRIED**

8 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 Audit and Risk Committee Minutes - 19 December 2017.	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 - December 2017 to February 2018.	To protect information where the making available of the information would be likely otherwise to damage the public interest.	Good reason for withholding exists under Section 48(1)(a).
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**Cronin/von Dadelszen
CARRIED**

The meeting closed at 10.50 am.

Reports



Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 12 June 2018

Report From: Mat Taylor, General Manager, Corporate Performance

2017/18 External Audit Plan

Executive Summary

The purpose of this report is for the Audit and Risk Committee to receive the Audit New Zealand Audit Plan for the year ended 30 June 2018.

The Audit Plan is included in Appendix 1 to this report. Audit Director Ben Halford will attend the meeting to discuss the Audit Plan.

Recommendations

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, 2017/18 External Audit Plan;
- 2 Notes the 2017/18 Audit Plan.

1 Introduction

In May 2018 Audit New Zealand released its Audit Plan for the year ended 30 June 2018 (Appendix 1)

The Audit Plan presents the audit arrangements and discusses the audit risks and issues, the audit process, reporting protocols and audit logistics.

Audit Director Ben Halford will attend the meeting to discuss the Audit Plan.

2 Audit risks and issues

Audit New Zealand has identified the following risks and issues which will be reviewed and tested during their audit.

- Revaluation of property, plant and equipment
- Fair value assessment for property, plant and equipment

- Regional Infrastructure Fund
- Rotorua Te Arawa Lakes Programme
- Consolidation of Group Financial Statements
- The risk of management override of internal controls.
- Fraud risk

3 Audit timing

The key dates relating to the 2017/18 audit are listed below.

26 March 2018	First interim begins
16 April 2018	Second interim begins
4 May 2018	Draft interim management report issued
18 May 2018	Draft interim management report comments received
10 August 2018	Draft financial statements available for audit
13 August 2018	Final audit begins
29 August 2018	Final financial statements available
31 August 2018	Annual Report available for audit
14 September 2018	Verbal audit clearance given
27 September 2018	Audit opinion issued
28 September 2018	Final management report comments received
5 October 2018	Final detailed management report issued

During the audit Council staff will provide Audit New Zealand with all relevant records and the appropriate level of assistance.

4 Council's Accountability Framework

4.1 Community Outcomes

This project/proposal directly contributes to the Regional Collaboration and Leadership Community Outcome/s in the Council's Long Term Plan 2015-2025.

4.2 Long Term Plan Alignment

This work is planned under the Finance Activity in the Long Term Plan 2015-2015.

Current Budget Implications

This work is being undertaken within the current budget for the Finance Activity in the Annual Plan 2017/18.

Future Budget Implications

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

Tracey Wilson
Financial Accountant

for General Manager, Corporate Performance

1 June 2018

APPENDIX 1

Audit Plan Bay of Plenty Regional Council for the year ending 30 June 2018 - Audit New Zealand

Audit plan

Bay of Plenty Regional Council

For the year ending 30 June 2018

Audit plan

I am pleased to present the arrangements for the audit of Bay of Plenty Regional Council (the Council) for the year ending 30 June 2018. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process	5
Reporting protocols	8
Audit logistics	9

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

We are committed to delivering a high-quality audit. Our audit is risk based, which means that we focus on the areas that matter. Every member of the audit team will contribute to achieving the highest standard of professional excellence.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



B H Halford
Director
28 May 2018

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, this table sets out the main audit risks and issues.

Audit risk/issue	Our audit response
Revaluation of property, plant and equipment	
<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>Rivers and Drainage assets are to be revalued as at 1 July 2017 as per the Council’s accounting policy.</p>	<p>We will obtain assurance that the revaluation methodology used complies with generally accepted accounting practice and that the Council has correctly accounted for the revaluation in its financial statements.</p> <p>We will follow up on recommendations we made in previous management reports regarding revaluation of property, plant and equipment.</p>
Fair value assessment for property, plant and equipment	
<p>Land and buildings and other infrastructure assets are out of their revaluation cycle this year. Council will need complete a fair value assessment to determine if a revaluation is required.</p>	<p>We will review the Council’s assessment of whether there is any significant difference between the carrying amount and fair value of its assets not being revalued.</p> <p>We encourage the Council to perform this early so that if a revaluation is required, there is time to complete it without it impacting the annual report process.</p>
Regional Infrastructure Fund (the RIF)	
<p>The Council is funding a significant programme of regional projects through the RIF. Payments to this fund commenced during the 2016/17 period. The four projects the Council has committed to are:</p> <ul style="list-style-type: none"> • the Tauranga marine precinct; • the Tauranga university campus; • Scion research facility; and • Ōpōtiki harbour redevelopment. <p>The funding is subject to certain conditions being met.</p>	<p>For any payments made during the 2017/18 year we will consider whether planned controls were applied consistently to ensure the funds are used for the purpose intended.</p> <p>We will confirm that payments have been correctly accounted for and review any disclosures in the Annual Report relating to the RIF for appropriateness.</p>

Audit risk/issue	Our audit response
Rotorua Te Arawa Lakes Programme	
<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 will test any payments under this programme to ensure the controls are operating as expected.</p> <p>We will review any disclosures in the Annual Report relating to improving water quality for appropriateness.</p>
Consolidation of Group Financial Statements	
<p>Quayside Holdings Group is a subsidiary of Bay of Plenty Regional Council. Adjustments may be required on consolidation to reflect differences in accounting policies between the Quayside Holdings Group and Bay of Plenty Regional Council Group. Quayside is a for-profit entity subject to NZ IFRS and Bay of Plenty Regional Council a public benefit entity subject to IPSAS-based accounting standards.</p>	<p>We will obtain an understanding of the Group, its components, and their environments, including group-wide controls.</p> <p>We will ensure all relevant adjustments have been made on consolidation for differences in accounting policies between for-profit NZ IFRS and the public benefit entity IPSAS-based accounting standards.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

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

Fraud risk

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

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

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

Our responsibility

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

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

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

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of you, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls (interim audit)

During the interim audit, we update our understanding of internal control. This includes reviewing the control environment, risk assessment processes, and relevant aspects of information systems controls.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence (final audit)

During the final audit we will be auditing the balances, disclosures, and other information included in the Bay of Plenty Regional Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Materiality

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

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

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

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

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

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

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Reporting protocols

Communication with management and the Council



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

Reports to governors



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

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

Audit logistics

Our team



Our senior audit team members are:

- Ben Halford Director
- David Walker Engagement Quality Control Director
- Anton Labuschagne Audit Manager
- Jacob Marchioni Senior Auditor
- Robyn Dearlove Information Systems Auditor
- Jason Biggins Tax Director

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

Timetable



Our proposed timetable is:

26 March 2018	First interim audit begins
16 April 2018	Second interim audit begins
4 May 2018	Draft interim management report issued
18 May 2018	Draft interim management comments received
10 August 2018	Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures
13 August 2018	Final audit begins
29 August 2018	Final financial statements available, incorporating all the amendments agreed to between us
31 August 2018	Annual report available, including any Chair's and Chief Executive's overview or reports
14 September 2018	Verbal audit clearance given
14 September 2018	Draft final detailed management report issued
27 September 2018	Audit opinion issued
28 September 2018	Final management report comments received
5 October 2018	Final detailed management report issued

Expectations



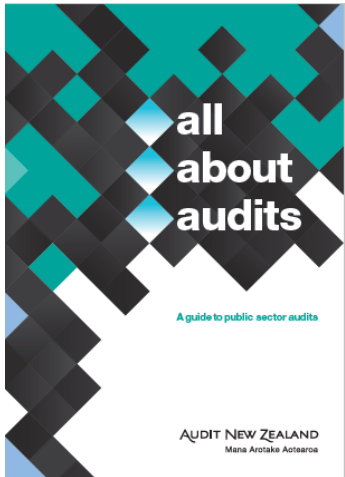
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter dated 31 May 2017.

We expect that:

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

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:



Health and safety



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

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

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

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Report To: Audit and Risk Committee

Meeting Date: 12 June 2018

Report From: Chris Ingle, General Manager, Integrated Catchments

Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update

Executive Summary

The purpose of this report is to update the Audit and Risk Committee on progress Council is making responding to the recommendations contained in the Rangitāiki River Scheme Review. This is the second report to the Audit and Risk Committee. Progress is detailed by workstream in the report and then cross referenced by recommendation in an attached Appendix.

Good progress is being made against the evacuation planning recommendations with flood evacuation protocols and a draft evacuation plan for Edgecumbe complete. Other Civil Defence initiatives that go beyond the recommendations are already in train.

Work with Trustpower to formalise communications templates is complete, and work is underway on protocols for feasibly and safely lowering Lake Matahina in an event. The Rangitāiki catchment monitoring network has been reviewed and three new sites identified. Installation is complete at one of these sites and installation of the remaining two is planned.

The College Road stopbank reconstruction project is underway, including the design recommendations in the Review, and geotechnical analysis of floodwalls in the catchment is progressing. Engagement is ongoing on future options for the Rangitāiki Floodway, which involves alignment with the technical recommendations found in the Review.

Recommendations

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update.**
- 2 Notes the work underway to ensure an integrated response across Council and the progress that is being in response to the recommendations.**

1 Background

The Rangitāiki River Scheme Review ('the Review') was received by Council in October 2017 and released to the public. It contains a number of recommended actions, which operate across both short term and long term horizons, and cut across various Council activities.

On 14 December 2017, Council delegated the monitoring of Review implementation to the Audit and Risk Committee for a period of twelve months. Full Council remains the decision-making body when governance decisions are required as part of implementing the Review. Examples of this could include decisions on the preferred option for the upgrade to the Rangitāiki Floodway.

This is the second report to the Audit and Risk Committee. It provides an update on progress Council is making implementing the Review recommendations, via new work or work that was underway preceding the Review.

An internal working group was established in November 2017 to coordinate Council response to the recommendations. Its purpose is to:

1. Ensure that we cover all the work needed in response to the Review;
2. Enable linkages between workstreams to be capitalised upon;
3. Ensure we have a 'joined up' picture of our response;
4. Enable clear communication with governors and partners on overall response progress;
5. Ensure we are able to operate with both a short term and long term view;
6. Ensure strategic alignment and impacts on wider work are understood.

The internal working group is ensuring that links are made between implementing the Review recommendations and the wider work in the catchment (for example Freshwater Futures); however, this paper does not provide an update on this wider work nor on wider flood repairs.

2 Implementation Progress

Work that Council is undertaking to deliver on the Review recommendations is by way of a series of 'workstreams' that cut across and combine recommendations. A number of these were actions underway already prior to the Review. For reference, progress is also tracked 'by recommendation' in an Appendix.

2.1 Evacuation Planning

The Review recommended that evacuation plans are developed for Edgecumbe with Regional Council, Civil Defence and Whakatāne District Council working together. It also recommended the consideration of variable river level thresholds and the state of scheme upgrades, as part of this planning.

Council have been working with Whakatāne District Council and Civil Defence agencies to respond to the recommendations and further strengthen evacuation planning. Progress includes:

- Flood Evacuation Protocols for Edgecumbe are complete. These protocols set out agreed river trigger levels for action, to manage the risk of flooding from the Rangitāiki River at Edgecumbe. Parties to this protocol are Bay of Plenty Regional Council, Emergency Management Bay of Plenty, Whakatāne District Council, NZ Police, and Fire and Emergency New Zealand. Upon upgrades to the flood infrastructure, the trigger levels will be reviewed.
- An Evacuation Plan for Edgecumbe is complete in draft form, following work led by Whakatāne District Council and supported by Council. This plan will be shared with the community in early June and then finalised.
- An Edgecumbe Community Response Plan will be developed once the Evacuation Plan is finalised, as there is strong alignment between the plans. This plan will include the community process to respond to events/evacuation and will be complimentary to the Evacuation Plan.
- Mobile Phone Alerts have been set up and geo-fenced for Edgecumbe, for enabled mobile phones. These alerts will be governed by the flood protocols.
- A Civil Defence “Stinger”, mobile alerting system, has now been deployed to Edgecumbe. This takes the form of recorded messages played from a vehicle to alert people to take action. This is also governed by flood protocols.

