



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 6 March 2024 COMMENCING AT 10.00 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](#)

Fiona McTavish
Chief Executive, Bay of Plenty Regional Council Toi Moana
26 February 2024

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. Minutes**
 - Minutes to be Confirmed**
 - 7.1 Risk and Assurance Committee Minutes - 7 December 2023 8**
- 8. Reports**
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 - 8.2 External Audit Engagement Letter: Audit of the Consultation Document and 2024 - 2034 Long-Term Plan 21**
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9. 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
9.1	Public Excluded Risk and Assurance Committee Minutes - 7 December 2023	As noted in the relevant Minutes.	As noted in the relevant Minutes.	To remain in public excluded.
9.2	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.

Minutes to be Confirmed

9.1 Public Excluded Risk and Assurance Committee Minutes - 7 December 2023

Reports

9.2 Key Risk Register

Attachment 1 - Key risk register - December 2023

10. Public Excluded Business to be Transferred into the Open

11. Readmit the Public

12. Consideration of Items not on the Agenda

Risk and Assurance Committee

Open Minutes

Commencing:	Thursday 7 December 2023, 9.30am
Venue:	Council Chambers, Regional House, 1 Elizabeth Street, Tauranga
Chairperson:	Cr Stuart Crosby
Deputy Chairperson:	Bruce Robertson (Independent Member)
Members:	Cr Ron Scott Cr Andrew von Dadelszen Cr Te Taru White Cr Kevin Winter
In Attendance:	<u>Councillors:</u> Cr Matemoana McDonald (via Zoom); Cr Jane Nees (via Zoom) <u>Staff:</u> Fiona McTavish – Chief Executive; Mat Taylor – General Manager Corporate; Chris Ingle – General Manager, Integrated Catchments; Reuben Fraser – General Manager, Regulatory Services; Steve Groom – Governance Manager; Evaleigh Rautjoki-Williams – Digital Manager (Chief Digital Officer); Steve Slack – Risk & Assurance Manager; Aaron Huggins – Principal Internal Auditor; Mark Lennard – Internal Audit Advisor; Jo Pellew – Rates Manager; Annabel Taylor – Manager, Special Projects; Monique Brooks – Legal and Commercial Manager; Jenny Teeuwen – Committee Advisor
Apologies:	Chairman Doug Leeder (Ex Officio)

Committee members and the public were reminded that the public section of the meeting was being livestreamed and recorded and that the recording would be available on the Bay of Plenty Regional Council YouTube channel following the meeting.

Recording link: [Risk and Assurance Committee - 7 December 2023 - YouTube](#)

1. Apologies

Resolved

That the Risk and Assurance Committee:

- 1 Accepts the apology from Chairman Doug Leeder for absence tendered at the meeting.**

**Crosby/von Dadelszen
CARRIED**

2. Order of Business

There was no change to the order of business; however, it was noted that Item 8.3 - Audit Engagement Letter: Audit of the Consultation Document on Long-Term Plan for the period commencing 1 July 2024 - has been withdrawn from the agenda.

3. Declaration of Conflicts of Interest

Bruce Robertson, Independent Member, declared an interest that, as the Independent Member for Tauranga City Council's (TCC) Strategy, Finance and Risk Committee, he had been engaged to undertake some work for TCC around the development of Tauriko West which would involve a level of consenting with Bay of Plenty Regional Council Toi Moana (BOPRC). Whilst this conflict was not an issue for this agenda, this Committee needed to be mindful of this conflict going forward.

4. Minutes

Minutes to be Confirmed

4.1 Risk and Assurance Committee Minutes - 5 October 2023

Resolved

That the Risk and Assurance Committee:

Confirms the Risk and Assurance Committee Minutes - 5 October 2023 as a true and correct record, subject to the following amendment:

- **Item 3.3 - Progress update on the Draft Annual Report for the year ended 30 June 2023 - third bullet point under In Response to Questions, PPS was incorrectly recorded as price per share, this should read perpetual preference shares.**

**von Dadelszen/White
CARRIED**

5. Reports

5.1 Chairperson's Report

Presented by: Mat Taylor – General Manager, Corporate

Key Points

- Noted that the March 2024 – September 2024 work programme may be amended as/if required to address any new government directives.

In Response to Questions

- Requested that a report on BOPRC's employment practices and associated risks be included in the work programme. A report on this would be considered for a future meeting of this Committee.

9.37am - Cr Nees **entered** the meeting (via Zoom)

- Discussion occurred on the review of BOPRC's risk register and when this was likely to occur in the work programme, particularly in view of the risks being identified through the long term plan (LTP) process. The draft LTP and consultation document would be presented to Council at its public meeting on 14 December 2023 for adoption for audit. A risk workshop would then be held to consider BOPRC's risk register, including the risks that flowed from the delivery of the LTP objectives. This workshop was scheduled for March 2024.
- The scope of how the risks associated with BOPRC's operational expenditure may be considered by this Committee, would be brought back to the March 2024 meeting, with a view for this to be discussed, if approved, at the June 2024 meeting following completion of LTP deliberations when the operational expenditure totals would be known.

Resolved

That the Risk and Assurance Committee:

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

**Crosby/Robertson
CARRIED**

5.2 Assessment of Bay of Plenty Regional Council's practice in relation to the Ombudsman's "Open for Business" report on the use of workshops

Presented by: Steve Groom – Governance Manager

Key Points

- Provided a brief overview of the Ombudsman's report.
- 25 'expectations' had resulted from the investigation. BOPRC was currently in full alignment with 16, partially aligned with a further five, and not aligned with four.

In Response to Questions

- Mechanisms were already in place through Standing Orders to note divisions/abstentions when voting. If recording individual votes for every item was made compulsory, this would require an amendment to Standing Orders.

