

Risk and Assurance Committee Agenda

NOTICE IS GIVEN that the next meeting of the Risk and Assurance Committee will be held in Council Chambers, Regional House, 1 Elizabeth Street, Tauranga on:

Wednesday 8 March 2023 COMMENCING AT 9.30 am

This meeting will be livestreamed and recorded.

The Public section of this meeting will be livestreamed and recorded and uploaded to Bay of Plenty Regional Council's website. Further details on this can be found after the Terms of Reference within the Agenda. [Bay of Plenty Regional Council - YouTube](#)

Risk and Assurance Committee

Membership

Chairperson	Cr Stuart Crosby
Deputy Chairperson (Independent)	Bruce Robertson
Members	Cr Ron Scott Cr Andrew von Dadelszen Cr Te Taru White Cr Kevin Winters
Ex Officio	Chairman Doug Leeder
Quorum	Three members, consisting of half the number of members
Meeting frequency	Quarterly

Purpose

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

Monitor the effectiveness of Council's performance monitoring framework.

Ensure that Council is delivering on agreed outcomes.

Role

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

Power to Act

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

Power to Recommend

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

The Risk and Assurance Committee is not delegated authority to:

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

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

Recording of Meetings

Please note the Public section of this meeting is being recorded and streamed live on Bay of Plenty Regional Council's website in accordance with Council's Live Streaming and Recording of Meetings Protocols which can be viewed on Council's website. The recording will be archived and made publicly available on Council's website within two working days after the meeting on www.boprc.govt.nz for a period of three years (or as otherwise agreed to by Council).

All care is taken to maintain your privacy; however, as a visitor in the public gallery or as a participant at the meeting, your presence may be recorded. By remaining in the public gallery, it is understood your consent is given if your image is inadvertently broadcast.

Opinions expressed or statements made by individual persons during a meeting are not the opinions or statements of the Bay of Plenty Regional Council. Council accepts no liability for any opinions or statements made during a meeting.

Bay of Plenty Regional Council - Toi Moana

Governance Commitment

**mō te taiao, mō ngā tāngata - our environment and our people
go hand-in-hand.**

We provide excellent governance when, individually and collectively, we:

- Trust and respect each other
- Stay strategic and focused
- Are courageous and challenge the status quo in all we do
- Listen to our stakeholders and value their input
- Listen to each other to understand various perspectives
- Act as a team who can challenge, change and add value
- Continually evaluate what we do

**TREAD LIGHTLY, THINK DEEPLY,
ACT WISELY, SPEAK KINDLY, JOURNEY TOGETHER.**

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

Agenda

1. **Apologies**
2. **Public Forum**
3. **Items not on the Agenda**
4. **Order of Business**
5. **Declaration of Conflicts of Interest**
6. **Public Excluded Business to be Transferred into the Open**
7. **Reports**
 - Information Only**
 - 7.1 **Chairperson’s Report** **9**
 - Attachment 1 - Risk and Assurance Work Programme for 2023 12
 - Attachment 2 - Risk and Assurance Completed Work Programme for March to September 2022 13
 - 7.2 **Audit New Zealand Report on the Audit of the Bay of Plenty Regional Council for the Year Ended 30 June 2022** **15**
 - Attachment 1 - Audit New Zealand Report on the Audit of BOPRC for year ended 30 June 2022 18
 - 7.3 **Efficiency and Effectiveness Gains and Progress on Benchmarking** **44**
 - 7.4 **Internal Audit Status Update** **51**
8. **Public Excluded Section**
 - Resolution to exclude the public**
 - Excludes the public from the following parts of the proceedings of this meeting as set out below:**
 - 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:**

Item No.	Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution	When the item can be released into the public
8.1	Completed Internal Audit Reviews	Withholding the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.	48(1)(a)(i) Section 7 (2)(c)(i).	On the Chief Executive's approval.
8.2	Key Risk Register	Withholding the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	48(1)(a)(i) Section 7 (2)(j).	On the Chief Executive's approval.

Decisions Required

8.1 Completed Internal Audit Reviews

Attachment 1 - Executive Summary - Project Management framework review

Attachment 2 - Executive Summary - Compliance internal audit

Attachment 3 - Executive Summary - Payroll internal audit

Information Only

8.2 Key Risk Register

Attachment 1 - Key risk register - Dec 2022

Attachment 2 - KRR - Heat Map Dec 2022

- 9. Public Excluded Business to be Transferred into the Open**
- 10. Readmit the Public**
- 11. Consideration of Items not on the Agenda**



Report To: Risk and Assurance Committee

Meeting Date: 8 March 2023

Report Writer: Mat Taylor, General Manager, Corporate

Report Authoriser: Mat Taylor, General Manager, Corporate

Purpose: Update on Risk and Assurance Committee Activities

Chairperson's Report

Executive Summary

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

Recommendations

That the Risk and Assurance Committee:

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

1. Introduction

The report shows an updated Risk and Assurance Work Programme and an updated Risk and Assurance Completed Work Programme.

1.1 Legislative Framework

1.2 Alignment with Strategic Framework

A Healthy Environment

Freshwater for Life

Safe and Resilient Communities

A Vibrant Region

The Way We Work We continually seek opportunities to innovate and improve.

1.2.1 Community Well-beings Assessment

Dominant Well-Beings Affected

Environmental Cultural Social Economic

2. Council Performance Monitoring Report – Detailed Briefings for Councillors

The following financial monitoring meeting (detailed financial briefing) was held with Councillors:

Tuesday, 13 December 2022

3. Risk and Assurance Work Programme

Appendix 1 shows the Risk and Assurance Work Programme for 2023. This Work Programme sets out the planned and scheduled reporting to the Risk and Assurance Committee.

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

4. Risk and Assurance Completed Work Programme

Appendix 2 shows the Risk and Assurance Completed Work Programme for the 2022 year.

5. Considerations

5.1 Risks and Mitigations

There are no significant risks associated with this matter/subject/project/initiative.

5.2 Climate Change

The matters addressed in this report are of a procedural nature and there is no need to consider climate change impacts.

5.3 Implications for Māori

There are no implications for Māori.

5.4 Community Engagement

5.5 Financial Implications

This work is being undertaken within the current budget for the Governance Activity in Year 1 of the Long Term Plan 2021 – 2031.

6. **Next Steps**

None.

