



Risk and Assurance Committee

Te Komiti Whakahaere Tūraru

Friday, 1 March 2024
Rāmere, 1 Poutūterangi 2024

Totara Room, Whakatāne District Council
14 Commerce Street, Whakatāne
Commencing at: 9:00 am

Chief Executive: Steph O'Sullivan
Publication Date: 23 February 2024

Live Streaming the Meeting - *Ka whakapāho mataora te hui*

Live Streaming the Meeting - *Ka whakapāho mataora te hui*

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A Membership - *Mematanga*

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Mayor Dr V Luca

Independent Chairperson - Stuart Henderson

Deputy Mayor L N Immink - Deputy Chairperson

Councillor W B James

Councillor T O'Brien

Councillor J Pullar

Independent Member - P Lucioli

B Delegations to the Risk and Assurance Committee - *Tuku Mahi ki te Komiti*

The purpose of the Risk and Assurance Committee is to oversee the effectiveness of Council's risk management, internal control environment, legal responsibilities, statutory compliance, and external auditing process.

The Committee has the authority to appoint up to two independent persons who are not elected members, who can assist the Committee to meet its obligations and responsibilities.

The quorum for this Committee is 4 members.

Responsibilities and Functions

- a. Oversee the effectiveness and appropriateness of the Enterprise Risk Management framework, including but not limited to Council's Risk Policy and Corporate Risk Register.
- b. Advise the Council on matters of risk and risk appetite.
- c. Ensure that the Organisation has internal control systems in place.
- d. Monitor Council's compliance with applicable laws, regulations, standards and best practice guidelines for public entities.
- e. To monitor performance of the Council's treasury function.
- f. Maintain oversight of legal proceedings involving Council.
- g. Oversee the effectiveness and appropriateness of the internal control environment.
- h. Review the policies, systems, processes and controls to ensure that fraud is detected and effectively investigated.
- i. Ensure the adequacy, integrity and reliability of the external financial reporting of Council.
- j. Review the integrity and appropriateness of external reporting, and accountability arrangements.
- k. Review, and monitor progress against, the external auditors' recommendations.
- l. Recommend to the Office of the Auditor General the decision either to publicly tender the external audit or to continue with the existing provider for a further three-year term.
- m. Where required, request expert advice through the chief executive where necessary.

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1 Meeting Notices - *Ngā Pānui o te hui*

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1. Live Streaming

The Whakatāne District Council livestreams Council and Standing Committee meetings held in Tōtara Room, within the Council building. The webcast will live stream directly to Council's YouTube channel in real time. The purpose of streaming meetings live is to encourage transparency of Council meetings.

By remaining in the public gallery, it is understood your consent has been given if your presence is inadvertently broadcast.

Please be aware the microphones in Totara Room are sensitive to noise, so please remain quiet throughout the meeting unless asked to speak.

2. Health and Safety

In case of an emergency, please follow the building wardens or make your way to the nearest exit. The meeting point is located at Peace Park on Boon Street.

Bathroom facilities are located opposite the Chambers Foyer entrance (the entrance off Margaret Mahy Court).

3. Other

2 Apologies - *Te hunga kāore i tae*

No apologies have been received at the time of writing the agenda.

3 Acknowledgements / Tributes - *Ngā mihimihi*

An opportunity for members to recognise achievements, to notify of events, or to pay tribute to an occasion of importance.

4 Conflicts of Interest - *Ngākau kōnatunatu*

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interests they might have.

The Elected Member Register of Interest is available on the Whakatāne District Council website. If you wish to view the information, please click this [Register link](#).

5 Public Participation - *Wānanga Tūmatanui*

5 Public Participation - *Wānanga Tūmatanui*

5.1 Public Forum - *Wānanga Tūmatanui*

The Committee has set aside time for members of the public to speak in the public forum at the commencement of each meeting. Each speaker during the forum may speak for five minutes. Permission of the Chairperson is required for any person wishing to speak during the public forum.

With the permission of the Chairperson, Elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by a speaker.

5.2 Deputations - *Nga Whakapuaki Whaitake*

A deputation enables a person, group or organisation to make a presentation to Committee on a matter or matters covered by their terms of reference. Deputations should be approved by the Chairperson, or an official with delegated authority, five working days before the meeting. Deputations may be heard at the commencement of the meeting or at the time that the relevant agenda item is being considered. No more than two speakers can speak on behalf of an organisation's deputation. Speakers can speak for up to 5 minutes, or with the permission of the Chairperson, a longer timeframe may be allocated.

With the permission of the Chairperson, Elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by the deputation.

6 Confirmation of Minutes - *Te whakaaetanga o ngā meneti o te hui*

6.1 Risk and Assurance Minutes 13 November 2023

The minutes from the Council meeting meeting held Monday, 13 November 2023 can be viewed via the Council website.

Click on the link below in order to view the 'unconfirmed minutes'.

- [Whakatane District Council website | Risk and Assurance Committee - Unconfirmed minutes 13 November 2023](#)

6.2 Action Items

Risk and Assurance Committee

Public Agenda – Action Sheet

STATUS LEGEND

Complete = Staff completed, waiting meeting approval to close.

Closed = Meeting approved action closed and moved to 'Closed actions table'.

OPEN ACTIONS following committee meeting of November 2023

ID	Raised by	Target Date	Assigned	Title	Description	Actions/Update	Status
June – 23	Council	Before next meeting	CFO & GM Business Partnering	PWC Invitation	Invitation to PWC to cover treasury policy and run a follow-up on treasury matters.	Scheduling into work plan for March 2024	On Agenda
Aug 23 - 2		Nov 23 meeting		Enterprise Risk 6	Further information was requested for the November 2023 meeting on Risk 6	This action is intended to be addressed through a briefing. Item will be closed when briefing has occurred.	Ongoing
Nov 23 – 1	DM Immink	Before next meeting	CFO & GM Business Partnering	Debt recovery item	To be included within the Council Risk Management Register (Accounts receivable non-rates debt recovery procedures)	Actioned in March 24 Committee Report – Enterprise Risk Report	On Agenda
Nov 23 - 2	Member Lucioi	Before next meeting	CFO & GM Business Partnering	Risk Management - timeframes	Timeframes within the Monitoring and Review section of Risk Management Policy to be added.	Actioned in March 24 Committee Report – Policy Review Risk Management Policy	On Agenda
Nov 23 – 3		Before next meeting	CFO & GM Business Partnering	2024 Workplan	Draft 2024 Workplan to be distributed to members	Workplan emailed to members in November.	Close
Nov 23 - 4		March 2024 meeting	CFO & GM Business Partnering	Airport Annual Report	A report was requested for the next meeting; Airport Annual Report update	Deferred to May 2024 Committee Meeting	Ongoing

7 Reports - *Ngā Pūrongo*

7 Reports - *Ngā Pūrongo*

7.1 External Assurance Report 2022-23



To: **Risk and Assurance Committee**
Date: **Friday, 1 March 2024**
Author: **Gary Connolly / CFO and GM Business Partnering**
Authoriser: **Steph O'Sullivan / Chief Executive**
Reference: **A2619116**

1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to inform the Committee of the finalised Governance Report from Audit NZ for the 2023 year.

2. Recommendation - *Tohutohu akiaki*

THAT the report entitled 'Report to the Council on the audit of Whakatāne District Council for the year ended 30 June 2023' from Audit NZ be received.

3. Subject - *Kaupapa*

One of the terms of reference for the Risk and Assurance Committee is to receive the Report to the Council on the audit of Whakatāne District Council each year from the external auditors.

The finalised report 'Report to the Council on the audit of Whakatāne District Council for the year ended 30 June 2023' which is now table to be received in this meeting of the committee.

4. Background - *He tirohanga whakamuri*

Every year, after the completion of the Annual Report and issuance of the Audit Certificate, our external auditors, Audit NZ issue a report of audit matters they would like reviewed. This report is presented to the Risk and Assurance Committee to provide assurance on the actions to be taken by management to address the issues raised.

Management recognise that the completion of the audited 2023 annual report, which following two years of delayed audits due to COVID-19 and subsequent result auditor shortage should have been delivered "under normal conditions" and to normal timelines defined within legislation, was anything but smooth. This is reflected in the Report from Audit NZ.

7.1 External Assurance Report 2022-23(Cont.)

As CFO I would like to recognise the efforts of Audit New Zealand, including a substantively new team outside of the Audit Partner, the staff of Council, and the Chair of the Risk and Assurance Committee, in working through many unanticipated complex and time-consuming issues, often under considerable pressure, while maintaining a positive and collaborative working relationship.

The issues that impacted the ability to deliver the audited annual report with an efficient and effective utilisation of resource time consumed, and in a timely manner, are many and varied, a number of which are addressed in the Report to Governors, however I would categorise them into three groups as follows:

1. The first group reflects a number of complex issues requiring updated approaches for the 2023 year, such as accounting for investment in the Boat Harbour as a Joint venture, or compliance with the DIA requirements for water related non-financial Statements of Service Performance (SSPs), or addressing government reforms especially around three waters.
2. The second group of issues resulted from a more structured and more complete approach to a number of audited topic areas from Audit New Zealand; where the processes of information provision and sampling had become somewhat degraded or had not been updated against good practice during the 2 years of delayed audit field work.

Examples of these were the approach to payroll reconciliation, landfill provisioning, investment properties, vested assets, and accounts receivable impairment provisioning, amongst others. This meant that a number of pieces of supporting analysis and reconciliation were not available to the correct standard at the commencement of field work, and therefore were re-cast on the fly during the field work period.

3. The third issue is around our process for compiling the financial statements and notes within the annual report to as complete a state as possible prior to the commencement of Audit New Zealand's field work.

The ability to provide financial statements for audit, to Audit New Zealand, including the ability to complete effective quality assurance, was no-where near as efficient or timely as it should have been. The process requires substantial modernisation which I have completed in previous organisations facing the same challenges. The process limitations combined with the significantly additional volumes of adjustment caused by 1 and 2 above, significantly impacted the turn around times and the much greater than normal or reasonable number re-submissions which were required.

These inefficiencies are caused through the existing process of completing the drafting of financial statement in an excel workbook, and the subsequent processes to transfer the data first through a word version and then through a final graphics version. Examples of these inefficiencies include: the initially inaccurate elimination of Whakatāne Airport as a Joint Venture rather than as part of the consolidated Council results, the lack of automated validation testing and translation from draft to final formats, the lack of application of a consistent style guide across each of the documents. These all put the provision of updated information in a much more stressed environment which inevitably also saw an increase in the rate of human error impacting the process as well.

The extent of the impact of these issues is especially reflected in the volume of 2.2 Uncorrected and 2.3 Corrected misstatements on pages 7-13 of the Report to Governors. Based on my experience a normal audit process would result in possibly up to 2 pages for these, not 7 pages.

7.1 External Assurance Report 2022-23(Cont.)

Positively there are a number of identified lessons learned from this year, which were previously touched on but not identified in depth or able to be addressed prior to the 2023 year due to the previous delayed audits. As CFO I have seen similar approaches in other organisations annual audits and seen significant improvement when modernised good practice process are applied.

The Report to Governors provides the framework for management to deliver, and the committee to monitor, the lessons learned and improvements necessary in a cycle of continuous improvement which should see us deliver more effectively and on time in the coming year and continue making additional incremental efficiencies in the years following that.

The final report, including the finding of previous audits identified that 3 previous recommendations or findings of the 20 brought forward have now been implemented or closed, with 7 new matters added in 2022-23.

Status	Priority			Total
	Urgent	Necessary	Beneficial	
Open	3	17	0	20
Implemented or closed	0	(3)	0	(3)
New matter	3	4	0	7
Total	6	18	0	24

Management believe that the low volume of items being brought forward having been implemented or closed since last years report, is reflective of the delayed completion of the 2021-22 findings occurring immediately preceding the commencement of the 2022-23 audit field work.

Managements updated response to the new findings and the open carried forward matters is detailed in the external auditors Report to the Council which is included as Attachment 1. We do however draw the committee's attention to the urgent matters and managements response as below.

Urgent Matters	Year Raised	Management Response
<i>Implement internal quality review processes to ensure that a complete, consistent document is presented for audit purposes.</i>	2020	Accepted: Performance in 2022 was impacted by changes in CFO and delays in the audit process. Performance issues in 2023 have been address in this report. Improvements such as pre-drafting of indicative financials in published format are being implement to delivery the majority of findings. As previously indicated these are likely to be implemented in the 2023/24 year end.
<i>Lack of a dedicated fixed asset register for infrastructure assets</i>	2021	Accepted with alternate approach: We recognise that the provision of infrastructure assets as part of the audit process needs significant improvement. However given the significant work involved and investment in infrastructure asset management systems across council that already exist we believe improving the utilisation of these within the audit process rather than trying to implement a duplication of data through the FAR with inherent reconciliation and maintenance issues, will be a more effective solution to address the audit issues while avoiding other unintended consequences.

7.1 External Assurance Report 2022-23(Cont.)

Urgent Matters	Year Raised	Management Response
<i>The valuer for Roading assets has made several recommendations to Council to improve data quality.</i>	2022	Accepted: We acknowledge the recommendations and will be working with the MIS and Roading team to implement them. As previously indicated these are likely to be implemented in the next Roading Valuation cycle.
<i>Three Waters valuation improvements suggested by Valuer and establishment of system processes and controls around the Three Waters asset management system (Xivic).</i>	2023	Accepted: We acknowledge the recommendations and will be working with the MIS and Three Waters team to implement them in the next Waters Valuation cycle.
<i>PPE findings: To maintain sufficient and appropriate supporting documents for capitalization of work in progress and other Fixed assets additions. Updating Fixed Asset Registers on a timely manner. That all journals being posted to asset management system are prepared and approved by different persons.</i>	2023	Accepted: A number of these improvements will be completed post this report part way through the 2023/24 year, therefore although we expect improvements to be delivered in a timely manner they will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.
<i>Recommend the Council to pay its elected members strictly within the limits set by the Local Government Members Determination and perform regular review of the disbursement.</i>	2023	For reference: the finding were evident in 2 isolated instances from information not being updated correctly in a timely manner and in line with standing procedures, and do not reflect a systemic failure at scale. Accepted: we will undertake a review of the to date data for 2023/24 to ensure not additional instance have occurred that need to be addressed. Full process improvements have occurred already and / or will be completed post this report part way through the 2023/24 year, therefore although we expect improvements to be delivered in a timely manner they will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

5. Options analysis - Ngā Kōwhiringa

There are a number of areas reflected in the finding of the Audit New Zealand Report to Governors as attached where management have indicated options on whether or not to implement the findings of Audit NZ.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments

6. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*

6.1. Assessment of Significance

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

6.2. Engagement and community views

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy.

7. Considerations - *Whai Whakaaro*

7.1. Financial/budget considerations

We have identified in management response that the implementation of a number of the findings of Audit NZ are a reflection of compliance with recommended best practice versus the cost base of resourcing to deliver these outcomes. Management have identified additional resources to support the delivery of improvements within budget requests within LTP 2024-34.

7.2. Strategic alignment

No inconsistencies with any of the Council's policies or plans have been identified in relation to this report

7.3. Climate change assessment

Based on this climate change assessment, the decisions and matters of this report are assessed to have low/moderate/high climate change implications and considerations, in accordance with the Council's Climate Change Principles

7.4. Risks

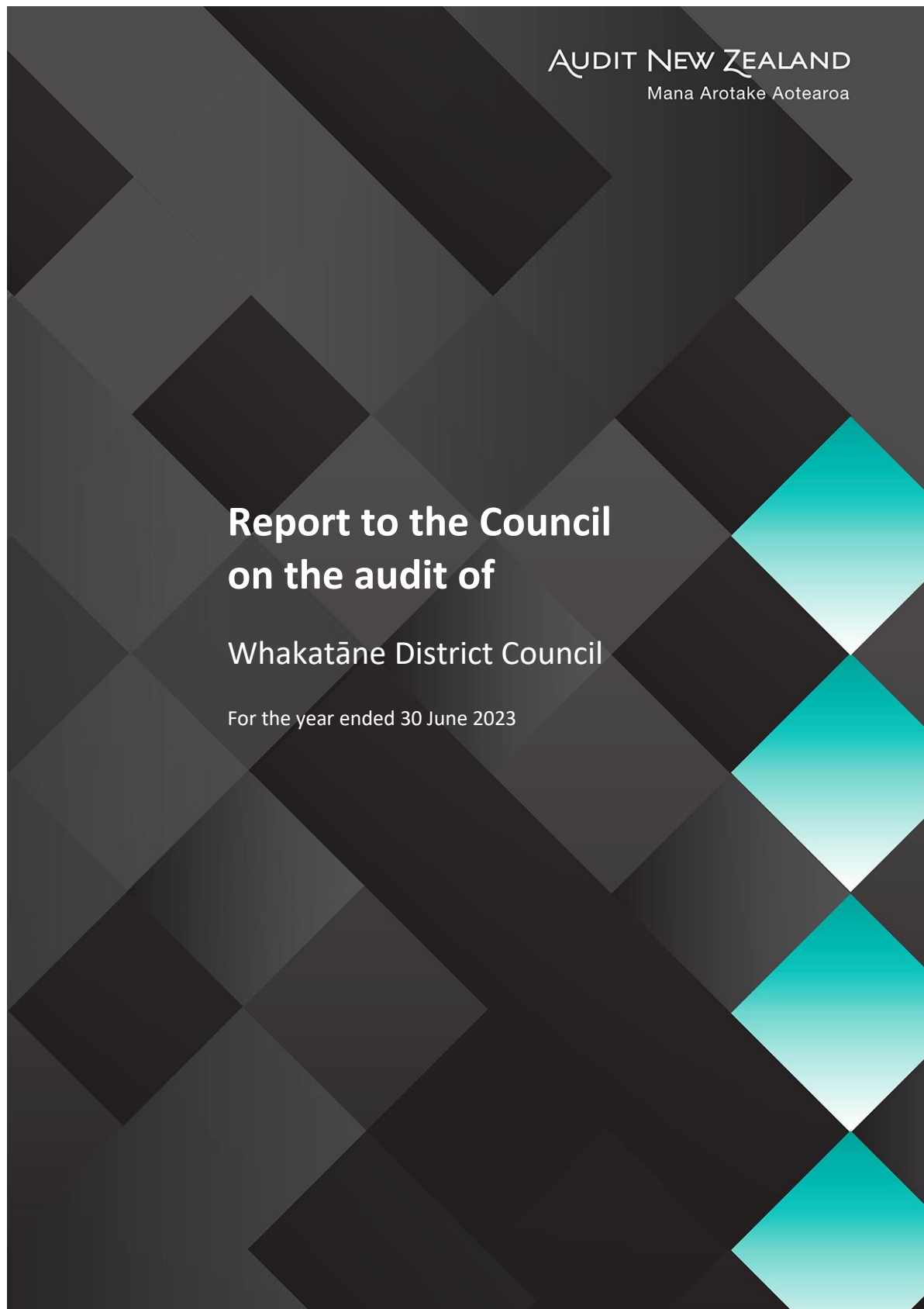
Management do not believe any of the findings represent high or greater risk in accordance with the enterprise risk framework, for which controls are not otherwise already in place.

Attached to this report:

- Appendix 1 – Audit NZ report “Report to the Council on the audit of Whakatāne District Council for the year ended 30 June 2023” (Final)

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)



7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

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7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

Audit opinion

We issued a modified Audit Report (Audit opinion) dated 21 December 2023. The opinion was not modified for the financial information but was modified for non-financial performance information.

The opinion also includes an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to the uncertainties around the 3 Waters reform that affects all District Councils.

This means we were satisfied that the financial statements (excluding the non-financial performance information) and that they present fairly the Whakatāne District Council's activity for the year and its financial position at the end of the year. The non-financial performance information was subject to a qualification relating to performance measures.

Matters identified during the audit

The Council revalued its Land Buildings, Other operational assets and fair value assessments were performed for Roading and the 3 Waters as at 30 June 2023. For our detailed findings, refer to sections 3 and 4 of this report. We reviewed the valuations and fair value assessments to confirm that they were soundly based and had been correctly accounted for. We are satisfied that the valuations and fair value assessments were correctly recorded in the Council's financial statements.

From our testing over additions, disposals, work in progress, capitalisation and vested assets we noted several areas for improvement highlighted in our findings. Refer to details in section 4 and Appendix 1 of this report.

The council made a payment of \$5.5 million during year ended 30 June 2023 for the Boat Harbour development. We reviewed and assessed the accounting treatment and are satisfied that the boat harbour investment has been appropriately accounted for in the Council's financial statements.