Key Points - Members

- The recording of individual elected members votes for every item was not supported.

Resolved

That the Risk and Assurance Committee:

- 1 **Receives the report, Assessment of Bay of Plenty Regional Council's practice in relation to the Ombudsman's "Open for Business" report on the use of workshops;**
- 2 **Endorses the actions identified in section 2.2 of this paper for internal implementation; and**
- 3 **Endorses the preparation of a paper for consideration by full Council in February 2024, seeking Council's endorsement of the proposed 'Council-owned actions' in section 2.2 of this paper.**

**Crosby/White
CARRIED**

5.3 Artificial Intelligence Update

Presentation: Artificial Intelligence (AI): Objective ID A4559468

Presented by: Evaleigh Rautjoki-Williams - Digital Manager (Chief Digital Officer)

Key Points

- Provided examples of how BOPRC staff were using artificial intelligence (AI) in everyday work.
- Provided a demonstration of Microsoft Bing Chat. This platform was being promoted for staff to use. Bing Chat was a secure generative AI platform that followed ethical guidelines and protected the organisation's data. It was part of the organisation's existing Microsoft licence agreement so did not come at an extra cost.
- Bing Chat would be used for publicly available information only.
- Demonstrated how AI could be used to change the way BOPRC worked and provide real efficiencies, using water meter photos and consent submissions for notifiable consents as examples.

In Response to Questions

- The Bing Chat product protected the organisation's information i.e. did not save the information and use it to train the AI, whereas other tools e.g. Chat GPT, captured information and stored it within their system.
- A privacy assessment had been undertaken for Bing Chat to ensure it was secure for BOPRC use.
- Acknowledged that this was still an emerging learning space, both for opportunities and risks. Staff were continually monitoring the best practice advice via BOPRC's vendors as well as other government agencies, and were working collaboratively to share information and how risks were being addressed.
- A staff network had been established to explore emerging AI opportunities and maintain guidelines according to those emerging opportunities. BOPRC would continue to ensure staff had the support they needed to ensure they could utilise these tools safely.
- It was expected that some submissions to BOPRC's LTP would be generated using an AI tool.
- It was hoped that the use of AI tools would alleviate some of the work pressure on staff working through submissions and other administrative heavy processes.
- Staff effort/time/cost invested in AI had been integrated into business as usual.

- Bing Chat had different settings which could be applied; however, it was recommended that generated content was reviewed to ensure that the information was correct and read as required.

Key Points - Members

- Suggested an update be provided in 12 - 18 months time to track how AI was advancing within the organisation.

Resolved

That the Risk and Assurance Committee:

- 1 Receives the report, Artificial Intelligence Update.**

**von Dadelszen/White
CARRIED**

5.4 Rates Risk Report - Implementation of the Rates Assessment and Collection Process

Presented by: Jo Pellew – Rates Manager
Annabel Taylor – Manager, Special Projects

In Response to Questions

- The spike in customer queries and long wait times in the first year of rates collection was only for a short period of time (two to three days) and was management quickly – 1,100 queries reduced to 100 within four days. Response times had been much quicker this year.

Resolved

That the Risk and Assurance Committee:

- 1 Receives the report, Rates Risk Report - Implementation of the Rates Assessment and Collection Process.**

**Crosby/Winters
CARRIED**

5.5 Internal Audit Status Update

Presented by: Aaron Huggins – Principal Internal Auditor

In Response to Questions

- The internal audit programme was currently on track. The programme could be fluid at times and flexibility was needed.
- Currently, there were no particular roadblocks to closing out management actions but this was dependent on the workload of the team responsible and the complexity of the audit actions. Progress/slippage would be reported in status updates going forward.
- The risk management review was a long term project and was currently in progress. This review was an improvement recommendations only project, not an audit.

Resolved**That the Risk and Assurance Committee:**

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

**Crosby/von Dadelszen
CARRIED**

6. Public Excluded Section**Resolved****Resolution to exclude the public**

- 1 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
3.1	Public Excluded Risk and Assurance Committee Minutes - 5 October 2023	As noted in the relevant Minutes.	As noted in the relevant Minutes.	To remain in public excluded.
3.2	Completed Internal Audit Reviews & Overdue Actions Update	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.

3.3	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.
3.4	Flood Implications Work Programme	Withholding the information is necessary to maintain legal professional privilege.	48(1)(a)(i) Section 7 (2)(g).	To remain in public excluded.

**Robertson/Scott
CARRIED**

10.35am – the meeting **adjourned**.

11.00am – the meeting **reconvened** in Public Excluded.

11.40am – the meeting closed.

CONFIRMED

Cr Stuart Crosby
Chairperson, Risk and Assurance Committee



Report To: Risk and Assurance Committee

Meeting Date: 6 March 2024

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 for the year ahead, and an updated Risk and Assurance Completed Work Programme.

1.1 Alignment with Strategic Framework

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

1.1.1 Community Well-beings Assessment

Dominant Well-Beings Affected

☐ Environmental ☐ Cultural ☐ Social ☒ Economic

2. Risk and Assurance Work Programme

Attachment 1 shows the Risk and Assurance Work Programme for 2024. This Work Programme sets out the planned and scheduled reporting to the Risk and Assurance Committee.

The attachment 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.

3. Risk and Assurance Completed Work Programme

Attachment 2 shows the Risk and Assurance Completed Work Programme for the 2023 year.

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

There are no implications for Māori.