Attachments

Attachment 1 - Risk and Assurance Work Programme for 2023 [↓](#)

Attachment 2 - Risk and Assurance Completed Work Programme for March to September 2022 [↓](#)

Risk & Assurance Committee Work Programme March 2023 to December 2023

March 2023	June 2023	October 2023	December 2023
External Audit Arrangements Letter for the Audit to 30 June 2022 External Audit Management Letter for 2021/22 Annual Report	<ul style="list-style-type: none"> External Audit Interim Management Report for the Year Ended 30 June 2023 External Audit Arrangements Letter for the Audit to 30 June 2022 	<ul style="list-style-type: none"> External Audit Annual Report for the Year Ended 30 June 2023 	
Internal Audit Status Update Internal Audit Work Plan	<ul style="list-style-type: none"> Internal Audit Status Update Internal Audit Work Programme 2023/24 	<ul style="list-style-type: none"> Internal Audit Status Update Internal Audit Annual Report 2023/24 and Review Update 	<ul style="list-style-type: none"> Internal Audit Progress Report
Key Risk Register – Quarterly Update	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Rates Collection Risk Report 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update Rates Collection Risk Report
Chairperson’s Report (including Work Programme)	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Setting of Rates 2023/24 	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Council Chairman’s Discretionary Fund – Annual Report 2022/23 Draft Annual Report Review 2022/23 Expenditure and Koha Report 2022/23 LOGOIMA – Annual Report 2022/23 	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme)

External Audit	Internal Audit	Risk	Other
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Risk and Assurance Completed Work Programme April 2022 to September 2022

Meeting date	Report title	Purpose of report
14 April 2022 Committee Meeting	Audit New Zealand Report on audit of the Bay of Plenty Regional Council Toi Moana for the year ended 30 June 2021	This report outlined the audit findings, recommendations and priorities.
	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	Internal Audit Update	This report provided an update on the status of internal audit activities as at 31 December 2021.
	Draft Terms of Reference – Efficiency and Effectiveness Reviews	This report sought feedback on the Draft Terms of Reference for a programme of Efficiency and Effectiveness reviews.
	Key Risk Register	CONFIDENTIAL – This report outlined Council's Risk Register which provides risk related information for our most significant and high profile risks.

Meeting date	Report Title	Purpose of report
9 June 2022 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	External Audit Plan 2021/22	The report provided the Audit Plan proposed by Audit New Zealand for the external audit of the Bay of Plenty Regional Council and Group for the year ending 31 June 2022.
	Rates Setting for the 2022/23 financial year	Review of Council's scheduled rates setting for the 2022/23 financial at its meeting on 23 June 2022
	Internal Audit Update	The report provided an update on the status of internal audit activities as at 31 March 2022.
	Completed Internal Audit Review – ICT Security	CONFIDENTIAL Provided a summary of the results from the completed ICT Security Review
	Digital Cybersecurity Update	CONFIDENTIAL Update about Cybersecurity measures at the Bay of Plenty Regional Council
	Key Risk Register	CONFIDENTIAL This report outlined Council's Risk Register which provides risk related information for our most significant and high profile risks

Meeting date	Report title	Purpose of report
15 September 2022 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities which included the Risk and Assurance Completed Work Programme from February 2020 to September 2022.
	Internal Audit Annual Report 2021/22 and Internal Plan	CONFIDENTIAL: Provided an update on the status of internal audit activities as at 30 June 2022.
	Council Chairman's Discretionary Fund – Annual Report 2021/22	This report provided an update on requests made for financial assistance during the 2021/22 financial year.
	Draft Annual Report Review 2021/2022	This report provided an update on the preparation of the Draft Annual Report for the year ended 30 June 2022 and outlined the process planned with Council's appointed audit service provider, Audit NZ for the completion of the 2021/22 audit.
	Expenditure and Koha Report for year ended 30 June 2022	This report provided financial information about Council's supplier and koha spend for 2021/22.
	Local Government Official Information & Meetings Act 1987 – Annual Report	This report provided Council with information relating to requests under the Local Government Official Information and Meetings Act 1987 from 1 July 2021 to 30 June 2022.
	Legal Services - Annual Report for period 2021/22	CONFIDENTIAL: This report provided data in relation to specialist legal and commercial guidance and advice across the organisation with a view to safeguarding the Council by supporting our People and Councillors to reduce legal, commercial and reputational risks.
	Key Risk Register	CONFIDENTIAL: This report provided risk related information for our most significant and high profile risk.
	Legislative Compliance – Annual Report 2021/22	CONFIDENTIAL: This report provided an update on the level of good compliance levels across the organisation.



Report To:	Risk and Assurance Committee
Meeting Date:	8 March 2023
Report Writer:	Nolene Naude, Financial Accounting Team Lead and Kumaren Perumal, Chief Financial Officer
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	The Risk and Assurance Committee to receive the Audit New Zealand Report on the audit of the Bay of Plenty Regional Council for the year ending 30 June 2022 (Attachment 1)

Audit New Zealand Report on the audit of the Bay of Plenty Regional Council for the year ended 30 June 2022

Executive Summary

The purpose of this report is to present the Audit New Zealand Report on the audit of the Bay of Plenty Regional Council for the year ending 30 June 2022 (the report). The report outlines audit findings, recommendations (with accompanying management responses) and prioritises them as urgent, necessary or beneficial. There are a total of eight open recommendations as at 30 June 2022.

There were no recommendations prioritised as urgent.

There were seven recommendations prioritised as necessary and one prioritised as beneficial.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Audit New Zealand Report on the audit of the Bay of Plenty Regional Council for the year ended 30 June 2022.**

1. Introduction

The report sets out findings arising from the final audit performed over the period October to December 2022.

Audit New Zealand has identified areas where Council is performing well along with recommendations for areas where improvements can be made. The report also

provides an update on action taken by staff against previous audit recommendations. The final report includes management responses where appropriate.

The report includes the results for Council and the Quayside Group. The results for Council are summarised below.

1.1 Alignment with Strategic Framework

The Way We Work We deliver value to our ratepayers and our customers.

The report provides audit findings on the overall performance of Council outlining recommendations for improvement and progress against prior recommendations. As a result, it supports the delivery of all four Community Outcomes and the Way We Work.

1.1.1 Community Well-beings Assessment

Dominant Well-Beings Affected

Environmental Cultural Social Economic

The report outlines audit findings on Council’s financial and non-financial performance for the year ending 30 June 2022, recommendations for improvement and progress on management’s response to prior year recommendations and promotes all four aspects of community well-being.

2. Findings from the report

The report to Council outlines the matters identified during the audit, new recommendations, and the status of previous recommendations.

In addition to the above, the report also includes the outcome of matters raised in the Audit Plan.

There were three new necessary recommendations raised. Detailed information for each recommendation can be found in Attachment 1.