The next steps include sharing the Evacuation Plan with the community in early June and the development of the Community Response Plan.

2.2 Lake Management

The Review recommended Council work with Trustpower to review the Lake Matahina Flood Management Plan and agree protocols around forecasts and timing for safely lowering the lake level in an event. Also included in the recommendations for the Flood Management Plan were developing templates for communication in a flood event. The Review also recommended that Council work with Pioneer Energy around the potential use of Lake Aniwanuiwa to mitigate flood flows, and that consideration be given to the outcomes of the Cardno report into the effect of ramping of river levels.

Council staff has been working with Trustpower over recent months around amendments to the Lake Matahina Flood Management Plan. Progress includes:

- The communications protocols and templates have been updated, strengthened, and confirmed as recommended. This action is now complete.
- Staff from both organisations are now working on the details of protocols to safely and feasibly lower the Lake earlier in an event. This includes the timing and the steps to lower the lake; giving consideration to factors such as forecasts, river flows, dam releases, and dam safety.
- Working with Pioneer Energy is second priority behind Trustpower due to the lower potential flood attenuation in Lake Aniwanuiwa. This potential attenuation is being modelled and quantified this financial year.

- The Rangataiki Stopbank Erosion (Cardno) report has been delayed and is now due in July 2018.

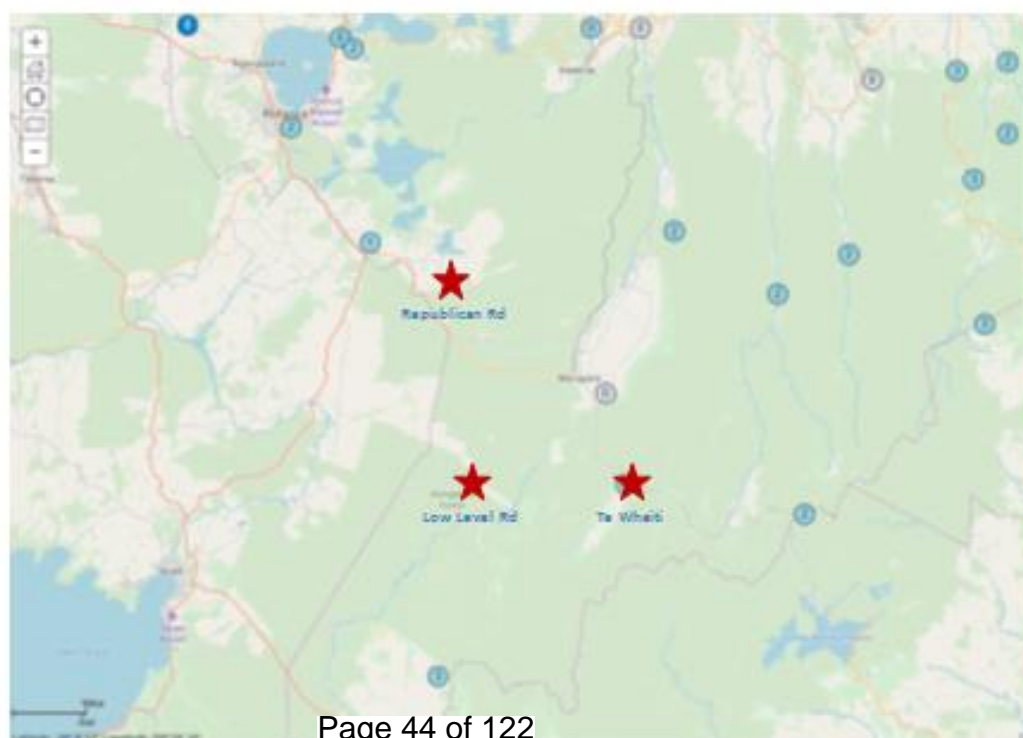
2.3 Monitoring Network

The Review recommended a review of the catchment river and rain monitoring network and in particular that consideration be given to spatial coverage and redundancy. It also recommended that the flood hydrology of the Rangitāiki River is updated to include the April 2017 event. Finally, river level staff gauges were recommended to be placed beside critical structures, such as floodwalls, to assist with public record.

Regional Council have been reviewing the monitoring network in the catchment to ensure there is increased spatial coverage and redundancy, and making Long Term Plan provision for this activity:

- Three new monitoring sites have been identified and the first of these, a new rainfall site, has been installed in the Whirinaki at Te Whaiti. A river level monitoring site will accompany this.
- The remaining two new monitoring sites are scheduled to be installed in conjunction with soil lysimeters and will provide a dual purpose.
- The flood hydrology of the river has been updated post event and is being externally reviewed.
- Staff gauges are programmed to be installed on the river schemes, including one at Edgecumbe.

Figure 1. Proposed sites (red stars). Circles are existing sites within the rainfall network.



2.4 College Road and Catchment Stopbanks

The Review made a number of technical recommendations around the College Road floodwall replacement and on future flood defence designs. It also recommended reviewing downstream floodwall conditions and the use of impermeable barriers.

- The College Road stopbank reconstruction project has begun with the relocation of services and work on the construction of the stopbank foundations. This has included the Review recommendations in the design. Moreover, Council has engaged with a community technical advisory panel on this work and the design has been reviewed by the Review panel geotechnical expert.
- Four concrete floodwalls on the Rangitāiki have undergone geotechnical investigation. Analysis of these results is underway. Investigations into floodwalls on the other schemes are scheduled for 2018/19 (Whakatane) and 2019/20 (Waioeka/Otara).

2.5 Upgrades to the Rangitāiki Floodway Infrastructure

The Review made recommendations on the planned upgrades for the Rangitāiki Floodway infrastructure. This included recommendations on the design and timely implementation of preferred options. It also recommended that long-term solutions are progressed in the catchment taking account of climate change and wider ecological and cultural values. Progress includes:

- Future options for the upgrade of the infrastructure have been modelled. These include a lower fixed crest spillway and ponding areas, in line with the Review recommendations.
- Engagement is currently underway on these options with potentially affected landowners and community groups.
- A recommendation to Council on the preferred options will be made in 2018/19, after the completion of the community engagement. This will enable works in the 2019/2020 financial year.
- Upgrades to the lower end of the floodway (Stage 4), to increase its capacity, are scheduled to be completed in 2018/19 financial year.

2.6 Long Term Flood Risk Management

The Review recommended Council give high priority to developing and implementing long term flood risk management solutions in the Rangitāiki that take into account climate change and the 'making room for rivers concept'. It also recommended Council ensure that there is comprehensive region-wide coverage and application of the hazard management framework.

- Across the region Council has two mechanisms for flood risk management: the River Scheme Sustainability Project, which covers the four river scheme catchments; and the Regional Flood Risk Project, which covers the remaining 48 catchments.
- Work in the Rangitāiki is a part of the River Scheme Sustainability Project. The upgrades to the Rangitāiki Floodway are part of medium-term solutions to managing flood risk in the catchment. Longer term solutions, that take into

account climate change and the 'making room for rivers' concept are currently being assessed, with a draft report due in September 2018.

- The Regional Flood Risk Management Project involves Council working together with Tauranga City Council, Western Bay of Plenty District Council, and Whakatāne District Council on three pilot studies to develop a Regional Flood Risk Management Framework. This would then be available to be applied over the 48 non-scheme catchments across the region and would prioritise the mitigation effort in these catchments based on risk. This work will take further precedence in 2018/19 financial year, when more resource becomes available.

2.7 Communications and Engagement

The Review recommended that Council engage the community (including Edgecumbe township) when considering future options for Rangitāiki Floodway and ensure full notification of any consent applications. The Review also found that parts of the community did not understand the flood risk that they live with, and that future engagement needs to include raising awareness of the (residual) risk of living in a flood plain. Progress includes:

- Engagement is underway on the Rangitāiki Floodway future options and has included one-on-one sessions with potentially affected landowners and a community information day. This work is ongoing.
- Media releases and statements focused on work carried out in the year since the flood event have been picked up by a number of print and radio outlets. Much of the coverage, particularly the local coverage, has focussed on the wider impacts of the flooding. The rural community is kept up to date through industry-specific publications such as Coast and Country News and Farmers Weekly. There are also regular updates through the Recovery Project to their wide network of stakeholders and through various Council e-newsletters.
- This communication and engagement is an opportunity to build community understanding of the flood risk that exists in the catchment, even allowing for flood defences.

3 Māori Implications

Eastern Bay of Plenty Iwi have a strong interest in the Review recommendations. There is alignment between the desire for 'naturalness of the river', in the Te Ara Whanui O Rangitāiki, and the 'making room for rivers' concept in the Review, with regards to the long term management of the river.

Sir Michael Cullen verbally presented his report to the Rangitāiki River Forum on 10 November 2017. A verbal update was provided to the Forum on Council progress implementing the Review recommendations on 16 March 2018, and an update will again be provided at their next meeting on 8 June 2018. Engagement with Ngāti Awa and Ngāti Tūwharetoa on the Rangitāiki Floodway has begun and is ongoing.

4 Next Steps

Reporting to the Audit and Risk Committee will be quarterly throughout 2018. In the quarter before the next committee meeting in September, the key activities planned include:

- Community release and finalisation of the Edgecumbe Evacuation Plan;
- Work beginning on the Edgecumbe Community Response Plan;
- Ongoing work with Trustpower on the review of the Lake Matahina Flood Management Plan;
- Completion of the Rangitāiki Stopbank Erosion (Cardno) report;
- Installation of two new catchment rainfall monitoring and lysimeter sites in the Spring;
- Completion of the College Road stopbank replacement;
- Further engagement work on future options for the Rangitāiki Floodway.

5 Council's Accountability Framework

5.1 Community Outcomes

This project directly contributes to the Community Outcomes in the Council's Long Term Plan 2015-2025, particularly the Resilience and Safety outcome.

5.2 Long Term Plan Alignment

This work is being undertaken under a number of activities in the Long Term Plan 2015-2025, including: Rivers and Drainage Schemes, Regional Flood Risk Coordination, Emergency Management, Engineering, and Data Services.

5.3 Current Budget Implications

Current implementation of the Review recommendations is being carried out under the Annual Plan 2017/18.

Future Budget Implications

Future implementation of Review recommendations are part of the near final Long Term Plan 2018-2028.