4.4 Financial Implications

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

Attachments

Attachment 1 - Risk and Assurance Work Programme June 2024 - December 2024 [↓](#)

Attachment 2 - Risk and Assurance Completed Work Programme March 2023 to December 2023 [↓](#)

*Risk & Assurance Committee Work Programme
June 2024 to December 2024*

June 2024	September 2024	December 2024
	<ul style="list-style-type: none">External Audit Annual Report for the Year Ended 30 June 2024	
<ul style="list-style-type: none">Internal Audit Status UpdateInternal Audit Work Programme 2024/25	<ul style="list-style-type: none">Internal Audit Status UpdateInternal Audit Annual Report 2023/24	<ul style="list-style-type: none">Internal Audit Progress Report
<ul style="list-style-type: none">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 UpdateRates Collection Risk Report
<ul style="list-style-type: none">Chairperson’s Report (including Work Programme)Setting of Rates 2024/25	<ul style="list-style-type: none">Chairperson’s Report (including Work Programme)Council Chairman’s Discretionary Fund – Annual Report 2023/24Draft Annual Report Review 2023/24Expenditure and Koha Report 2023/24LOGOIMA – Annual Report 2023/24Legal Services Annual Report 2023/24	<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 March 2023 – December 2023

Meeting date	Report title	Purpose of report
8 March 2023 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	Audit New Zealand Report on the Audit of the Bay of Plenty Regional Council for the Year Ended 30 June 2022	This report set out the findings and recommendations arising from the final audit performed over the period October to December 2022.
	Efficiency and Effectiveness Gains and Progress on Benchmarking	This report highlighted some of the efficiency and effectiveness initiatives planned and implemented and provided an update on the regional and unitary council's benchmarking group.
	Internal Audit Status Update	This report provided an update on the status of internal audit activities as at 31 December 2022.
	Completed Internal Audit Reviews	CONFIDENTIAL – This report provided a summary of internal audit reviews completed during the quarter as part of the 2021/22 and 2022/23 Internal Audit Plans.
	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
14 June 2023 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	External Audit Engagement Letter 2023-2025 and Audit Plan 2022/23	This report provided an overview of the key elements of Audit NZ's engagement letter for the external audit of BOPRC for the financial years 2023-2025 and the proposed Audit Plan for year ending 30 June 2023.
	Internal Audit Status Update	This report provided an update on the status of internal audit activities as at 31 March 2023.
	Internal Audit Work Programme 2023/24	This report provided an update on the Internal Audit Work Programme 2023/24 and covered potential audits for 2024/25 and 2025/26.
	Rates Setting for 2023/24 Financial Year – Legal Compliance	This report provides the draft Bay of Plenty Regional Council rates setting recommendations to ensure continued statutory compliance for the rates setting process for the 2023/24 financial year.
	Assets Register – Data Improvements	This report provided an update on the continuous improvement programme to enhance the asset data of the assets register to enable effective management of the assets throughout their lifecycle.
	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
5 October 2023 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	Audit NZ Report on interim audit of the BOPRC for the year ended 30 June 2023	This report outlined audit findings, recommendations and prioritised them as urgent, necessary, or beneficial.
	Progress update on the Draft Annual Report for the year ended 30 June 2023	This report provided an update on the preparation and audit of the Annual Report for the year ended 30 June 2023 (AR 2022/23).
	Expenditure and Koha report for the year ended 30 June 2023	This report provided (redacted) supplier, sensitive expenditure and koha expenditure for the twelve months ended 30 June 2023.
	Chairman's Discretionary Fund 2022/23	This report provided an update on individual and/or organisations who received financial assistance from this Fund.
	Local Government Official Information & Meetings Act Annual Report 2022/23	This report provided information relating to requests under the Local Government Official Information and Meetings Act 1987 from 1 July 2022 to 30 June 2023.
	Internal Audit Annual Report 2022/23 and Status Update	This report provided an update on the status of internal audit activities as at 30 June 2023.
	Expenditure and Koha report for the year ended 30 June 2023 – Unredacted	CONFIDENTIAL – This report provided (unredacted) supplier, sensitive expenditure and koha expenditure for the twelve months ended 30 June 2023.
	Completed Internal Audit Reviews & Overdue Actions Update	CONFIDENTIAL – This report gave a summary of the results from Internal Audit reviews completed during the quarter to 30 June 2023, and provide an update on overdue management actions.
	Legislative Compliance Annual Report 2022/23	CONFIDENTIAL – This report identified and reported on legislative compliance risks and issues at Council.
	Legal Services Annual Report 2022/23	CONFIDENTIAL – This report detailed the status of the internal legal services and provided an overview of external legal spend.
	Key Risk Register	CONFIDENTIAL – This report outlined Council's Risk Register which provides risk related information for our most significant and high-profile risks.
	Risk and Assurance Committee – Steering Group for Insurance and Related Matters	CONFIDENTIAL – This report sought approval for a Risk and Assurance Committee Steering Group to assist Bay of Plenty Regional Council in the governance oversight of Insurance and Related Matters.

Meeting date	Report title	Purpose of report
7 December 2023 Committee Meeting	Chairperson's Report	This report provided the Committee with an update on Risk and Assurance Committee activities.
	Assessment of Bay of Plenty Regional Council's practice in relation to the Ombudsman's "Open for Business" report on the use of workshops	This report provided an assessment of the compliance of Bay of Plenty Regional Council's practice with the recommendations made by the Ombudsman in his recent report: <i>Open for business: A report on the Chief Ombudsman's investigation into local council meetings and workshops</i> .
	Artificial Intelligence Update	This report provided examples of how BOPRC staff were using AI in everyday work and demonstrated how AI could be used to provide efficiencies in the way staff work.
	Rates Risk Report - Implementation of the Rates Assessment and Collection Process	This report provided an overview of the rating function at Toi Moana.
	Internal Audit Status Update	This report provided an update on the status of internal audit activities as at 30 September 2023.
	Completed Internal Audit Reviews & Overdue Actions Update	CONFIDENTIAL – This report gave a summary of internal audit reviews completed during the quarter as part of the 2022/23 Internal Audit Plan, and provided an update summary of overdue management actions, arising from previously completed internal audits.
	Key Risk Register	CONFIDENTIAL – This report outlined Council's Risk Register which provides risk related information for our most significant and high-profile risks.
	Flood Implications Work Programme	CONFIDENTIAL – This report provided an update on the Flood Implications Work Programme.