There are ten previous recommendations of which five are closed and five open. A status summary of Audit New Zealand’s recommendations is set out in the following table:

Table 1 Status of Audit New Zealand Recommendations:

Priority	Previous Open Action	New Actions	Closed Actions	Current Open Actions
Beneficial	2	-	1	1
Necessary	8	3	4	7
Urgent	-	-	-	-
Total	10	3	5	8

3. Considerations

3.1 Risks and Mitigations

There are no direct risk implications arising from this report.

3.2 Climate Change

The matters addressed in this report are of a procedural nature and there is no need to consider climate change impacts.

3.3 Implications for Māori

There are no direct implications for Māori arising from this report.

3.4 Community Engagement



Engagement with the community is not required as the recommended proposal / decision relates to internal Council matters only.

3.5 Financial Implications

There are no material unbudgeted financial implications and this fits within the allocated budget.

4. Next Steps

Audit New Zealand has highlighted recommendations from the final audit for the year ending 30 June 2022. These have been appropriately noted and actions are underway to address the remaining open recommendations.

Attachments

Attachment 1 - Audit New Zealand Report on the Audit of BOPRC for year ended 30 June 2022 [↓](#)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

Bay of Plenty Regional Council

For the year ended 30 June 2022

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Key messages

We have completed the audit for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the Bay of Plenty Regional Council is doing well and where we have made recommendations for improvement.

Audit report

We have issued an unmodified audit report on 22 December 2022.

Matters identified during the audit

The Council performed a revaluation of its rivers and drainage assets effective 1 July 2022. A net revaluation increase of \$9.6 million was recorded. We confirmed the revaluation was carried out appropriately and was fairly stated in the financial statements. The Council also carried out fair value assessments of the rivers and drainage assets as well as other property, plant and equipment as at 30 June 2022. The fair value assessments confirmed that revaluations of these assets were not required as at 30 June 2022.

Public Benefit Entities (PBE) IFRS 9 (Financial Instruments) requires the Council to revalue its put option every year at year-end. We are satisfied the revaluation has been performed in accordance with appropriate accounting standards and the value of the liability reflects its fair value.

The Council performed an assessment of their accounting treatment of cloud computing arrangements. As a result of this assessment, the Council has applied the new accounting policy retrospectively for the majority of the SaaS arrangements. We are satisfied the Regional Council has applied the appropriate accounting treatment to "Software as a Service" (SaaS) arrangements. SaaS adjustments and costs have been appropriately disclosed in the financial statements.

The National Policy Statement for Freshwater Management (NPSFM) used to inform the results on monitored rivers and streams has had amendments made by the Minister for the Environment under the Resource Management Act 1991 on 8 December 2022. These changes will impact the Regional Council's ability to report its performance measure using current methods. We recommend the 2023 results, supporting evidence and narrations are considered and resolved early.

Thank you

We wish to acknowledge and thank the Councillors, management and staff for the effort that they put in during the audit. The Council staff provided continued and timely assistance and maintained a high level of quality assurance over information provided to the audit team.



Leon Pieterse
Appointed Auditor
13 February 2023

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Sensitive Expenditure The Council ensures all policies are regularly reviewed, updated, and adopted.	4.1	Necessary
Review of Information System policies and procedures The current policies and procedures are to be reviewed to ensure they are still fit for purpose and that a regular schedule of review is established.	4.2	Necessary

Recommendation	Reference	Priority
<p>Swimmability of rivers and stream sites</p> <p>The Council needs to consider the impact of the amendment to the National Policy Statement for Freshwater Management early to ensure the use of an allowable method with appropriate narrations to clearly communicate to the reader how the result is measured and is comparable to previous years.</p>	4.3	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	4	1	5
Implemented or closed	-	4	1	5
Total previous recommendations open	-	8	2	10

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 22 December 2022. This means we were satisfied that the financial statements and statement of service performance present fairly the Bay of Plenty Regional Council's activity for the year and its financial position at the end of the year.

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

2.2 Uncorrected misstatements and disclosure deficiencies

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed in Appendix 3 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Bay of Plenty Regional Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 21 October 2022. This included the dates we required the information to be provided to us.

Management provided a complete set of financial statements prior to the audit beginning. The initial draft was completed to a high standard with appropriate checks over the quality having already been performed by the Council staff. The high quality continued throughout with all audit requests. This resulted in a timely completion of the audit with minimal changes required to the final annual report.

3 Matters raised in the Audit Plan



In our Audit Plan of 13 May 2022, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Valuation of property, plant, and equipment	
<p>The Council periodically revalue its infrastructure assets. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The Council revalued the Rivers and Drainage assets.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • reviewing the information provided to the valuer; • assessing relevant controls that management has put in place for the valuation; • evaluating the qualifications, competence and expertise of the external valuer used; • reviewing the method of valuing the assets and assessing if the applicable method used is in line with public sector accounting standards (PBE IPSAS 17, Property, Plant and Equipment), including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; and • assessing whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed. <p>We are satisfied that the use of judgements are appropriate, and valuations are correctly recorded in the Council's financial statements.</p>

Audit risk/issue	Outcome
Fair value assessment for assets	
<p>This year the following asset classes were not expected to be revalued:</p> <ul style="list-style-type: none"> • Maritime • Parks • Lakes • Land and buildings <p>Fair value assessments would need to have been completed for these classes of assets to confirm there is no material difference between their carrying amount and their fair value of assets to confirm there is no material difference between their carrying amount and their fair value.</p>	<p>Fair value assessments were undertaken prior to balance date. The assessment indicated there was no significant movement in the fair value of these assets.</p> <p>We reviewed the assessment provided by management.</p> <p>We concluded the assessments completed by the Council were reasonable and no other valuations were considered necessary in the current period.</p>
Valuation of the Put Option	
<p>PBE IFRS 9 Financial Instruments, requires that financial instruments measured at fair value through profit and loss are measured at fair value at year end.</p> <p>The Council revalued its put option as at 30 June 2022.</p>	<p>We are satisfied that the revaluation has been performed in accordance with appropriate accounting standards and the value of the liability reflects its fair value.</p> <p>We are satisfied the valuation movements have been fairly reflected in the financial statements and the associated disclosures are appropriate.</p> <p>In addition, we are satisfied the valuer is appropriately qualified objective and independent from Council.</p>
Consolidation of group financial statements	
<p>Quayside Holdings Group and Toi Moana Trust are subsidiaries of the Council.</p> <p>Adjustments were required on consolidation to reflect differences in accounting policies between the Quayside Holdings Group, Toi Moana Trust and Bay of Plenty Regional Council Group.</p>	<p>We are satisfied 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>