Nic Newman
Principal Advisor

for General Manager, Integrated Catchments







1 June 2018

APPENDIX 1

RRSR Appendix to Audit and Risk Paper (3)

Appendix: Cross-reference of implementation by recommendation, as at May 2018

 Complete
  Underway
  Yet to begin

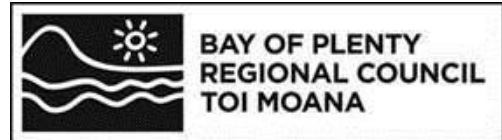
Summary of Recommendations		Implementation Progress	
The legal and planning framework for flood hazard management			
a.	Efforts to complete the application of the hazard management framework and associated documents should be ramped up to ensure comprehensive cover of all the region.	The River Scheme Sustainability Project has prioritised work in the Rangitāiki catchment. The Regional Flood Risk Project is underway in four pilot catchments and will be ramped up in 2018/19.	
b.	Particular attention needs to be paid to areas with high vulnerability, such as small rural townships where resilience may be low.	Research work undertaken with the rural community after the April 2017 event, will help inform future readiness, response and recovery activities in the rural sector.	
The College Road floodwall			
c.	An automatic river water level monitoring device should be installed close to any critical structures, such as a floodwall, to enable accurate water levels to be recorded both for design purposes and for public record of flood levels	The Survey and Data Services team have a schedule to install staff gauges within the river schemes. This includes a gauge at Edgumbe.	
d.	Passive pressure acting around the bottom edge of foundation slabs should not be included as resistance in the design of structures, and reference to this at the end of section A3 of the Bay of Plenty Regional Council Guideline 2014/01 "Stopbank Design and Construction Guidelines" should be removed.	This will be incorporated in the next Guidelines review in 2018/19.	
e.	The Regional Council should review the design of, and reconsider any impermeable barriers that they have, or are intending to, put in place near to the landward side of any floodwall or stopbank.	Four concrete floodwalls have undergone geotechnical investigation on the Rangitāiki. Analysis of the results is underway. Investigations into floodwalls in the other schemes are programmed. <i>Relates to n.</i>	
f.	The risk to flood defence structures from uncertainties around ground conditions should be minimised by carrying out comprehensive investigation, design, and construction supervision for all stopbanks and floodwalls. Investigations should be located so as to be representative of the ground on which the structure is to be placed.	This is best engineering practice that is already followed. Refer to Stopbank Guidelines 2014.	

g.	Flood defence structures should rely on simple and robust designs which minimise the potential impact of natural ground variability. Caution should be taken in the application of sophisticated analyses for stopbanks and floodwalls due to the high potential for natural variability in the ground conditions along their lengths.	This is best engineering practice that is already followed. Refer to Stopbank Guidelines 2014.	✓
h.	Residual risk to flood protection structures from variability in ground conditions should be taken into account in land use planning and emergency planning, including alert and evacuation procedures.	Staff are working with Territorial Authorities to ensure that flood hazard information is well understood and taken into account in district planning. <i>Also see v.</i>	→
i.	Specifications drawn up for placement of fill for flood defence walls should recognise that a higher quality of fill is needed for floodwalls than for stopbanks, and should be subject to quality control.	This is best engineering practice that is already followed. Refer to Stopbank Guidelines 2014.	✓
j.	Consideration should be given to the outcome of a study by Cardno that is currently underway into the effects of daily ramping of river levels on river bank stability as against damage from floods, and appropriate action taken to minimise these effects.	The Rangitāiki Stopbank Erosion report is now due in July 2018.	→
k.	The College Road floodwall should not be replaced with another wall, but ways sought to enable a stopbank to be constructed in its place (noting that the properties closest to the breached wall have been acquired by the Regional Council).	The College Road stopbank reconstruction project is underway, incorporating Review design recommendations.	→
l.	Floodwalls should not be used in areas characterised by variable and piping prone ground conditions unless specially engineered with extended cutoffs, or riverside blankets to control seepage.	This is best engineering practice that is already followed. Refer to Stopbank Guidelines 2014.	✓
m.	The existing fill at the College Road floodwall and the remnants of the floodwall itself should be removed or thoroughly investigated before construction of a new flood defence structure/stopbank. Investigation and inspection of the fill carried out at that time should be used to provide further insight into its condition and significance to the failure.	This will be completed as part of the College Road stopbank replacement project.	→
n.	The condition of the foundations of the 'downstream' floodwall (89 to 101 College Rd) following the 2017 floods should be investigated	This work is underway. See e.	→

Operation of Matahina Dam			
o.	Review the Lake Matahina Flood Management Plan with the aim of:		
	discussing and agreeing a clear protocol around forecasts and timing that requires 70.0mRL as the target lake level. This should be particularly focused on achieving 71.6mRL earlier in an event so there is sufficient time to make the decision to give approval to go to 70.0mRL and to achieving that level without excessive spillway flows;	A small team are working with Trustpower on the Flood Management Plan and protocols around lake level management. Details around timing and steps to lower the lake safely and effectively are being worked through now.	→
	developing a template for use in written communications during flood drawdown mode that includes specific details on the timing and rate of outflows required to achieve specified lake levels at specified times;	Templates updated and communications protocols complete.	✓
	reviewing the target maximum lake level for determining optimum outflow, with the possibility of using a level between maximum operating level and maximum flood level;	This is not being pursued at this time.	⬡
	requesting Trustpower to consider whether modifications can be made to improve dam safety when lake level drops below 71.6mRL including lengthening the debris boom so that it remains functional at 70.0mRL	Dam safety is a consideration in the work underway around timing and steps to lower the lake, including any modifications.	→
p.	Review monitoring and maintenance plans for the current rain and river gauge network and improve reliability of operation.	See response to q. below.	✓
q.	Review number and location of upstream rain gauges to improve accuracy and confidence in flood forecasting. Consideration to be given to spatial coverage as well as redundancy to provide back-up if one or more gauges are non-operational during an event. The current coverage appears limited for the Upper Whirinaki and entire western side of the catchment in particular.	Three new priority sites have been identified. One is installed and the remaining two are being progressed in conjunction with the science team.	→
r.	Consider additional/back-up river flow gauges to provide better information on upper catchment flows that will provide opportunities for improved optimisation of dam outflows and use of the upper range of Lake Matahina storage during flood events. This could be combined with an enhanced flood forecasting model that includes measured flow data assimilation up to the time of forecast.	See response to q. above. Additional sites will contribute data to real-time flood forecast modelling.	→
s.	Work with Pioneer Energy to investigate the possible use of storage in Lake Aniwanuiwa during large floods to further reduce downstream peak flows.	The potential attenuation provided by Lake Aniwanuiwa is being modelled. Working with Trustpower is the first priority.	→

t.	Work with Pioneer Energy to provide real- time Aniwaniwa outflows and lake levels to the Regional Council during flood events.	<i>As in s. above.</i>	→
Reid's Floodway			
The recommendations for the completion of Reid's Floodway are provided in the section – Long-term strategy and design philosophies.		<i>See recommendations z and aa below</i>	
Evacuation Planning			
u.	Evacuation plans need to be developed to manage the risk of stopbank failures. This will require the evaluation of the “safe” capacity for both overtopping and geotechnical failure modes and planned evacuations for flood events which exceed the assessed “safe” capacity.	Flood Evacuation Protocols are complete. These include variable river trigger levels and corresponding actions, including planned evacuations.	✓
v.	Consideration should be given to variable river level trigger thresholds where the residual risk of geotechnical failures is being managed through evacuation plans. This is in recognition of the importance of antecedent groundwater conditions as well as the duration of elevated river levels in the development of geotechnical failure mechanisms.	<i>As in u. above.</i>	✓
w.	Specific consideration needs to be given where large capital works upgrades, such as Reid's Floodway and Spillway, are not yet completed and operational	Trigger levels will be reviewed on completion of scheme upgrades.	✓
x.	The development of an evacuation plan for Edgecumbe is something to be urgently completed by the Regional Council, Civil Defence and the Whakatāne District Council working together.	A draft Evacuation Plan for Edgecumbe has been completed by Whakatane District Council, with support from the Regional Council and other Civil Defense agencies.	→
Long-term strategy and design philosophies			
y.	The Regional Council should give high priority to developing and implementing long term sustainable flood risk management solutions for the Rangitāiki Plains to manage the effects of climate change as well as providing ecological and cultural value to the wider community.	Upgrades to the Rangitāiki Floodway infrastructure will provide medium term flood risk management. This will provide time to develop longer term solutions. Work is underway on the longer term options. <i>Links to a. and b.</i>	→

z.	The stopbank raising for both banks of the upper reach of Reid's Floodway allowed for in the current (2015-25) long term plan would appear to be a poor option given the well-known geotechnical complexities of the underlying geology. It is also considered that stopbank raising is not aligned with the visions and objectives of the Rangitāiki River Document or generally accepted best practice.	Engagement is underway on alternate options (including a lower fixed crest spillway, and ponding areas) for the Rangitāiki Floodway, that reduce the extent of stopbank raising.	→
aa	The work the Regional Council is currently undertaking to examine the feasibility of spill compartments and an additional outlet from Reid's Floodway as well as a lower fixed crest for Reid's Spillway should be pursued using all of the tools available including designations (s166-186, Resource Management Act, 1991), and if necessary, the Public Works Act 1981.	<i>As in z. above.</i>	→
bb	The flood hydrology of the Rangitāiki River needs to be updated to include the April 2017 event. It is recommended that a "naturalised" annual maxima flood series is developed that uses estimated Matahina Lake inflows rather than flows at Te Teko as its basis.	The updated hydrology has been completed and is undergoing external review.	→
Community engagement			
cc	Engagement of the full community (including Edgecumbe township) should be undertaken when considering further options for Reid's Floodway. This should include full notification of any notices of requirement and/ or application for resource consent.	Engagement is underway on future options for the Rangitāiki Floodway in accordance with an engagement plan.	→



Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 12 June 2018

Report From: Chris Ingle, General Manager, Integrated Catchments

Koepoepe Canal Remediation Project Update 18

Executive Summary

This paper provides an update on the Koepoepe Canal Remediation Project (KCRP) highlighting progress since the last report to the Audit and Risk Committee on 1 March 2018.

Dredging has progressed over a distance of 1.85 km, or 36 percent of the canal length of 5.1km (see Figure 1). The civil works for the second containment site (designated Containment Site 3) have also been completed.

Three risks have become significant issues. The “Cost Exposure Risk” related to these issues was included in a confidential Long Term Plan deliberations paper presented to Council on 22 May 2018.

1. Delays to the project as a result of a five month weather related time extension and slower than expected dredging. The project is now expected to be completed by December 2018. (Reported to 19 September 2017 Audit and Risk meeting.)
2. The need to use Containment Sites 1 and 3 rather than the technically more suitable Containment Site 2. This has resulted in additional costs for investigation, design and geotechnical strengthening. (Reported to 26 September 2016 Audit and Risk meeting.)
3. Slower than expected dredging. An independent dredging expert has investigated the dredging operation and his review report is pending. It will be used to provide guidance to resolve the dredging cost variation requested by the Contractor.

The Ministry for the Environment has been notified that an application for fifty percent of the additional funding needed to cover the likely exposure risk cost is being prepared. This application will include a request to both extend the term of the funding deed and increase its value.

Recommendations

That the Audit and Risk Committee under its delegated authority:

- 1 **Receives the report, Koepoepe Canal Remediation Project Update 18;**
- 2 **Notes the risks that have become issues;**

- 3 Notes that an independent investigation to review the dredging methodology has been initiated to provide guidance on the dredging variation request;
- 4 Notes that an application to the Ministry for the Environment for fifty percent of the additional funding has been initiated as requested by Council.

1 Background

The purpose of the Kopeopeo Canal Remediation Project (KCRP) is to safely remove elevated levels of dioxin-contaminated sediment from the 5.1km of the Kopeopeo Canal at its eastern extremity (Figure 1). The project consists of physical works to safely remove and securely contain contaminated sediment from the canal within two containment sites, followed by bioremediation for up to 15 years. In addition to addressing the human health risks, clean-up of the canal will allow normal canal drainage maintenance practices to resume, maintaining the canal's capacity to drain parts of the Rangitāiki Plains.

The Kopeopeo Canal Remediation Project is jointly funded by Bay of Plenty Regional Council and the Ministry for the Environment through their Contaminated Site Remediation Fund (CSRF). The Kopeopeo Project is currently ranked number one nationwide, on the CSRF priority list.