We reviewed certain mandatory performance reporting measures. We were unable to obtain evidence in relation to the customer satisfaction measure for water supply. We were also unable to determine completeness of the requests for service (RFS) for the Three Water activities which has been contracted by Council to Palmerstone North City Council's (PNCC) after hours call centre. Due to this the audit report over non-financial performance has been qualified.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Thank you

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



David Walker
Appointed Auditor
20 February 2024

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendations	Reference	Priority
3 Waters PPE finding 3 Waters valuation improvements suggested by Valuer and establishment of system processes and controls around the 3 Waters asset management system (Xivic).	4.2.1	Urgent
Other PPE findings: <ul style="list-style-type: none"> To maintain sufficient and appropriate supporting documents for capitalization of work in progress and other Fixed assets additions. Updating Fixed Asset Registers on a timely manner. All journals being posted to asset management system are prepared and approved by different persons. 	4.2.2 - 4.2.5	Urgent

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendations	Reference	Priority
Local Government determination Recommend the Council to pay its elected members strictly within the limits set by the Local Government Members Determination and perform regular review of the disbursement.	4.4	Urgent
Rates Rates setting process Improvements including calculation of ratepayer's liability, 30% cap calculation and FIS specifying activity for targeted rates.	4.1	Necessary
Whakatāne Airport A new separate accounting system be implemented to account for Whakatāne Airport.	4.3	Necessary
Review of landfill after care provisions	4.5	Necessary
Performance measures Council to ensure correct classification of requests of service for the customer satisfaction measure for Water Supply. Incorrect classification of complaints - SPE Mandatory customer satisfaction measure (Water Supply).	4.6	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	3	17	0	20
Implemented or closed	0	(3)	0	(3)
New matters (Report to Governors)	3	4	0	7
Total	6	18	0	24

The above table includes all the recommendations made by audit team to the District Council. For the purposes of this report, we have only report on the significant matters, other minor recommendations have been verbally and electronically communicated with management throughout the audit.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

2 Our audit report

2.1 We have issued a modified audit report



We have issued a modified audit report on 21 December 2023. This includes an unmodified opinion on the audited financial information and a modified opinion on non-financial performance information. The audit Report also includes an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to uncertainty over the Three

Water Services Reform Programme.

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

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

The following misstatements, discussed with management, are individually and in aggregate, not considered material for purposes of our audit.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Revaluation gains on derivatives	1				97,366
Derivatives		(97,366)			
Other fees and charges	2				143,194
Opening equity				(143,194)	
Government grants	3				170,970
Opening equity				(170,970)	
Gain/Loss in investment in airport	4				169,400
Investment in Airport		(169,400)			

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Depreciation Expenses	5				(329,979)
Opening equity				329,979	
Other expenses	6				495,937
Work In Progress		(495,937)			
Other expenses	7				(205,000)
Sundry debtors receivables		205,000			
Total		(557,703)	0	15,815	541,888

Explanation of uncorrected misstatements

- 1 This is a projected misstatement, and a journal to adjust the overstatement of derivatives has been provide for explanation purposes.
- 2 This is a projected misstatement identified during the sampling of fees and charges. A journal to correct an overstatement in revenue has been provide for explanation purposes.
- 3 The journal to correct the overstatement of grant revenue in the current year has been provide for explanation purposes. The revenue should have been recognized in the previous year.
- 4 The journal to correct an overstatement of investment in the Airport has been provide for explanation purposes. The journal relates to the wrongly reversed accumulated depreciation for non-revalued assets within Airport PPE.
- 5 The journal is to reverse the prior year depreciation relating to capital projects which were previously capitalized but not depreciated.
- 6 This is a projected misstatement in respect of the samples for which the council was not able to provide appropriate supporting evidence. Hence, the journal has been provided for explanation purposes to correct the expected overstatement of work in progress.
- 7 To correct an understatement of receivables in relation to the loss in airport investment and capital expenditure incurred by the council billed to Ministry of Transport.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

2.3 Corrected misstatements

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Vested assets (revenue)	1				440,000
Revaluation reserves of restricted land				(440,000)	
Investment property (freehold)	2	1,276,000			
Restricted land (PPE land)		(1,200,000)			
Operational land		(76,000)			
Non-current asset held for sales	3	(1,800,000)			
Loss on revaluation adjustment					1,800,000
Future loss on sale - investment property provision (onerous contract)	4		1,745,000		
Other expenditure (movement in provision)					(1,745,000)
Non-current asset held for sales	5	2,154,000			
Future loss on sale - investment property provision (onerous contract)			(2,154,000)		
Loss on revaluation					2,154,000
Gain on revaluation - adjustment P&L					(2,154,000)

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Trade payables (accruals)	6		844		
Audit fees (Audit NZ - Council financial statements)					150
Audit fees (Audit NZ - Debenture Trust Deed)					(1,000)
Infrastructure assets - roading	7	(605,561)			
Revaluation reserve - infrastructure assets				605,561	
Infrastructure assets - roading (PPE- infrastructure assets)		(869,439)			
Vested assets - Thornton Bridge (revenue)					869,439
Infrastructure assets - Roothing (PPE- infrastructure assets)		1,475,000			
Vested assets (revenue) - Thornton Bridge (revenue)					(1,475,000)
Sundry debtors		8	182,102		
Creditors			(182,102)		
Revenue - rental income from investment properties	9				181,521
Expenses - leasing					(181,521)
Income accruals (receivables)	10	200,000			
Income received in advance (payables)				(200,000)	

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Deposits (payables)	11		692,021		
Income received in advance (payables)			(692,021)		
Investment property (freehold investment)	12	1,967,889			
Buildings		(1,967,889)			
Revaluation reserve operational assets	13			2,404,780	
Buildings		(2,404,780)			
Deferred tax liability (Balance Sheet)	14		865,000		
Deferred tax on revaluation (OCRE)					(865,000)
Landfill provisions (current)	15		(227,000)		
Landfill provisions (non-current)			(1,220,000)		
Movement in provisions					1,447,000
Investment in Whakatāne Airport	16	(1,184,374)			
Gain/Loss on investment in Airport (OCI)					1,184,374
Income accrued	17		565,375		
Volumetric charges for water					(565,375)
Land	18	138,000			
Gains (Loss) on Property, Plant and Equipment revaluations					(138,000)

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Gains (Loss) on Property, Plant and Equipment revaluations	19				1,440,000
Museum collection		(1,440,000)			
Gains (Loss) on Property, Plant and Equipment revaluations	20				426,000
Land roading		(426,000)			
Total parent		(4,581,052)	(806,883)	2,570,341	2817588

Explanation of corrected misstatements

- 1 To correctly account for the gain on revaluation of restricted assets.
- 2 To correct the reclassification of investment property from restricted and operational land.
- 3 To record the change in loss due to revaluation of the non-current asset held for Sale (77 Bunyan Road).
- 4 To correctly record for the reduction in the Onerous contract.
- 5 Journals passed to reverse the original entry passed for non-current asset held for sale and Onerous contract.
- 6 To correctly record the appropriate audit fees in the financial statements for FY 2023.
- 7 To reverse the original entry and fair value gain posted for the vested assets (revenue) and to record the vested asset additions at Fair value.
- 8 To reclassify Sundry Debtors with credit balances to Trade Payables.
- 9 To reverse the rental income from WDC properties erroneously record as a result of the council leasing properties to itself.
- 10 To reverse wrongly posted entry to income in advance.
- 11 To reclassify funding received in advance from Deposits to Income in Advance.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

- 12 To reclassify the investment property from Operational building (PPE) for the 10 properties that were double counted.
- 13 To record the reversal of revaluation loss on transfer of 10 properties from PPE to investment property.
- 14 To record for reclassification of deferred tax liability to OCRE.
- 15 To record an additional landfill provision for FY 2023.
- 16 To correctly account for the Council's investment in Whakatāne Airport which was previously overstated.
- 17 To record and recognize metered water accruals not previously provided for.
- 18 To correctly record revaluation loss on Land. This was previously understated.
- 19 To correct the revaluation gain on museum the collection.
- 20 To record for the correction on revaluation gain on roading assets.

2.4 Corrected disclosure deficiencies

We identified multiple disclosure deficiencies which were corrected.

2.5 Corrected performance reporting misstatements

We identified 4 performance reporting misstatements which were corrected.

2.6 Quality and timeliness of information provided for audit



Management provided information for audit relating to the annual report of the District Council. This included the draft annual report with supporting working papers. We provided a listing of information we required to management on 7 June 2023. This included the dates we required the information to be provided to us.

2.6.1 Audit process

The Council produced the draft financial statements on the first day of the audit and were partly prepared for audit with some of the requests being completed prior to starting the audit. The District Council faced many challenges in providing information which resulted in several areas of delay such as in revaluations, property plant and equipment, investment Property, payroll, trade receivables and performance reporting information. Significant number of hours were spent on trying to get the correct information and resolving the issues identified. This adversely affected the audit work such as sample selection.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Information being uploaded was not being quality checked and thus the audit team often had to return the information being provided. This further contributed to the delays.

The audit team also had to review several versions of the annual report which kept on changing with each version having a number of changes and disclosures getting omitted.

We identified numerous misstatements in the draft annual report and the amended statements thereafter. Refer to section 2.3 for details on misstatements. Some of the journals done by the council to correct the identified misstatements were done incorrectly therefore audit also spent additional time reviewing and proposing reversing journals. We do want to acknowledge that despite the challenges above specifically the CFO and the finance team did their best to analyse the issues raised by the Audit team and resolve audit documentation issues identified. A lot of effort was put by the finance team to help finalise the audit.

The resources allocated to our audit team had to be extended on multiple occasions due to the complexity of the issues identified and the significant delays during the audit. As a result, we have incurred additional costs. We will be engaging with the council on the recovery of these overruns.

We will continue to discuss with management to determine how to improve the efficiency of the annual report and audit process.

Recommendation

We encourage management to make use of the client substantiation file mentioned in Section 8 below, for the audit of the next Annual Report.

This will ensure that all/most supporting documentation is available at the start of the audit. We recommend that the Council implements internal quality review processes to ensure that a complete and consistent documentation is presented for audit purposes. This will reduce/minimise Audit New Zealand time overruns and enable the District Council to more effectively complete the audit process.

We intend to have a debrief with management and continue to work on ways to improve the efficiency of the audit for future engagements.

Management comment

Accepted: We intend to undertake an action plan to address most of these recommendations prior to the commencement of the final field work cycle for the 2023/24 audit. In addition, we have requested budget for additional resource for future improvement especially in the quality assurance review through LTP2024-34.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

3 Matters raised in the Audit Plan



In our Audit Plan of 11 September 2023, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<p>Fair value assessment of infrastructure (3 Waters) property, plant and equipment (non-revaluation year)</p>	
<p>The District Council periodically revalues its infrastructure assets. PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The Council last revalued its 3 Waters (Wastewater, Stormwater and Water supply) as at 30 June 2021. For these assets the council will be performing a fair value assessment to determine whether there is significant difference between the fair value and the carrying value. Where the estimated difference is significant a full revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. The Council will be engaging external valuers, Aon NZ, to assist in preparing a fair value assessment of the 3 Waters. 	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • we reviewed management’s fair value assessment report including the appropriateness of the key assumptions used in the assessment; • we also assessed the competence and experience of the person completing the fair value assessment and whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the fair value assessment) have been met; • reviewed the reasonableness and completeness of the data used; and • assessed the presentation and disclosure of information related to valuation in the financial statements. <p>We were satisfied that the use of judgements is appropriate, and fair value assessments have been correctly recorded in the Council’s financial statements.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
Management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. <p>We did not identify any issues indicating the override of controls by management.</p>
Revaluation of property, plant and equipment (revaluation year)	
<p>The District Council periodically revalues its property, plant and equipment. PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The following asset classes are scheduled to be revalued in the current year:</p> <ul style="list-style-type: none"> • Land (operational and restricted). • Buildings (operational and restricted). • Library collection. • Museum. • Harbour and Parks. • Forestry. <p>Impairment</p> <p>At each reporting date management must assess whether there is any indication that assets may be impaired. If management identifies any indication of impairment, then they must estimate the recoverable service amount of the asset. This is to ensure the carrying amount of an asset does not differ materially from its recoverable amount. The judgemental nature of asset revaluations, fair value assessments, and impairment assessments creates a risk of bias or error in the assumptions and inputs used.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • reviewing the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the valuation basis) have been met; • auditing the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework. • reviewing the reasonableness of the data and key assumptions used; • assessing the presentation and disclosure of information related to the valuation in the financial statements. • reviewing management’s impairment assessments and evaluating the reasonableness of significant assumptions used in the assessments; and • evaluating how management has addressed estimation uncertainty and reform any calculations made by management.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
<p>Due to the value of the asset classes in question, any bias or errors in the inputs used or calculations performed could result in a material misstatement of the District Council's financial statements</p>	<p>We are satisfied that the use of judgements is appropriate, and valuations are correctly recorded in the Council's financial statements.</p>
<p>Fair value assessment of infrastructure (Roading Network) property, plant and equipment (non-revaluation year)</p>	
<p>The District Council periodically revalue their infrastructure assets. PBE IPSAS 17 <i>Property, Plant and Equipment</i> requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The Council last revalued its Roading Network in 2022. For these assets the council will be performing a fair value assessment to determine whether there is significant difference between the fair value and the carrying value. Where the estimated difference is significant a full revaluation may be necessary. An assessment should:</p> <ul style="list-style-type: none"> • Factor in local cost information. • Utilise relevant and reliable price movement indicators. • Involve consulting with valuers, if necessary. The Council will be engaging external valuers, WSP New Zealand, to assist in preparing a fair value assessment. 	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • reviewing management's fair value assessment report including the appropriateness of the key assumptions used in the assessment; • we also assessed the competence and experience of the person(s) completing the fair value assessment and whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the fair value assessment) have been met; • reviewed the reasonableness and completeness of the data used; and • assessed the presentation and disclosure of information related to the final carrying values in the financial statements. <p>We are satisfied that the fair value assessments have been correctly recorded in the Council's financial statements.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
Capitalisation of Work in Progress	
<p>The District Council continues to have significant ongoing capital programme. Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects. To help Council conclude on the matters below we expect Council to prepare a “year-on-year” three-year age analysis. Council needs to ensure that:</p> <ul style="list-style-type: none"> • project costs are appropriately classified as capital or operational in nature; • work in progress balances are reviewed for assets available for use and appropriately capitalised and depreciated accordingly; • work in progress on projects are assessed regularly for impairment; • costs no longer meeting the criteria for recognition as an asset should be expensed in a timely manner; and • asset is identified at appropriate components and useful lives are assigned at a component level. 	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing a sample of work in progress additions to ensure project costs are appropriately classified as capital or operational; • reviewing the Council’s assessment over work in progress (WIP) balances; • reviewing the Council’s impairment assessment over work in progress; • reviewing the Council have expenses costs no longer meeting criteria for recognition; and • ensuring that asset components are identified at an appropriate level, and appropriate useful lives are assigned. <p>Capital Work in Progress was appropriately disclosed in the financial statements at balance date.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
Non-Current Asset held for Sale - 77 Bunyan Road	
<p>The Council entered into an agreement to Sale land (77 Bunyan Road, Coastlands) which was finalised with an unconditional sale and purchase agreement which remains valid. The sale was piecemeal and as each stage of development was completed, funds were to be released. The Title was to transfer to the purchaser before the next stage of development and after the purchase price for that stage is paid. No block titles have been passed to date and no further funds have been received from the developer. The District Council has classified the sale as a Non-Current Asset Held for Sale with a split between current and non-current. Fair value assessments need to be completed for this property as PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> do not apply to non-current assets accounted for by the fair value model in IPSAS 16 <i>Investment Property</i>. An assessment should be prepared over any changes in the assumptions and facts on which previous accounting treatment conclusions have been reached.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • assessing whether the valuations have been performed in accordance with PBE IPSAS 16: <i>Investment Property</i> detailed in the below area of focus “Valuation of investment property”; • ensuring the provision for onerous contract is correctly accounted for; • reviewing changes to assumptions and facts on which previous accounting treatment conclusions have been reached; and • ensuring that the appropriate disclosures have been made in the financial statements. <p>The non-current asset held for sale (77 Bunyan Road) and the associated onerous contract has been appropriately accounted for.</p>
Investment in Boat Harbour entity	
<p>During 2021/22 Council signed the transformational partnership between the Crown, Te Rāhui Lands Trust, Ngāti Awa Group Holdings Limited and Council to create Te Rāhui Herenga Waka Whakatāne 2021 Limited Partnership for the Whakatāne Boat Harbour Development. Two applications were submitted to the Provincial Growth Fund (PGF) in September 2019. An announcement made on 13 March 2020 confirmed all three applications were successful, securing \$19.6 million for a boat harbour development, \$9.6 million for the riverfront revitalisation project and \$7.8 million for Ngāti Awa’s Kāinga development at the Whakatāne Army Hall.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • Obtaining an update on the progress of the boat harbour development from council and review accounting treatment of investments made in the Boat Harbour Entity. • Reviewing associated disclosures ensure that these have been made appropriately in the financial statements. <p>The boat harbour has been appropriately accounted for using the equity method of accounting in the Council’s financial statements. We were satisfied with the accounting treatment of the Investment in the boat harbour entity and its associated disclosures in the financials.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
<p>Council have made payment of \$5.5 million during the FY 2022/23 with further commitment of \$4 million in 2023/24, this has been accounted for as a financial asset.</p>	
<p>Valuation of investment property</p>	
<p>PBE IPSAS 16: <i>Investment Property</i> requires investment properties to be revalued on an annual basis. There are some aspects to the valuation of investment properties that require particular use of judgement in determining their fair value. We understand the District Council has engaged an external valuer to revalue investment properties during the financial year.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • assessing the valuations have been performed in accordance with PBE IPSAS 16; • we also assessed the competence and objectivity of the valuer used; • ensured the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value; • reviewed key assumptions including assessing whether evidence used by the valuer is based on market evidence and applicable industry data; and • ensured the valuation movement was correctly accounted for within the respective assets; and use of an auditor expert where required. <p>As part of our review, we identified a few council properties that had been double counted under both Property Plant and Equipment and Investment Property as at the year-end. This was subsequently corrected by management.</p> <p>We were satisfied that the use of judgements is appropriate, and valuations are correctly recorded in the Council’s financial statements.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
Adoption of PBE FRS 48: Service Performance Reporting	
<p>PBE FRS 48: Service Performance Reporting replaced the parts of PBE IPSAS 1: <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements, the new standard is effective for adoption for the annual reporting periods beginning on or after 1 January 2022, that is, for the District Council, the year ended 30 June 2023. PBE FRS 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Paragraph 47 allows an entity to cross reference this disclosure to another document, such as the document that sets out the forecast service performance information. Most of these judgements are made at the time the long-term plan is adopted.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • providing PBE FRS 48 <i>Service Performance Reporting</i> checklist to the District Council to perform a self-review; and • ensuring the disclosures in the annual report are in line with the newly adopted accounting standard. <p>We were satisfied with the disclosures in the annual report in relation to PBE FRS 48: <i>Service Performance Reporting</i>.</p>
Three Water reform	
<p>The 3 Waters reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector. The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • reviewing the District Council’s disclosure to ensure they accurately reflect the significance and uncertainty of the Reforms on Council. <p>Due to the uncertainty in respect of the 3 Waters Reform, without modifying our opinion, an Emphasis of Matter (EOM) paragraph was included in the Audit Report to draw attention to Note 31 which outlines developments in the water services reform programme. The EOM paragraph was common to most District Councils.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
<p>The Bill to enable the transfer of 3 Waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity. The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements. The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	
<p>Drinking water quality performance measure</p>	
<p>Providing safe drinking water is a core function of the council and reporting how Council has performed in respect of this function in the annual report is important performance information. The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022. Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in Council’s annual report. There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that Council is able to support the performance results that they report.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • updating our knowledge of the systems and controls in place and perform appropriate testing to determine if we can rely on those controls; • working with the Council to agree what performance information and measures would be appropriate and audit the results reported against the agreed measures; and • carrying out additional audit procedures to obtain sufficient appropriate audit evidence for the performance measures. <p>We are satisfied that the District Council has appropriately reported against the drinking water compliance measures.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Audit risk/issue	Outcome
<p>Taumata Arowai does not currently have an equivalent system in place and does not use independent drinking water assessors. In previous financial years the District Council engaged an external assessor to complete the required work, this will likely be required again in 2023.</p>	
<p>Impact of severe weather events</p>	
<p>From January 2023, weather-related events including Cyclone Gabrielle caused flooding that significantly disrupted several regions of New Zealand, including the District of Whakatāne. A state of emergency was declared by the Council on 13 February 2023. As a result, the flooding events might have significant implications for the District Council. Potential implications are likely to include:</p> <ul style="list-style-type: none"> • whether internal controls used to manage Council financial and service performance information systems remained design and operationally effective when operations were disrupted; • the impairment and/or disposal of PPE that cannot be repaired; • how the unrepaired damage to revalued PPE is reflected in any resulting valuation; • the recognition of insurance proceeds received or receivable from insured assets that are damaged; • the recognition of any grants received or receivable from the Crown or other third parties; • how the performance story of the flooding events is reported in the performance information; and • whether there is any risk to Councils of litigation resulting from the flooding events 	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • Discussing and reviewing the District Council’s damage assessment reports, impairment assessments, flooding events performance information and any other material information relating to the flooding events. <p>We were satisfied, based on the Council’s assessment, that there was no material impact of severe weather events for Whakatāne.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

4 Issues identified during the final audit



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

A separate letter covering the less significant issues has been issued to the CFO. There were 9 additional issues all of which arise from our findings during the year ended 30 June 2023.