Report To:	Risk and Assurance Committee
Meeting Date:	6 March 2024
Report Writer:	Nolene Naude, Financial Accounting Team Lead and Kumaren Perumal, Chief Financial Officer
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	For the Risk and Assurance Committee to receive the Audit Engagement Letter for the Consultation Document and 2024 - 2034 Long-Term Plan.

External Audit Engagement Letter: Audit of the Consultation Document and 2024 - 2034 Long-Term Plan

Executive Summary

The purpose of this report is to provide the Committee an overview of the key elements of Audit New Zealand's (Audit NZ) Engagement Letter for the audit of the Bay of Plenty Regional Council's Consultation Document and 2024 - 2034 Long-Term Plan.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, External Audit Engagement Letter: Audit of the Consultation Document and 2024 - 2034 Long-Term Plan.**

1. Introduction

The Audit Engagement Letter outlines the terms of the audit engagement, the respective responsibilities of Council and the Appointed Auditor, the audit scope and objectives, the audit approach and areas of audit emphasis, logistics and costs. The Engagement Letter confirms Audit NZ as Council's appointed audit service provider for the audit of the Consultation Document and 2024-2034 Long-Term Plan.

1.1 Legislative Framework

The Local Government Act 2002 requires Council to prepare a Long Term Plan every three years that describes the community outcomes for the region and setting out its priorities over the next 10 years.

1.2 Alignment with Strategic Framework

The Way We Work	We deliver value to our ratepayers and our customers.
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1.2.1 Community Well-beings Assessment

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

The audit undertaken by Audit NZ places focus on Council’s financial and non-financial plans over the next 10 years and promotes all four aspects of community well-being.

2. Audit Engagement Letter

2.1 Audit focus

Audit New Zealand has identified the following areas of audit emphasis:

- Financial strategy and infrastructure strategy;
- Assumptions (with specific focus on climate change assumption); and
- Quality of asset-related forecasting information.

2.2 Audit timing

The key dates in the audit timetable are:

Description	Date
Audit opinion on consultation document required	28 February 2024
Finalised Report to Council on consultation document engagement	19 March 2024
LTP audit begins	4 June 2024
Verbal audit clearance on the LTP	18 June 2024
Audit opinion on adopted LTP	26 June 2024
Finalised Report to Council on LTP	17 July 2024

3. Considerations

3.1 Risks and Mitigations

There are no significant risks associated with this matter.

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 as a result of 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

The audit of the Long-Term plan will commence in May and staff will continue to work closely with Audit NZ to enable Council to adopt the 2024-2034 Long Term Plan in June 2024.

Attachments

Attachment 1 - BOPRC LTP (2024-2034) - Audit Engagement Letter [↓](#)



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

23 February 2024

745 Cameron Road, Tauranga 3112
PO Box 621, Tauranga 3144
Telephone (04) 496 3099

Doug Leeder
Chair
Bay of Plenty Regional Council
PO Box 364
Whakatāne 3158

Dear Doug,

Audit Engagement Letter: audit of the consultation document and long-term plan for the period commencing 1 July 2024

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Bay of Plenty Regional Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the council for preparing the consultation document and the long-term plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council’s own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP.
- Section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the region and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before your deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in "real time" or on an "auditing as you go" basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council's approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should "shadow" that project timetable. The success of this "auditing as you go" approach will depend on the Council's project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we used a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management. Management has already provided us with the self-assessment.

4 Our particular areas of audit emphasis

4.1 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.2 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

4.3 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

Self-assessment provided to Council	4 September 2023
Self-assessment returned to audit team for consideration	4 December 2023
Initial assessment (Planning) – 1 st audit visit	5 December 2023
Proposed consultation document available	15 January 2024
Consultation document audit begins – 2 nd audit visit	17 January 2024
Audit report on consultation document required	28 February 2024
Draft report to governors on consultation document engagement	8 March 2024
Finalised report to governors on consultation document engagement	19 March 2024
Proposed LTP for adoption available	31 May 2024
LTP audit begins – 3 rd audit visit	4 June 2024
Verbal audit clearance	18 June 2024
Audit report on adopted LTP required	26 June 2024
Draft report to governors on LTP engagement (if required)	8 July 2024
Finalised report to governors on LTP engagement (if required)	17 July 2024

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- A suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1).
- Electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2024, is \$104,800 (excluding GST and disbursements).

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

For the 2018 LTP, our actual hours were 543. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we charged was \$79,000, which was an effective hourly rate of \$146. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163-\$211 per hour.

For the 2021 LTP, our actual hours were 589. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we charged was \$85,200, which was an effective hourly rate of \$145. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180-\$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The proposed 2024 fee is an increase of \$19,600 compared to the 2021 agreed fee.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

Month	Amount \$
February 2024 (1)	20,000
February 2024 (2)	45,000
March 2024	10,000
June 2024	20,000
July 2024	9,800
Total (excluding disbursements and GST)	104,800

8 Personnel

Our personnel involved in the management of the audit are:

Leon Pieterse	Appointed Auditor
Carl Wessels	Engagement Quality Review Director
Warren Goslett	Audit Manager
Shyal Singh	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 1 June 2023.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



Leon Pieterse
Director

cc Fiona McTavish, Chief Executive
 Mat Taylor, Group Manager, Corporate

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 1 June 2023.

Signed: _____
 Doug Leeder
 Chair

Date: _____

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent reports on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a report to the governors of the Council

At a minimum, we will report to the governors of the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

The standards applied when conducting the audit of the consultation document and adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that are consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 1 June 2023, but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and

- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

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 you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without 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 you 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.