Audit risk/issue	Outcome
Software as an Accounting Service (SaaS)	
<p>Entities can incur significant costs when implementing cloud computing arrangements. Recent IFRIC agenda decisions by the IASB have provided some clarity on the accounting for certain costs in implementing such arrangements.</p> <p>For PBEs, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> • shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or • expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). 	<p>The Council performed an assessment of the impact of the agenda decisions on their accounting treatment of cloud computing arrangements. The assessment shows how the costs should be allocated to the relevant categories of expenditure (intangible assets, prepayment, or expense).</p> <p>As a result of this assessment, the Council has applied the new accounting policy retrospectively for the majority of the SaaS arrangements. The new accounting policy is presented in the financial statements.</p> <p>We are satisfied the Council have applied the appropriate accounting treatment to SaaS arrangements. SaaS adjustments and costs have been appropriately disclosed in the financial statements.</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 included:</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. <p>We had no areas of concern.</p>

4 Other matters identified during the audit



This section reports any other matters that were identified during the course of our audit that we wish to bring to your attention.

4.1 Sensitive Expenditure

During our testing of sensitive expenditure testing, we noted areas for improvement in reporting on sensitive expenditure by nature.

We identified through our testing expenditure which was not prohibited under the Council's current sensitive expenditure guidelines. However, the expenditure was not in line with OAG guidelines and best practice.

We acknowledge that management receive monthly reports that include all expenditure on a monthly basis. The OAG guidelines expects information to be reported to a level which allows those charged with governance to maintain oversight of sensitive expenditure incurred by the Chair and senior management.

We recommend that the Council implements a monitoring process for Sensitive Expenditure to ensure that all Sensitive Expenditure is being identified and documented clearly by type and nature in line with the OAG's best practice guidelines.

We also found the sensitive expenditure policy was overdue for review. We recommend the Council ensures all polices are regularly reviewed, updated, and adopted. Good Practice being when guidance, accounting standards or legislations is issued, or every three years.

Please also refer to further recommendations regarding the sensitive expenditure policy in Appendix 2.

Management Comment

Management have started the process of reviewing the sensitive expenditure guidelines in line with the OAG best practice guidelines. These guidelines will be communicated to all staff in the organisation once approved.

Management will implement a process to report sensitive expenditure incurred by the Chair and senior management to Council or the Risk and Assurance Committee.

4.2 Review of Information Systems (IS) policies and procedures

The Council has several IS policy and procedures in place to govern the environment and outline staff expectations, however they have not been fully reviewed for several years. Without regular reviews they may not reflect the current environment and may leave the Council exposed to internal and external threats.

The following IS policies have been identified:

- ICT Standard Operating Procedures
- ICT Acceptable Use Guidelines
- Mobile Device Guidelines
- Security Guidelines

We recommend the current policies and procedures are reviewed to ensure they are still fit for purpose and that a regular schedule of review is established.

Management Comment

Council replaced policies with guidelines and these guidelines are reviewed annually. There have been no requirements for any changes in the current year.

ICT Standard Operating Procedures are changed on an as needed basis and are updated when a process or systems changes.

4.3 Performance Reporting

From our work performed over the coastal catchment systems and controls we have identified that consideration is required to report the swimmability of monitored river and stream sites in future years.

The National Policy Statement for Freshwater Management (NPSFM) is used to inform the attributes requiring limits on resource use. The performance measure was set using appendix 2A, table 9 which provides attribute limits on E. coli/100 mL in rivers/lakes with human contact.

There have been amendments made by the Minister for the Environment under the Resource Management Act 1991 on 8 December 2022 to these tables which will impact the Council's ability to report their performance measure using current methods.

We recommend the Council consider the impact of the amendment early to ensure the use of an allowable method with appropriate narrations to clearly communicate to the reader how the result is measured and is comparable to previous years.

Management Comment

Noted. Management will consider the impact on the amendment.

5 Public sector audit



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

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

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

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

We did not identify any additional items to report on from our work performed over sensitive expenditure or related party transactions.

Refer to recommendation in section 4.1 as result of our work performed over sensitive expenditure.

6 Group audit



The group comprises:

- Quayside Holdings Limited; and
- Toi Moana Trust.

We have not identified any of the following during our audit for the year ended 30 June 2022:

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

6.1 Key Group matters

Quayside Holdings Limited Group audit report included two key audit matters: property, plant and equipment (PPE) recorded at fair value, and Quayside's investments in unlisted equity investments and venture capital managed funds. The fair value of property, plant and equipment was also included as a key audit matter in the Port of Tauranga Limited (POTL) audit report.

6.1.1 PPE recorded at fair value

All group asset classes that apply the revaluation model were revalued as at 30 June 2022. Independent valuations were obtained from Colliers International New Zealand Limited for land and buildings and the carrying value of wharves, hardstanding and harbour improvements was adjusted based on a cost inflation index provided by RWSP New Zealand Limited.

Revaluations of these asset classes resulted in a \$641 million fair value gain being recorded. The most significant movements within the group were:

- Port of Tauranga (the Port) land – this increased in value by \$538 million. The increase was attributable to movements in market values for land.
- Wharves, hardstanding and harbour improvements owned by the Port – these increased in value by \$104 million. The main reason was increases in replacement costs.

Audit procedures were set out in the audit report and focused on the suitability of the valuation method for determining the fair values of these assets and whether the valuations were accurately reflected in the financial statements. We also assessed the reliability of key valuation inputs and the reasonableness of assumptions made. We concluded that the carrying value of revalued PPE was reasonable and supportable.

6.1.2 Quayside's investments in unlisted equity investments and venture capital managed funds

Quayside's direct investments in unlisted equity investments and venture capital managed funds were recorded at a fair value of \$68.5 million as at 30 June 2022.

Audit procedures were set out in the audit report and focused on the appropriateness of the valuation techniques used and the reliability of the key valuation inputs and reasonableness of assumptions made. We concluded the valuations adopted for unlisted equity investments and venture capital managed funds are reasonable and supportable.