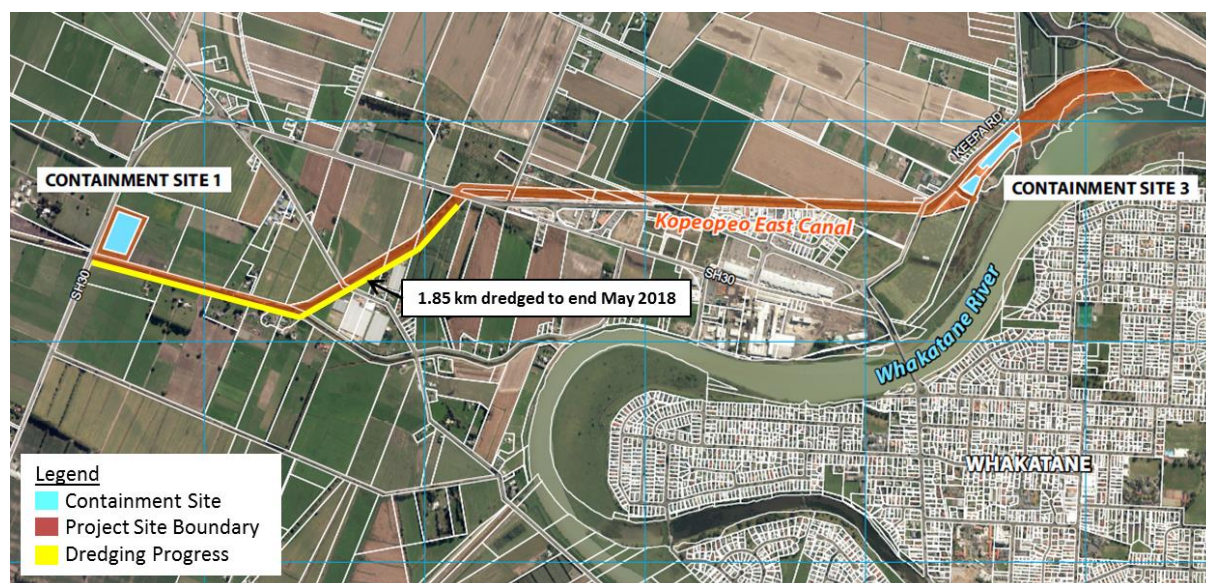


Figure 1. Kopeopeo Canal Remediation Project site.

2 Kopeopeo Remediation Project Progress

2.1 Dredging progress since March 2018

At the time of the previous report to this committee (1 March 2018), 270 m of canal had been dredged up to the first private bridge crossing. By the end of May, 1.85km of canal will have been successfully dredged and validated (refer to Figure 1). This comprises 36 percent of the 5.1km length of canal to be dredged and includes 4 sections of canal separated by bridges. Three successful dredge/barge lifts (one at each bridge crossing) have been undertaken.

Dredging has been considerably slower than expected with the first three sections of the canal being re-dredged. This was needed to address dredge software instrument calibration issues as well as to ensure that as much soft contaminated sediment as is practically possible was removed from the canal.

More volume of oversize material (larger than 4mm) is being dredged than was anticipated. This material which has very low level contamination (lower than the remediation target) is stored in bulk (1m³) bags and will be used as backfill around the geobags at the containment sites. More than 400 oversize bags have been filled to date (refer to Figure 5) requiring more oversize material handling than planned.

Prolific weed growth has occurred in the canal due to not being able to flush it out with salt water at tidal cycles. This has necessitated weed removal ahead of the barge to minimize blockages of the dredge head.

Filling of the geobags with contaminated sediment has been more efficient than expected, with greater than anticipated sediment density and very efficient dewatering of the geobags. As a result, although more material is being dredged, it is anticipated that there may be some spare capacity in the containment sites. To date 10 geobags have been completely filled (refer to Figure 4).



Figure 2. Dredging in section 4 between Paroa Rd and SH30, being observed by independent reviewer and Contractor.



Figure 3. Barge and dredge lift over second private bridge.



Figure 4. Geobags filled at Containment Site 1.



Figure 5. Oversize material (>4mm) in bulk bags within the Containment Site1 cell.

2.2 Containment Site 3 progress since March 2018

The civil works part of Containment Site 3 (CS3) construction has been completed (Figure 6). This includes laying the foundation material and preparing the containment area for the lining due to be installed during the first week in June. Once CS3 is lined, the water treatment equipment will be shifted to CS3 and dredging to CS3 will commence. The timing of this changeover is being carefully monitored to ensure that there is sufficient capacity at CS3 for the remainder of the canal sediment before the shift is made. By filling CS3, a potential opportunity can be created for spare capacity at CS1 that could be used to store contaminated sediment from the canal to the west of SH30 (as part of the Kopepeo Extension West Project, if needed).

A pedestrian access pathway has been made around the perimeter of CS3 to allow the public to access the stopbank and wetland area along the Whakatāne River to the north of the Containment site. Provision has also been made for escorted access through CS3 for tangi and urupa visits.



Figure 6. Containment Site 3 – construction complete and ready for lining.

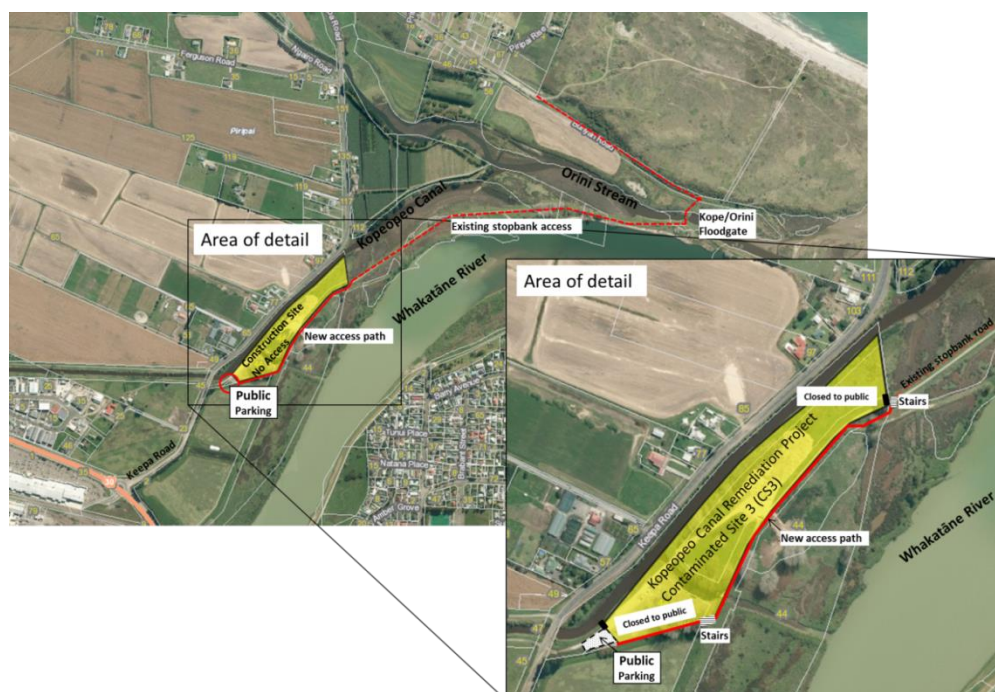


Figure 7 Pedestrian access at Containment Site 3.

2.3 Communication

The project continues to provide communication to the community through the regular Community Liaison Group meetings and via the project website and newsletter. Several guided site visits have been provided including to:

- BOPRC Councillors,
- BOPRC staff groups,
- Hawkes Bay Regional Council Rivers and Drainage staff.

Visits are planned for Whakatāne District Council councillors and representatives from Fonterra and Dairy NZ. A community open day (open to all public) is planned for Saturday 16 June.

Recent project presentations have been made to:

- Australian Land and Groundwater Association (ALGA) Contaminated Land Conference – Christchurch.
- Te Rūnanga O Ngāti Awa and Environmental Protection Agency Te Herenga Regional Hui – Mataatua Whare, Whakatāne.

2.4 Flood management

Several recent heavy rainfall events have required flood management in and around the Kopeopeo Canal according to the project Flood Management Plan. These included heavy rain on the weekend of 29 April and again on 15 May when more than 100mm fell over a 6 hour period.

Flood management actions have included activating and manning tractor pumps at the Kopeopeo West Flood Gate, providing several supplemental pumps to adjacent landowners to prevent prolonged inundation, putting a large temporary pump at the Kope/Orini Floodgate and placing other temporary pumps as needed for each event. Dredging was suspended for two days following the 15 May event.

The potential for pasture or crop damage due to longer than normal inundation has been recognised as a risk and included in the risk register, discussed below.

3 Kopeopeo Issues and Risks

A Kopeopeo risk and issues register is maintained for the project. This register is rolled into a single Kopeopeo Project risk item in the corporate risk register. The 10 most recently added risks on the Kopeopeo risk register are included in Appendix 1.

New risks added to the project risk register since the last report to the Audit and Risk Committee, together with mitigation actions to address these risks, are as follows:

New risk

- **Potential flood damage.** The risk of increased Kopeopeo Canal water levels increasing drainage and flood pumping requirements for local drainage systems and adjacent farms has been noted (Risk 103, April 2018). Pumps are on standby as part of the Flood Management Plan mitigation actions.

Flood management according to the Flood Management Plan extends the duration of high water levels to the west of the project increasing the risk of stopbank collapse in the Kopeopeo Canal to the west of SH30.

New risks that have become issues

The following risks were added to the Risk Register in April 2018 and they have since become issues.

- **Time extension costs.** A 5 month time extension to address weather delays was granted and reported to Council Audit and Risk Committee in September 2017 (Risk 97). Now that Project has reached the original completion date (15 April) this risk has become an issue (noted in project risk register in April). Ongoing project management costs are now being incurred for the main Contract and for BOPRC project management and monitoring outside of main Contract. An estimate of the “Cost Exposure Risk” for the extension of time through to the expected completion of the project in December 2018 was included in the confidential LTP deliberations report to Council.
- **Dredging variation.** Dredging is taking longer than planned with more material, particularly oversize material being removed from canal. There are associated additional handling costs with the oversize material. The risk of a dredging variation was added in April 2018 (Risk 105). A variation request has since been received from the Contractor, making this risk an issue.
- **Surface to dredge to.** The potential for disagreement with respect to the surface to dredge to and potential litigation or even loss of subcontractor associated with this disagreement have been recognised (Risk 106, April 2018).

The dredging variation issue and disagreement around the surface to dredge to are being addressed together. The project team retained the services of an independent external dredging expert to review the dredging operation and provide an unbiased comparison between the contractual dredging requirement and the dredging operation that has been undertaken to date by the Contractor, including quantification of depth (profile), volumes and solids quantity dredged. The report from the independent reviewer is pending. It is expected that it will provide guidance for Contract negotiations around the requested dredging variation and also provide clarity on dredging variations moving forward. The dredge expert is also looking at whether it is possible to accelerate dredging progress.

The cost exposure risk of the dredging variation was included in the confidential LTP deliberations report to Council.

- **Containment site costs.** Geotechnical requirements for CS3 ground improvement were identified as a cost risk in September 2016 (Risk 88, 89 and 91). To address this risk every effort was made to utilise Containment Site 2, which also had risk around potential delays to the project if a lease agreement dispute could not be satisfactorily resolved (Risk 90 – September 2017). Risks associated with the use of Containment Site 2 became an issue in January 2018 and it was necessary to use CS1 and CS3 rather than CS2. Additional cost has been incurred in undertaking site investigation for three sites (CS1, CS2 and CS3) and undertaking additional ground improvement required at CS1 and CS3.

The project team evaluated relaxing the design criteria within the existing consent to reduce the forecast cost increase however additional monitoring costs and potential delays to the project program were likely to offset the potential benefits. Additional geotechnical investigations were also completed to mitigate the extent

of ground improvement requirements to meet the current design criteria and resulted in a reduction in the forecast cost increases.

The cost exposure risk related to the need to use CS1 and CS3 was included in the confidential LTP deliberations report to Council.

4 Statutory Documents

The National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health (NESCS) places statutory and regulatory responsibility on Regional Council as land owner to ensure the clean-up of this contaminated site.

5 Māori Implications

A Cultural Monitor has been appointed to the project to provide input to the Project Team and Contractor in relation to cultural considerations and requirements. A Cultural Monitoring Plan has been developed to identify the requirements in the event of any koiwi or taonga being found. The Project Team and Contractor continue to work closely with cultural representatives to ensure that cultural matters are addressed within the guidelines of a discovery protocol.

Over the last period two interesting finds included a green stone and a shaped arrow head. Both were found to be not archaeologically significant.

Strong maori interest in the project continues. As noted above, Te Rūnanga O Ngāti Awa invited project representatives to attend a Ngāti Awa and Environmental Protection Agency Te Herenga Regional Hui and present details of the project. Attendees were very interested in the project and project progress.