4.1 Rates setting process 2023/2024

During our review of the 2023/24 rates setting process, we identified the following:

- For multiple rates the factor used to calculate the ratepayer's liability was inconsistent within the rates resolution.
- The rating funding impact statement did not specify the activity for which the targeted rates were to be used.
- The 2023/24 Annual plan disclosed the 30% Cap calculation which did not appear to be accurate.

The audit team sought technical advice and noted that while the issues were not significant for the audit they do however need to be resolved. We recommend management to review these as part of the long-term plan.

Management comment

Accepted: Management will be incorporating these findings into the 2024/25 rating resolution cycle as part of LTP2024-34 including alignment through activity group reference and through the Revenue and Financing Policy.

4.2 Property, Plant and Equipment

During the performance of our revaluation review and testing over the additions, disposals, work in progress additions and capitalisations and vested assets, we identified the following issues related to property plant and equipment:

4.2.1 Three Water valuation - improvement recommendation from the valuer and control deficiency in the asset management system

The valuer has made specific improvement recommendations as these will improve the data quality for purposes of managing the respective assets and help the Council prepare for the next Long-term Plan.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Below are the valuers' "Recommendations" included in their FY23 valuation report:

- *Asset data quality continues to improve from past valuations. GIS input of as-built data from new subdivisions and Capital works is required to be undertaken in a timely manner. Whakatāne DC to review GIS procedures and resource appropriately.*
- *Improved quality assurance measures to manage the quality of data supplied to Whakatāne DC, capturing changes (subdivisions, capital works, modification etc.) in the data supplied, audited and approved for distribution.*
- *An in-field condition grading system should be developed and training of staff, so that opportunistically assets can be assessed by the network operators.*

We identified that the District Council's Three Water asset details are not accurately recorded and updated in the Xivic System (3 Waters AMS) on a timely manner, resulting in an issue with the completeness of the data provided to the valuers.

We encourage the District Council to evaluate and execute the valuer's improvement recommendations on Three Water assets and we recommend that management formalize a process of recording all data in a timely manner into the Three Water Asset management system (Xivic System) along with the relevant approvals from the designated personnel to ensure accuracy of data input.

Management comment

Accepted: We acknowledge the recommendations and will be working with the MIS and 3 Waters team to implement them in the next Waters Valuation cycle

4.2.2 No Fixed Asset Register (FAR) for infrastructure assets and FAR not being updated in a timely manner

The District Council does not maintain a fixed asset register in their FMIS. As a result, finance does not have controls over asset additions, disposals, WIP and are reliant on the relevant asset management teams to provide all the information related to infrastructure assets to prepare the Annual Report. As the asset teams are not qualified accountants, there is risk that with minimal understanding of the implications of PBE IPSAS 17, the District Council will not be apply the standards correctly when preparing financial statements.

We also note that the district council has not updated the FAR register in a timely manner for all year-end adjustments provided by the audit team, resulting a variance in the opening NBV as per FAR and audited financial statements.

Due to the lack of a shared fixed asset register, currently the finance team calculates depreciation based on an average rate on the total carrying value of the individual asset class. However, per PBE IPSAS 17, assets should be depreciated individually considering their useful lives.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

We recommend management establish an infrastructure asset register. We also recommend management ensure all fixed asset registers are updated in a timely manner to ensure all year-end adjustments are accurately reflected and depreciation can be more accurately calculated.

Management comment

Accepted with alternate approach: We recognise that the provision of infrastructure assets as part of the audit process needs significant improvement. However, given the significant work involved and investment in infrastructure asset management systems across council that already exist, we believe improving the utilisation of these within the audit process rather than trying to implement a duplication of data through the FAR with inherent reconciliation and maintenance issues, will be a more effective solution to address the audit issues while avoiding other unintended consequences.

Issues identified with the timeliness of asset updates and process for maintaining clear audit trail through responsible activity and line manager will be completed post this report part way through the 2023/24 year, therefore although we expect improvements to be delivered in a timely manner, they will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

Audit response

Managements comments noted. Making use of existing infrastructure asset management systems makes sense if the infrastructure systems are able to provide the financial information required by the Finance team for various reasons including to support the Council's general ledger system and to provide the information required to meet the accounting standards.

4.2.3 Capitalisation of work in progress

From our testing of PPE additions, we noted that several projects were not capitalised in a timely manner. Depreciation was appropriately backdated to the date when assets were brought into service (approximating the date projects were completed).

We recommend management to monitor project status regularly so that assets can be capitalised in a timely manner. Capitalisations should not be left to year end, but rather capitalised when they are brought in to use as required by the accounting standards (PBE IPSAS 17).

Management comment

Accepted: Management will develop revised processes for the regular monitoring of project status so that assets can be capitalised in a timelier manner. We have already commenced the implementation of aspects of this and will develop them further in the coming months. We expect, therefore that these will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

4.2.4 No segregation of duties in posting journals to the Asset Management System

From our testing of PPE disposals, we identified that all journals posted for disposal of the fixed assets were prepared and posted by the same person (Assistant Accountant), resulting a risk of misappropriation of assets and lack of segregation of duties.

We recommend the council to implement a control in place to ensure that all journals posted to the AMS system are prepared and posted by two different individuals to mitigate the risk of misappropriation of assets.

Management comment

Accepted: Action in response to findings will be completed post this report part way through the 2023/24 year, therefore although we expect improvements to be delivered in a timely manner, they will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

4.2.5 Supporting documentation for fixed asset additions

From our testing of PPE additions, we identified a few instances where the council was not able to provide sufficient documentation for fixed asset additions selected for testing. This was mitigated by the audit team through obtaining project manager confirmations of the same.

We recommend management to strictly maintain all supporting documentation for fixed asset additions with evidence of approvals.

Management comment

Accepted: Management will develop revised processes for the documentation of PPE additions to improve completeness with evidence of approvals. We have already commenced the implementation of aspects of this and will develop them further in the coming months. We expect, therefore that these will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

4.3 Whakatāne Airport

Whakatāne Airport financial system

As part of our review over the Whakatāne Airport, we noted that despite being a separate entity it does not have a separate financial system and is currently utilising the Council's financial system. That is, the general ledger is combined with the Council's. The combined ledger creates difficulties for the fiancé team when trying to extract the Airport from the Whakatāne general ledger for reporting purposes.

For clear separation between the two entities, we recommend management utilise a separate accounting system to account for the Whakatāne Airport. If the Airport is to be

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

continued in the Council's general ledger, then it should be property set-up to separately identify each entity's transactions.

Management comment

Accepted with alternate approach: WDC are currently in the process of undertaking an ERP replacement project and the separation of accounting for Whakatāne Airport has been identified in the requirements documentation. In the interim, the financial statements workbook will be significantly modified for the 2023/24 audit cycle to ensure an effective elimination of Whakatāne Airport accounts from the Council group financial statements presented to Audit New Zealand.

4.4 Breaches of Local Government Member Determination

As part of our review of elected members remunerations we noted one instance where a newly elected community board member was paid above the Local Government Members Determination 2022/2023 which was in direct breach of the determination. The council has made appropriate disclosure of the same in the Annual Report.

We have recommended that council monitors payments made to elected board members to ensure they are within the Local Government Members Determination.

Management comment

Accepted: Management will undertake a review of the current year to date data for 2023/24 to ensure no additional instances have occurred that need to be addressed in advance of the 2023/24 audit cycle. Full process improvements have occurred already and/or will be completed post this report part way through the 2023/24 year, therefore although we expect improvements to be delivered in a timely manner, they will only partially benefit the 2023/24 audit; the full year effect is not expected until the 2024/25 audit cycle.

4.5 Review of landfill after care provisions

On review of the landfill after care provision we noted the duration of the provision for some of the landfills did not align with Ministry of Environment landfill guidelines which recommend a minimum aftercare period of 30 years.

We also note the aftercare provision is currently prepared by the Council. Due to the complexities associated with determination of the future costs for landfill after care, we recommend the council utilises an expert in the area to prepare and assess the provision for landfill after care.

We also recommend the council reviews the Ministry of Environment guidelines and ensure the minimum aftercare provision complies with these.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Management comment

Accepted: management have already commissioned expert independent assessment of the landfills to support the provisioning within the 2023/24 audit cycle.

4.6 Incorrect classification of complaints - SPE Mandatory customer satisfaction measure (Water Supply)

When reviewing the mandatory performance reporting measures, the audit team noted that for the mandatory customer satisfaction measure for water supply, council did not log complaints and calls regarding planned and unplanned water supply shutdowns.

While the audit team was able to obtain the number of planned and unplanned shutdowns from the council, it was not possible to determine the number of complaints and calls in relation to the shutdowns, therefore we were unable to determine if the number of complaints excluded from the report were material.

In addition to the above, on review the mandatory customer satisfaction measure for each of the three water activities, council has contracted Palmerston North City Council's (PNCC) after hours call centre to receive their after-hours calls. We did not have sufficient appropriate audit evidence to support the completeness - in respect of the volume of the after-hours service requests that the council received through the call centre due to issues with wrap up codes. We were also not able to determine classification in respect of events with multiple calls.

The Audit Report therefore qualified the performance information based on the above issues.

We recommend management ensures appropriate controls are in place to ensure correct classification of requests for service which would enable accurate calculation of the Council's performance against non-financial performance measures. We also recommend the council engages further with Palmerstone North City Council's (PNCC) to resolve the issues with the wrap up codes to enable correct classification of events with multiple calls.

Management comment

Accepted: Management have commenced development and implementation of process changes within the WDC call centre to address this finding. These actions are anticipated to be put in place in the coming months prior to the commencement of the 2023/24 audit. These process changes, which we expect will deliver compliance, will however not resolve the retrospective data in 2023/24 audit cycle. We expect, therefore, that these will only provide full year compliance in the 2024/25 audit cycle.

We will be address the same issues with PNCC.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

5 Public sector audit



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

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

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

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

Based on the work done over sensitive expenditure we noted the following findings:

- We noted one instance of where the Mayor's expenditure was approved by the CEO.
- We noted two instances of where no supporting documentation was provided for the two samples selected for sensitive expenditure.
- We identified three instances where the CEO's expenditure was approved by the CFO.
- We also noted that currently the Council Koha donations are not being approved by the CE which is in accordance with the sensitive expenditure policy.
- We noted six instances of where no supporting documentation was provided for Koha Donations paid.

We recommend management to ensure the sensitive expenditure policy is followed and a one up approval process is adhered to when incurring this type of expenditure.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

The prior year recommendations over sensitive expenditure policy are currently still outstanding and cover most of the issues noted above. These are still specifically relevant to the public sector. More commentary has been included in Appendix 1.

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

6 Useful publications



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

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Description	Where to find it
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice Link: Tax Matters</p>
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications. Link: Conflicts of interest</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Description	Where to find it
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG’s website under 2019 publications. Link: Severance payments</p>
Good practice	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice. Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications. Links: Strategic suppliers: Understanding and managing the risks of service disruption Getting the best from panels of suppliers Local government procurement</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Audit process/general audit preparedness and concentration risk in the preparation of financial statements</p> <p>Implement internal quality review processes to ensure that a complete, consistent document is presented for audit purposes. Streamline the audit process to ensure it runs smoothly.</p>	<p>2020</p>	<p>Open</p> <p>Management comment - FY23</p> <p><i>Ongoing - short timeline between 2022 and 2023 audits has meant improvements recognised still need to be implemented in advance of 2024 audit.</i></p> <p>Audit NZ comment - FY23</p> <p>Despite the audit taking place well after year-end, there were nonetheless noteworthy delays in receiving the full draft Annual Report, completing the required schedules and reconciliations, and answering audit queries in a timely manner. Where documentation was provided it was not quality checked and this resulted in the audit team “returning” such requests which further delayed the audit process. Our impression is that there is a concentration risk, with a single contact channel and concentration of knowledge when providing audit information and clearing audit queries.</p> <p>While we commend the Manager Financial Reporting for working with the audit team and providing information to the best of her ability, to improve sustainable continuity and sharing of knowledge within the organization, we recommend consideration be given to broadening the District Council’s resource base made available to the preparation of the Annual report and the audit process.</p> <p>We also recommend management undertake quality checks of information provided and ensure the right documentation is being provided.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<p>No dedicated fixed asset registers for infrastructure assets</p> <p>We recommend that a dedicated fixed asset register is maintained by the District Council to provide asset management information to both asset managers and the finance team helping the finance teams extract and prepare PPE information for the Annual report in compliance with PBE IPSAS 17.</p>	<p>2021</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>Whakatāne District Council, in line with most councils utilises a number of specialist systems as asset management systems especially for roading and waters activities. These have strong control environments despite not being in the FMIS. These systems are leveraged for revaluation purpose reflecting their recognised quality. We believe although not specifically familiar with Accounting Standards on asset recognition, the specialist nature of the assets themselves are better leveraged through the specialist team who manage them, specialist technical knowledge that financial accounting team does not have.</i></p> <p><i>We recognise that Finance Management Information Systems (FMIS) maintaining a full dedicated fixed asset register in detail is normal practice, but in those instances, they would not normally have the quality and depth of supporting infrastructure assets management systems council has in place.</i></p> <p><i>Management believe maintaining a full dedicated fixed asset register within the FMIS would create significant additional work in maintenance, and risk of confusion because of variances between the FMIS and Infrastructural existing asset management systems which are the basis for valuation information. To deliver this recommendation would also require additional compliance resource which is not currently available within council priorities</i></p> <p>Management comment - FY23</p> <p><i>Issue closed as Whakatāne DC have chosen not to prioritise this recommendation at present.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
		<p>Audit NZ comment - FY23</p> <p>The issue and recommendation remain the same in the current year as well. The council was unable to provide a listing of all infrastructure assets due to lack of dedicated FAR register for infrastructure assets. Hence, the recommendation remains open for FY23.</p> <p>Management revised comment - FY23</p> <p><i>Accepted with alternate approach: We recognise that the provision of infrastructure assets as part of the audit process needs significant improvement. However given the significant work involved and investment in infrastructure asset management systems across council that already exist we believe improving the utilisation of these within the audit process rather than trying to implement a duplication of data through the FAR with inherent reconciliation and maintenance issues, will be a more effective solution to address the audit issues while avoiding other unintended consequences.</i></p>
<p>Roading assets - improvement recommendation from valuer</p> <p>The valuer for roading made several recommendations.</p> <p>In section 6 of the valuation report, the valuer recommendations included:</p> <ul style="list-style-type: none"> • <i>Continue to maintain, develop, and improve the asset component register; this includes:</i> <ul style="list-style-type: none"> a) <i>Discuss and investigate with WDC other assets that may exist in other registers, or be recorded in RAMM, that would benefit from inclusion in the valuation.</i> 	<p>2022</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>We acknowledge the recommendations and will be working with the MIS and Roading team to implement them. Given the delay in timing in delivery of the audit work, these recommendations are likely to be implemented in the 2023/24 year-end.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing - short timeline between 2022 and 2023 audits has meant improvements recognised still need to be implemented in advance of 2024 audit.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<p><i>b) The confidence grading for the quantity of assets has been assigned based on historical records and the quality of data for calculating lengths, areas, and volumes of assets in the asset register. WDC should continue to validate the accuracy of these ratings, an independent field validation exercise should continue to be completed to compare the data stored in the asset register against assets in the field for the network.</i></p> <ul style="list-style-type: none"> • <i>Recently certain bridges have seen a significant increase in construction costs and overhead factors. A full review of the bridges captured in this valuation should be undertaken to determine accuracy and currency of existing data.</i> • <i>Undertake pavement surface analysis to validate the TUL for different top surface categories and pavement uses. This analysis would compare actual lives with those expected to validate/update existing assumptions.</i> • <i>Assess the value of splitting out and separating headwalls and wingwalls from the drainage table. Before doing so, it would need to be checked the inclusion of these have not been considered as part of the standard unit rate cost for the asset they are attached to, predominantly culverts.</i> 		<p>Audit NZ comment - FY23</p> <p>We agree with management. The recommendations over roading still need to be implemented. This issue is still open.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
Necessary		
<p>Manual journal processes</p> <p>Implemented adequate procedures for recording journals with appropriate supporting documentation, including evidence of appropriate approval in the electronic environment.</p>	2020	<p>Open</p> <p>Management comment - FY23</p> <p><i>Open and ongoing.</i></p> <p>Audit NZ comment - FY23</p> <p>While there are improvements in this area with most journals now being approved electronically however, audit did identify self-approved journals.</p>
<p>High number of staff with "Superuser" access in Ozone</p> <p>We recommend a review and reduction of Ozone Superusers in the live Ozone system.</p> <p>Formal approval processes including assessment of risk should be completed before assigning elevated access privileges.</p>	2020	<p>Open</p> <p>Management comment - FY22</p> <p><i>Management currently undertaking an ERP replacement program. This aspect will be part of the current state assessment as address accordingly in 2023/24.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing ERP Initiation Plan has been approved and is now subject to ROI and RFP approved from council in Q3 2023/24 - implementation not expected until 2024-2026.</i></p>
<p>Review of network and Ozone user accounts</p> <p>Network and Ozone user accounts to be reviewed to ensure they are current and being used.</p>	2017	<p>Open</p> <p>Management comment - FY22</p> <p><i>Management are current undertaking an ERP replacement program. This aspect will be part of the current state assessment as address accordingly in 2023/24.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing ERP Initiation Plan has been approved and is now subject to ROI and RFP approved from council in Q3 2023/24 - implementation not expected until 2024-2026.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<p>General ledger reconciliations</p> <p>All general ledger reconciliations to be prepared and reviewed in a timely manner. This would include having a process to cover staff absences.</p>	2018	<p>Open</p> <p>Management comment FY22</p> <p><i>Can audit please provide an indicative ratio to ensure we have a matter understanding or where this is structure rather than exceptional, recognising a performance standard at 100% would be achievable.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing.</i></p> <p>Audit NZ comment - FY23</p> <p>Although we note that creditors reconciliations are reviewed throughout the financial year, we identified one instance, during our FY23 interim audit, where the review was not considered to be done in a timely manner.</p>
<p>Sensitive expenditure policy</p> <p>The Council undertakes a review of its sensitive expenditure policy with a view to aligning the policy with the Office of the Auditor-General's "Controlling sensitive expenditure: Guidelines for public entities.</p> <p>The following points should be considered in addition to those in previous year:</p> <ul style="list-style-type: none"> • processes to distinguish legitimate work expenses from personal expenses on credit cards or rideshare apps; • limit for sponsorship of a staff member to those that provide publicity for the organisation and its objectives; • assets identified for disposal to staff are valued and subject to a tender or other process that is appropriate to the value of the asset and that maximises the return to the entity; and 	2019	<p>Open</p> <p>Management comment - FY23</p> <p><i>Ongoing: Sensitive Expenditure policy is subject to review in 2023/24.</i></p> <p>Audit NZ comment - FY23</p> <p>Refer to Section 5 for issues raised over sensitive expenditure policy. This issue is still open.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<ul style="list-style-type: none"> consideration of technology-enabled solutions as opposed to travel in person. 		
<p>Internal audit</p> <p>Introduction of an internal audit function be prioritised under the new Organisation Performance and Risk analyst roles.</p> <p>Issues raised in the independent reviews be formally considered and implemented as soon as possible.</p>	2015	<p>Open</p> <p>Management comment - FY22</p> <p><i>Management have a KPI to implement an effective Internal Audit resource and workplan, which is being overseen by the Risk and Assurance Committee. This is expected to be in place for 2024.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing.</i></p> <p><i>Risk and Assurance Committee approved IA delivery methodology in August 2023. Risk and Assurance are scheduled to agree IA workplan in November 2023. Internal Audit workplan will be commenced in calendar 2024.</i></p>
<p>Refundable deposits</p> <p>We recommend Council regularly reviews the deposits held and makes any necessary transfers. <i>(Refer section 4.13 for recommendation provided).</i></p>	2019	<p>Open</p> <p>Management comment - FY23</p> <p><i>Ongoing.</i></p>
<p>Sensitive expenditure</p> <p>We recommend Council ensures sensitive expenditure is incurred in line with Council policy and is appropriately supported and authorised.</p>	2019	<p>Open</p> <p>Management comment - FY22</p> <p><i>Can Audit please provide an indicative ratio to ensure we have a matter understanding or where this is structural rather than exceptional issue. We recognise there should effectively be a high 99% level of compliance standard in this area.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing - awaiting feedback from Audit New Zealand.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
		<p>Audit NZ comment - FY23</p> <p>We identified several instances of where adequate supporting documentation were not provided to support the expenditure. Refer to Section 5 above for examples of issues identified during FY 2023 audit. Hence, the recommendation remains open.</p>
<p>Revaluation of assets</p> <p>Improve revaluation procedures.</p>	<p>2017</p>	<p>Open</p> <p>Management comment - FY23</p> <p><i>Ongoing.</i></p> <p>Audit NZ comment - FY23</p> <p>The recommendation remains open in the current year.</p>
<p>Funding impact statements</p> <p>We recommend Council review their allocation rules and ensure the result of their allocations represent the funding sources and operating applications of each activity fairly and using the correct functionality of the financial component</p>	<p>2021</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>Management is undertaking this work within the development of the 2024-2034 Long Term Plan.</i></p> <p>Management comment - FY23</p> <p><i>Management is undertaking this work within the development of the 2024-2034 Long Term Plan.</i></p>
<p>PPE - timely capitalisations</p> <p>We recommend Council regularly monitors projects sitting in WIP and capitalise those in a timely manner when they are complete.</p> <p>Background</p> <p>From our testing of PPE additions, we noted that several projects were not capitalised in a timely manner. Depreciation was appropriately backdated to the date when assets were brought into service (approximating the date projects were completed).</p>	<p>2022</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>We agree more regular reconciliation and clearing of WIP should occurring going forward. Given timing this will occur as part of the 2023/24 financial work and will be part of a wider programme of work on project management reporting currently being developed as elsewhere recognised with the committee. This will have resourcing implications.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<p>Project status should be monitored regularly so that assets can be capitalised in a timely manner. Capitalisations should not be left to year end, but rather capitalised when they are brought in to use as required by the accounting standards (PBE IPSAS 17).</p>		<p>Management comment - FY23</p> <p><i>Ongoing - some improvement in 2022/23 year-end procedures but short timeline between 2022 and 2023 audits has meant improvements recognised still need to be implemented in advance of 2024 audit; additional improvements identified in 2022/23 will be implemented under continuous improvement in 2024/45 - LTP2034 includes request for additional resource to support audit including improvement in Data Tools and QA methodologies.</i></p>
<p>Breaches of Local Government Act 2004</p> <p>We recommend that the District Council take appropriate steps to ensure compliance with relevant laws and regulations.</p> <p>Background</p> <p>In our work over legislative compliance, we identified that Council does not have the BOPLASS and TOI EDA latest Annual Report on their website. This is in breach of Section 67(4) of the Local Government Act 2002. We also noted that Whakatāne Airport Authority (WAA) has not prepared and adopted their Statement of Intent (SOI) before 30 June 2022. This is in breach of Section 64(1) of the Local Government Act 2002.</p>	<p>2022</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>We recognise the identified instances which were not updated in systems in a timely fashion and were largely minor in context. However, these will be correct with urgency.</i></p> <p>Management comment - FY23</p> <p><i>Closed - we believe we have addressed the issues identified subject to audit 2023 confirmation.</i></p> <p>Audit NZ comment - FY23</p> <p>The issue remains open, as FY 2022 annual reports of BOPLASS and TOI EDA were not uploaded to the website within the timeframe and have to-date not been uploaded.</p> <p>The Whakatane Airport Authority (WAA) did not prepare and adopt their Statement of Intent (SOI) before 30 June 2023.</p> <p>Further, the council did not meet their annual report statutory deadline of 30 October 2023.</p> <p>Our recommendation remains open for FY 2023.</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Recommendation	First raised	Status
<p>Related parties - interest declaration register</p> <p>We recommend that all interest declarations are kept up to date with all interests disclosed. Council could consider undertaking its own search of public records to ensure all related parties are identified and appropriately managed.</p>	<p>2022</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>We agree more regular review of related party registers should occur with an additional stage in audit pre-work. We will work this into governance teamwork practices.</i></p> <p>Management comment - FY23</p> <p><i>Closed - we believe we have addressed the issues identified through Governance team procedures subject to audit 2023 confirmation.</i></p> <p>Audit NZ comment - FY23</p> <p>The recommendation remains open as the issue existed in the current year as well.</p>
<p>Fair value of Airport assets</p> <p>We recommend the District Council to prepare a fair value assessment for the Whakatāne Airport assets every year and subject these assets to revaluations along with the Council assets</p>	<p>2022</p>	<p>Open</p> <p>Management comment - FY22</p> <p><i>We agree that a fair value assessment will be implemented as part of the 2023/24 year following the backlog in audits of Whakatāne Airport being address by Audit NZ.</i></p> <p>Management comment - FY23</p> <p><i>Ongoing - indicated for 2023/24 but subject to Audit NZ resolving backlog in audits.</i></p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Implemented or closed recommendations