Report To:	Risk and Assurance Committee
Meeting Date:	6 March 2024
Report Writer:	Nolene Naude, Financial Accounting Team Lead and Kumaren Perumal, Chief Financial Officer
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	For the Risk and Assurance Committee to receive the Audit Plan for the year ending 30 June 2024

External Audit Plan 2023/24

Executive Summary

The purpose of this report is to provide the Committee an overview of the key elements of Audit New Zealand's (Audit NZ) proposed Audit Plan for the year ending 30 June 2024.

Leon Pieterse (Audit Director) and Warren Goslett (Audit Manager) will attend the Committee meeting to present the Audit Plan and respond to questions from the Committee.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, External Audit Plan 2023/24.**

1. Introduction

The Audit Plan sets out the audit arrangements and discusses the audit risks, issues, audit process, reporting protocols and audit logistics specifically for the year ending 30 June 2024.

1.1 Legislative Framework

The audit of the Bay of Plenty Regional Council is carried out under Section 15 of the Public Audit Act 2001 (the Act) which states that "the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited."

1.2 Alignment with Strategic Framework

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

1.2.1 Community Well-beings Assessment

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

The audit undertaken by Audit NZ places focus on Council’s financial and non-financial performance for the year ending 30 June 2024 and promotes all four aspects of community well-being.

2. Audit Plan

Audit NZ’s proposed Audit plan for the audit of the Bay of Plenty Regional Council and Group for the year ending 30 June 2024 is included as an attachment to this report.

2.1 Audit Risks and Issues

Audit NZ has identified the following risks and issues which will be reviewed and tested during the audit:

- Valuation of property, plant and equipment
- The risk of management override of internal controls
- Valuation of the Put Option
- Consolidation of group financial statements
- Recovery from significant weather events

2.2 Group Audit

Audit NZ’s audit approach is to ensure they have sufficient information to issue an opinion on the Council Group, which comprises Council (parent), the Quayside Group and Toi Moana Trust.

The audit plan discusses the areas of focus relating to the audit of the Council Group as a whole.

2.3 Materiality

In performing their audit, Audit NZ will apply the following materiality settings:

Parent Financial Statements Materiality

- Overall materiality \$50.5 million
- Specific materiality \$9.45 million
- Clearly trivial threshold \$472,000

Audit NZ has also identified several measures as material and assessed materiality for planning purposes.

Group Financial Statements Materiality

- Overall materiality \$247 million
- Specific materiality \$12 million
- Clearly trivial threshold \$600,000

2.4 **Timetable**

In performing their audit, Audit NZ will apply the following materiality settings:

The key dates relating to the 2023/24 external audit are summarised in the table below.

Description	Date
Interim audit in progress	8 July 2024
Final interim report to Councillors issued	9 August 2024
Final audit commences	9 September 2024
Verbal audit clearance	15 October 2024
Audit opinion issued	23 October 2024
Final detailed Report to Council issued	22 November 2024

3. **Considerations**

3.1 **Risks and Mitigations**

There are no significant risks associated with the Audit NZ’s audit plan.

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 as a result of 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

Staff will begin preparations for the final audit for the year ending 30 June 2024. This will include preparation of year-end guidance for the Council Group.

Attachments

Attachment 1 - BOPRC Audit Plan 2024 [↓](#)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Bay of Plenty Regional Council

For the year ending 30 June 2024

Audit plan

I am pleased to present our audit plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	6
Our audit process	8
Reporting protocols.....	13
Audit logistics	14
Expectations	15

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.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

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

Yours sincerely



Leon Pieterse
Appointed Auditor
23 February 2024

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Significant audit risks

Audit risk/issue	Our audit response
Valuation of property, plant and equipment	
<p>The Council periodically revalue its infrastructure assets. The last revaluation was performed per the table below.</p> <p>Because of the recent inflationary environment most councils have been revaluing more frequently.</p> <p>The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of underlying assumptions.</p> <p>Because of the large value of the assets held by the group, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.</p> <p>For those assets that the Council is not planning to revalue, the Council should perform a fair value movement assessment to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>To avoid the risk of prior period errors, we recommend that revaluations are performed on year-end.</p>	<p>For those assets that the Council is planning to revalue this year, we will:</p> <ul style="list-style-type: none">review the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met;audit the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework;review the reasonableness of the data and key assumptions used; andassess the presentation and disclosure of information related to the valuation in the financial statements. <p>For those assets that the Council is not planning to revalue this year, we will:</p> <ul style="list-style-type: none">review the reasonableness of the Council’s assessment including the appropriateness of the assumptions used in the assessment.If the movement of the assets individually or in combination with other asset classes is significant the Council may need to complete a revaluation.

Audit risk/issue		Our audit response																			
<table><tr><th>Asset class</th><th>Last revalued</th><th>Next revaluation</th></tr><tr><td>Land and Buildings</td><td>June 2023</td><td>June 2024 (usually three yearly)</td></tr><tr><td>Maritime</td><td>April 2021</td><td>April 2024 (three yearly)</td></tr><tr><td>Parks</td><td>June 2021</td><td>June 2024 (three yearly)</td></tr><tr><td>Lakes</td><td>June 2021</td><td>June 2024 (three yearly)</td></tr><tr><td>Infrastructure Assets</td><td>July 2023</td><td>July 2024 (annually)</td></tr></table>		Asset class	Last revalued	Next revaluation	Land and Buildings	June 2023	June 2024 (usually three yearly)	Maritime	April 2021	April 2024 (three yearly)	Parks	June 2021	June 2024 (three yearly)	Lakes	June 2021	June 2024 (three yearly)	Infrastructure Assets	July 2023	July 2024 (annually)		
Asset class	Last revalued	Next revaluation																			
Land and Buildings	June 2023	June 2024 (usually three yearly)																			
Maritime	April 2021	April 2024 (three yearly)																			
Parks	June 2021	June 2024 (three yearly)																			
Lakes	June 2021	June 2024 (three yearly)																			
Infrastructure Assets	July 2023	July 2024 (annually)																			
The risk of management override of internal controls																					
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.		Our audit response to this risk includes: <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.																			