6 Council's Accountability Framework

6.1 Community Outcomes

This project directly contributes to the Environmental Protection, and Resilience and Safety - Community Outcomes in the council's Long Term Plan 2015-2025.

6.2 Long Term Plan Alignment

This work is being undertaken under the Flood Protection and Control Group of Activities in the Long Term Plan 2015-2025. The Kopeopeo Canal Remediation Project is listed as a key project under Rivers and Drainage non-scheme works.

Current Budget Implications

The KCRP project (together with the Kopeopeo Extension West project and preliminary bioremediation work) is being undertaken within the 2017/18 capital expenditure budget for Kopeopeo of \$9.62 million. Due to wet weather related delays and the extension of time for the physical works contract, approximately \$1.5 million of this funding has been requested to be deferred to the 2018/19 financial year in the draft LTP.

The payment from the Ministry for the Environment (MfE) for \$1.79 million, for their share of costs for milestones completed by December 2017 was received on 1 March

2018. Further claims are expected to be made to MfE in August 2018 for the remainder of 2017/18 share of costs.

Future Budget Implications

The need for additional funding, expressed in terms of a likely “Cost Exposure Risk” has been requested from Council through the Long Term Plan deliberations process. The value requested remains confidential as it is the subject of Contract variation negotiation with the Contractor.

A request to the Ministry for the Environment to vary and extend the funding deed to include a fifty percent share of the estimated Cost Exposure Risk is underway.

Bruce Crabbe

Rivers and Drainage Operations Manager

for General Manager, Integrated Catchments

1 June 2018

APPENDIX 1

2018-05-25 Kopeopeo Risk Register - 10 most recently added risks for A&R Committee meeting scheduled for 12 June 2018

Kopeopeo Canal Contamination Remediation Project Risk Register - 10 most recently added risks as at 25 May 2018

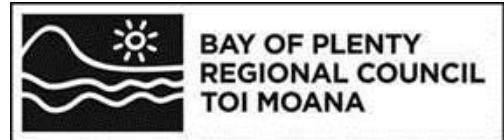
Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
	-1	-2	-3	-4	-5
Frequent (5)	5	10	15	20	25
Often (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

Row No.	Risk No.	Date raised	Risk description	Type of risk	Impact	Inherent Risk			Mitigating actions completed	Current Risk			Future mitigating actions	Status	Who	When	Forecast		
						Likelihood	Impact	Total		Likelihood	Impact	Total					Likelihood	Impact	Total
1	104	Apr-18	Time extension cost. Time extension granted to address weather delays (Risk 97). Now that Project has reached original completion date (15 April) ongoing project management costs will be incurred both for main Contract and for BOPRC project management and monitoring outside of main Contract.	Financial	Increased project cost above budget.	5	3	15	Assessment of cost implications underway. Cost discussions to be held with main contractor on 27/4/2018.	5	3	15	Need to inform funding agencies BOPRC and MFE of likely need for increased funds.	Open	Ken Tarboton	Ongoing till end of project	5	3	15
2	103	Apr-18	Increased Kopeopeo Canal levels increase drainage and flood pumping requirements for local drainage systems and adjacent farms.	Financial	Need to deploy additional flood pumps to local drainage systems and farms to maintain current drainage levels of service.	4	3	12	Flood pumps on standby as part of Flood Management Plan. Discussed issues with affected parties.	4	3	12	Monitor levels in adjacent drains as winter approaches. Ask affected farmers to report nay issues.	Open	Ken Tarboton	Ongoing till end of project	4	3	12
3	105	Apr-18	Dredging variation. Dredging is taking longer than planned with more material, particularly oversize material being removed from canal. There are associated handling costs. A variation request is expected from the Contractor.	Financial	Increased project cost above Contract budget, including contingency.	3	3	9	Recognised variation will be requested. Made estimate of magnitude. Included in increased cost estimates for communication to BOPRC and MFE.	3	3	9	Meet Contractor and agree on fair and reasonable variation.	Open	Ken Tarboton	Ongoing till end of project	3	3	9
4	106	Apr-18	Disagreement on surface to dredge to and potential litigation or even loss of subcontractor.	Financial/ Reputational	Costs to resolve disagreement through mediation or acceptance of reasonable variation. Potential withdrawal of dredging subcontractor from Contract and associated costs to retain another, project delays, etc.	2	4	8	Alternate dredging surface created and is being tested at the moment.	2	4	8	Contractor meeting planned to resolve disagreement.	Open	Ken Tarboton	Ongoing till end of project	1	4	4
5	99	Jan-18	Cross contamination during dredging and transfer to geobag process.	Environmental/ Reputational	Potential for personnel to cross-contaminate from containment area to other "clean" parts of site.	3	3	9	Separate work areas clearly laid out as "hot", "warm" and "cold" areas. Procedures in place to wash down and remove PPE moving from out of "hot" area. Importance reinforced at daily toolbox meetings.	2	3	6	Signage to clearly designate each area to increase awareness for personnel and also visitors to site.	Open	Ken Tarboton	ongoing until end of project	1	3	3

Kopeopeo Canal Contamination Remediation Project Risk Register - 10 most recently added risks as at 25 May 2018

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
	-1	-2	-3	-4	-5
Frequent (5)	5	10	15	20	25
Often (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

Row No.	Risk No.	Date raised	Risk description	Type of risk	Impact	Inherent Risk			Mitigating actions completed	Current Risk			Future mitigating actions	Status	Who	When	Forecast		
						Likelihood	Impact	Total		Likelihood	Impact	Total					Likelihood	Impact	Total
6	100	Jan-18	Dust exceedances and perception of dust to be coming from project.	Environmental/ Reputational	Dust from project works results in exceedance of allowable limit or dust complaints from public, even if limit not exceeded, damage to project reputation.	3	3	9	Dust caused by project mitigated with water cart and keeping speed of vehicles down. Limit dust from other users of access through project site through communication and physical slow down (point person) or water cart.	2	3	6	Close public access to parts of site.	Open	Ken Tarboton	ongoing until end of project	1	3	3
7	101	Jan-18	Release of turbid water past compliance point resulting in consent non-compliance.	Environmental/ Reputational	Non-compliance and possible shut down of dredge.	3	3	9	Ensure flood control structures are closed and sealing properly. Installed 10 turbidity monitoring points along length of canal. Use silt screens downstream of operating dredge and before outlet of canal site.	2	3	6	Continue to closely monitor turbidity from 10 monitoring points.	Open	Ken Tarboton	ongoing until end of project	1	3	3
8	102	Jan-18	Risk of rupture to main Whakatāne sewer line through Flood Control Structure construction at eastern end of project.	Financial/ Environmental/ Reputational	Potential sewerage spill. Need for urgent tanker removal because of very limited (2-4hr) holding capacity at sewage transfer stations. Financial and reputational risk to project. Environmental impact of sewerage in Kopeopeo Canal and Orini Stream and associated required clean-up.	4	4	16	Close monitoring of works in vicinity of sewer line. Stopped works when risk of pipe failure was determined to be too great. Revised design to reduce risk of sewer line failure, including cut off trench and set back from sewer line. Close monitoring of construction according to new design.	1	4	4	Note as built location of sewer line in WDC asset register as a result of pot holing to determine its location.	Open	Ken Tarboton	Close when WDC asset register is updated	1	1	1
9	98	Nov-17	Using Pontoon Twin Hulled Work Platform Vessel on Kopeopeo Canal in advance of it being registered by Maritime NZ (MNZ).	Reputational	An incident occurs on the boat and Council faces increased liability for not having the pontoon registered.	2	3	6	SOP in place manual drafted H&S	2	2	4	Application was submitted to Maritime New Zealand on 21 December 2017 and it is expected the vessel will be registered by MNZ in early 2018.	Open	Brendon Love Bruce Crabbe	By end of January 2018	2	1	2
10	97	Sep-17	Extended period of heavy rainfall events and flooding leads to earthworks postponement.	Financial	Rescheduling works incurs variation requests for additional work, re-work, and extended overhead costs resulting in project increases. Contractors divert resources onto other projects and seek extension to contract duration. Change request needed to be approved. Project milestones to be updated in Project Management Plan.	5	5	25	Hold discussions with head Contractor to identify ways of reducing cost increase, and risk of losing sub-contractors and equipment resources.	5	3	15	Identify alternative cost saving measures to meet project budget. Changes to control structure design, local procurement for elements of project that increased above provisional sums.	Open	Bruce Crabbe Ken Tarboton Brendon Love	ongoing until end of project	5	2	10



Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 12 June 2018

Report From: Mat Taylor, General Manager, Corporate Performance

Committee Chairperson's Report

Executive Summary

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

Recommendations

That the Audit and Risk Committee under its delegated authority:

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

1 Council Performance Monitoring Report – Detailed Briefings for Councillors

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

Tuesday 19 th September 2017	Months 1 to 2
Thursday 26 th October 2017	Months 1 to 3
Tuesday 19 th December 2017	Months 1 to 4
Friday 9 th February 2018	Months 1 to 6
Wednesday 28 th March 2018	Months 1 to 8

2 Audit and Risk Work Programme

Appendix 1 shows the Audit and Risk work programme for the period June 2018 to March 2019.

3 Audit and Risk Completed Work Programme

Appendix 2 shows the Audit and Risk completed work programme for the period March 2017 to March 2018.

4 Audit and Risk Committee: Best Practise Forum – 13 April 2018

During April and May 2018, a series of best practise fora were held around the country on Audit and Risk Committees. On 13 April 2018, the first forum was held in Hamilton and was attended by Councillor David Love and Shelley Hey, Manager Chief Executive's Office.

As a 'best practise' forum it was aimed at elected members who are part of local government Audit and Risk Committees (and the senior staff who support them). It was relevant to those who are in the initial stages of their Audit and Risk Committee journey (and wanting to get established in the best way possible), as well as to those who are further along and looking to take the next maturity step as an Audit and Risk Committee (which may include becoming a Risk and Assurance Committee).

The forum was facilitated by Bruce Robertson (former Assistant Auditor General, Local Government) and Philip Jones (Principal at PJ and Associates with more than 25 years-experience in finance, asset and risk management, both as a manager and as an consultant). Like Mr Robertson, Mr Jones is also an independent member on the Audit and Risk Committee of a number of local authorities around New Zealand.

The facilitators draw on their own experiences but the day also utilised a panel of experts. Substantive content was delivered or provided by:

- Margaret Devlin – an independent company director working predominantly in the infrastructure and service sector (for example Hamilton Airport and Watercare), with a particular focus on Audit and Risk, and also independent Chair of Waikato District Council's Audit and Risk Committee;
- Cecilia Tse – Head of Risk at Auckland Council leading risk, insurance and compliance teams, coming from a background of over 25 years-experience as a lawyer in both private and public sectors;
- Mark Maloney – Head of Internal Audit at Auckland Council, previously an Audit Director for Audit NZ for ten years.

The Committee will receive comment at the meeting from Councillor Love and Mr Robertson in terms of their key observations from respectively attending and facilitating the forum. The presentation from Mr Robertson is included as Appendix 3 to this report.

5 Council's Accountability Framework

5.1 Community Outcomes

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

5.2 Long Term Plan Alignment

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

Current Budget Implications

This work is being undertaken within the current budget for the Governance Activity in the Annual Plan 2017/18.