Recommendations	First raised	Status
<p>Roading valuation - commissioned but not booked in FY 2021</p> <p>We recommend that the Finance department is notified of any asset revaluations commissioned. Any asset revaluation commissioned by WDC and not shared with the finance team may result in the incorrect accounting for related assets.</p>	2022	Closed
<p>Leave liability</p> <p>Processes to be established to ensure leave is regularly reviewed and staff with excess leave develop leave plans.</p>	2017	Closed
<p>Changing vendor Masterfile details</p> <p>Review and reduce the number of staff who have access to change vendor Masterfile data.</p>	2017	Closed

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Government in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audits of the annual report of the District Council and the Airport, and the assurance engagement over the Debenture Trust Deed, we have no relationship with, or interests in, the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$173,989, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$7,000, for the audit of the Debenture Trust Deed</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Whakatāne District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Whakatāne District Council or its subsidiaries during or since the end of the financial year</p>

7.1.1 Appendix 1 - Whakatane DC Report to Governors with Management Comments(Cont.)



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7.2 Treasury Management Reporting as at 31 December 2023

7.2 Treasury Management Reporting as at 31 December 2023



To: **Risk and Assurance Committee**

Date: **Friday, 1 March 2024**

Author: **J Caverhill / Manager External Reporting**

Authoriser: **G Connolly / Chief Financial Officer & GM Business Partnering**

Reference: **A2619127**

1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is to inform the Risk and Assurance Committee of Treasury Management position as at 31 December 2023.

2. Recommendation - *Tohutohu akiaki*

THAT the Treasury Management report as at 31 December 2023 be received.

3. Subject - Kaupapa

3.1. Treasury Management Summary

- The balance of the Interchangeable Facility Agreement (IFA) and LGFA funding issued on 31 December 2023 is \$143.5 million (\$133.5 million 30 September 2023). The council borrowed \$10 million from LGFA during the December quarter. This was to prefund loans due in April 2024 totalling \$10 million.
- In December the council transacted two new interest rate swaps totalling \$20 million, to ensure we remain compliant with policy requirements.
- As of 31 December 2023, Whakatāne District Council was compliant with all policy limits and all debenture trust deed requirements.
- The summary below provides the overview of key Treasury Management insights as of 31 December 2023.

Attached to this report Appendix 1 lists loan facilities, loan drawdowns and the current interest rate swap portfolio.

7.2 Treasury Management Reporting as at 31 December 2023(Cont.)

Summary Highlights of Treasury

1 October 2023 - 31 December 2023

Movement of loans at a glance

		October (NZD \$M)	November (NZD \$M)	December (NZD \$M)	Total (NZD \$M)
	Loans at beginning of period	133.50	133.50	133.50	133.50
plus	Loans drawn down	0.00	0.00	10.00	10.00
less	Loans repaid	0.00	0.00	0.00	0.00
	Loans end period	<u>133.50</u>	<u>133.50</u>	<u>143.50</u>	<u>143.50</u>

Net Loans for the Quarter **10.00**

Liquidity Ratio: Dec-23

Net Drawn Loans (net of \$3.1m borrower notes)	\$140m
Committed Facility	\$15m
On-call account & Term Deposit	\$20m
Total Available Funds	\$175m
Divided by Drawn Loans	\$140m
Liquidity Ratio - December 2023	125%

Net Effective Borrowings:

Net Drawn Loans (\$143.5m loans less \$3.1m borrower notes)	\$140m
Committed Facility	\$ -
On-call account	(\$10 m)
Term Deposit	(\$10 m)
Net Effective Borrowings - December 2023	\$120m

7.2 Treasury Management Reporting as at 31 December 2023(Cont.)

Fixed v Floating Interest % Compliance - Corridor approach

Term	Policy Limits	December Qtr	
Current - 1 year	40%-90%	49%	✓
Year 2	40%-90%	55%	✓
Year 3	35%-85%	53%	✓
Year 4	30%-80%	47%	✓
Year 5	25%-75%	39%	✓
Year 6	20%-70%	31%	✓
Year 7	0%-65%	23%	✓
Year 8	0%-60%	10%	✓
Year 9	0%-50%	5%	✓
Year 10	0%-50%	4%	✓

Counterparty credit limits

Counterparty	Investments exposure	Investment limit	MtM	Derivatives exposure	Derivatives limit	Total exposure	Total limit	Compliant?
ANZ	\$10,200,000	\$10,000,000	\$59,440	\$7,976,912	\$10,000,000	\$18,176,912	\$20,000,000	✗
BNZ	\$10,000,000	\$10,000,000	\$355,716	\$8,153,388	\$10,000,000	\$18,153,388	\$20,000,000	✓

Terms of Loan Compliance

Term	Policy Limits	October	November	December
Overall Liquidity	>= 110%	118% ✓	112% ✓	125% ✓
0-3 years	15%-60%	45% ✓	42% ✓	42% ✓
3-7 years	25%-85%	55% ✓	58% ✓	58% ✓
7 years plus	0%-60%	0% ✓	0% ✓	0% ✓

Liquidity Risk

It should be noted that the ANZ investments exceeded the limits by \$200,000 during the month of December 2023. This was corrected to within the limits during January 2024.

7.2 Treasury Management Reporting as at 31 December 2023(Cont.)

Debenture Trust Deed Compliance (Based on Actual Income Extrapolated)

Debenture conditions		October	November	December
Foundation Limit	Council Limit			
Net debt as percentage of annual income not to exceed 295%	Net debt as percentage of annual income not to exceed 175%	137% ✓	148% ✓	148% ✓
Net interest expense of external borrowing not to exceed 30% of annual rates income (budget)	Net interest expense of external borrowing not to exceed 12% of annual rates income (budget)	9% ✓	7% ✓	7% ✓
Net interest expense of external borrowing not to exceed 20% of annual operating income (budget)	Net interest expense of external borrowing not to exceed 15% of annual operating income (budget)	5.9% ✓	4.9% ✓	4.5% ✓

3.2. Interest rate strategy required to mitigate the non-compliance

Based on the updated budget scenarios, further swaps were transacted in December 2023 in order to remain compliant in the longer term.

The following swaps were entered into on 20 December 2023:

Instrument	Notional	Start date	Maturity date	Fixed rate
Swap	10,000,000	16 Dec 24	15 Dec 2030	4.08%
Swap	10,000,000	16 Jun 25	15 Jun 2030	4.015%

4. Background - *He tirohanga whakamuri*

The current rise in interest will impact the weighted average cost of borrowing and increase the participation in floating rates.

Interest Rate Swap agreements have been transacted to provide some certainty in interest expense over forthcoming years as required under the Council's Liability Management Policy (part of overall Treasury Policy).

New debt forecasts are now being formulated in the Long Term Plan process and this will indicate also what further Swap agreements council will need in the forthcoming years to continue to remain compliant.

7.2 Treasury Management Reporting as at 31 December 2023(Cont.)

Mark to Market Value Interest Rate Swaps:

As of 31 December 2023, the unrealised gain on Interest Rate Swaps mark to market value is \$339K. The market value of swaps is obtained from banks monthly, and the gain/(loss) is reported in the monthly financial result. This is purely an indication of the current position. An independent valuation is obtained at year end, which is incorporated into the Annual Report and does impact the financial result.

Council's funding maturity profile is compliant. Depending on Council's capital programme (size and timing), and borrowing requirements going forward, the overall funding strategy will be to maintain policy compliance and mitigate refinancing risk.

LGFA Credit Rating

As indicated in the previous treasury report, Council is currently forecast in draft LTP2034 planning to require borrowings above the 175% benchmark limit identified in LTP2031 (Liability Management Policy Limit 150%).

At present council is an unrated guarantor with LGFA meaning that it is restricted to no more than 175% net Borrowings to Income ratio under LGFAs Risk Management policy covenant limit.

Council has working with PWC Treasury and an independent consultant to map out the process and requirements in order to undergo a credit rating exercise, the process and recommendation for which are included in a separate report on this agenda.

5. Options analysis - *Ngā Kōwhiringa*

No options have been identified relating to the matters of this report.

6. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*

6.1. **Assessment of Significance**

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

6.2. **Engagement and community views**

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy.

7. Considerations - *Whai Whakaaro*

7.1. **Financial/budget considerations**

There are no budget considerations associated with the recommendations of this report.

Further debt forecast scenarios will be input as the LTP 2024-34 is formed to ascertain an adjusted interest strategy so that the council continues to remain compliant and responsive to the impacts of change.

7.2.1 Appendix 1 - Treasury Report Loan Data Summary as at 31 December 2023.

7.2. Strategic alignment

This report serves to assure council that all loans are within policy limits and required debenture trust deed ratios.

7.3. Climate change assessment

The matters of this specific report do not have an impact on the District biodiversity and ecology.

Based on this assessment, the decisions and matters of this report are assessed to have low climate change implications and considerations, in accordance with the Council's Climate Change Principles.

7.4. Risks

The ratios in comparison to policy and debenture trust deed requirements demonstrate that the loan portfolio is low risk and is comfortably within all ratio requirements.

Attached to this report:

- Appendix 1 - Treasury Report Loan Data Summary as at 31 December 2023.

7.2.1 Appendix 1 - Treasury Report Loan Data Summary as at 31 December 2023.

Risk and Assurance Committee - AGENDA

7.2.1 Appendix 1 - Treasury Report Loan Data Summary as at 31 December 2023.(Cont.)

TREASURY REPORT

Loan data summary as at 31 December 2023

Schedule of Cash & Investments

Account Suffix	Description	Rate	31-Dec-23 \$	30-Nov-23 \$	31-Oct-23
00/03	ANZ Current Account	0.00%	1,834,118.21	1,184,922.48	3,121,899.46
023	ANZ Investment Account	3.30%	10,194,885.85	15,659,203.41	4,632,595.94
Term Deposit	BNZ	6.20%	10,000,000.00	10,000,000.00	-
Total Cash & Investments			22,029,004.06	26,844,125.89	7,754,495.40

Loan Facilities

Lender	Expiry Date	Facility Maximum	Loans Drawn Down	Facility Available	Interest Rate	Margin	Line Fee
ANZ	31/07/2025	15,000,000	-	15,000,000	Floating	1.00%	0.30%
LGFA	15/04/2024	6,000,000	6,000,000		Floating	0.78%	
LGFA	15/04/2024	4,000,000	4,000,000		Floating	0.70%	
LGFA	15/04/2025	4,000,000	4,000,000		Floating	0.82%	
LGFA	15/04/2025	4,000,000	4,000,000		Floating	0.72%	
LGFA	15/04/2026	3,000,000	3,000,000		Floating	0.72%	
LGFA	15/04/2026	5,000,000	5,000,000		Floating	0.87%	
LGFA	15/04/2027	4,000,000	4,000,000		Floating	0.94%	
LGFA	15/04/2027	5,000,000	5,000,000		Floating	0.86%	
LGFA	15/04/2027	2,000,000	2,000,000		Fixed	0.40%	
LGFA	15/04/2028	5,000,000	5,000,000		Fixed	0.40%	
LGFA	20/04/2029	5,000,000	5,000,000		Floating	1.18%	
LGFA	20/04/2029	5,000,000	5,000,000		Floating	0.63%	
LGFA	15/04/2026	3,000,000	3,000,000		Floating	0.72%	
LGFA	15/04/2025	3,000,000	3,000,000		Floating	0.68%	
LGFA	15/04/2028	5,000,000	5,000,000		Fixed	0.40%	
LGFA	15/05/2028	5,000,000	5,000,000		Fixed	0.40%	
LGFA	15/04/2026	3,000,000	3,000,000		Floating	0.53%	
LGFA	15/04/2027	3,000,000	3,000,000		Floating	0.57%	
LGFA	20/04/2029	3,000,000	3,000,000		Floating	0.66%	
LGFA	15/04/2027	3,000,000	3,000,000		Floating	0.69%	
LGFA	20/04/2029	3,000,000	3,000,000		Floating	0.78%	
LGFA	15/04/2026	3,000,000	3,000,000		Floating	0.76%	
LGFA	15/04/2027	5,500,000	5,500,000		Floating	0.84%	
LGFA	15/04/2025	5,000,000	5,000,000		Floating	0.62%	
LGFA	15/05/2028	2,000,000	2,000,000		Floating	0.87%	
LGFA	15/04/2026	5,000,000	5,000,000		Floating	0.68%	
LGFA	15/04/2027	5,000,000	5,000,000		Floating	0.76%	
LGFA	15/04/2027	5,000,000	5,000,000		Floating	0.65%	
LGFA	20/04/2029	10,000,000	10,000,000		Fixed	0.40%	
LGFA	15/04/2026	10,000,000	10,000,000		Floating	0.49%	
LGFA	15/05/2028	10,000,000	10,000,000		Fixed	0.40%	
TOTAL		158,500,000	143,500,000	15,000,000			

Loans Drawn Down

Lender	Effective Rate	Period	Maturity Date	31-Dec-23 \$	30-Nov-23 \$
ANZ #2	6.600%	-	31/07/2025	-	-
LGFA	6.430%	90 days	15/04/2024	6,000,000	6,000,000
LGFA	6.350%	90 days	15/04/2024	4,000,000	4,000,000
LGFA	6.470%	90 days	15/04/2025	4,000,000	4,000,000
LGFA	6.270%	90 days	15/04/2025	4,000,000	4,000,000
LGFA	6.373%	90 days	15/04/2026	3,000,000	3,000,000
LGFA	6.515%	90 days	15/04/2026	5,000,000	5,000,000
LGFA	6.591%	90 days	15/04/2027	4,000,000	4,000,000
LGFA	6.510%	90 days	15/04/2027	5,000,000	5,000,000
LGFA (Fixed)	2.130%	180 days	15/04/2027	2,000,000	2,000,000
LGFA Fixed (replaced ANZ 2020 Bond)	1.060%	180 days	15/04/2028	5,000,000	5,000,000
LGFA (Replaced CP)	6.840%	90 days	20/04/2029	5,000,000	5,000,000
LGFA	6.290%	90 days	20/04/2029	5,000,000	5,000,000
LGFA	6.370%	90 days	15/04/2026	3,000,000	3,000,000
LGFA	6.330%	90 days	15/04/2025	3,000,000	3,000,000
LGFA Fixed	2.240%	180 days	15/04/2028	5,000,000	5,000,000
LGFA Fixed	2.120%	180 days	15/05/2028	5,000,000	5,000,000
LGFA	6.310%	90 days	20/04/2029	3,000,000	3,000,000
LGFA	6.180%	90 days	15/04/2026	3,000,000	3,000,000
LGFA	6.220%	90 days	15/02/2027	3,000,000	3,000,000
LGFA	6.340%	90 days	15/04/2027	3,000,000	3,000,000
LGFA	6.445%	90 days	20/04/2029	3,000,000	3,000,000
LGFA	6.410%	90 days	15/04/2026	3,000,000	3,000,000
LGFA	6.485%	90 days	15/04/2027	5,500,000	5,500,000
LGFA	6.515%	90 days	15/05/2028	2,000,000	2,000,000
LGFA	6.270%	90 days	15/04/2025	5,000,000	5,000,000
LGFA	6.333%	90 days	15/04/2026	5,000,000	5,000,000
LGFA	6.410%	90 days	15/04/2027	5,000,000	5,000,000
LGFA	6.305%	90 days	15/04/2027	5,000,000	5,000,000
LGFA	5.661%	180 days	20/04/2029	10,000,000	10,000,000
LGFA	6.120%	90 days	15/04/2026	10,000,000	10,000,000
LGFA	5.740%	180 days	15/05/2028	10,000,000	-
TOTAL				143,500,000	133,500,000