Other areas of audit focus

Area of audit focus	Our audit response
Valuation of the Put Option	
<p>The Council revalue its put option every year at year-end. 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>Due to the nature and value of the valuation, any bias or errors in the inputs used or calculations performed could result in incorrect value for the put option.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none">• assess relevant controls that management has put in place for the valuation;• obtain an understanding of the underlying data;• evaluate the qualifications, competence and expertise of the external valuer used; and• engaging an auditor’s expert to assist us to review the method of valuing the put option and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.

Area of audit focus	Our audit response
Consolidation of group financial statements	
Quayside Holdings Group and Toi Moana Trust are subsidiaries of the Council. Adjustments may be required on consolidation to reflect differences in accounting policies between the Quayside Holdings Group, Toi Moana Trust and Bay of Plenty Regional Council Group.	We will obtain an understanding of the Regional Council group, its components, and their environments, including group-wide controls. For the Quayside Holdings Group, we will also 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.
Recovery from significant weather events	
Many parts of New Zealand have experienced several significant weather-related events over the last couple of years. In the initial aftermath of the weather events, affected councils and their communities have invested significant time and energy in supporting their communities and helping their districts and regions recover.	Our audit procedures will include: <ul style="list-style-type: none">• Discuss with the management the impact of the flooding events on the Council and damage/impairment assessments.• Assess the performance measures/ performance story of the flooding events.

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 Regional Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Regional 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 Regional 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 Regional 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 the Regional 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.parliament.nz/reports/fraud-reports.

Group audit



The group comprises:

- Bay of Plenty Regional Council;
- Quayside Holdings Limited Group (Quayside Group); and
- Toi Moana Trust.

Significant components and work to be performed

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

Significant component	Work to be performed
Quayside Holdings Limited Group	<p>This will be audited by KPMG.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none">• the fair value of property, plant and equipment• the valuation of investments; and• management override <p>The audit work on this component will be a full financial statement and performance report audit.</p>
Toi Moana Trust	<p>This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.</p> <p>The areas of focus relevant to this component are:</p> <ul style="list-style-type: none">• the valuation of investments; and• management override. <p>The audit work on this component will be a full financial statement and performance report audit.</p>

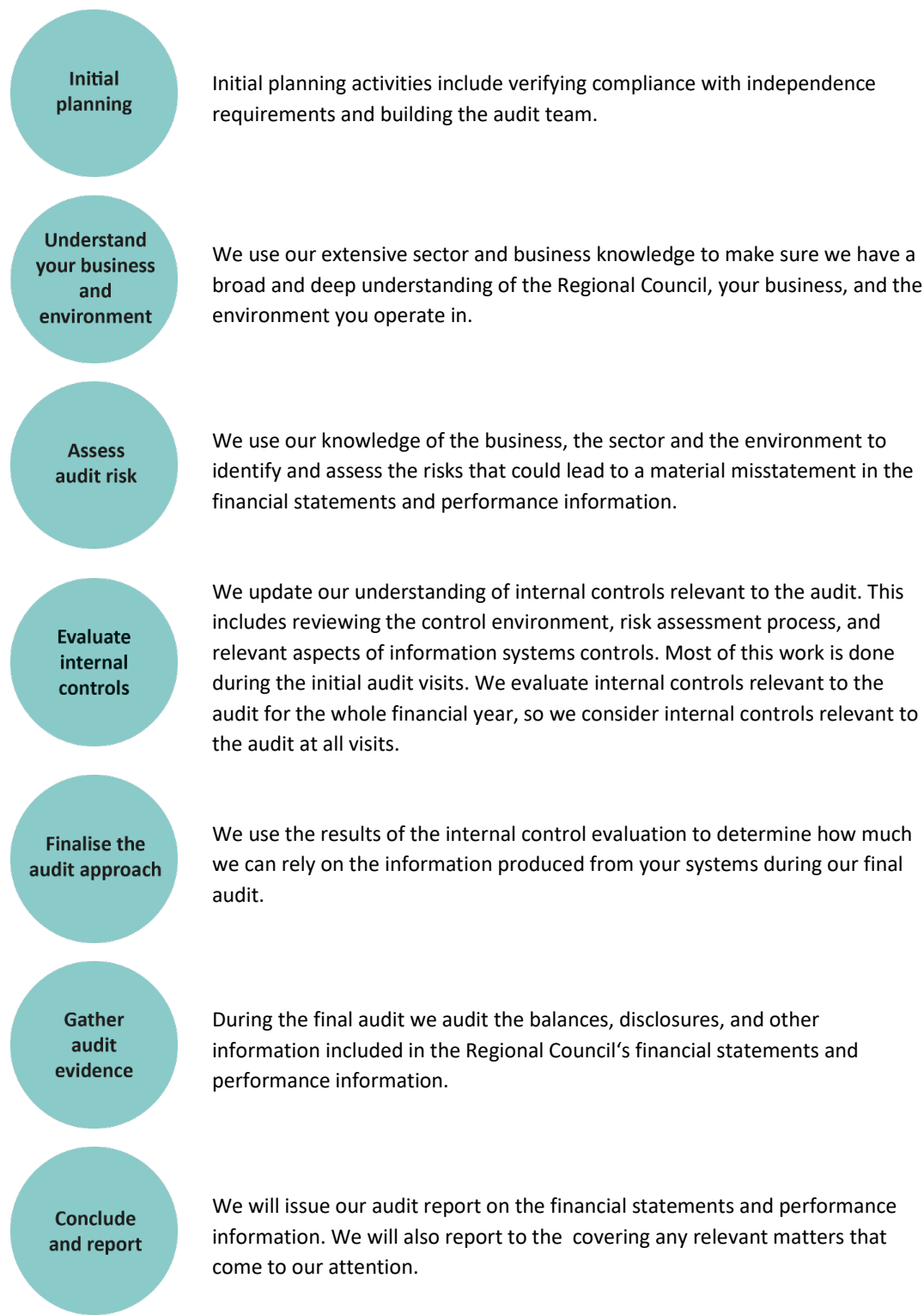
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Regional Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by component auditors.