Future Budget Implications

Future work is provided for in Council's Long Term Plan 2015-2025

Mat Taylor
General Manager, Corporate Performance

5 June 2018

APPENDIX 1

APPENDIX 1 Audit and Risk Proposed Work Programme June 2018 to March 2019

Audit and Risk Committee Programme

March 2018 to March 2019

June 2018 Tuesday 12 th June	September 2018 Tuesday 11 th September	November 2018 Wednesday 28 th November	March 2019 TBC
<ul style="list-style-type: none"> External Audit Arrangements Letter for the Audit to 30 June 2018 External Audit Interim Management Report for the Year Ended 30 June 2018 	<ul style="list-style-type: none"> External Audit Management Report for the Annual Report Year Ended 30 June 2018 External Audit Management Report for the Long Term Plan 2018-2028 	<ul style="list-style-type: none"> External Audit Management Report for the Year Ended 30 June 2018 	
<ul style="list-style-type: none"> Internal Audit Status Update Internal Audit Work Plan 	<ul style="list-style-type: none"> Internal Audit Annual Report 	<ul style="list-style-type: none"> Internal Audit Progress Report 	<ul style="list-style-type: none"> Internal Audit Status Update
<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Kopeopeo Canal Contamination Remediation Project Cost & Risk Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Kopeopeo Canal Contamination Remediation Project Cost & Risk Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Kopeopeo Canal Contamination Remediation Project Cost & Risk Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Kopeopeo Canal Contamination Remediation Project Cost & Risk Update
<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Rangitāiki River Scheme Review Implementation update Review of Performance and Effectiveness of the Audit and Risk Committee 	<ul style="list-style-type: none"> BOPRC Chairperson’s Report (including Work Programme) Council Chairman’s Discretionary Fund – Annual Report Councillor Expenditure 2017/18 LGOIMA Report 2017/18 Legislative Compliance Review Annual Report Review 2017/18 Rangitāiki River Scheme Review Implementation update Review of Performance and Effectiveness of the Audit and Risk Committee 	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Rangitāiki River Scheme Review Implementation update Council Mark Programme Preparation 	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Rangitāiki River Scheme Review Implementation update Council Mark Programme Assessment

External Audit	Internal Audit	Risk	Other
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APPENDIX 2

APPENDIX 2 Audit and Risk Completed Work Programme March 2017 to March 2018

***Audit and Risk Completed Work Programme
March 2017 to March 2018***

Meeting date	Report title	Purpose of report
2 March 2017 Committee Meeting	• Committee Chairperson's Report	To provide the Committee with an update on Audit and Risk activities
	• Audit and Risk Committee – Work Programme	To provide the work programme for the new triennium
	• Key Risk Register – Quarterly Update September 2016 to February 2017	Periodic review
	• Accela Implementation Cost and Risk Update 8 (Confidential)	To review the Project Status and associated risks
	• Updated Councillor Expenditure Report July 2015 to June 2016	To update councillor expenditure for the 2015-2016 financial year.
	• Internal Audit Status Update	To provide the Committee with an update on the status of internal audit activities
	• Kopeopeo Canal Remediation Project Update 13	Receive Update
	• External Audit Management Report for the Year Ended 30 June 2016	Consider external audit management recommendations
• Ōpōtiki Harbour Project Update 2	To review the Project Status and associated risks	

Meeting date	Report title	Purpose of report
13 June 2017 Committee Meeting	• Committee Chairperson's Report	To provide the Committee with an update on Audit and Risk activities
	• Key Risk Register – Quarterly Update February 2017 to May 2017	Periodic review
	• Accela Implementation Cost and Risk Update 9 (Confidential)	To review the Project Status and associated risks
	• Accela Consents and Compliance Module Internal Audit Review Action Plan (Confidential)	To review Action Plan from External Audit Recommendations
	• Internal Audit Status Update and Proposed Internal Audit Work Plan 2017/18 to 2019/20	To provide the Committee with an update on the status of internal audit activities and Propose Work plan
	• Kopeopeo Canal Remediation Project Update 14	Receive Update
	• Fees and Charges Review – Internal Audit Report (May 2017) Proposed Actions and Response (Regulatory Compliance)	To discuss the audit recommendations and proposed actions from the internal audit report
	• Awatarariki Fanhead Risk and Liability (Confidential)	To review and provide direction on the risks and liability to Bay of Plenty Regional Council in reducing the natural hazard risk in the Awatarariki Fanhead, for reporting back to full Council.
• Rates Setting Review	To review the format of the annual rates setting process	

***Audit and Risk Completed Work Programme
March 2017 to March 2018***

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

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

***Audit and Risk Completed Work Programme
March 2017 to March 2018***

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

APPENDIX 3

APPENDIX 3 Risk and Assurance Presentation



rbrobertson

Risk and Assurance Committees Forum 2018

Key learnings

Context



rbrobertson

Recently, I held a number of fora around the country with a group of colleagues associated with Audit and Risk Committee work. The premise of the fora was that, generally, committees are in development phase in the local government sector.

The aim of the fora was to create a venue where ideas on “what works on the ground” (in contrast to the theory) could be shared – the panelists were clearly selected to offer the bulk of the ideas but the fora also enabled contributions from existing committee practice

Context



Councillor David Love and Shelley Hey attended the Hamilton Forum.

The following slides are the key “takeaways” I made from my notes.

It was interesting - each forum developed its own theme. The attached reference is to a short (13 minute) video I made on the outcomes from the first two seminars in Hamilton and Christchurch:

<https://youtu.be/tNEeG0qVswU>

These covered the main themes also from the third forum in Palmerston North.

Risk and assurance vs Audit and Risk



The forum was titled Risk and Assurance instead of the commonly referred to Audit and Risk (Committees).

This was picked up as a minor but important point in that naming the purpose of a committee can be important.

Use of the phrase Risk and Assurance is more direct on what good committees do. Audit (whether external or internal) is very important but they are part of the toolkit Committees use to gain assurance that risks are being managed appropriately.

Defining risk



(This was the key theme from Hamilton).

Many Committees actually discuss risk on a very limited basis. There is a need for a Committee to reach a consensus on what risks they are managing, what are the sources of assurance they have to know they are being managed and need a programme (an agenda) that maps this out.

This is best done by Committees workshopping their assessment on risk, including matching those with outcomes sought and operational risks identified and being managed within the organisation.

Defining risk



Definition should not be over complicated. Asking the simple question of “What is keeping me awake at night?” is a good place to start.

Having done this, it is important that “How do I gain assurance?” is also asked and planned for.

The fora generally endorsed the idea offered from Auckland Council of a 3-year programme, including a regular programme of *deep dives* – short, insightful looks at key parts of the organisation (e.g. health and safety) or particularly issues (e.g. calculation of holiday pay).

Independent members



Firstly a Committee needs to assess the skills around the Committee table from its elected core. This will help determine the skills required of an independent. The independent doesn't necessarily have to be an accountant. The number of independents may also be a factor of the skills stock take, as also whether that independent is the Chair.

An independent:

- Is appointed to the Committee and should therefore have full voting rights
- Should be recognisable as a professional
- Independent in mind

Risk management



Key features are:

- Identify risk– the Committee needs to understand what are the risks and why they are risks
- Assess the treatment – this lowers the risk and its adequacy is a key input to considering a Committee's risk appetite
- Identify assurance – the Committee needs to understand how they will get assurance that risks are being managed
- Communicate about risk – risk systems are about communications (in both directions)

Risk management



- Recognise risk is dynamic – the nature of risk can change overtime, and monitoring will consequently change
- Recognise the best approach to management – being *risk aware* not *risk averse*
- Aspire – “oversight to insight to foresight”

Risk is about a discussion and culture



This is the key approach to management – it is about the quality of the discussion on risk matters. Hence it is about the culture developed in the Committee.

Good characteristics are:

- Ability to ask questions
- Openness and transparency
- Respect/confidence/trust – especially between governance and management
- Safety

(Self-) Review



Self-review is essential:

- An honest annual assessment of the Committee's performance and "value-add"
- An external view of the operation of the Committee may help
- A check that non-Committee elected members and other management understand and gain assurance from the work of the Committee

Report To: Audit and Risk Committee

Meeting Date: 12 June 2018

Report From: Mat Taylor, General Manager, Corporate Performance

Review of Performance and Effectiveness of the Audit and Risk Committee

Executive Summary

Members of the Committee have discussed the benefits of undertaking an effectiveness review of the Committee, and the Committee's work programme.

It is suggested that as an initial step to evaluating effectiveness an internal self-assessment is undertaken through a survey which would be circulated to committee members, other councillors, and senior management.

The results of this will be reported to the September meeting of the Committee.

Recommendations

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Review of Performance and Effectiveness of the Audit and Risk Committee ;**
- 2 Notes and agrees the approach to a review of the Committee's effectiveness as outlined in the report**

1 Introduction

Members of the Audit and Risk Committee have discussed the benefits of undertaking a review of the Committee's effectiveness and work programme.

An effectiveness review can take many forms, from a detailed external assessment to an internal self-assessment process.

2 Approach

It is suggested that as an initial step to evaluating effectiveness an internal self-evaluation assessment through a simple survey questionnaire is undertaken.

Other council Audit and Risk Committees, notably Waipa District Council, have undertaken this type of self-evaluation over a number of years. This will provide a useful benchmark and comparator. It also sets a baseline for all future assessments and evaluations.

Using the Waipa example as a starting point, which focusses on a range of questions relating to risk and assurance, and support for the committee, staff will prepare and circulate a questionnaire to committee members, other councillors, and senior management.

The results of this will be reported to the September meeting of the Audit and Risk Committee.

3 Council's Accountability Framework

3.1 Community Outcomes

This project/proposal indirectly contributes to the Community Outcome/s in the council's Long Term Plan 2015-2018.

3.2 Long Term Plan Alignment

This work is planned under the Governance Activity in the Long Term Plan 2015-2025.

Current Budget Implications

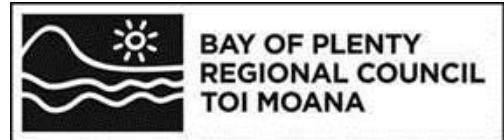
This work is being undertaken within the current budget for the Governance Activity in the Annual Plan 2017/18.

Future Budget Implications

Future work is provided for within the Governance Activity of the Long Term Plan 2018-2028.

Mat Taylor
General Manager, Corporate Performance

5 June 2018



Report To: Audit and Risk Committee
Meeting Date: 12 June 2018
Report From: Shelley Hey, Manager Chief Executive's Office

Internal Audit Status Update and Proposed Internal Audit Work Plan 2018/19 to 2020/21

Executive Summary

This report provides an update on the status of internal audit activities as at 31 May 2018 and includes:

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 March 2018;
- The proposed Internal Audit Work Plan for the three years 2018/19 to 2020/21 (Appendix 1).

Since the last Audit and Risk Committee meeting in March 2018 one internal audit review has been completed – Health and Safety. A public excluded report in this agenda addresses this completed review.

A full process has been undertaken to follow up with management on open actions resulting from previous reviews. At 31 March 2018 there were 27 open actions.

The proposed Internal Audit Work Plan for the three years 2018/19 to 2020/21 has been prepared and is presented to the Committee for review and approval.

Recommendations

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Internal Audit Status Update and Proposed Internal Audit Work Plan 2018/19 to 2020/21.**
- 2 Approves the Internal Audit Work Plan 2018/19, 2019/20, 2020/21, including the detailed work plan for 2018/19.**

1 Introduction and Context

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

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 March 2018;
- The proposed Internal Audit Work Plan for the three years 2018/19 to 2020/21 (Appendix 1).

Since the last Audit and Risk Committee meeting in March 2018 one internal audit review has been completed – Health and Safety, a public excluded report in this agenda addresses this completed review.

2 Internal Audit Work Plan 2017/18 Status

On 13 June 2017, the Audit and Risk Committee approved the Internal Audit Work Plan for the three years to 2019/20, including the detailed internal audit work plan for 2017/18. Since that meeting, three internal audit reviews have been completed. They are Accounts Receivables and Payroll (reported to the Audit and Risk Committee on 19 December 2017) and Health and Safety (refer to the public excluded section of this agenda).

The Grants review is currently finalising management comments and will be completed in accordance with the work plan and presented at the next meeting of the Audit and Risk Committee.

The Asset Management Review, initially delayed as a result of the April 2017 flood event, is on hold awaiting the completion of the LTP process. The review is therefore expected to commence in the first quarter of 2018/19.

Given the progress of the 2017/18 work plan, in conjunction with the additional internal audit resource available, internal audit has brought forward the Sensitive Expenditure review that was on the approved 2018/19 audit plan into the current year and has commenced fieldwork.