7 Useful publications



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

Description	Where to find it
Performance reporting	
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand’s website under good practice. Link: Good practice in reporting about performance – Office of the Auditor-General New Zealand (oag.parliament.nz)
Sensitive expenditure	
The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General’s website under good practice. Link: Sensitive expenditure
Good practice	
The OAG’s website contains a range of good practice guidance. This includes resources on: <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	On the OAG’s website under good practice. Link: Good practice

Description	Where to find it
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>
Local government risk management practices	
<p>The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.</p>	<p>On the Office of the Auditor-General’s website under publications. Link: Observations on local government risk management practices</p>
Public accountability	
<p>Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand’s public accountability system is working in practice.</p>	<p>On the Office of the Auditor-General’s website under publications. Link: Building a stronger public accountability system for New Zealanders</p>

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice1</p> <p>Link: Tax Matters</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>

Description	Where to find it
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications.</p> <p>Link: Conflicts of interest</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
<p>Transition from external RID management to internal management</p> <p>The Council needs to ensure that they are prepared for the audit procedures that will need to be completed over the new system.</p>	2021 Final	<p>In progress</p> <p>Audit NZ and the Council will meet to discuss the audit expectations as part of the planning process of the 2023 audit.</p>
<p>Review of useful lives of property, plant, and equipment</p> <p>We recommend the Council considers reviewing its depreciation rates within the plant and equipment asset class.</p>	2020 Final	<p>Open</p> <p>Included in the Plant and Equipment asset class is over \$14 million (PY \$14 million) in fully depreciated assets.</p> <p>Included in the Intangible Assets is \$6 million in fully depreciated assets.</p> <p>Management Comment</p> <p><i>Noted. Management will review the useful lives of plant and equipment as well as intangible assets as part of the Long-Term Plan 2024 – 2034.</i></p>
<p>Procurement Policy</p> <p>The Procurement Policy was last updated in May 2016 and was due for review in May 2019.</p>	2019 Interim	<p>In progress</p> <p>There has been no new policy adopted.</p> <p>Management comment:</p> <p><i>Noted. Management will assess the priority of the Procurement policy review on the Policy review roadmap.</i></p>
<p>Fraud</p> <p>Based on the Ministry of Justice' guidance, we recommended that the Council updates its Fraud Policy to comply with the ministry's guidance.</p>	2017	<p>In progress</p> <p>There has been no new policy adopted.</p> <p>Management comment:</p> <p><i>Noted. Management will assess the priority of the Fraud policy review on the Policy review roadmap.</i></p>

Recommendation	First raised	Status
Beneficial		
<p>High leave balances</p> <p>Encourage employees to use their annual leave and ensure that all employees maintain a leave balance below their annual entitlement.</p>	2021 Final	<p>Open</p> <p>We found that of 456 employees with 20-day annual leave entitlement, 121 employees (27%) had an annual leave of over 20 days. We also identified 19 out of 41 (46%) employees with an annual leave entitlement of 25 days had an annual leave balance of over 25 days.</p> <p>Management Comment</p> <p><i>Staff have been encouraged to take extended leave over the Christmas break and management will continue to encourage staff to do so in 2023.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Type 2 report for RITS</p> <p>Ensure that for future audits a Controls report (Type 2 report) is obtained over the RITS system.</p>	2021 Final	<p>Closed</p> <p>Our audit approach is appropriate to deal with the risk of not having a type 2 report for RITS.</p>
<p>Flood warning performance reporting</p> <p>Ensure that staff add detail to their flood alarm reports to ensure that the alarm can be appropriately categorised.</p> <p>Ensure that the underlying Hydrotel to be regularly reconciled to the staff monthly reports.</p>	2021 Final	<p>Closed</p> <p>We have verified the improvements in flood manager checklists and that the reconciliations of Hydrotel alarms are reconciled monthly.</p>
<p>Independent review of Monthly Vehicle Addition and Disposal Reconciliations</p> <p>Monthly reconciliations for vehicle additions and disposal accounts should be independently reviewed in a timely manner and evidence of this review is clearly documented within the system.</p>	2021 Final	<p>Closed</p> <p>We have noted no issues with timely review of asset reconciliation in our current year work performed.</p>

Recommendation	First raised	Status
<p>Revaluation of entire asset class</p> <p>Ensure that revaluations be carried out over the entire asset class being revalued.</p>	2021 Final	<p>Closed</p> <p>We have reviewed the rivers and drainage valuation as at 1 July 2021. We have noted no issues with assets being excluded from the revaluations in our current year work performed.</p>
<p>River and drainage valuation</p> <p>We recommended, in future reporting periods, physical inspection of assets is undertaken by the external peer reviewer to ensure the accuracy, existence, and condition of the assets being valued.</p>	2019 Final	<p>Closed</p> <p>A full condition assessment has been undertaken between 2019-2021 by external contractors.</p>

Appendix 2: Sensitive Expenditure Policy

We reviewed the Council's latest version of the sensitive expenditure policy against the Office of the Auditor-General's (the OAG's) best practice guidelines.

The following points should be considered on review:

Claims

- be separate claims for each person whenever possible, or where a claim relates to more than one person (e.g. joint travel), it should be made by the most senior person and list the other individuals to whom the expenditure relates.

Loyalty reward scheme benefits

- The entity preserves impartiality and integrity, by ensuring staff making procurement decisions do not personally receive any loyalty rewards as a result of their decisions.

Use of assets and supplies

- The selection of suppliers is in the entity's best interests and is not affected by the availability or possibility of purchasing privileges for staff.
- If the entity allows staff to purchase directly from suppliers, it sets limits on the value and quantity of purchase and monitors staff use to avoid any risks to future procurement decisions involving that supplier.
- There is an explicit policy that staff cannot use purchasing privileges on behalf of any third party, such as family members or friends, and that staff should pay in full and must not use the organisation as a source of credit. The entity's resources, including staff time, should not be used to procure goods or services for employees' personal benefit.

Further we suggest it is clearly defined within the policy what the points **justifiable business purpose** and **moderate and conservative** means for public organisations.

Having a justifiable business purpose that is consistent with the public organisation's objectives. A justifiable business purpose means a reason that would make clear sense, supported by evidence of the need for the spending and evidence that a range of options have been considered.

Being moderate and conservative when viewed from the standpoint of the public and given the circumstances of the spending. It includes considering whether the justifiable business purpose could be achieved at a lower cost.

We recommend the Council undertakes a review of its sensitive expenditure policy with a view to aligning the policy with the Office of the Auditor General's: [Controlling sensitive expenditure: Guide for public organisations — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://www.oag.parliament.nz/publications/controlling-sensitive-expenditure-guide-for-public-organisations).

Appendix 3: Uncorrected misstatements

Current year uncorrected misstatements	Note	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Bay of Plenty Regional Council					
No uncorrected misstatements					
Quayside Holdings Limited group (Quayside) - pertaining to the Port of Tauranga Limited (POTL)					
Investments in Equity Accounted Investees – Property, Plant and Equipment	1	\$9,023,000			
Share of change in revaluation reserve of Equity Accounted Investees Other Comprehensive Income – Equity	1			(\$9,023,000)	
Loans and borrowings - Liabilities	2		(\$359,794)		
Derivative financial instruments – Liabilities	2		\$427,737		
Finance income – Revenue	2				(\$67,943)
Total group		\$9,023,000	\$67,943	(\$9,023,000)	(\$67,943)

Explanation of uncorrected misstatements

- The fair value uplift for wharves and hardstanding of Northport was not recognised in the annual reports of Port of Tauranga Limited (POTL) and the Quayside Holdings Limited (QHL) group.
- A new hedging instrument, which should have been designated as a fair value hedge at initial recognition was incorrectly classified as a cash-flow hedge in the annual reports of POTL and the QHL group.

Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Entity relates to	Management’s explanation for not correcting
<p>The Group’s disclosure of key valuation assumptions for land, buildings, wharves and hardstanding and harbour improvements can be improved with information about the sensitivities of the unobservable inputs, including quantifying the sensitivities), to comply with IFRS 13 paragraph 93(h)(1).</p>	<p>POTL</p>	<p>Quayside management note that this uncorrected disclosure deficiency is related to the Port of Tauranga.</p>

Appendix 4: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Bay of Plenty Regional Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of the debenture trust deed and the annual audit of its subsidiaries, which are compatible with those independence requirements.</p> <p>Other than these engagements we have no relationship with or interests in the Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$156,713, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$7,450, for debenture trust deed engagement.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council or its subsidiaries during or since the end of the financial year.</p>

Item 7.2, Attachment 1



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Report To:	Risk and Assurance Committee
Meeting Date:	8 March 2023
Report Writer:	Olive McVicker, Corporate Performance Team Lead; Mark Le Comte, Principal Advisor, Finance and Gillian Payne, Principal Advisor
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	To update the Committee on efficiency and effectiveness improvements, and progress on the regional benchmarking project

Efficiency and Effectiveness Gains and Progress on Benchmarking

Executive Summary

During the last 12 months, organisational improvements have been planned or implemented to achieve measurable gains in efficiency (cost or time savings, improved quality or reliability) and/or effectiveness (improved outcomes). Some of these are described in section 2 of this report.

BOPRC has initiated a regional and unitary councils' benchmarking group. The draft templates to gather information have been designed and shared with a key partner council for feedback, following which it will be shared with the other participants.

It is important that the participants are involved in co-design to some extent, to ensure the scope and level of detail of the results meet their needs. Without ongoing commitment of comparator councils over the medium term, the benchmarking effort will be wasted. As a result, the initiative is planned to start small and evolve in scope and detail as agreed by participants.

During upcoming development of the Long-Term Plan 2024-2034, Councillors will have the opportunity to review performance targets (outcomes measures and levels of service) and the budgets to achieve them.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Efficiency and Effectiveness Gains and Progress on Benchmarking.**

1. Introduction

On 14 April 2022 the Risk and Assurance Committee considered a report outlining the frameworks and processes used to understand, measure and report effectiveness and efficiency in the delivery of Council's services. It also provided background covering concepts and terminology used when discussing cost effectiveness and performance measures and target setting.

A draft Terms of Reference was presented, and the Committee recommended that *"the Efficiency and Effectiveness Terms of Reference (be) referred to the Council to be established following the Triennium elections to be added to the work programme"*. This has been done through setting performance expectations for the Chief Executive.

1.1 Legislative Framework

The Local Government Act 2002(LGA) s17A requires reviews of the cost-effectiveness of current delivery arrangements, provided the potential benefits of the review outweigh the cost of conducting it, in Council's opinion. Reviews are not required where the activity is governed by legislation or a contract that cannot be reasonably altered within two years.

Where a full review is considered worthwhile, the scope of the review is specified in LGA s17A(4).

17A (4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:

- (a) responsibility for governance, funding, and delivery is exercised by the local authority;*
- (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—*
 - (i) a council-controlled organisation of the local authority; or*
 - (ii) a council-controlled organisation in which the local authority is one of several shareholders; or*
 - (iii) another local authority; or*
 - (iv) another person or agency;*
- (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).*

1.2 Alignment with Strategic Framework

The Way We Work

We continually seek opportunities to innovate and improve.
 We deliver value to our ratepayers and our customers.
 We look to partnerships for best outcomes.

Efficiency and effectiveness work seeks to improve the services we deliver and reduce costs. Benchmarking is an important step in improvement processes that can highlight where there are opportunities to learn from others or share our practices for others to improve.

1.2.1 Community Well-beings Assessment

Dominant Well-Beings Affected			
<input type="checkbox"/> Environmental	<input type="checkbox"/> Cultural	<input type="checkbox"/> Social	<input type="checkbox"/> Economic
			Medium - Positive

Efficiency initiatives primarily affect the economic well-being of residents, through lower costs for the same service, but improvements in effectiveness could affect any of the well-beings, depending on the activity to which they relate.

2. Efficiency and effectiveness initiatives

2.1 Approach to operational improvements

Activity managers are responsible for identifying opportunities in their day-to-day work, both incremental improvements and more substantial reviews. The results of improvements are shared with Councillors as part of reports to various Committees.

The internal audit team, as part of their reviews, provides an independent view of operational processes and can help identify opportunities for improvement. These are shared with managers through recommendations. The internal audit team reports quarterly to the Risk and Assurance Committee.

The examples below are not an exhaustive list but intended to give a picture of recent initiatives and their monitoring.

2.2 Results of improvement initiatives

2.2.1 Rates collection moves in-house

What was changed?	In-house collection of rates rather than contracting territorial authorities to collect rates on our behalf.
Efficiency benefits realised	As reported to the Monitoring and Operations Committee on 7 March 2023, efficiency benefits include: <ul style="list-style-type: none"> • producing service delivery cost savings for ratepayers • increased control of rates processes. • earlier cash receipts and additional interest revenue
Effectiveness benefits realised	As reported to the Monitoring and Operations Committee on 7 March 2023, effectiveness benefits include: <ul style="list-style-type: none"> • developing a customer centric service, • providing better visibility of the relationship between rates and the services they fund • establishing direct relationships with our ratepayers • improving the opportunity for collaboration with local authorities in the region
Timeframe for benefits	On-going

2.2.2 Legal services

What was changed?	Legal team created in FY 2020/21
Efficiency benefits realised	As reported to Risk and Assurance Committee in September 2022: <ul style="list-style-type: none"> since the team was created, external legal spend fell from \$1.9 million in 2019/20 to \$1.1 million in 2021/22. the in-house team performs 7,124 hours of legal work per year. If this same number of hours were provided by local external legal partners, it would lead to a cost of around \$2.9 million.
Timeframe for benefits	On-going benefits. Further work is planned to identify additional opportunities to avoid external legal spend.