Our audit process



Materiality

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

- influence readers’ overall understanding of the financial statements and service 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.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Regional Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer’s perspective. 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. Management and the Regional Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall group materiality** and **overall parent materiality** for the financial statements based on last year’s total group and parent property, plant and equipment (PPE). We only apply this overall materiality to the fair value of PPE.

For this audit we have set a lower, **specific group materiality** and **specific parent materiality** for all items not related to the fair value of property, plant and equipment.

Financial materiality is subject to change once the actual results for the current year are available.

	\$000
Overall group materiality	\$247,000
Specific group materiality	\$12,000
Group clearly trivial threshold	\$600
Overall parent materiality	\$50,500
Specific parent materiality	\$9,450
Parent clearly trivial threshold	\$472

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than our **Group clearly threshold** to be clearly trivial for the **group** financial statements and misstatements of less than **Parent clearly trivial threshold** unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements [and service performance information]. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Where management does not wish to correct a misstatement we will seek written representations from management and the on the reasons why the corrections will not be made.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Regional Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of Regional Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
Building and resource consents – processing times Percentage of non-notified resource consents processed within statutory timeframes.	8%
Resource consents - monitoring Percentage of urgent complaints made to the pollution hotline that are responded to within 12 hours.	5%
Flood protection Percentage of maintenance and repairs completed in accordance with the Rivers and Drainage Asset Management Plan.	8%
Flood protection Percentage of renewals completed in accordance with the Rivers and Drainage Asset Management Plan.	8%
Flood protection Percentage of flood warnings at pre-determined levels are given in accordance with the flood warning manual.	8%
Public Transport usage Number of public transport trips taken in the region.	5%
Freshwater quality The percentage of monitored river and stream sites that meet the swimmability requirements under the NPSFM.	8%

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:

- 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 ;
- there is any sign or appearance of a lack of probity as a result of any act or omission by 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 or by one or more of its members, office holders, or employees

Reporting protocols

Communication with management and the



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”.

Meeting with	Planned timing
Risk and Assurance committee	A minimum of three meetings throughout the year.
Council meeting	Once a year at the adoption of the annual report.
Management	Regularly and as required.

Reports to the Regional Council



We will provide a draft of all reports to management (and) 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 the Regional Council.

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

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge.

Our senior audit team members are:

Leon Pieterse	Appointed Auditor
Warren Goslett	Audit Manager
Shyal Sing	Audit Supervisor
Robyn Dearlove	Information Systems Audit and Assurance Manager
Jason Biggins	Tax Director

Timetable



Our draft proposed timetable is:

Interim audit begins	8 July 2024
Draft interim report to councillors issued (for management comments)	26 July 2024
Final interim report to councillors issued	9 August 2024
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	6 September 2024
Final audit begins	9 September 2024
Final financial statements available, incorporating all the amendments agreed to between us	7 October 2024
Annual report available, including any Chair and Chief Executive’s overview or reports	7 October 2024
Verbal audit clearance given	15 October 2024
Annual report adopted by Council and audit report issued	23 October 2024
Draft report to councillors issued (for management comments)	8 November 2024
Final report to councillors issued	22 November 2024

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.

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.

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.

AuditDashboard

In 2023, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand.

We will again use AuditDashboard for transferring files as part of the audit.

Item 8.3, Attachment 1



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Report To:	Risk and Assurance Committee
Meeting Date:	6 March 2024
Report Writer:	Aaron Huggins, Principal Internal Auditor
Report Authoriser:	Mat Taylor, General Manager, Corporate
Purpose:	To provide an update on the internal audit programme 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 2023 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 2023;
- A summary of overdue management actions, arising from previously completed internal audits.

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 2023;

- A summary of overdue management actions, arising from previously completed internal audits.

1.1 Alignment with Strategic Framework

The Way We Work	We continually seek opportunities to innovate and improve.
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2. Internal Audit Work Plan 2023/24 Status

Based on the Internal Audit Work Plan 2023/24 the following table summarises the status of internal audit reviews for 2023/24.

Review	Field work	GM Sponsor	Status	Status of Internal Audit				
				Planning /Scope	Fieldwork	Draft Report	Mgmt Actions	Final Report
CDEM Administering Authority (2022/23)	BOPRC	Regulatory Services	In Progress	Complete	In Progress (75%)			
External partner project management	BOPRC	Chief Executive	In Progress	In Progress (75%)				
Focus Catchments	BOPRC	Integrated Catchments	In Progress	Complete				
Forecasting & budgeting	BOPRC	Corporate	In Progress	In Progress (75%)				
Freshwater management key risk mitigations	BOPRC	Strategy & Science	On Hold					
Health & Safety	External	Corporate	In Progress	Complete				
Procurement	BOPRC	Corporate	In Progress	Complete				
Science management framework	BOPRC	Strategy & Science	In Progress	In Progress (90%)				
Sensitive expenditure	BOPRC	Corporate	In Progress	In Progress (90%)				

The CDEM Administering Authority review remains outstanding from the 2022/23 Internal Audit Work Plan; this is expected to be completed by the next RAC meeting.