Risk and Assurance Committee - AGENDA

7.2.1 Appendix 1 - Treasury Report Loan Data Summary as at 31 December 2023.(Cont.)

Existing Hedge Portfolio

	Pay / receive fixed rate	Bank	Deal Date	Start Date	Maturity Date	Principal \$	Fixed Rate
SWAPS							
Interest Rate Swap	pay	ANZ	29/01/2015	23/03/2015	21/03/2024	1,600,000	4.870%
Interest Rate Swap	pay	ANZ	24/07/2014	22/06/2016	22/03/2024	1,000,000	4.950%
Interest Rate Swap	pay	BNZ	6/04/2016	20/04/2016	20/04/2024	2,500,000	4.400%
Interest Rate Swap	pay	BNZ	28/06/2019	22/06/2020	24/06/2024	2,000,000	1.510%
Interest Rate Swap	pay	ANZ	29/01/2015	23/03/2015	23/09/2024	1,000,000	5.000%
Interest Rate Swap	pay	ANZ	24/06/2014	21/12/2015	20/12/2024	2,000,000	4.730%
Interest Rate Swap	pay	ANZ	20/10/2016	30/12/2016	30/03/2025	2,000,000	3.780%
Interest Rate Swap	pay	ANZ	20/08/2015	22/09/2016	22/09/2025	3,000,000	4.800%
Interest Rate Swap	pay	BNZ	20/10/2016	22/01/2021	22/07/2026	2,500,000	3.190%
Interest Rate Swap	pay	BNZ	20/10/2016	23/06/2021	23/09/2026	1,000,000	3.240%
Interest Rate Swap	pay	ANZ	26/06/2017	22/03/2023	22/06/2027	1,700,000	3.750%
Interest Rate Swap	pay	ANZ	15/04/2021	24/01/2023	24/01/2028	4,000,000	1.835%
Interest Rate Swap	pay	ANZ	15/04/2021	20/07/2023	20/07/2027	2,000,000	1.860%
Interest Rate Swap	pay	ANZ	26/06/2017	20/07/2023	20/04/2027	2,000,000	3.760%
Outright New Swap	pay	ANZ	4/04/2018	22/03/2024	22/03/2028	1,000,000	3.700%
Outright New Swap	pay	ANZ	4/04/2018	20/04/2024	20/04/2028	2,500,000	3.710%
Outright New Swap	pay	ANZ	16/02/2022	25/01/2024	15/09/2030	2,000,000	3.190%
Outright New Swap	pay	ANZ	16/02/2022	15/03/2025	15/03/2030	2,000,000	3.190%
Outright New Swap	pay	ANZ	16/02/2022	15/01/2028	15/01/2032	4,000,000	3.177%
Outright New Swap	pay	ANZ	16/02/2022	15/09/2025	15/09/2031	3,000,000	3.185%
Outright New Swap	pay	ANZ	16/02/2022	15/01/2024	15/06/2031	2,000,000	3.198%
Outright New Swap	pay	BNZ	28/07/2022	17/04/2028	17/04/2035	5,000,000	3.780%
Outright New Swap	pay	BNZ	28/07/2022	17/04/2028	17/04/2034	5,000,000	3.780%
Outright New Swap	pay	BNZ	28/07/2022	17/04/2024	17/04/2030	3,000,000	3.690%
Outright New Swap	pay	ANZ	26/09/2023	15/04/2024	15/04/2030	5,000,000	5.060%
Outright New Swap	pay	ANZ	26/09/2023	15/04/2024	15/04/2031	5,000,000	5.050%
Outright New Swap	pay	ANZ	26/09/2023	15/04/2024	15/04/1932	5,000,000	5.050%
Outright New Swap	pay	BNZ	20/12/2023	16/12/2024	15/12/2030	10,000,000	4.080%
Outright New Swap	pay	BNZ	20/12/2023	16/06/2025	15/06/2030	10,000,000	4.015%

7.3 Treasury - Proposal to seek Credit Rating

7.3 Treasury - Proposal to seek Credit Rating

This information will be provided prior to the Risk and Assurance meeting.

Paper for endorsement to present a proposal to pursue Rating Agency Credit Rating of Council to enable increase debt limits per LGFA covenants to support LTP2024-34.

7.4 Risk and Assurance Policies Review – Risk Management Policy

7.4 Risk and Assurance Policies Review – Risk Management Policy



To: **Risk and Assurance Committee**

Date: **Friday 1 March 2024**

Author: **Gary Connolly / CFO & GM Business Partnering**

Authoriser: **Steph O'Sullivan / Chief Executive**

Reference: **A2619135**

1. Reason for the report - *Te Take mō tēnei rīpoata*

The purpose of this report is present the committee and updated policy covering Risk Management, as part policy review programme for 2023/24.

2. Recommendation - *Tohutohu akiaki*

1. **THAT** the Risk and Assurance Policies Review – Risk Management Policy report be received; and
2. **THAT** the draft Risk Management Policy be received and that it be adopted from 1 March 2024.

3. Subject - *Kaupapa*

The Local Government Act 2002 S14(9) requires local authorities to ensure prudent stewardship and efficient use of their resources.

The purpose of the Risk Management Policy, in supporting prudent stewardship, is to ensure the Council has a risk management framework in order to effectively and efficiently manage risks inherent to the Council's operations that could affect negatively on its objectives and goals.

4. Background - *He tirohanga whakamuri*

The Risk Management Policy presented was last reviewed in 2016, and was previously referenced as requiring "Periodic Review".

We have made the following substantive changes as reflected in the marked-up policy attached:

1. Inclusion of the Risk Management Framework guiding graphic as agreed with Risk and Assurance Committee based on ISO Standard on risk management from November 2022.
2. Modified the Policy approval from Chief Executive to Risk and Assurance Committee in line with ISO standard guidance as reviewed in November 2022.
3. Added a specific three-year timeline for the next review of the policy.

7.4 Risk and Assurance Policies Review – Risk Management Policy(Cont.)

4. Removed Appendix A on risk management process description as this is more appropriately covered with the Risk Management Framework as a supporting document.
5. Aligned the Risk assessment matrix table with the version approved by Risk and Assurance in November 2022.

5. Options analysis - *Ngā Kōwhiringa*

The purpose of this report is to provide updates on specific policies for approval by the committee, so while the Committee generally has options associated with their adoption or revision, there is no options analysis needed as a result of this update.

6. Significance and Engagement Assessment - *Aromatawai Pāhekoheko*

6.1. Assessment of Significance

The recommendations of this report are assessed to be of low significance in accordance with the Council's Significance and Engagement Policy.

6.2. Engagement and community views

Due to the low significance of the matters of this report, public participation is not required to inform decision-making, as set out in Section 6.1(a) of the Council's Significance and Engagement Policy.

7. Considerations - *Whai Whakaaro*

7.1. Financial/budget considerations

There are no budget considerations associated with the recommendations of this report.

7.2. Strategic alignment

No inconsistencies with any of the Council's policies or plans have been identified in relation to this report.

7.3. Climate change assessment

Based on this climate change assessment, the decisions and matters of this report are assessed to have low/moderate/high climate change implications and considerations, in accordance with the Council's Climate Change Principles

7.4. Risks

There are no known risks associated with the matters of this report.

Attached to this report:

- Risk Management Policy (Draft – Marked Up)

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

POLICIES

Risk Management Policy

Adopted: ~~March 2016~~ [March 2024](#)
Commences: [1 March 2024](#)
Review date: [February 2026](#)

www.whakatane.govt.nz



7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

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7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

1. Purpose and scope

The purpose of this policy is to provide Whakatāne District Council ('The Council') with a risk management framework ~~in order to~~ effectively and efficiently manage risks inherent to the Council's operations that affect negatively on its objectives and goals.

The Risk Management Policy describes the ~~WDC's Council's~~ approach to risk management, defines the roles and responsibilities, outlines the key aspects of the risk management process, and provides methods to revise and continually improve the way the ~~Organisation Council~~ manages risk.

By managing risk ~~through this policy, the supporting risk management framework and associated processes and procedures, the Council~~WDC seeks to ensure prudent stewardship and efficient use of its resources, improve organisational performance, and provides the tools necessary to ensure the continuity of Council's operations in achieve its objectives and goals~~accomplishment of its objectives~~.

2. Principles of risk management

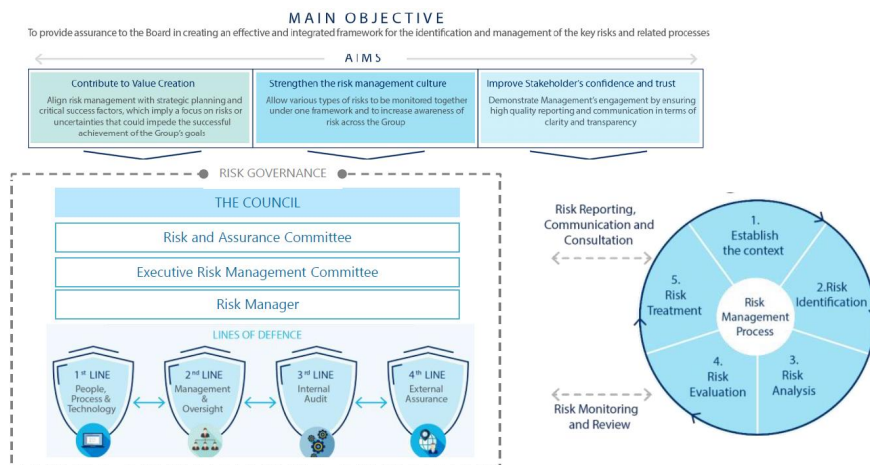
Whakatāne District Council's approach to risk management is based on the International Standard AS/NZS ISO 31000:2009.

As such, risk management is governed by the following set of principles:

- Risk management creates and protects value, and contributes to the achievement of the objectives and the improvement of performance.
- Risk management is an integral part of all organisational processes and is part of the responsibilities of Management at all levels.
- Risk management helps to make informed decisions, prioritise actions and distinguish among alternative courses of action.
- Risk management addresses uncertainty by using the best available information in a systematic, structured and timely manner.
- Risk management is aligned with the internal and external context of the ~~Organisation Council~~ and takes human and cultural factors into account.
- Risk management is transparent and involves stakeholders and decision makers at all levels of the ~~Organisation Council~~.
- Risk management is a continuous practice that continually senses and responds to change.

3. Risk management framework

The following reflects the ISO Standard approach to risk management which guides this policy:



7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

3.4. Definitions

Risk: the effect of uncertainty on objectives (AS/NZS ISO 31000:2009). It can be understood as any deviation (positive or negative) from the objectives caused by lack of understanding, knowledge or information about a potential event. Risk is often described by reference to potential events and consequences.

Risk management: coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000:2009)

Risk management framework: set of components that provide the foundations and arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the [Council Organisation](#).

Risk management process: systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk assessment: overall process of risk identification, analysis and evaluation.

Risk treatment: the process to modify a risk, usually by changing the likelihood and/or the consequences, or removing the risk source.

Control: any process, policy, device, practice or other action that modifies the likelihood or the potential consequence of a risk event before the risk event occurs.

Mitigation: any process, policy, device, practice or other action that modifies the consequence of a risk event after the risk event occurs.

4.5. Mandate and commitment

[Whakatāne District Council](#) is exposed to many risks that may impact on the achievement of its objectives, the level and quality of the services it provides, its image and reputation, or compromise its ability to comply with regulatory and legal obligations.

The Council and Executive understand that a proper and systematic identification, assessment and treatment of risks contribute to making good decisions and to the achievement of the objectives of the [WDC Council](#). Risk is inherent to all areas and activities in the [Organisation Council](#); therefore risk management is the responsibility of all its members and is part of everyday operations.

The Council and Executive are committed to:

- providing the [Organisation Council](#) with the structure, tools and resources to manage risk properly;
- ensuring that the risk management framework remains appropriate for the [Organisation's Council's](#) culture, objectives and strategies and is applicable to all areas; and
- making decisions based on an understanding of the risks involved.

5.6. Responsibilities

Position	Responsibilities
Council	<ul style="list-style-type: none"> • Ensure that a risk management framework is in place and that there are appropriate resources to manage risks effectively. • Make decisions using information about risks.
Audit and Risk Committee Risk and Assurance	<ul style="list-style-type: none"> • Review the effectiveness and appropriateness of the risk management framework. • Review and approve the Risk Management Policy. • Provide feedback on the draft Risk Management Policy and the risk attitude to the Chief

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

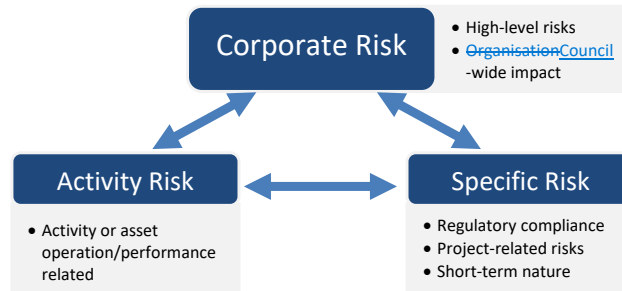
<u>Committee</u>	<p><u>Executive.</u></p> <ul style="list-style-type: none"> • Ensure that the <u>Organisation-Council</u> has internal control systems in place. • Advise the Council on matters of risk.
Chief Executive	<ul style="list-style-type: none"> • <u>Review and approve the Risk Management Policy.</u> • <u>Determine the strategic approach to risk</u> • Review the effectiveness and appropriateness of the risk management framework. • <u>Establish the structure for risk management</u> • Oversight of the risk management process, and lead and promote good risk management practice across the <u>OrganisationCouncil</u>. • Manage high-level Corporate Risk and treatment plans, and ensure that status is reported to the <u>Audit and Risk CommitteeRisk and Assurance Committee</u>. • Monitor and review high-level Corporate Risk assessment and treatment plans.
Executive	<ul style="list-style-type: none"> • Provide feedback on the Risk Management Policy. • Review the effectiveness and appropriateness of the risk management framework. • Implement the risk management framework, processes and internal controls across the <u>OrganisationCouncil</u>. • Integrate risk management processes with council policies, processes and practices. • Manage high-level Corporate Risk and treatment plans, and report status to the <u>Audit and Risk CommitteeRisk and Assurance Committee</u>. • Monitor and review high-level Corporate Risk assessment and treatment plans. • Monitor and review Activity and Specific Risk assessment and treatment plans.
<u>Org. Performance and Risk Analyst</u> <u>(Risk Coordinator)Procurement and Risk Manager</u> <u>(Risk Champion)</u>	<ul style="list-style-type: none"> • Develop and maintain the risk management framework and its associated policies, processes and guidelines. • Coordinate the overall implementation and roll-out of the risk management framework. • Maintain the Corporate Risk Register and its associated treatment plans. • Facilitate the identification, assessment and treatment of risks. • Ensure quality of risk assessment and effectiveness of risk treatment plans. • Provide training and resources, and support Activity Leaders to implement the risk management process in their areas. • Assist in the review of Activity and Specific Risks.
Activity <u>Leaders</u> and Asset Managers	<ul style="list-style-type: none"> • Manage Activity and Specific Risk and treatment plans corresponding to their areas. • Maintain Activity and Specific Risk registers. • Monitor and review Activity and Specific Risk assessment and treatment plans. • Periodically report the status of risks and treatment plans to Executive. • Lead and promote risk management culture within their areas.
Staff and Contractors	<ul style="list-style-type: none"> • Be aware of risk management and follow associated policies, processes and guidelines. • Everyday identification and management of risks and treatment plans. • Carry out action plans and reporting.

6.7. Design and implementation of the risk management framework

Risk hierarchy

Risks are identified and managed at different levels in the Organisation-Council in line with the specific nature of each risk and the responsibilities and skills of staff.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)



Corporate Risks

Corporate Risks are the highest level of risks in the [organisation Council](#). Risks that have an impact on the Council’s main objectives or assets, or with the potential to affect several activities and assets are usually included in this level. Corporate Risks may be the combination of a number of Activity or Specific Risks. These risks can be evaluated for each activity and the combined results used to form an organisation-wide perspective.

Corporate Risks are best identified and managed by the Executive (i.e. the Chief Executive and General Managers). The focus of Corporate Risks is more likely, but not exclusively, to be on:

- External influences affecting Council’s effective operations.
- Risks that arise from strategic decisions that the Council makes.
- Risks regarding how the whole [organisation Council](#) is positioned in relation to its environment and context.
- Risks around the Council’s ability to meet commitments and service levels, respond to emergencies and support the activities or specific projects.
- The most critical Activity and Specific Risks.

Activity Risks

Activity Risks are those that have an impact on an activity’s objectives, targets and performance levels. They are pertinent to both a higher, corporate level, and to a more detailed, asset [and/or issue](#)-specific level (they may reflect corporate level risks applied specifically to the activity)

Activity Risks are best identified and managed by Activity and Asset Managers and their teams.

The focus of activity risks is more likely, but not exclusively, to be on:

- External and corporate influences impacting the activity/asset
- Risk events that impact on operational efficiency
- Meeting standards and expectations
- Specific risks affecting the ability to maintain the desirable level of services

Specific Risks

~~The risks~~ [Specific Risks](#) may be of a short-term nature and are usually associated with specific projects e.g. office relocation, organisational restructuring, new system/process implementation, infrastructure projects, or the introduction of specific legislation. These risks are usually managed by project managers or experts in the field and, depending on their criticality, could be treated as Corporate Risks.

Since risk management is an iterative practice and the context is not static, risks may change status and hierarchy over time. Risk hierarchy analysis is part of the review process and should be carried out periodically by Activity and Asset Managers and the Executive.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)**Risk registers**

All identified risks will be registered in Risk Registers according to their type. Corporate Risks will be recorded in a Corporate Risk Register and Activity and Specific Risks will be recorded in subsidiary risk registers according to the related area.

Those registers are accessible to all staff and contain all relevant information about the identification, analysis, evaluation and treatment of each risk as well as the assigned responsibilities and accountabilities. If necessary, separate and more detailed treatment plans may be developed and linked to the risk register. Registers are a tool used to monitor the evolution of risks and their associated treatment, and keep track of the decisions made.

Accountability for managing risks

Each risk will have a designated risk owner who will be responsible for understanding, analysing, evaluating and monitoring the evolution of the risk, as well as ensuring controls and mitigation actions are in place and remain effective.

Treatment plans will have a designated owner responsible for evaluating, designing and executing the treatment plan effectively and in a timely manner as well as reporting its evolution.

Additionally, the Risk ~~Coordinator~~ Champion will provide training and tools to support risk owners to manage their risks effectively.

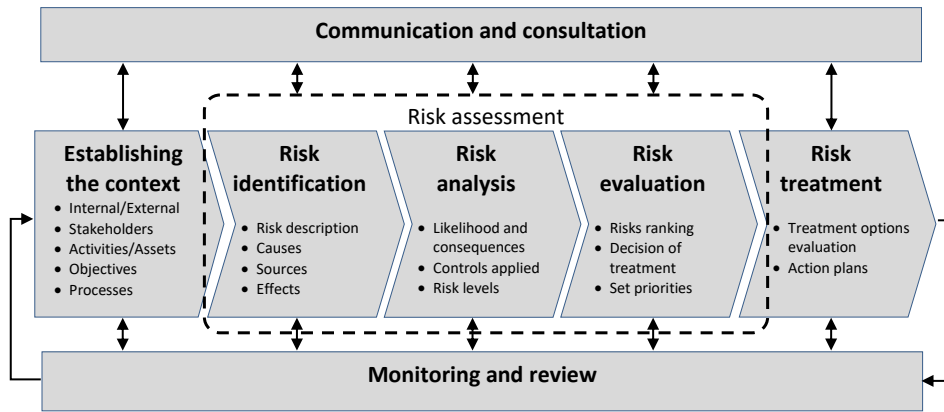
Risk ~~m~~Management ~~p~~Process

Risk management is a continual process and is conducted across all relevant levels and functions as an integral part of managing the ~~Organisation~~ Council.