The following table summarises the status of all internal audit reviews for 2017/18.

Review	Field work	GM Sponsor	Status	Status of Internal Audit					
				Planning / Draft Scope	Final Scope	Fieldwork	Draft Report	Mgmt Actions	Final Report
Accounts Receivables	BOPRC	Corporate Performance	Complete	Complete	Complete	Complete	Complete	Complete	Complete
Payroll	BOPRC	Corporate Solutions	Complete	Complete	Complete	Complete	Complete	Complete	Complete
Health & Safety	KPMG	Corporate Solutions	Complete	Complete	Complete	Complete	Complete	Complete	Complete
Asset Management Planning	KPMG	Corporate Performance	On Hold	Complete	Complete	On Hold	On Hold	On Hold	On Hold
Grants	BOPRC	Integrated Catchments	In Progress	Complete	Complete	Complete	Complete	In Progress	Q4
Sensitive Expenditure*	BOPRC	Corporate Performance	In Progress	Complete	Complete	In Progress	Q4	Q1 18/19	Q1 18/19

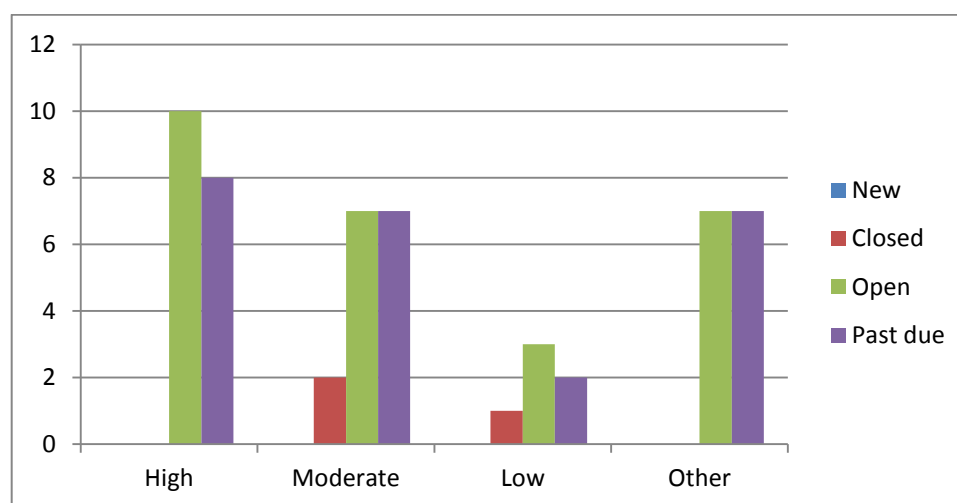
*Brought forward from 2018/19

3 Internal Audit Follow Up

Internal Audit has reviewed all open management actions as part of the follow up work in the 2017/18 work plan. At the start of the quarter (1 January 2018) there were 30 open management actions. Three actions have been completed/closed during the quarter.

At 31 March 2018, 27 actions remained open. The majority of these relate to findings in Legislative Compliance Framework (nine), Accela Phase One (seven) and Enterprise Risk Management (seven).

The following graph illustrates the management actions by risk ranking – new, closed, open and the number of open actions which are past due.



The majority (24 out of 27) of all open actions are past their original due date. The overdue actions relate predominately to three reviews – Legislative Compliance Framework (nine), Accela Phase One (six) and Enterprise Risk Management (seven).

Legislative Compliance - An additional FTE to assist the In-house Legal Counsel commenced on 5 March 2018 which increases the capacity to fully address the Legislative Compliance Framework actions. In addition, given the time that has passed since this review was undertaken (in 2014/15), and the subsequent establishment of the in-house legal team, a full assessment of the outstanding actions is planned for mid-June. This will determine which actions remain relevant and whether any have now been superseded.

Accela Phase One - Actions, initially due to be completed on 31 December 2017, are being addressed via a dedicated project team. Many of the tasks have become larger than initially anticipated and Internal Audit is comfortable these actions are being actively addressed with significant progress being made towards the new completion date of 30 June 2018. Internal Audit will continue to monitor progress towards fully implementing these actions.

Enterprise Risk Management – Subsequent to 31 March 2018, substantial progress has been made towards completing the outstanding management actions, with KPMG running several strategic risk assessment workshops with Council, Leadership Team and staff to establish the risks in relation to the community outcomes and the Council's risk appetite, which have led to the development of an updated Risk Register.

4 Completed Internal Audit Reviews

Since the last Audit and Risk Committee meeting in March 2018, the Health and Safety review has been completed. A public excluded report in this agenda addresses this completed review

5 Other Internal Audit Activities

In conjunction with completing the internal audit work program, the internal audit team has been involved in conducting responsive reviews for the Chief Executive and presenting sessions to staff on the need for Fraud Awareness.

The internal audit sessions have focussed on general fraud awareness complementing the ICT sessions running concurrently on Cyber Security awareness.

6 Proposed Internal Audit Work Plan to 2020/21

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

During April and May 2018, Internal Audit undertook a planning process to refresh the Internal Audit Work Plan for the three years 2018/19 to 2020/21 (provided in Appendix 1).

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

We reviewed the Key Risk Register at March 2018 and ensured that for those key risks where mitigations and controls have significantly reduced the risk rating, that they have been included within the 'audit universe' to ensure that the Audit and Risk Committee has confidence that the mitigations and controls are in place and operating effectively.

These reviews include:

- Mount Maunganui Air Emissions;
- Civil Defense Response Capability;
- River Scheme Review Implementation;
- Drinking Water Contamination Management;
- Maritime Disaster Preparedness.

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

- Business Continuity
- Treaty of Waitangi / Maori Engagement

The refresh process has involved the Chief Executive and Leadership Team, as well as a review by KPMG. It has also been discussed with Audit NZ as Council's external auditors.

The Internal Audit work programme for 2018/19 has been developed based on the level of resources currently available. This is primarily two full time Internal Auditor staff members and funding for consultancy services sufficient for two to three reviews – depending on scope.

The Internal Audit Work Plan for the three years 2018/19 to 2020/21 continues to represent a ‘deep dive’ approach and an ongoing focus on quality rather than the quantity of reviews.

The proposed detailed work plan for 2018/19 is provided within the overall plan and is shown in the following table.

At this stage the timing of reviews within 2018/19 is indicative only. Also indicative only, is whether the review will be undertaken by Regional Council staff or our external provider KPMG (denoted with ‘E’).

IA Ref	Description	Risk ¹	Indicative timing 2018/19			
			Q1	Q2	Q3	Q4
1	Asset Management Planning E		X	X		
2	Budgeting and monitoring			X	X	
3	Fraud risk assessment E			X	X	
9	Contracts management				X	X
12	Procurement		X	X		
25	Performance measurement				X	X
26	Rates				X	X
29	Civil Defense Response Capability			X	X	
32	Maritime Disaster Preparedness		X	X		

Risk Ranking:

Business critical function or process Large value / high risk	Important or significant process Medium value / medium risk	Non key, routine process Lower value / lower risk
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The Internal Audit Work Plan for the three years 2018/19 to 2020/21 has been given management approval by the Chief Executive and is now provided to the Audit and Risk Committee for its review and approval.

7 Internal Audit Annual Report 2017/18

At the next meeting of the Audit and Risk Committee, Internal Audit will provide an Annual Report for the year ending 30 June 2018.

8 Council's Accountability Framework

8.1 Community Outcomes

This work directly contributes to the Regional Collaboration & Leadership Community Outcome in the Council's Long Term Plan 2015-2025.

8.2 Long Term Plan Alignment

This work is planned under the Governance Services activity in the Long Term Plan and Annual Plan 2017/18.

Current Budget Implications

Internal Audit activities carried out in 2017/18 have been accommodated within the budget provision for the Chief Executive's Office for the year.

Future Budget Implications

The Long Term Plan 2018-2028 contains budget for delivery of the co-sourced Internal Audit Work Plan. This includes staff resources and provision for external resource for specialist reviews.

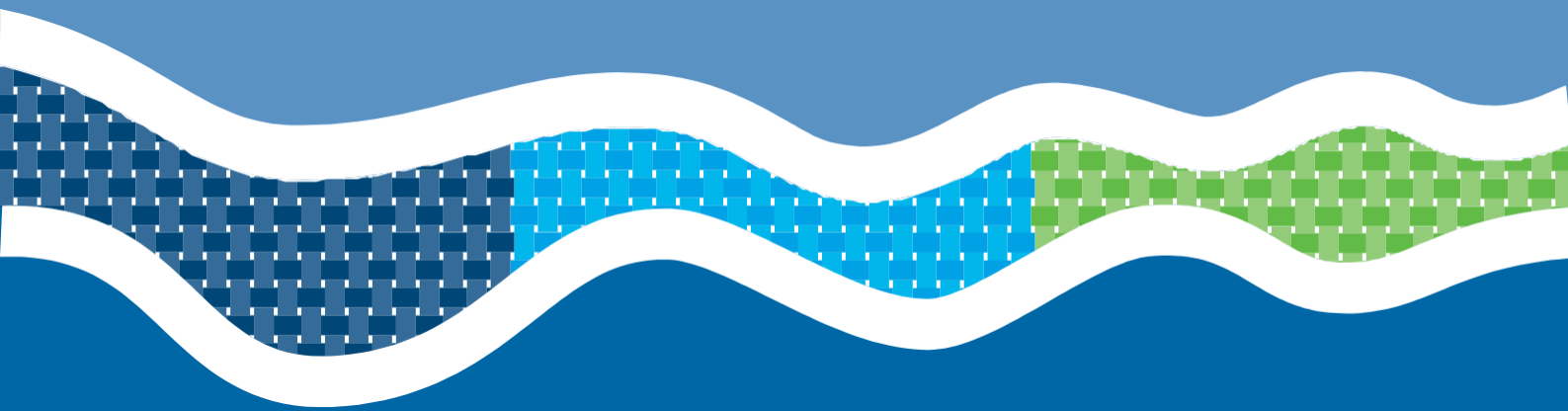
Steven Slack
Principal Internal Auditor

for Manager Chief Executive's Office

31 May 2018

APPENDIX 1

Internal Audit Work Plan 2018-19, 2019-20, 2020-21



Internal Audit Work Plan

2018/19, 2019/20, 2020/21

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Internal Audit planning process

Introduction

The annual internal audit planning process was performed during April and May 2018 to develop the Internal Audit Work Plan of Bay of Plenty Regional Council for the three years 2018/19, 2019/20 and 2020/21.