2.3 Key improvement initiatives underway or planned

2.3.1 Project Insight – Phases 1 and 2

What is it?	Development of an interactive tool for Councillors to monitor financial performance at desired levels of detail (Stage 1A) and linking it to non-financial performance information (Stage 1B)
Progress	Stage 1A substantially complete and ready for launch Stage 1B in design stage.
Efficiency benefits expected	Expected efficiencies are not yet realised because prior to full implementation, manual reporting processes are still necessary. Once Phase 2 implementation (non-financial information) is completed, time taken for staff to produce quarterly reports will reduce as manual compilation of Arotake report will cease.
Effectiveness benefits expected	Stage 1A: <ul style="list-style-type: none"> Greater transparency of financial reporting for Councillors. Ability of Councillors to choose the level of detail they see and how it is presented. Faster turnaround of financial results after close of quarter. Stage 1B <ul style="list-style-type: none"> Linking non-financial targets with financial budgets to enable decision-making about priorities.
When and how will benefits be measured?	Baselines will be established to measure current effort for manual processes. For Stage 1A, user satisfaction feedback expected by June 2023.

2.3.2 Laboratory Services operational review

What is it?	A review was undertaken in 2022 to determine if the current laboratory service is being utilised to maximum benefit, and to identify improvements opportunities
Progress	Review has been completed and was reported to Risk and Assurance in September 2022. Some improvements are planned for 2023 and other opportunities will be explored, and proposals developed for the 2024-2034 LTP.
Efficiency benefits expected	<ul style="list-style-type: none"> Automated billing freeing up lab staff time for value-add activity Business process changes
Effectiveness benefits expected	<ul style="list-style-type: none"> Equipment upgrades to process more tests in a shorter time
When and how will benefits be measured?	Results will be reported to Risk and Assurance Committee through the internal audit quarterly updates.

2.3.3 Further improvements to rates collection service

What is it?	During implementation of the rates collection service, opportunities for improvement were identified.
Progress	A two-year programme has been developed (as reported to the Monitoring and Operations Committee on 7 March 2023)
Benefits expected	<ul style="list-style-type: none"> Review and resolve anomalies in historical rating Review and update river scheme rating categories to take account of property changes, reduce complexity and ensure charges are fair and equitable.
When and how will benefits be measured?	Progress and results will be reported to Monitoring and Operations on a regular basis.

3. Benchmarking initiative

3.1 Purpose and approach

Benchmarking aspects of Council's performance can highlight areas where there may be opportunities to learn from others and improve performance.

Council has participated in previous benchmarking initiatives involving the regional sector, most notably an initiative in 2012-2017 known as Benchmarking Administrative and Support Services (BASS). The regional sector adapted the framework from one designed for central government agencies; it was very precise and detailed and support for the initiative waned, partly due to the administrative overhead involved in standardising and collecting the input data.

BOPRC has initiated a regional and unitary councils' benchmarking group, excluding Auckland and Chatham Islands. Learning from previous experience, the approach of the current initiative is:

- Start with the basics and build on what works, is administratively sustainable and produces actionable results
- Measures should be designed so that results can help identify improvement opportunities and innovation, to ultimately benefit the community, rather than aiming to rank performance
- Recognise that comparing apples with apples is ideal, but apples with pears may be enough to identify opportunities to explore better ways of doing things.

This approach means that success will be measured by whether the benchmarking information proves useful in spotting opportunities and encouraging exchange of ideas. Producing league tables will be avoided because ranking the results that compare “apples and pears” will be misleading and could have a negative effect on participation. Instead of spending excess time standardising data so that league tables are comparable, more time will be spent understanding the differences lying behind the results and asking ourselves questions about what that means for efficiency and effectiveness.

3.2 Progress to date

Draft templates to gather information have been designed and shared with a key partner council for feedback, following which it will be shared with the other participants and a timetable for the first round of information gathering can be agreed between the participants.

It is important that the participants are involved in co-design of the measures to some extent, to ensure the scope and level of detail of the results meet their needs and their capacity to deliver the information on time.

4. Considerations

4.1 Risks and Mitigations

The greatest risk to this project is losing support for the project among the comparator councils. Without ongoing commitment of comparator councils over the medium term, the benchmarking effort will be wasted. As a result, the initiative is planned to start small and evolve in scope and detail, through negotiation and consensus of the participants. This could affect the pace of the project and its development.

4.2 Climate Change

The matters addressed in this report are of a procedural nature and there is no need to consider climate change impacts.

4.3 Implications for Māori

There are no specific implications for Māori arising from this report.

4.4 Community Engagement



Engagement with the community is not required as the recommended proposal / decision relates to internal Council matters only.

4.5 Financial Implications

Financial costs and benefits arising from improvement initiatives will be apparent in the budgets of the activities concerned.

By taking part in the benchmarking initiative, staff time covered by current budgets is committed, which will reduce the time available for other new initiatives that may be identified in future.

5. Next Steps

Progress on both benchmarking and measuring efficiency and effectiveness gains will be reported to the Committee again in September 2023.

During upcoming development of the Long-Term Plan 2024-2034, Councillors will have the opportunity to review levels of service and budgets for activities. This is the process through which performance targets (outcomes measures and levels of service) and budgets to achieve them are primarily set.



Report To:	Risk and Assurance Committee
Meeting Date:	8 March 2023
Report Writer:	Aaron Huggins, Principal Internal Auditor
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	To provide an update on the internal audit program and the audit plan.

Internal Audit Status Update

Executive Summary

This report provides an update on the status of internal audit activities as at 31 December 2022 and includes:

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 December 2022.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Internal Audit Status Update.**

1. Introduction

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

- The status of internal audit reviews in the current year;
- The status of follow up of internal audit recommendations and management actions to 31 December 2022.

1.1 Alignment with Strategic Framework

The Way We Work We continually seek opportunities to innovate and improve.

2. Internal Audit Work Plan 2022/23 Status

Based on the Internal Audit Work Plan 2022/23 the following table summarises the status of internal audit reviews for 2022/23.

Review	Field work	GM Sponsor	Status	Status of Internal Audit				
				Planning /Scope	Fieldwork	Draft Report	Mgmt Actions	Final Report
CDEM Administering Authority	BOPRC	Regulatory Services	In Progress	Complete				
Compliance process	BOPRC	Regulatory Services	Complete	Complete	Complete	Complete	Complete	Complete
Focus Catchments	BOPRC	Integrated Catchments	In Progress	Complete				
Payroll	BOPRC	People & Leadership	Complete	Complete	Complete	Complete	Complete	Complete
Protected Disclosures (Whistleblower)	BOPRC	People & Leadership	In Progress	Complete				
Rates process review	BOPRC	Corporate	In Progress	Complete				
Climate change	BOPRC	Integrated Catchments	In Progress	Complete	In Progress (25%)			
Project management (21/22)	BOPRC	Corporate	Complete	Complete	Complete	Complete	Complete	Complete

Delivery of the 2022/23 internal audit programme is currently progressing on schedule.