The key steps of the process are:

- **Establishing the context for managing risk:** involves defining scope and criteria; identifying the activities, processes and objectives; identifying stakeholders; understanding the internal and external environment.
- **Risk identification:** involves identifying sources of risk and areas of impact; understanding and describing risk events, their causes and potential consequences; and determining risk ownership.
- **Risk analysis:** involves determining inherent level of risk through rating likelihood and consequence; assessing effectiveness of existing controls; and determining residual risk level.
- **Risk evaluation:** involves comparing risks against criteria; determining courses of action; and prioritising treatment and resources.
- **Risk treatment:** involves identifying, assessing and selecting treatment options; preparing and implementing treatment plans; and determining ownership of the treatment.
- **Monitoring and review:** relates to the periodical review of the risk management process by identifying emerging risks; detecting changes in context and risk analysis; reviewing decisions; and ensuring that controls are effective.
- **Communication and consultation:** relates to consulting with stakeholders and experts at each step of the process and communicating status of risks to the ~~Organisation~~ Council and relevant stakeholders.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)



[Appendix A provides further information and description about the steps of the risk management process are provided within the Council's Risk Management Framework.](#)

7.8. Review and improvement of the risk management framework

~~This policy will be reviewed every three years. Periodically, the risk management framework (including the risk management process) will be reviewed~~ by the Executive and the [Audit and Risk and Assurance](#) Committee to assess its effectiveness, ensure that it remains updated and appropriate for the context of the ~~Organisation~~[Council](#), [the risk management framework](#), and [to](#) determine whether adjustments in policies, plans, staff training or other factors are needed.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)**Appendix A: Risk management process description****Establishing the context**

The first step for managing risks is to establish and understand the context in which Council operates. The general, organisation wide context in which the Council operates should be taken into account when analysing Corporate Risks. A more specific examination of the context relevant to each activity, service or project will provide a more accurate identification, analysis, evaluation and treatment of risks associated with them.

Establishing the context involves the following tasks:

- Identifying key goals and objectives
- Defining the scope and criteria of the risk management process
- Identifying internal and external stakeholders
- Defining the level at which a risk becomes acceptable or tolerable
- Understanding the external environment (for example regulatory, political, financial or legal requirements and factors, external trends having an impact on objectives)
- Understanding the internal environment (for example resources available, organisational structure, other policies, processes and strategies, or the organisational culture)

Setting the context is the responsibility of Management and leadership teams and it should be carried out by managers, leaders and key staff involved in each activity. However, consultation with experts or external advice may be necessary to gain a better understanding and definition of the context.

Risk identification

Once the context is defined and understood, the next step is to generate a comprehensive list of risks based on events that might compromise the achievement of the objectives. Identification is about identifying and describing sources of risk, areas of impact, failures, events (including situations not happening), and their causes and potential consequences.

Usually risk events have several causes and a wide range of consequences (including cascade or cumulative effects), therefore, during this step it is necessary to consider and describe all relevant causes of the event and scenarios that show which consequences may occur. Identification should include risks whether or not their source is under control of WDC, even though the risk source or cause may not be evident.

All staff members are empowered and expected to identify risks however ensuring proper understanding and description of risks as well as carrying out regular risk identification sessions is the responsibility of Activity, Asset and Project Managers with the support of the risk coordinator.

Each risk will be assigned a risk owner who will be accountable for managing and monitoring that risk.

All identified risks and their description in terms of "what", "why" and "how" events may happen will be recorded in the corresponding risk register for further analysis, evaluation and treatment.

Risk analysis

Risk analysis is the process by which the nature of risk is understood and its levels of significance are assessed. The inherent level of a risk (gross risk level) is determined by the likelihood of a risk event happening and the severity of consequences it has on every aspect of the Organisation. This level can change when there are changes in the context but is not modified by the actions Council takes. Once the inherent level of a risk is determined, a further analysis of likelihood and consequence considering existing controls and their effectiveness is necessary to determine the

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

residual or net risk level. Residual risk is the risk Council faces when taking into account the control and mitigation actions currently in place.

The analysis of likelihood and consequence as well as the effectiveness of actions in place should be based on as much real data as possible, thus, research for information and historical data, and consultation with experts is important.

The scale of likelihood (shown in Appendix B) identifies how likely or how often a particular event is expected to occur. The scale of potential consequences if a risk event occurs (shown in Appendix C) is described in different categories. These categories and descriptors act as a guide to assist in ranking the severity of impacts at a corporate, organisation wide level. The final step is determining the levels of each risk by multiplying their likelihood and consequence factors from both inherent and residual analysis.

The analysis of Activity and Specific Risks will be undertaken in a manner consistent with the reference tables; however, tailored tables may be developed to suit particular contexts.

Risk evaluation

The purpose of risk evaluation is to make decisions concerning which risks are tolerable and which need treatment, and also to set treatment priorities.

Having established the comparative risk levels applicable to individual risks, it is possible to rank those risks by representing them in a risk assessment matrix. This matrix, together with the risk response table (both in Appendix D), is a tool that enables the differentiation between risks that are significant and those that are of lesser significance, the selection of a course of action for each risk, and the prioritisation of treatment and resources.

The evaluation of risk is the responsibility of risk owners and Management teams, and decisions made during this process, including the rationale of those decisions, should be documented.

Risk treatment

Risk treatment involves identifying possible options and determining the most appropriate actions to treat the risk according to the evaluation. The options can include one or a combination of the following:

- Avoiding the risk, by deciding not to continue with the activity that gives rise to the risk;
- Removing the risk source;
- Changing the likelihood of the risk occurring;
- Changing the consequence if the risk occurs;
- Changing the consequence after the risk occurs;
- Transferring or sharing the risk with other parties.

Assessing and selecting treatment options involves the analysis of each option's cost, effort, effectiveness, legal and regulatory requirements, and impact on the community, the environment and Council's operations. The resulting treatment plan needs to be practical and achievable such that the necessary resources and timeframes can be realistically met.

Each risk treatment will be assigned an owner who will be responsible for designing, implementing and reporting the status of the treatment plan.

The selected treatment option for each risk should be recorded in the risk register. Where appropriate, detailed information about the plan including the list of actions and tasks, assigned responsibilities and ownership, schedules, timeframes, measurements, etc., may be registered in a detailed treatment plan.

Monitoring and review

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

Whakatāne District Council operates in a changing environment, therefore the risks that the Council faces require periodic review. Regular monitoring and review of risk assessment and treatment plans against key criteria is necessary to ensure that they remain current and relevant. Responsibilities for monitoring and reviewing are assigned according to the type of risk and the related activity. Activity, Asset and Project Managers are responsible for periodically monitoring and reviewing risks and treatment plans for their areas while the Executive is responsible for Corporate Risks.

The reviewing and monitoring process involves:

- Detecting changes in the context, including changes to risk criteria, that can give rise to new risks, change existing risks or require revision of treatment and priorities.
- Identifying emerging risks.
- Detecting changes in risk analysis rating and hierarchy.
- Obtaining further information to improve risk assessment.
- Reviewing decisions made and their rationale.
- Ensuring treatment plans are effective and efficient in design and operation.

Communication and consultation

Communication and consultation are essential during each step of the risk management process.

Communication at all stages is important to keep all relevant stakeholders and staff informed about the risks the Council faces and how they are being managed. The status of the management of Corporate Risks will be communicated on a regular basis through reports to the Executive and the Audit and Risk Committee. The reports will highlight newly identified risks, changes to risk assessment and treatment, decisions made and issues that require special attention. In the same way, Activity and Specific Risks will be communicated to the Management of the corresponding areas.

The risk management process should be carried out with the consultation of internal and external stakeholders, advice of experts and ideas, suggestion and co-operation of staff in order to appropriately establish the context; ensure that risks are adequately identified; bring different areas of expertise together when analysing risks; ensure all views are considered in evaluating risks; and secure support for a treatment plan.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

Appendix **AB**: Likelihood of **Risk Occurrence rating table**

Likelihood	Score	Descriptor
Almost certain	5	<ul style="list-style-type: none">• >90% chance of occurring in next 12 months.• It is expected to occur in 9 of the next 10 years.
Likely	4	<ul style="list-style-type: none">• 70% - 90% chance of occurring in next 12 months.• It is expected to occur in 7 of the next 10 years.
Possible	3	<ul style="list-style-type: none">• 30% - 70% chance of occurring in next 12 months.• It is expected to occur in 3 of the next 10 years.
Unlikely	2	<ul style="list-style-type: none">• 5% - 30% chance of occurring in next 12 months.• It is expected to occur once in the next 10 years.
Rare	1	<ul style="list-style-type: none">• <5% chance of occurring in next 12 months.• It is expected to occur once in the next 30 years or more.

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

Appendix BC: Council Consequences of Risk rating table

Scale	Score	Financial	Health and safety	Legislative and regulatory	Operational and service delivery	Image and reputation
Catastrophic	5	A Capex overspend of >15% or an Opex overspend of >5% of the annual plan. Rates increase of >2pp above the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of over \$5 Million.	An incident resulting in multiple fatalities. Long term severe health impact on significant numbers of people.	Breaches result in severe penalties for Officers of the Council. Compliance failures result in severe restrictions placed upon all areas of the core Council business.	Key services not available to a large proportion of the community for one week or more. Severe service degradation for one month or more. Failure to achieve multiple community outcomes. Deterioration in majority of KPI >30% The majority of the critical assets are destroyed or rendered unusable for several months	National adverse political or media comment for more than one week. Requirement for (televised) public apology or defence A consistent and long term public outcry against policies or actions of the Council A long term irreconcilable loss of confidence in the Council's capabilities and standing
Major	4	A Capex overspend of >10% or an Opex overspend of >3% of the annual plan. Rates increase above the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$1M ~ \$5M.	An incident resulting in a single fatality. Long term severe health effects on multiple people.	Breaches result in legal action being taken against officers of the Council. Compliance failures result in substantial restrictions placed on several areas of core Council business.	Key service not available to a significant portion of the community for two days or more. Continued severe service degradation for one week or more. Failure to achieve a specific community outcome. Deterioration in multiple KPI of 15 ~ 30%. Majority of critical assets are destroyed or rendered unusable for several weeks.	National adverse political or media comment for more than two days. Regional adverse political or media comment for more than one week Prolonged public disaffection with the policies or actions of the Council Loss of confidence in the Council's capabilities and standing lasting for several months
Moderate	3	A Capex overspend of >5% or an Opex overspend of >1% of the annual plan. Rates increase close to the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$500K ~ \$1M.	A severe injury or multiple casualties requiring hospitalisation. Long term health effects on one or more people.	Breaches require significant attention or corrective actions Compliance failures result in restrictions placed upon limited areas of core Council business	Key service not available to some of the community for ten hours or more. Continued service degradation for two days or more. Significant difficulty introduced to achievement of community outcomes. Deterioration in some KPI of 5 ~ 15%. A range of assets, some critical, are destroyed or rendered unusable for a week.	Regional adverse political or media comment for more than two days Public disaffection with the Council's policies or actions lasting from days to weeks Loss of confidence in the organisation's Council's capabilities lasting for several weeks
Minor	2	A Capex overspend of >2% or an Opex overspend of >0.5% of the annual plan. Rates increase considerably above the forecast from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$50K ~ \$500K	Injuries requiring medical attention. Short term negative health effects.	Breaches require attention or corrective action Compliance failures result in minor restrictions placed upon core Council business	Reduced service delivery that does not compromise the community's health and wellbeing. Service degradation at times during a week. Inconvenience or delay in achieving community outcomes. Deterioration in top key performance indicators of 1 ~ 5%. A number of assets are destroyed or rendered unusable, but can be replaced within acceptable timeframes.	Regional adverse political or media comment for one or two days Public disaffection with the Council's policies or actions is limited to a few days Short term loss in confidence regarding the Council's capabilities and or standing lasting for several days
Insignificant	1	An Opex or Capex overspend of the annual plan. Rates increase slightly above the forecast from the financial strategy in the LTP /Annual plan. Unanticipated costs or losses of \$10K ~ \$50K	Incident requiring simple first aid only. Momentary or limited health impact.	Breaches are insignificant in nature with no disruption to performance of duties Compliance failures result in negligible restrictions placed upon core Council business	Short-term reduction in service delivery which is easily restored and does not compromise the community's health and wellbeing. There are minimal effects on the achievement of community outcomes. Assets receive little or minimal damage, or are only temporarily unavailable for use.	Short-term 'letters to the editor' (or online equivalent) commentary There is limited public disaffection with the policies and actions of the Council Public confidence in the council remains largely unaffected

7.4.1 Appendix 1 - Risk Management Policy (Draft – Marked Up)(Cont.)

Appendix DC: Risk assessment matrix and response table

Risk assessment matrix

Scale of likelihood	Almost certain (5)	Medium	High	High	Extreme	Extreme
	Likely (4)	Low	Medium	High	High	Extreme
	Possible (3)	Low	Medium	Medium	High	High
	Unlikely (2)	Very low	Low	Medium	Medium	High
	Rare (1)	Very low	Very low	Low	Low	Medium
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
		Severity of consequences				

Note: the level of risk is on a scale from 1 to 25.

Response table

Risk rating	Response
Extreme Risk	Immediate action required: Executive priority. Treatment plans, control and mitigation, and management responsibility specified with close scrutiny required. Evaluation by Executive and Audit and Risk Committee and Risk and Assurance Committee required.
High Risk	Executive attention required. Treatment plans, control and mitigation, and management responsibility specified with periodic scrutiny required. Evaluation by Executive required.
Medium Risk	Relevant General Manager and Activity / Asset Manager attention required. Treatment plans, control and mitigation, and management responsibility specified with periodic monitoring required. Evaluation by relevant General Manager and Activity / Asset Manager required.
Low Risk	Relevant Activity / Asset Manager attention advised. Monitoring control and mitigation current actions or procedures by routine. Evaluation by Activity / Asset Manager required.
Very Low Risk	Managed and monitored by routine. Evaluation by Activity / Asset Manager.

7.5 Enterprise Risk Report

7.5 Enterprise Risk Report



To: **Risk and Assurance Committee**

Date: **Friday, 1 March 2024**

Author: **G Connolly / CFO and General Manager Business Partnering**

Authoriser: **S O'Sullivan / Chief Executive**

Reference: **A2619308**

1. Reason for the report - *Te Take mō tēnei rīpoata*

The Quarterly Enterprise risk paper provides:

- A review of the current External and Internal Risk Environment highlighting the major factors impacting or likely to impact on our risk environment, whether existing and volatile, or emerging (Section 4).
- A summary of any changes in our risk assessments, potential due to changes in the risk environment (Section 5).
- A summary of our current enterprise risk assessment (Figure 2).
- A report on our enterprise risks providing assessment of the risk and our action to treat and control the risk as aligned with our business plan (Figure 3).

2. Recommendations - *Tohutohu akiaki*

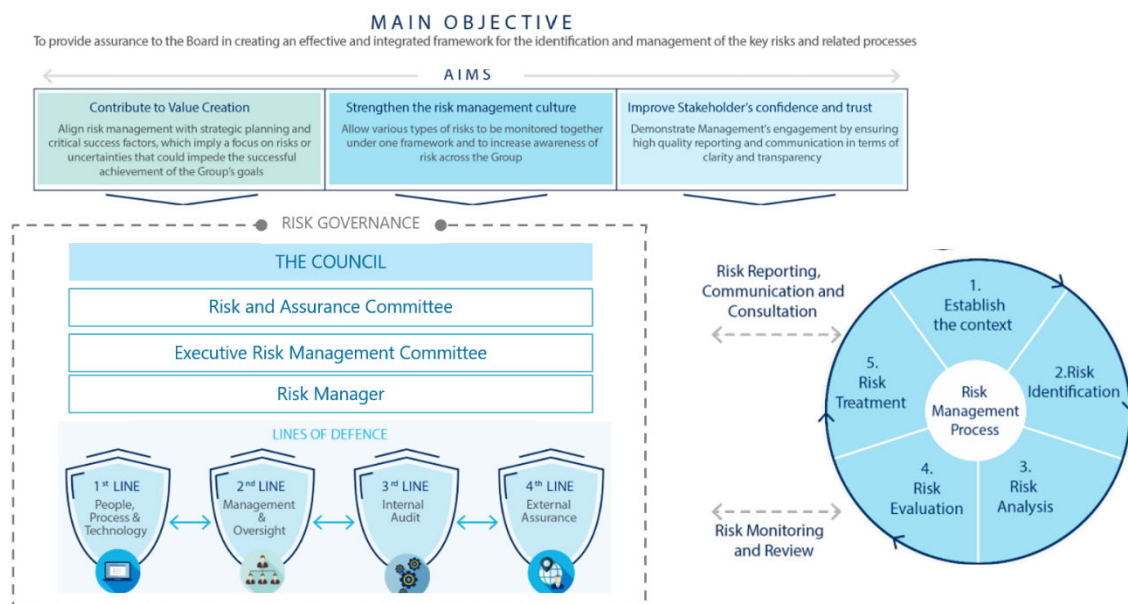
1. **THAT** the Enterprise Risk report dated February 2024 be approved and;
2. **THAT** changes in the risk assessment identified in Section 5 *Changes in Risk Rating* are agreed and;
3. **THAT** the Risk and Assurance Committee review and provide guidance on our Enterprise Risks and responses to these risks including:
 - i. Key and Emerging Risk review.
 - ii. Residual Risk Rating (Figure 1).
 - iii. Risk Direction (Figure 2).
 - iv. Actions to treat and control s enterprise risks and the status updates (Figures 2 and 3).

3. Background - *He tirohanga whakamuri*

The Council has made significant improvement in its Enterprise Risk Management Framework based on the oversight of the committee and management of executive. The current risk report framework was last reviewed with changes agreed in September 2022.

7.5 Enterprise Risk Report(Cont.)

The Council have agreed to follow a good practice approach to the Enterprise Risk Framework largely based upon ISO Standard 31000:2009 Risk Management. This framework can largely be represented in summary form as follows:



The full current Council undertook a training workshop in December 2022 on Enterprise Risk Management Framework good practice in alignment with the current ISO standard.

Recent Risk Management Activities:

The Health Safety and Wellbeing activity workshops across 10 specific individual focus areas within the HSW activity risk register have been undertaken to further develop mitigations through controls and treatments. These will be reported to ELT in due course.

We have commenced investigating no/low cost solutions that could be utilised to make the recording and updating of risk registers, especially at the activity level, more efficient and effective going forward. We hope to have something in place at the start of FY24-25.

4. Risk Environment Discussion - *Taiao mōrearea*

The below highlights some significant factors currently impacting our risk environment as assessed by management. Many of these are largely unchanged but evolving from what was presented in February:

4.1. Major economic / financial or social shock

- ***Inflation: [Stabilising]***
 The consumers price index (CPI) was up 0.5 per cent in the December 2023 quarter (1.8% Sep-23), for an annual rate of 4.7 per cent (5.6% Sep-23). The shift which reflected a flattening off of the inflation trend was particularly impacted from a 1.2% fall in food prices. That figure was below most market expectations. RBNZ Survey of expectations released on 13 February 2024 indicated *“Expectations for annual inflation one year ahead decreased 38 basis points*

7.5 Enterprise Risk Report(Cont.)

from 3.60% to 3.22%, the lowest level since September 2021. Two-year-ahead inflation expectations decreased from 2.76% to 2.50%.”.

- **Interest Rates: [Stabilising]**
The December 2023 CPI release raised concern from some corners [ANZ Chief Economist Sharon Zollner] that this may lead to RBNZ needing to introduce further OCR rate increases predicting a shift from 5.5% to 6.0%. Others have responded indicating they felt this was overly hawkish, and that they instead anticipated that the impact would be RBNZ holding the current rate well through the end of the calendar year, with this being reflected in forward market pricing pushing further out. RBNZ chief economist Paul Conway said on 29 January 2024 *“New Zealand Has Way to Go to Get Inflation to 2%, RBNZ Chief Economist Says. New Zealand needs more time to get inflation back into the central bank's 1-3% target band even though the economy is weaker than expected.*
- **Wage Rates: [Stabilising]**
After averaging 2-3% pa from 2008-2017, minimum wage increases have averaged 7-8% pa since through April 2023, combined with pay equity settlements this reflects ongoing risk of compression driving future increase up the scale. Based on current market feedback projections are anticipated at 3-5% for FY24-25. RBNZ Survey of expectations released on 13 February 2024 indicated *“Expectations for annual wage changes have decreased to 3.73% one year ahead and to 2.99% two years ahead”.* A significant factor is the expectation that unemployment would raise to 4.7% in 2 years, although last quarter data was no as negative as previously expected.
- **Insurance Coverage and Cost: [Increasing]**
As the Committee will be aware the international reinsurance market's fluctuating capacity and pricing directly impact New Zealand organisations and appears to be leading to higher insurance premiums and stricter coverage terms particularly due to the country's exposure to natural disasters and the global insurers' risk appetite. Given the nature of Councils responsibilities and infrastructure exposed to natural events this is particularly the pertinent for councils across Aotearoa New Zealand.

From an economic impact perspective, the 2023-24 annual plan reflected the following economic sensitivities:

- Personnel Costs assumption 5% (+/- 1% - \$255k)
- Payments to Suppliers assumption 4.2% (+/- 1% - \$393k)
- Payments to Capital Programmes 5% (+/- 1% \$840)k

The above perspectives have been factored into interim LTP 2024-2034 financial assumptions.