The ‘Freshwater management key risk mitigations’ audit has been placed on hold, due to the uncertainty currently present in this space.

Focus for the quarter has been scoping the audits on the 2023/24 Internal Audit Work Plan.

With the audit scoping process largely completed, focus will shift to audit delivery. This includes appointing an appropriate co-source delivery partner for the Health & Safety review. In addition, the Forecasting & Budgeting review may also be delivered via a co-source partner. Internal Audit remains confident the Internal Audit Work Plan can be delivered on schedule.

Internal audit continues to provide internal assurance and advice to BOPRC teams as required.

3. Internal Audit Follow Up

3.1 Management actions

Internal Audit has reviewed all open management actions as part of the follow up work in the 2023/24 Work Plan.

The following graph highlights the progress made within BOPRC to address open audit actions during the first quarter of the 2023/24 financial year:

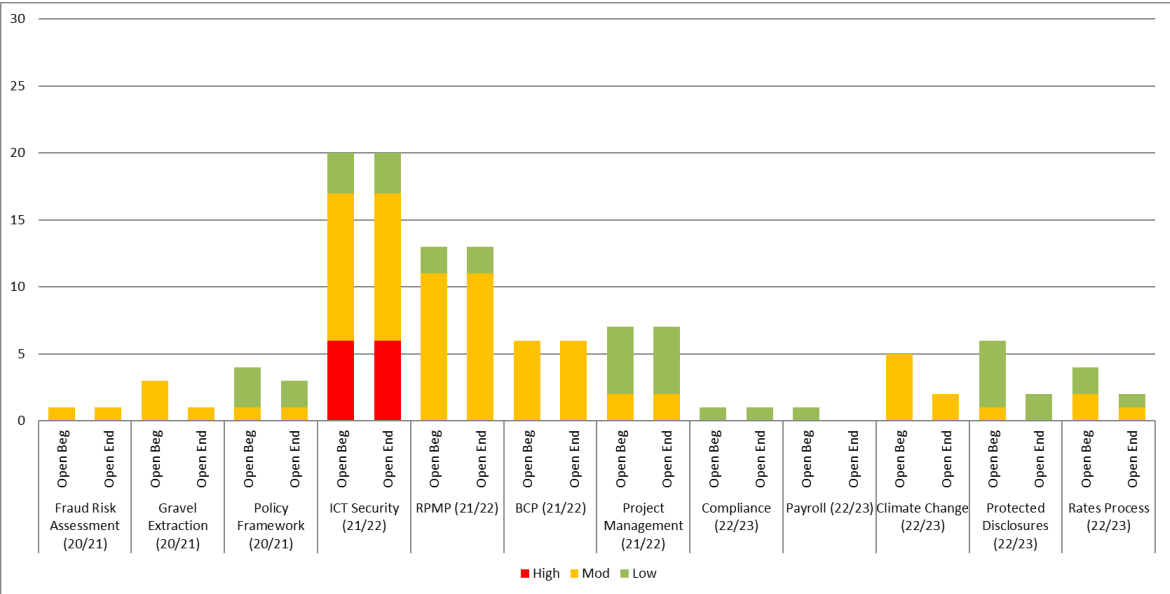


Figure 1 Open management actions (1 October 2023 vs 31 December 2023)

The total of actions open as at 31 December 2023 is 58, the majority of these relate to ICT Security (20), RPMP (13), Project Management (7), and BCP (6).

Except for three overdue actions, all actions are proceeding within agreed completion timeframes. A summary of the overdue open management actions is presented in section 4 of this report.

3.2 Improvement actions

At the start of the quarter (1 October 2023) there were 14 open improvement actions (12 Risk Management, and 2 Lab Benefits Realisation); these remained open at the end of the quarter.

The following graph highlights the progress made within BOPRC to address open improvement opportunity actions during the second quarter of the 2023/24 financial year:

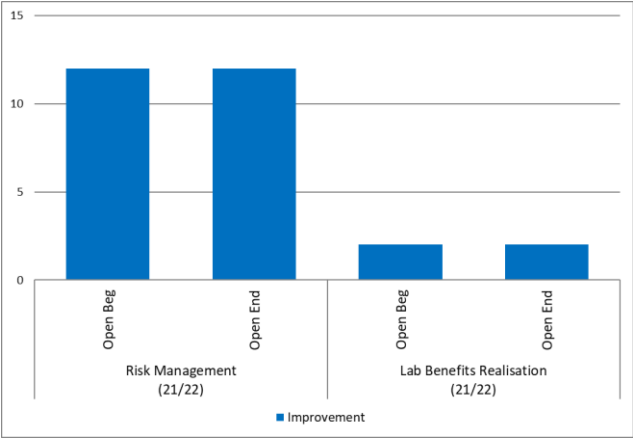


Figure 2 Open improvement actions (1 October 2023 vs 31 December 2023)

Improvement actions relate to efficiency/effectiveness gains that typically require longer timeframes to implement; the open improvement actions are within completion timeframes.

4. Overdue management actions

4.1 Progress update

As at 31 December 2023, three management actions are overdue for completion. A summary is presented in Table 1 below:

#	Finding	Due date	Current status
Fraud Risk Assessment (2020/21)			
4.1	Separation of duties in Purchase Orders	31/03/22	Project in progress; expected go-live June 2024.
Gravel Extraction (2020/21)			
4.1	Regional Gravel Management Plan (RPMP)	30/06/22	Review currently underway; ties to LTP fee update.
ICT Security (2021/22)			
2.1	Cryptography	30/11/23	Action plan drafted; cost effective key management systems currently being evaluated.

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

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

5.4 Community Engagement



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

5.5 Financial Implications

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

6. Next Steps

To note the Internal Audit Status Update.