3. Internal Audit Follow Up

Internal Audit has reviewed all open management actions as part of the follow up work in the 2022/23 Work Plan.

3.1 Management actions

At the start of the half-year (1 July 2022) there were 66 open management actions.

The following graph highlights the progress made within BOPRC to address open audit actions during the half-year to 31 December 2022:

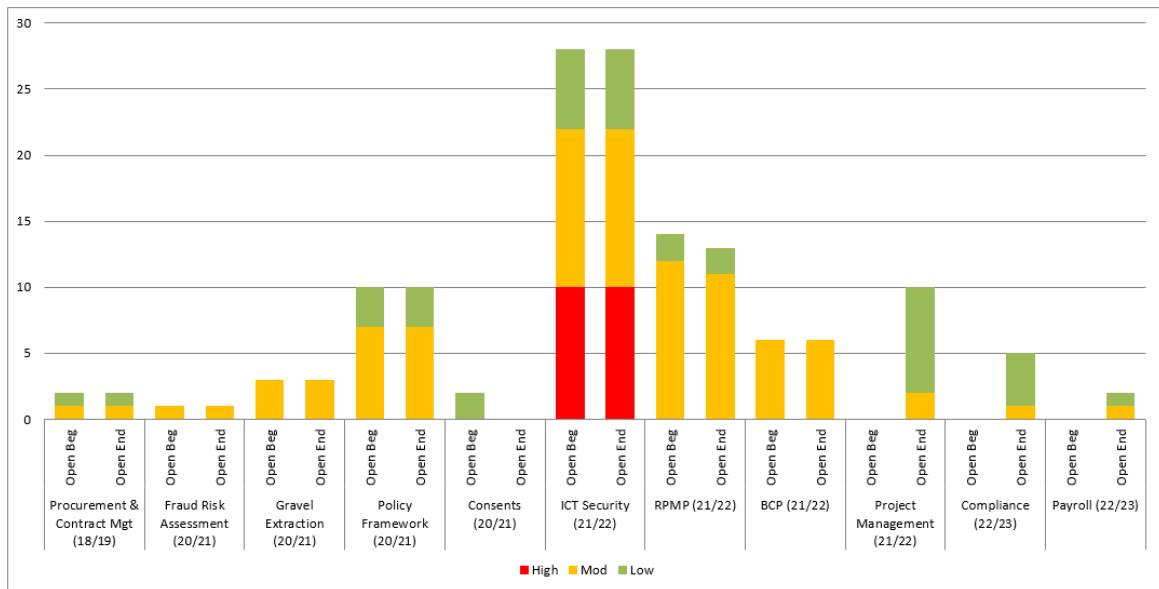


Figure 1 Open management actions (1 July 2022 vs 31 December 2022)

During the half-year five actions were closed and seventeen actions were added. The total of actions open as at 31 December 2022 is 80, the majority of these relate to ICT Security (28), Regional Pest Management Plan (13), and Policy Framework (10).

For the remaining longer-standing audit actions work streams continue to be underway to address the open audit actions:

- Procurement & Contract Management – The Financial Delegations Manual is currently being updated, and training is being delivered to staff on the recently introduced contracts module within BOPRC’s financial management information system (Tech1).
- Fraud Risk Assessment – work is underway to update contract workflow rules, implement updated dashboard reporting, and update purchasing workflow rules. This is estimated to be complete by July 2023.
- Gravel Extraction – the three open actions relate to updating the Regional Gravel Management Plan and reviewing the associated fees and charges. This will be addressed as part of the next Long Term Plan.
- Policy Framework – work is underway to address the recommendations in alignment with BOPRC’s Toi Tangata People Plan.

For the ICT Security audit, a Cyber Security Strategy is being finalised. Project charters and scopes have been prepared to address the higher risk actions, and process reviews are intended to be undertaken to address the moderate and low risk actions.

The remaining audit actions relate to Internal Audit Reviews completed later during the 2021/22 financial year through to the 2022/23 financial year and are not yet due for completion.

3.2 Improvement actions

At the start of the half-year (1 July 2022) there were twenty-one open improvement actions. These typically have a longer estimated completion timeframe than audit actions, and refer to operational improvements rather than formal risk mitigations.

The following graph highlights the progress made within BOPRC to address open improvement opportunity actions during the half-year to 31 December 2022:

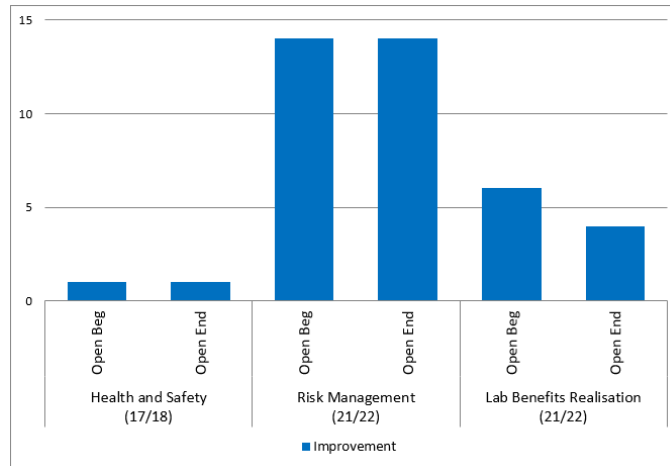


Figure 2 Open improvement actions (1 July 2022 vs 31 December 2022)

The Health & Safety improvement remains open and refers to the last phase of the critical risk project rollout.

The Risk Management and the Laboratory Services Benefits Realisation reviews were completed during the 2021/22 financial year and are not yet due for completion.

4. Considerations

4.1 Risks and Mitigations

There are no significant risks associated with this matter/subject/project/initiative.

4.2 Climate Change

The matters addressed in this report are of a procedural nature and there is no need to consider climate change impacts.

4.3 Implications for Māori

No implications identified – matters are of a procedural nature only.

4.4 Community Engagement



Engagement with the community is not required as the recommended proposal / decision [relates to internal Council matters only].

4.5 **Financial Implications**

There are no material unbudgeted financial implications and this fits within the allocated budget.

5. **Next Steps**

To note the Internal Audit status update (as at 31 December 2022).