4.2. Political changes impact on council direction and delivery

- **[Increasing]**
The Coalition Agreement for the 54th Parliament issued on 24 November 2023 indicated a significant programme of legislative reform, including directions changes across a number of areas against intents of the previous parliament. An example of the changes and the uncertainty this creates is with respect to the Water Services Acts Repeal Act 2024 passed on 14 February, and its implication on uncertainty for Council's with different options available on addressing long term plans, and indication that clarity on the future direction will come mid year with the introduction of the Waters Done Well bill.

7.5.1 Appendix 1 - Figure 1 - Risk Heatmap

4.3. Lack of infrastructure resilience

- **[Increasing]**
The increased frequency and volatility of weather [Likelihood/Consequence] impacting the ongoing supply of services of council, short term impact on infrastructure supply, longer term impact on infrastructure reinstatement and maintenance, impact focus on events reducing capacity to address / prioritise other organisation plans.

4.4. Image and Reputation

- **[Increasing]**
The potential for significant rates increase coming from many councils [80% indicating 10-20% increases and 10% at 20%+], is likely to have a significant impact of image and reputation with increased volume and concern raised at the direction councils are heading and how they are being managed.

All in all, it continues to be a time of heightened potential for increases in the risk environment. In that regard, and the importance of taking action to attempt to mitigate these potential impacts remains a key focus (Figure 3).

5. Changes in Risk Rating - *Inenga morearea*

Significant action continues to be delivered that advance the implementation of controls and treatments this is reflected in the updates within the Council Risk Register in Appendix 3, however no substantive changes in risk rating have been identified.

New risk focus areas have been added in the Council Risk Register as previously discussed with council around:

- Risk 11. Major economic/ financial or social shock - Effective Accounts Receivable Management Practices impacting on collections and Councils Bad Debt including collection of significant funding invoiced to Ministry of Transport for Airport Joint Venture.

Attached to this report:

- Appendix 1 - Figure 1 - Risk Heatmap
- Appendix 2 - Figure 2 - Risk Summary
- Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status
- Appendix 4 – Council Consequence of Risk
- Appendix 5 – Council Likelihood of Risk

7.5.1 Appendix 1 - Figure 1 - Risk Heatmap

7.5.1 Appendix 1 - Figure 1 - Risk Heatmap(Cont.)

Figure 1 - Council Risk Management Report as of January 2024
Risk Heatmap - Assessed (Residual) Risk

Risk Consequence <i>(See appendix 2)</i>	Catastrophic	2					Strategic Risk 1. Not achieving effective delivery 2. Health and Safety breach 3. Inability to attract, sustain, engage, and develop our staff capability. 4. Impaired Māori relationships 5. Lack of infrastructure resilience (community) 6. Loss of organisational effective systems and infrastructure for council operation including cyber-attack. 7. Non-compliance with legal and regulatory requirements. 8. Political changes impact on council direction and delivery. 9. Natural disaster management and mitigation including climate change 10. Lack of Community Support 11. Major economic / financial or social shock
	Major		5	9 11			
	Moderate			7 10	6 8	1 3 4	
	Minor						
	Insignificant						
		Remote Expected 1 out of 30 years	Unlikely Expected 1 out of 10 years	Possible Expected 3 out of 10 years	Likely Expected 7 out of 10 years	Almost Certain Expected 9 out of 10 years	
Risk Likelihood <i>(See appendix 3)</i>							

7.5.2 Appendix 2 - Figure 2 - Risk Summary

7.5.2 Appendix 2 - Figure 2 - Risk Summary

7.5.2 Appendix 2 - Figure 2 - Risk Summary(Cont.)

Figure 2 - Council Risk Management Report - Risk Summary as of January 2024

Risk Name Risk definition	Potential Risk Impact	Inherent Risk	Inherent Risk Direction	Treatment and Control Status	Residual Risk	Residual Risk Direction	Target Risk
<p>1. Not achieving effective delivery</p> <p>Risk that Council does not to meet its goals for the district including compliance with legislation, resulting from failure to implement change in strategic planning due to insufficient monitoring and decision-making processes</p>	<p>Unanticipated costs \$1m+</p> <p>Failure to achieve multiple community outcomes. Deterioration in multiple KPI 30%</p> <p>A range of assets, some critical are rendered unusable for more than a month</p>	Extreme	←	●	High	←	Medium
<p>2. Health and Safety</p> <p>Risk that serious harm or death of Council staff or other people at Council's workplaces occurs.</p>	Death of one or many staff/ Public	High	←	●	Medium	←	Low
<p>3. Inability to attract, sustain, engage, and develop our staff capability</p> <p>Risk that Council fails to maintain the necessary staff capacity and or capability to deliver the objectives of the organisation</p>	Contribute to 1 above	High	←	●	High	←	Medium
<p>4. Impaired Māori Relations</p> <p>Risk that failure to effectively engage with strong Iwi and Māori relations impedes that ability to deliver the Councils goals for success across economic, cultural, environmental, and social outcomes. This risk also includes failure to meet both legislative and moral responsibilities to build, maintain and nurture sound and trusted relationships with Māori partners.</p>	Contribution to 1 above	High	←	●	High	←	Low
<p>5. Lack of Infrastructure resilience (Community)</p> <p>Risk that infrastructure used by the community fails to an extent that it has a significant impact on residents in our community, along with businesses who are unable to function, if council infrastructure fails.</p>	Key services are not available to a large proportion of the community for more than a month.	Extreme	←	●	Medium	←	Medium
<p>6. Loss of organisational effective systems and infrastructure for council operation including cyber attack</p> <p>Risk that infrastructure, both physical and digital, used by Council to support the delivery of services to the community fails as an event, or through being unfit for purpose, to an extent that it has a significant impact continuity of services.</p>	Loss of organisational effective systems and infrastructure for council operation including cyber-attack resulting in operational systems not being available for more than one month.	High	↙ As approved in last meeting	●	High	←	Medium
<p>7. Non-compliance with legal and regulatory requirements</p> <p>Risk that changes to the rules and regulations we operate under occur to an extent or at a pace resulting in to keep up with these changes and ensuring ongoing compliance with existing legislation and frameworks exposes WDC to unplanned liability for non-compliance and cost.</p>	<p>Breaches result in legal action being taken against officers of council.</p> <p>Compliance failures result in substantial restrictions being placed on core council activities</p> <p>Loss of confidence in council's capabilities lasting several months</p>	High	←	●	Medium	←	Low

7.5.2 Appendix 2 - Figure 2 - Risk Summary(Cont.)

<p>8. Political changes impact council direction and delivery Risk that changes in political direction from local or central government can occur to a scale or speed which has a significant impact on the ability of the Council to deliver upon it stated goals for the community.</p>	<p>Unanticipated losses of over \$5m. Prolonged public dissatisfaction with policies or actions of Council.</p>	<p>Extreme</p>	<p>←</p>	<p>●</p>	<p>High</p>	<p>←</p>	<p>Medium</p>
<p>9. Natural disaster management and mitigation including climate change Risk that natural disasters, as one off or recurring events, along with ongoing continuous change in our natural environment, including but not limited to impacts of climate change, can have significant impact on Council business continuity, community infrastructure, and social and economic impacts.</p>	<p>Significant assets are destroyed or rendered useless for several months. Key services are not available to the community for several weeks. Long term severe health impact to a significant number of people.</p>	<p>Extreme</p>	<p>←</p>	<p>●</p>	<p>High</p>	<p>←</p>	<p>High</p>
<p>10. Lack of community support Risk that there is an insufficient level of support from our communities that has a significant impact on the ability of the Council to deliver upon it stated service levels and goals for the community</p>	<p>Prolonged public dissatisfaction with the policies or actions of Council.</p>	<p>High</p>	<p>←</p>	<p>●</p>	<p>Medium</p>	<p>←</p>	<p>Medium</p>
<p>11. Major economic/ financial or social shock Risk of unpredictable shifts in the global or domestic economies that would significantly impact on the ability of the Council to deliver upon it stated service levels and goals for the community.</p>	<p>Unanticipated costs of more than \$5m. Overspend of Annual Plan OPEX by 5%.</p>	<p>Extreme</p>	<p>←</p>	<p>●</p>	<p>High</p>	<p>←</p>	<p>Medium</p>

Assessment of Treatments and Controls to manage risk

- Exceed requirement – the risk management processes have been over-engineered for the level of risk involved
- Meet requirement – the risk management processes are appropriate for the level of risk identified
- Need strengthening (minor) – minor improvements in the risk management processes are necessary to reach “meet requirements”
- Need strengthening (important) – risk management processes need to be strengthened in important ways to reach “meet requirements”
- Need strengthening (critical) – risk management processes are clearly deficient in critical ways
- Unestablished – risk management processes have not yet been established. This will most likely be the situation in the case of a new business initiative

Definitions of risk directions:

- ← No change in risk direction
- ↙ Risk is decreasing
- ↖ Risk is increasing

Emerging Risks

Reflects risk that are either developing, or for which a risk assessment has not yet been undertaken, but it is likely this area will meet the standard of an Enterprise Risk in future

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

Figure 3 – Council Risk Management Report - Register incorporating Management Action Status Report as of February 2024

For items showing as an inherent risk of **High** or above within the risk management report

Key to Status	[T-E] Treatment - effective	[T-PE] Treatment – partly effective	[C-E] Control - effective	[C-PE] Control – partly effective
What’s the distinction between a Treatment and a Control? [shades of grey]				
<p>A Treatment is something that reduces the inherent risk either in consequence or likelihood to avoid it from occurring or reducing its consequence if it does occur <i>[example: an alarm that sounds or alerts someone when a door is left unlocked reduces the likelihood of doors being unlocked for any length of time]</i></p> <p>A Control is something that improves the environment to reduce the residual risk of the consequence or likelihood <i>[example: a policy that lets all staff know that doors are to be locked]</i></p> <p>Both Treatments and Controls require ongoing monitoring to be effective.</p>				

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 01. Not Achieving Effective Delivery			
<p>Risk definition</p> <p>There is a risk that Council does not to meet its goals for the district including compliance with legislation, resulting from failure to implement change in strategic planning due to insufficient monitoring and decision-making processes (choosing the right projects, given financial constraints, and delivering them on time and on budget).</p> <p>The risk exists because there is a view the underpinning practices to support changes in strategic decision making are not as strong as they should be, specifically</p> <ul style="list-style-type: none"> Business processes including decision making, reporting, project management (including whole of project life financials, asset management and procurement). Staff capability and capacity to ensure consistent and focused delivery Improved financial and infrastructure strategies that guide decision making 	Potential Risk Impacts	<ul style="list-style-type: none"> Unanticipated costs \$1m+ Failure to achieve multiple community outcomes. Deterioration in multiple KPI 30% A range of assets, some critical are rendered unusable for more than a month 	
	Inherent Risk	Extreme ←	
	Residual Risk	High ←	
	Target Risk	Medium ←	
	Risk Reduction General Approach	Establishing an effective LTP that commits to develop robust decision making, project management process, tools, and capability at council to strengthen Councils long term sustainability and delivery of outcomes	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
1.1 Strategy and Policy [S. Perdia]			
<p>2.01 - Corporate planning - long term plan, annual plan, annual business plan</p> <p>2.03 - Review and develop council performance framework</p>	<ul style="list-style-type: none"> WDC Long Term Plan 2021-2030 [Jul.21] LTP Steering Group established to oversee work programme [Mar 23] The Organisational Performance Report (OPR) is reported to Committee each quarter [Dec. 22] Annual Planning process complete and rates set. [June.23] Business Plan 23-24 complete [Aug 23] 		<ul style="list-style-type: none"> Complete LTP 2024-2034 [Jun. 24]. Review of the Organisational Performance Report, based on feedback from the Committee to improve the effectiveness of this control [Aug. 24].
1.2 Strategy and Transformation [S. Perdia]			
2.29 - Establish PMO and strengthen project discipline	<ul style="list-style-type: none"> Key projects (e.g. Matata Wastewater) are reported to Council Committees. [Feb. 23] Smartsheet approved as the Online Enterprise project tracking tool. [Dec. 22] Established a Project Culture Work Group [Jul 23] Project overview reporting to ELT and Governance in place [Aug 23] Updated EPMO Project Plan with a vision statement developed by the Project Working Group and approved by Finance and Performance Committee [Nov 23] Established a Working Group to develop an Infrastructure (Transport & Waters) PMO [Dec 23] 		<ul style="list-style-type: none"> Recruiting for EPMO Manager to commence [Feb 24] Business Case for Smartsheet Control Centre [June 24] A 'Key Projects' reporting template for consistent reporting to Council [Sept. 24] Infrastructure (Transport & Waters) PMO in place [Dec 24]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 02. Health and Safety			
Risk definition	<p>There is a risk that serious harm or death of Council staff or other people at Council's workplaces occurs.</p> <p>The risk exists because of the nature of work undertaken by our staff, and our contractors et al, in the delivery of services on behalf of the Council. Inherent Risk reflects the existing Health and Safety framework and treatments being assessed as effective.</p>	Potential Risk Impacts	o Death of one or many staff/ Public
		Inherent Risk	High ←
		Residual Risk	Medium ←
		Target Risk	Low ←
		Risk Reduction General Approach	<p>Council must ensure all reasonable steps are taken to ensure the health and safety of Council staff and people at Council workplaces.</p> <p>Establishing an effective health and safety framework including multiple aspects such as strategy, policy and procedures, reporting, training, and resources to reduce the likely occurrence of such an event or the severity of impact if such an event occurs.</p>

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
2.1 People and Capability [E. Hatch]			
8.03 - Manage health and safety	<p>Event management – system provided for reporting and managing accidents, incidents and near miss events.</p> <p>Worker engagement – systems for including workers in health & safety decisions including an active Health & Safety Committee and Wellbeing Committee.</p> <p>Risk management – Vault software is used to capture and manage our risks. Critical risks are managed via Risk Control Groups of a cross section of staff working with that particular risk.</p> <p>Policy & process – policy and processes developed as required to support good health & safety practices/</p> <p>Contractor management -</p> <p>Staff training – H&S training has been identified for all roles and loaded against the role in Vault. Training, including refresher training, is scheduled by the H&S team.</p> <p>Health monitoring – roles where staff are exposed to health risks receive annual health monitoring through our provider Proactive.</p>	<ul style="list-style-type: none"> For this period, training has been coordinated and delivered in First Aid Level 1 & 2, Fire Extinguisher, Fire Warden, Customer Conflict , Mobile Elevated Work Platform, TTM Worker, Wheels, Tracks & Rollers, STMS Refresher & Spot Gen Devices. Executive Due Diligence activities continued during the period – these included: Landing Road visit, including elected members, Mower Operations and Natural Burials. Critical Operational Risks were workshopped by staff groups (worker participation) on Driving on the Road. Health Monitoring activities recommenced in January 2024. 	<ul style="list-style-type: none"> Fire Evacuation scheme for the Civic centre has been submitted to FENZ and is pending approval, although they are several months behind. Contractor management processes need a review to ensure they are fit for purpose. Continuation of our Critical Risk review programme. Continuation of our Due Diligence programme for both Exec and Elected Members Review of reporting to Council and KPI's.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 03. Inability to attract, sustain, engage, and develop our staff capability			
<p>Risk definition</p> <p>There is a risk that we fail to maintain the necessary staff capacity and or capability to deliver the objectives of the organisation.</p> <p>The risk exists because the New Zealand labour market is extremely tight and furthermore WDC operates in a relatively small regional economy making it often challenging to attract high calibre candidates. Challenges can include ability to remunerate at levels, expected opportunity for personal development, jobs for partners, schooling, and housing availability.</p> <p>Additionally due to scale, succession planning is also challenging. Like many regions we have areas of the business (e.g., 3 waters) where our staff demographic is aged which increases our exposure.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> ○ Unanticipated costs \$1m+ Failure to achieve multiple community outcomes. ○ Deterioration in multiple KPI 30% ○ A range of assets, some critical are rendered unusable for more than a month 	
	Inherent Risk	High ←	
	Residual Risk	High ←	
	Target Risk	Medium ←	
	Risk Reduction General Approach	<p>People and culture programme in place and monitored via Org Performance.</p> <p>Mitigation includes making a value proposition for Whakatāne being a great place to live and work along with effective staff engagement, an attractive and modern workplace, and a commitment to staff professional development.</p> <p>WDC has utilised contractor or consultants often where recruitment has not been successful or where the need is short term and highly skilled.</p>	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
3.1 People and Capability [E. Hatch]			
<p>8.02 - Enhance recruitment systems and processes</p> <p>8.04 - Develop and implement - people first project - organisation vision and values</p> <p>8.05 – Implement staff wellbeing strategies and policies</p> <p>8.07 - Develop workforce plan</p>	<ul style="list-style-type: none"> • Our Vision & Values have contributed to the development of our Employee Value Proposition (EVP) which ensures we utilise the right language in all documentation to attract top talent (including adverts, positions descriptions, interview questions etc). • Our recruitment processes allow increased flexibility in People Leaders thinking creatively about other benefits to attract great staff, including flexible workplaces and a focus on personal development. • Council attained Accredited Employer status with Immigration NZ and can now attract and recruit technical skills from overseas, and support migrants into our communities. • Council’s wellbeing group regularly meet and actively coordinate wellbeing events and initiatives for all staff. • Council staff are working closely with the EBOP Chamber of Commerce Young Professionals Group ‘The Ladder’ to support the development of young professionals in the region. • Hybrid Working Guidelines developed and presented to staff to support people working in a combination of in the office and at home, as appropriate. 	<ul style="list-style-type: none"> • Our Employee Value Proposition (EVP) is undergoing a regular review to ensure we are attracting quality staff through our placement of advertisements and language used. • Wellbeing initiatives planned for this quarter focused on Gumboot Friday, Mens Health BBQ breakfast, Staff pool Competition and Food donation collection for Have a Heart Charitable Trust. • The next phase of Council’s Performance Development project - ‘My Performance’; is being developed with a further ‘My Progress’ scheduled for February/March 2024 to incorporate competencies aligned to our values. • Several members of the P&C team are undertaking ISL leadership training to become accredited in Smart Leader Psychometric Assessments. • Leadership Development - Growing Greatness and Leading our People workshops commence again February and are fully subscribed. 	<ul style="list-style-type: none"> • A Learning & Development Framework is in development to ensure all training and development of staff aligns to strategic outcomes. This is anticipated to be completed by Q4 FY2024 • The P&C team are continuing to work on key projects including the HRIS project, policy reviews, and a review of all internal people processes. • The focus with People Leaders for the next six months will be on developing and implementing action plans in response to the Staff Engagement Survey results in order to increase retention, and reviewing resourcing requirements across each activity to ensure fit for purpose.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 04. Impaired Māori Relations			
<p>Risk definition</p> <p>There is a risk that failure to effectively engage with strong Iwi and Māori relations impedes that ability to deliver the Councils goals for success across economic, cultural, environmental, and social outcomes. This risk also includes failure to meet both legislative and moral responsibilities to build, maintain and nurture sound and trusted relationships with Māori partners.</p> <p>The risk exists because strong Iwi and Māori relations are a key pillar to the districts strategic plans reflecting that Whakatāne District has a substantial Māori population of near 48%.</p> <p>Impaired relationships have multiple negative outcomes associated with them and impacts on other relationships (e.g., central government) and our ability to ensure strong resilient, connected communities across the district.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> ○ Unanticipated costs \$1m+ Failure to achieve multiple community outcomes. ○ Deterioration in multiple KPI 30% ○ A range of assets, some critical are rendered unusable for more than a month 	
	Inherent Risk	High ←	
	Residual Risk	High ←	
	Target Risk	Low ←	
	Risk Reduction General Approach	<p>Ensure we have an effective Māori Partnership plan in place. Guiding the Council is the Māori Relationship Strategy which is focussed at WDC being better and building our capacity and capability to engage effectively, as well as shared business planning, adding structure, consistency and investing time to the relationships.</p> <p>Due to the diversity of Council business, it is important to hold key relationships across a spectrum of Iwi/Māori partners including iwi, hapū and whānau, land holding entities, Māori education, health, and social service providers, ratepayers, and many others.</p>	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
4.1 Local Governance [E. Hatch]			
1.03 - Undertake representation review and establishment of Māori wards	<ul style="list-style-type: none"> • 3 Māori Ward councillors added to governance structure from 2022 elections [Oct. 22] 		<ul style="list-style-type: none"> • The next Representation Review for Whakatane District Council is not required to occur until 2027. • New Gov signalled LG to revisit Mandatory Maori Wards – WDC to submit • Coalition government’s statement on Maori representation (pending): “Restore the right to local referendum on the establishment or ongoing use of Maori wards, including requiring a referendum on any wards established without referendum at the next Local Body elections”. Potential outcomes would see local authorities having to conduct a poll prior to LGE 25.
4.2 Māori Partnership [P. Warbrick]			
1.06 – Develop cultural responsiveness strategy	<ul style="list-style-type: none"> • Te Kahupapa – Organisation’s Cultural Competency training programme: Treaty of Waitangi Training completed in December 2021.Councillor and Executive team monthly workshop.Te reo Training. 	<ul style="list-style-type: none"> • MRS year 2 Outcomes to further advance WDC delivery of our Relationship and Legislative responsibilities. • Organisational Cultural Competency Training continues with Te Reo Lessons and Noho Marae completed for FY. 	<ul style="list-style-type: none"> • Partnerships: Matatā Wastewater, Tourism Product, MSD Cadetships, Boat Harbour, and Tourism Opportunities discussions. Social Procurement Engagement with IWI CEO to inform Council Policy underway. Signage Protocols, Cycle Ways.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