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

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

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

Approach

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

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

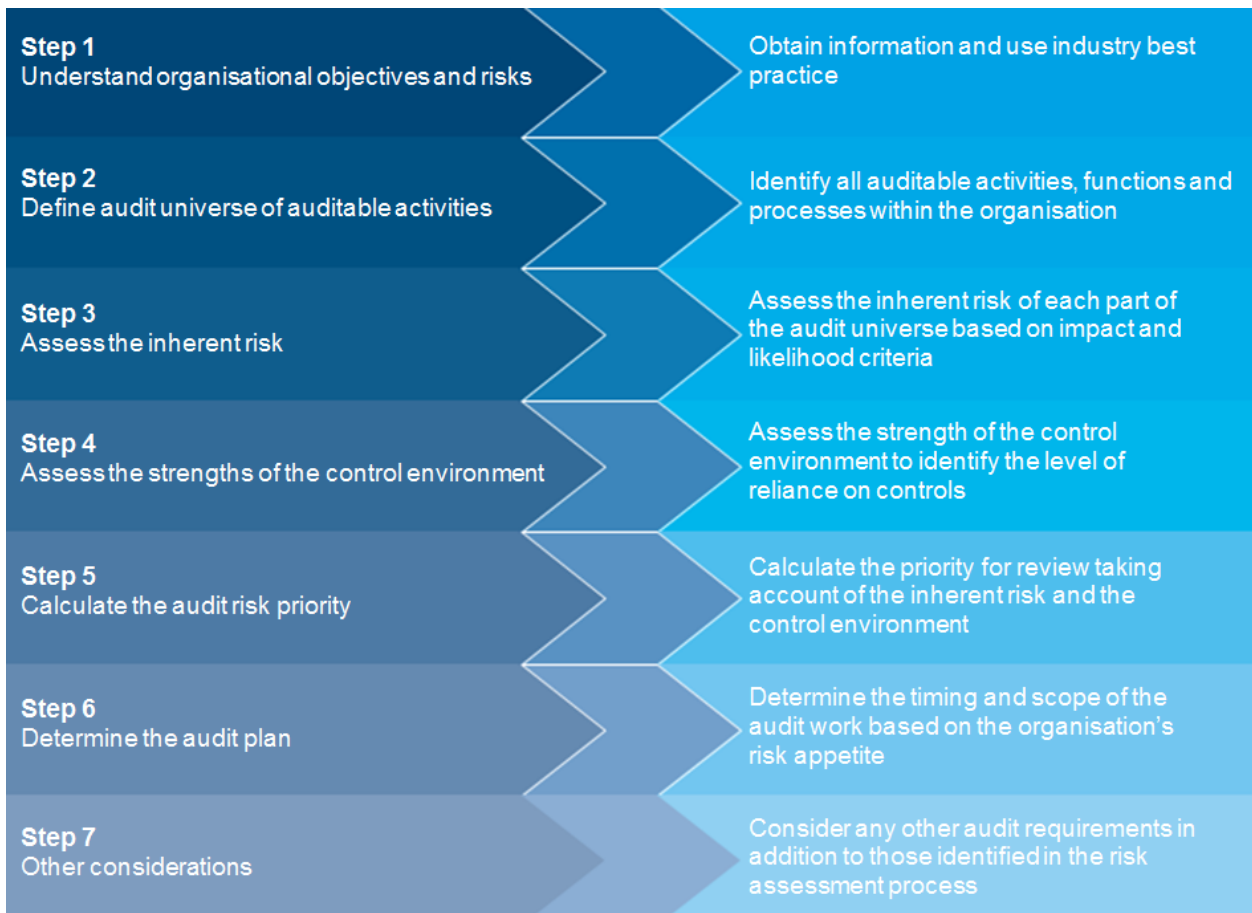


Diagram 1 – The seven steps to success



Risk based assessment

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

The Key Risk Register, at March 2018, was reviewed to ensure that for those key risks where mitigations and controls have significantly reduced the risk rating, they are included within the ‘audit universe’ to ensure that the Audit and Risk Committee has confidence that the mitigations and controls are in place and operating effectively.

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

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

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

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

Using this information, potential auditable areas were identified.

A straightforward risk model – using priority ranking A, B, or C was used to determine the depth of audit coverage. The assessment of the audit priorities was validated with management, to recommend the Internal Audit Work Plan for the three years to 2020/21.

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

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



Internal Audit Work Plan 2018/19

The detailed Internal Audit Work Plan 2018/19 is set out below and on the following page. The Internal Audit Work Plan for the three years to 2020/21 is set out in Appendix A.

The Internal Audit Work Plan 2018/19 has been developed based on the level of resources currently available. It provides for 375 days of internal auditing delivered by BOPRC Internal Audit, including 25 days for audit follow up and a contingency of 120 days for responsive reviews. In addition, the Internal Audit Work Plan 2018/19 provides for 65 auditing days delivered by external providers.

The Internal Audit Work Plan 2018/19 makes an estimate of the number of days needed for the following processes to undertake the audit review:

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

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

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

Diagram 3 – Indicative Audit Effort

IA Ref	Description	Risk ¹	Indicative timing 2018/19			
			Q1	Q2	Q3	Q4
1	Asset Management Planning E		X	X		
2	Budgeting and monitoring			X	X	
3	Fraud risk assessment E			X	X	
9	Contracts management				X	X
12	Procurement		X	X		
24	Performance measurement				X	X
25	Rates				X	X
28	Civil Defense Response Capability			X	X	
31	Maritime Disaster Preparedness		X	X		

Notes:

¹ Risk ranking

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



Appendix A: Internal Audit Work Plan 2018-2021

IA ref	Review	Objective	Last audit	Indicative days		
				2018/19	2019/20	2020/21
Framework reviews						
1	Asset management planning	To assess the adequacy and effectiveness of the framework to manage and monitor key assets and the maturity of that framework.	NA	30		
2	Budgeting and monitoring	To assess the adequacy and effectiveness of the governance and management control framework to support budgeting, monitoring and forecasting.	NA	30		
3	Fraud risk assessment	To evaluate the vulnerability of the organisation to internal and external fraud including the effectiveness of controls for detecting fraud and mitigating its effects.	NA	30		
4	Project management	To assess the adequacy and effectiveness of the framework to plan, manage and monitor projects and the maturity of that framework.	NA		30	
5	Business Continuity*	To assess adequacy and effectiveness of the framework to manage, monitor and mitigate key business continuity risks.	NA		30	
6	Treaty of Waitangi / Maori Engagement*	To assess the current processes and controls that exist in Council to meet the engagement requirements under Treaty of Waitangi principles, Māori legislative rights, Treaty settlements, memorandums of understanding and service agreements/protocols.	NA			30
Framework (1st time review) – Operational Risk (2nd time review)						
7	Risk management	To assess the adequacy and effectiveness of the design and implementation of the risk management framework and processes and the maturity of that framework.	2015/16			30
8	Conflict of interest management	To assess the effectiveness of the implementation of the conflict of interest management framework and the operation of key controls and processes.	2015/16		30	
9	Contracts management	To assess the effectiveness of the implementation of the contracts management framework and the operation of key controls and processes.	2014/15	30		



IA ref	Review	Objective	Last audit	Indicative days		
				2018/19	2019/20	2020/21
10	Fees and charges	To assess whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to the setting and collection of fees and charges.	2016/17			30
11	Legislative compliance	To assess the effectiveness of the implementation of the legislative compliance framework and the operation of key controls and processes.	2014/15		30	
12	Procurement	To assess the effectiveness of the implementation of the procurement framework and the operation of key controls and processes.	2014/15	30		
Operational Risk reviews						
13	Accounts payable	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to the accounts payable process.	2013/14		20	
14	Accounts receivable	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to the accounts receivable process.	2017/18			20
15	Bank reconciliations	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to the accounts bank reconciliations process.	2013/14		10	
16	Delegations	To assess the level of compliance with Council's policy and decisions in relation to financial and non-financial delegations and to determine whether key controls are operating effectively.	NA		30	
17	Fixed asset security and records	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to fixed asset processes.	NA		20	
18	Grants	To assess the level of compliance with Council's policy and decisions in relation to grant activities and to and to determine whether key controls are operating effectively.	2017/18			20
19	Health and safety	To assess the level of health and safety performance in accordance with good practice and the Health & Safety at Work Act 2015.	2017/18			30



IA ref	Review	Objective	Last audit	Indicative days		
				2018/19	2019/20	2020/21
20	ICT security	To determine whether processes and controls are adequately designed, appropriate and operating effectively to mitigate key business risks relating to specific areas of information, communication and technology (including cybersecurity and disaster recovery).	2014/15 2015/16			30
21	Investments / treasury	To assess the level of compliance with Council's policy and decisions in relation to of investment and treasury activities and to determine whether key controls are operating effectively.	2016/17		10	
22	New systems – ICT	To ensure adequate controls are built into the new system and are operating effectively, and to ensure that end-user needs are met.	2016/17			30
23	Payroll	To assess the robustness and effectiveness of controls in place to mitigate key risks in relation to payroll processes (including staff reimbursements).	2013/14 2017/18			20
24	Performance measurement	To review a selection of key performance indicators to ensure that predictive reporting is supported and has integrity.	2014/15	20		
25	Rates	To review the process for rates determination, rate deferment decisions, collection of rates, rate rebates and refunds, remissions and monitoring of arrears to ensure compliance with legislation and Council's policies and decisions.	NA	30		
26	Sensitive expenditure	To review the reasonableness of sensitive expenditure incurred in the Council and compliance with policies and procedures for staff and councillors.	2014/15 2017/18			20
Strategic Risk reviews						
27	Mt Maunganui Air Emissions*	To assess whether mitigating actions are in place.	NA		30	
28	Civil Defense Response Capability*	To assess whether targets for trained staff have been met and whether monitoring of this is effectively maintained	NA	30		
29	River Scheme Review Implementation *	To assess whether actions arising from the 2017 Rangitāiki River Scheme review are in place.	NA		30	

IA ref	Review	Objective	Last audit	Indicative days		
				2018/19	2019/20	2020/21
30	Drinking Water Contamination Management*	To assess whether findings of Havelock North Stage 2 inquiry have been assessed and addressed	NA			30
31	Maritime Disaster Preparedness*	To assess whether mitigating actions are in place.	NA	30		
Sub-total Days				260	270	290
Contingency ¹				120	120	120
Total Days²				380	390	410

Notes:*** New**

First included in Work Plan in June 2018 revision.

¹ Contingency

This relates to unexpected urgent work, for example fraud investigation or Chief Executive directed responsive reviews.

²Total Days

Total indicative annual audit days for two full time equivalent staff member and an external provider. This does not include audit follow up, administration or management.



Appendix B: Internal Audit Background

1 Introduction and background

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

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

2 Management review processes

The three elements, or work streams, are:

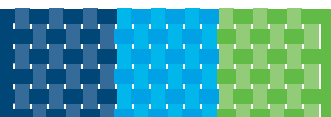
- Business reviews;
- Strategic risk reviews; and
- Operational risk reviews.

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

Management support network of reviews



Diagram 1 – Management review work streams



3 The audit review of risks

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

Strategic risks

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

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

Operational risks

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

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

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

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

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



Appendix C: Internal Control Framework

1 Definition of internal control

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

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

2 Component of internal control

Control environment

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

Risk management

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

Control activities

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

Information and communication

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

Monitoring

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

3 Internal control objectives

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

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

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



4 Internal control activities

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

Establishing a control conscious environment

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

Segregation of duties

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

Authorisation and approval process

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

Physical control of assets

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

Monitoring

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



Appendix D: Internal Audit Charter

1 Introduction

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

The Internal Audit function is part of the Chief Executive's Office and the Manager Chief Executive's Office ("Audit Manager") is responsible for the Internal Audit function in Bay of Plenty Regional Council. The Internal Audit function is administered by the Audit Manager; audits are performed by the Internal Audit Team and any external organisation appointed as required.

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

2 Objectives of Internal Audit

Internal Audit provides an independent and objective service to:

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

3 Scope of Internal Audit activity

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

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

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

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

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

4 Authority and confidentiality

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



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

5 Responsibilities of Internal Audit

Internal Audit will be expected to:

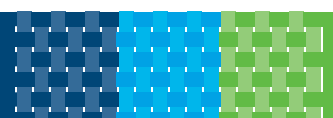
- Play an active role in:
 - Developing and maintaining a culture of accountability, integrity and adherence to high ethical standards;
 - Facilitating the integration of risk management into day-to-day business activities and processes; and
 - Promoting a culture of cost-consciousness and managerial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

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

6 Responsibilities of management

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

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



7 Responsibilities of the Audit and Risk Committee

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

8 Relationship with external auditors and other assurance activities

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

9 Review of the Internal Audit Charter

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

10 Related Policies and Guidance

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

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



Appendix E: Internal Audit Protocol

1 Introduction

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

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

2 Planning and consultation

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

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

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

3 Audit process

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

4 Preliminary consultation

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

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

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

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

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

5 Opening interview

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

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



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

6 Fieldwork

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

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

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

7 Close out interview

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

The purpose of the close out interview is to:

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

8 Draft report

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

9 Management comments

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

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

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

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



10 Final report

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

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

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

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

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

11 Monitoring the implementation of agreed recommendations

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

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

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

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

12 Related policies and guidance

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

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