<p>1.07 - Implement cultural responsiveness strategy</p> <p>1.08 - Deliver cultural competency programme</p> <p>1.09 - Develop coordinated partnership work programme with iwi partners</p> <p>1.10 - Provide cultural advice and guidance to elected members and staff</p>	<ul style="list-style-type: none"> • Increased oversight of WDC BAU and accuracy of Engagement. Including shared learning opportunities between WDC and Iwi Entities • BOF funding approved for IHW Participation and Town master planning lead by IWI. Progress to appoint Iwi Policy Hub Manager • Regular Executive hui between WDC and Iwi • Increased Organisational Awareness of Govt Maori Policy and impacts. • Relationship Excellence – Relationship leads in place to co ordinate and nurture relationships between Ngati Whare and Ngati Manawa. • FTE Manager Toi Kotuia recruited and supporting MRS and BAU outcomes 	<ul style="list-style-type: none"> • Treaty Settlement and MACA Impacts; WDC including relationship protocols. • Review of He Kahupapa WDC Cultural Competency Framework • Relationship and Engagement Advice continuous (BAU) across multiple Activities. • Shared Business planning Iwi and WDC - to date Ngati Awa and Ngati Rangitahi. • Relationship Lead for Ngati Whare and Ngati Manawa in place with significant success. • Ngati Awa / WDC Reo rua Strategy and Outcomes underway. • Interim Guidelines / Policy developed for Internal procedures. • MRS Implementation and Training • Arts and Culture activities; Te Koputu and Taketake. 	<ul style="list-style-type: none"> • Year 2 MRS outcomes underway, which covers focus areas of Leadership, Identity, Empowered Organization, relationships, Monitoring and design. • Continued progress with IHW across all WDC business, with relationship workshops to better understand and support each other. • Ngati Awa / WDC Reo rua Outcomes • Maori Policy intel to future inform WDC approach • Te Reo Policy – Linked to Reo rua and MRS outcomes • Shared Iwi / WDC Business Planning • BOF Iwi Policy Hub – resourcing iwi participation • System and Tools - support relationship Excellence • Oversight of Policy and Submissions WDC Maori lens.
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7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 05. Lack of Infrastructure resilience (Community)			
Risk definition	<p>There is a risk that infrastructure used by the community fails to an extent that it has a significant impact on residents in our community, along with businesses who are unable to function, if council infrastructure fails.</p> <p>The risk exists due to the significant scale upon which the delivery of services of the Council is dependent on a diverse, distributed and complex infrastructure base, and due the to the underlying age of much of the infrastructure.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> ○ Key services are not available to a large proportion of the community for more than a month.
Inherent Risk			Extreme ←
Residual Risk			Medium ←
Target Risk			Medium ←
Risk Reduction General Approach		<p>An excellent understanding of the state of our infrastructure, the demand on them along with appropriate maintenance and replacement plans will be critical in managing this risk.</p> <p>Risk reduction will also consider infrastructure readiness for planned growth and the potential impact of unplanned growth.</p>	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
5.1 Strategy and Policy [D. Bewley]			
<p>2.08 - Develop housing strategy</p> <p>2.10 - Spatial plan engagement and development</p> <p>2.11 - Future development strategy review (zoning)</p> <p>2.12 – Preparing resource consents for council key projects</p>	<ul style="list-style-type: none"> • Spatial Plan Leadership Group established, with representation from Kawerau, Whakatāne District Councils and BOPRC, and Waka Kotahi, MHUD and Kāinga Ora. Ōpōtiki Districts Council is now a partner. Iwi Leaders have joined the meetings. • Leadership Group approved modified Project Plan to recognise scope change with Opotiki District Council joining the Project. [May 2023]. Original Project Plan was adopted [Sep. 22]. • Governance Group to meet quarterly commencing in June 2023. • Spatial Plan funding secured through Annual Plan [July 2023] • Additional funding secured through Better Off Funding [Nov. 22]. • Minginui and Murupara Master Plans under way through BOF [complete June 2025] • Resource consents are prepared by planners with relevant expertise. • Housing Strategy to be brought forward to inform Spatial Plan work [2024/25]. • Resourcing available in-house to prepare resource consents for Council Infrastructure projects 	<ul style="list-style-type: none"> • Spatial Plan Project Plan to be reviewed against revised delivery model. • Funding of Spatial Plan to be secured through LTP [2024] • LTP to include funding for District Plan Review commencing in 2025 	<ul style="list-style-type: none"> • Future growth strategy to be completed once Spatial Plan further advanced. • District Plan Review
5.2 Economic Development & Regeneration [S. Perdia]			
<p>2.21 - Develop investment strategy</p>	<ul style="list-style-type: none"> • A property stocktake of all property that Council owns in the district [May 22]. 	<ul style="list-style-type: none"> • Request made to Kanoa jointly with Ngāti Awa to investigate if reallocation of part of Te Ara Hou funding into the Boat Harbour is an option [May 23] 	<ul style="list-style-type: none"> • Floodwall Stage 2 to commence Iwi and public engagement with BoPRC [Mar 24]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

<p>2.22 - Reset town centre riverfront project (Te Ara Hou)</p> <p>2.23 - Review town vision 2008</p> <p>2.24 - Develop property strategy</p>	<ul style="list-style-type: none"> • GIS mapping of Council properties and property categories [May 22] • Workshop with Council covering Town Centre projects, iwi engagement and impacts of Floodwall on planning process [Dec 22] • CE Steering Group (WDC, BoPRC, Ngāti Awa) called Future Whakatāne established to co-ordinate floodwall improvements, river front development and Councils promenade area [May 23]. • Property Policy adopted by Council which sets out Property Categories (including commercial property) and strategic approach to planning and decision making at a property category level. [June 23] • CCTO and Commercial Investment strategy next steps workshop with Council [Jun. 23] • Council reviewed and approved a project plan for CCTO feasibility phase [Oct 23] 	<ul style="list-style-type: none"> • Floodwall height increase Stage 1 [Feb 24] 	<ul style="list-style-type: none"> • CCTO and Commercial Investment feasibility phase completed [June 24] • If CCTO proceeds then develop a commercial investment strategy [Oct 24]
<p>5.4 Three Waters [B. Gray]</p>			
<p>4.02 - Maintain network and reticulation renewals</p> <p>4.07 - Develop three waters strategy to meet increased standards and growth requirements</p> <p>4.09 – Plan and develop new assets for growth</p> <p>4.10 - Investigate and plan for new water source for Whakatāne-Ōhope scheme</p> <p>4.11 - Deliver Matatā wastewater project</p>	<ul style="list-style-type: none"> • We have invested through the stimulus funding from Central Government in CCTV'ing our underground assets to understand the condition of these assets. This information will be useful for developing maintenance programmes for the reticulation network. • The new water source investigation project is complete and will form a valuable input into the water strategy project. • Matatā Wastewater Co-governance Group established with iwi/hapu and Council representation. Projects and Services Committee receive regular seven weekly updates. Wānanga held with project team and iwi at Rangiaohia Marae (Ngāti Rangithi Marae) on 1 and 2 July 2022. Project to start to look at options for sites, with further discussion to occur on “non-negotiables” and criteria. Looking to start engagement with community and stakeholders. • Project plans have been developed for the renewal of all wastewater and water consents in 2026. Engagement on these renewals will start shortly. A timeline has been prepared with inputs from key projects such as the Spatial Plan identified. This was presented to the June 2022 Projects and Services Committee Meeting • Conversations with iwi have begun in relation to co-design of consent renewal plans. 	<ul style="list-style-type: none"> • Work started to develop an Infrastructure PMO to program and manage infrastructure projects. • Work has started to bring three waters back into the LTP and Infrastructure Strategy. • Specific growth projects have been identified in the LTP for the provision of appropriate infrastructure, this aligns with the review of the development contribution policy. 	<ul style="list-style-type: none"> • The Spatial Plan timeline has been pushed out. We will need to identify some growth related projects within the next three year period for inclusion into the LTP, and make some assumptions around growth in the Infrastructure Strategy. • A dedicated team for the consent renewals has been requested through the LTP budgeting process.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 06. Loss of organisational effective systems and infrastructure for council operation including cyber attack			
<p>Risk definition</p> <p>There is a risk that infrastructure, both physical and digital, used by Council to support the delivery of services to the community fails as an event, or through being unfit for purpose, to an extent that it has a significant impact on continuity of services.</p> <p>The risk to physical infrastructure predominately exists mostly as being unfit for purpose due to the diverse, distributed and complex infrastructure base, and due to the underlying age of much of the infrastructure.</p> <p>The risk to digital exists partly from being unfit for purpose due to the to the increasingly diverse and complex nature of the organisational demands but also due to exposure to cyber-attack compromising or eliminating access to the infrastructure. Councils are increasingly the focus of cyber-attack as part of the global wide issue, and as a ‘front door’ to Central Government we face particular risk.</p>	<p>Potential Risk Impacts</p> <ul style="list-style-type: none"> Loss of organisational effective systems and infrastructure for council operation including cyber-attack resulting in operational systems not being available for more than one month. 	Inherent Risk	High ←
		Residual Risk	High ←
		Target Risk	Medium ←
		Risk Reduction General Approach	Mitigation of the risk includes ensuring both our physical infrastructure and digital infrastructure are fit for purpose to meet the demands of the organisation and have appropriate levels of monitoring and security to protect them from substantial damage from physical or electronic attack. Risk management will include ensuring an effective Information Systems plan is developed and being delivered.

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
6.1 Corporate Information [G. Connolly]			
<p>8.23 - IT readiness for civic centre transition and upgrade</p> <p>8.24 - Develop IT governance and roadmap to prioritise organisation requirements</p> <p>8.25 - Refresh and implement cyber security plan</p> <p>8.27 - Investigate and replace enterprise resource planning (ERP) solution</p>	<ul style="list-style-type: none"> Executive Information Services Governance Group has been re-established and meets monthly in line with ToR [May 22] Microsoft 365 and Teams has been rolled out to all staff to allow them to work effectively from any location. [Nov. 21] Technology was decanted from Civic Centre with staff operating effectively from a mixed model [Nov. 21] To date progress in the technology delivery plans for Civic Centre rebuild remain on track as reported in the project status reports Information Systems strategy has been presented and approved by Council. [May 23] Establishment of an effective operating model incorporating resourcing will provide clarity for the ERP replacement project and wider applications and systems roadmap. [May 23] Completion of the technology infrastructure and re-establishment of staffing in the Civic Centre [Jun. 23] Development of a project plan as part of the wider ERP project has commenced and will be reviewed by Council [Jun. 23] Operational Model change with most recruitment completed [Nov. 23] ERP project manager and change manager have been recruited, final stage of project team recruitment of Bas anticipated in November. [Nov. 23] 		<ul style="list-style-type: none"> ERP project team undertaken workshops and received over a dozen responses to RFI, now undertaking panel review prior to RFP [Apr. 23] Development of an applications roadmap based on the ERP project plan will create a clear line of treatment of the wider application layer of the council being fit for purpose. [Sep. 23 Jun. 24] RFI/RFP Vendor selection complete to Gate 1 of ERP Replacement project and delivered to council for approval [Feb. 24 Apr. 24] Delivery of the ERP replacement project will significantly reduce risk in technology not being fit for purpose and create foundation for roadmap associated with other applications throughout the council. [Sep. 25]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 07. Non-compliance with legal and regulatory requirements			
<p>Risk definition</p> <p>There is a risk that changes to the rules and regulations we operate under occur to an extent or at a pace resulting in to keep up with these changes and ensuring ongoing compliance with existing legislation and frameworks exposes WDC to unplanned liability for non-compliance and cost.</p> <p>This risk exists and is ongoing in nature due to the continuity of change within the legislative and compliance environment.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> Breaches result in legal action being taken against officers of council. Compliance failures result in substantial restrictions being placed on core council activities Loss of confidence in council’s capabilities lasting several months 	
	Inherent Risk	High ←	
	Residual Risk	Medium ←	
	Target Risk	Low ←	
	Risk Reduction General Approach	Mitigation of the risk will be based on establishing champion of legal / internal audit / risk which will include independent oversight through regular connection through Chair of the Risk and Assurance. This role will then champion and support the implementation of stronger and more consistent tools, techniques and register of oversight on compliance.	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
7.1 Corporate Information [G. Connolly]			
8.18 – Develop legal regulatory compliance framework	<ul style="list-style-type: none"> Risk reporting framework presented to Risk and Assurance Committee in September completed and will evolve with use. [Sep.21] Taken insurance advice from AON in renewals 2023 [Nov.22] [on agenda] Risk Framework training manual developed and workshopped with new Council and Committee in new Triennium [Jan.23] BCA Accreditation maintained [December 2023] Procurement and Risk Manager [Legal Champion] appointment [Oct. 23] Risk Management Framework Training induction for tier 3 manager group developed and commenced presentation [Oct. 23] Legal Issues Register developed based on current open issues with principle advisor, included in Risk and Assurance report [Nov. 23] 	<ul style="list-style-type: none"> Continue improvements to Legal Issues Risk register incorporating legal costs / insurance / recovery expectations, as well as extension to include all open issues include other advisors [Mar. 24] 	<ul style="list-style-type: none"> Food Premises Quality Management System (QSM) audit [March 2024] Emerging Risk and Risk appetite to be workshopped with Council/Committee [Mar. May 24] We are current developing, with consultation of ELT, an action plan for the reestablishment of on effective Procurement function to support the delivery of our Social Procurement Framework [Dec, 23] Development of a Register of Legal Opinions based on available historic opinions received [Jun. 24] Delegations Register to be reviewed [2024/2025]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

7.2 People and Capability [E. Hatch]			
8.06 – Develop and implement leadership, learning and development programme	<ul style="list-style-type: none"> • Complete Leadership, Learning & Development programme in place. • Annual Performance Development programme in place. 	<ul style="list-style-type: none"> • The next phase of Council’s Performance Development project - ‘My Performance; is being developed with a further ‘My Progress’ scheduled for February/March 2024 to incorporate competencies aligned to our values. • Taituara Australasian Management Challenge 2024 team has been confirmed and the team have begun their preparation. They are enthusiastic and driven so we look forward to supporting their progress. • -Growing Greatness and Leading our People programmes begin at the end of February and March 2024. There was an excellent uptake on these programmes and all cohorts are now full. • The next phase of Council’s Performance Development project - ‘My Performance; is being developed with a further ‘My Progress’ scheduled for February/March 2024 to incorporate competencies aligned to our values. • Several members of the P&C team are undertaking ISL leadership training to become accredited in Smart Leader Psychometric Assessments. 	<ul style="list-style-type: none"> • A Learning & Development Framework is in development to ensure all training and development of staff aligns to strategic outcomes. This is anticipated to be completed by Q4 FY2024. The P&C team are continuing to work on key projects including the HRIS project, policy reviews, and a review of all internal people processes. • The focus with People Leaders for the next six months will be on developing and implementing action plans in response to the Staff Engagement Survey results in order to increase retention, and reviewing resourcing requirements across each activity to ensure fit for purpose.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 08. Political changes impact council direction and delivery			
<p>Risk definition</p> <p>There is a risk that changes in political direction from local or central government can occur to a scale or speed which has a significant impact on the ability of the Council to deliver upon it stated goals for the community.</p> <p>This risk exists generally due to the three-year political cycle impacting the environment in which Council operates. The potential risk is currently higher however, as of 2020, as there is currently substantial potential change in the local government space being led by Central Government. This includes:</p> <ul style="list-style-type: none"> • Three Waters Reform • Local Government Reform; and • RMA Reform 	Potential Risk Impacts	<ul style="list-style-type: none"> ○ Unanticipated losses of over \$5m. ○ Prolonged public dissatisfaction with policies or actions of Council. 	
	Inherent Risk	Extreme ←	
	Residual Risk	High ←	
	Target Risk	Medium ←	
	Risk Reduction General Approach	WDC is staying well connected into the sector, ensuring we have the internal systems and capability to respond as best as possible and planning to be fit for purpose. By doing so Council reduces risk by staying connected, informed, or ready to adapt.	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
8.1 Local Governance [E. Hatch]			
1.05 - Governance arrangements and induction for new triennium (includes ongoing programme of ensuring governance awareness and understanding of legislation and policy and other business impacts).	<ul style="list-style-type: none"> • All committees and council meetings have occurred as advertised. Regular workshops are held with Council to discuss matters, receive briefings and provide guidance to staff. • Council has successfully run hybrid council and committee meetings since May 2022 that allows people to attend meetings either on-line or in-person. This new way of working has evolved into a standard meeting practice that has proved a hugely successful way to keep people safe (as we experience a surge of COVID-19 and other winter illnesses) and maintain business continuity and decision making. • Ongoing programme of governance awareness and understanding of legislation and policy and other business impacts is underway. This included 2 x Council business away days and a workshop programme that is underway. 	<ul style="list-style-type: none"> • Training with Meeting and Governance Solutions Limited (Steve McDowell and Vern Walsh) has been scheduled (4 December 2023) to assist Elected Members in leading and participating in effective meetings. This is to create confidence within our Councillors as we focus on the Live Streaming of Council meetings (Project underway). • As part of the review into workshop practices conducted by the Chief Ombudsman Elected Members were briefed on the changes Council needs to make expected to see in this space. 	<ul style="list-style-type: none"> • Ongoing programme of governance awareness will continue. • Combined Community Board meetings are in place, providing our four community boards to collaborate, network, and receive relevant training/inductions (such as media training, LTP workshops, and strategic plan development) to enable a proactive approach to their involvement in their respective wards. • We are reviewing and planning to deliver further Stellar training sessions to our Elected Members over the new financial year 2023/24.
8.2 Strategy and Policy [S. Perdia]			
2.04 - Navigating reforms - local government futures	<ul style="list-style-type: none"> • Project Manager appointed for the 3 Reforms oversight. [Sept 21] • Internal Reforms Steering Group meets monthly. [Nov. 21] • Reporting framework for ELT, Council and public. [Feb 22] • Submission processes met FFLG [Feb 23] • New government elected and Working Group monitoring policy changes and Ministers direction [Oct 24] 		

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

8.3 Resource Management Policy [D. Bewley]			
2.13 - Navigating reforms – Resource Management Act	<ul style="list-style-type: none"> Spatial Planning Act and Natural and Built Environment Act repealed December 2023 	<ul style="list-style-type: none"> Monitoring change in Government and proposed amendments and review of RMA. Engaging in conversations across Councils in the region about approach 	<ul style="list-style-type: none"> Impact of RMA Reform on staff to be assessed.
8.4 Three Waters [B. Gray]			
4.01 - Navigating reforms - three waters 4.01 - Navigating reforms - three waters	<ul style="list-style-type: none"> Effective participation in Entity B Leadership Transition Team on a weekly basis. Participation in appropriate reference groups and workstreams. We have an established internal steering group and a dedicated Programme Manager overseeing this work. The Steering Group has a work programme schedule, and all milestones are being met across the 3Reforms. There is also an Executive, Council and website based public reporting and updates system in place. A collaboration agreement between WDC and TCC was developed to utilise shared resources in programme management, change management, and communications. This will be transition focussed only, and will report to a Programme Steering Group made up of WDC executives. Government has signalled a new direction change for three waters. Ownership will remain with Councils and we will be required to include three waters into our LTP's and Infrastructure Strategies. Planning for this is well underway as it was an expected scenario that was modelled anyway. 	<ul style="list-style-type: none"> Water Services Acts Repeal Act 2024 enacted [Feb. 24] 	<ul style="list-style-type: none"> Local Waters Done Well Bill expected to be tabled - legislation change proposal [Jun / Jul 24] Local Waters Done Well Legislation long term plan expected to be enacted [Dec.24]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 09. Natural disaster management and mitigation including climate change			
<p>Risk definition</p> <p>There is a risk that natural disasters, as one off or recurring events, along with ongoing continuous change in our natural environment, including but not limited to impacts of climate change, can have significant impact on Council business continuity, community infrastructure, and social and economic impacts.</p> <p>The risk exists due to the nature of change in the natural environment but is increased due to scale and speed of change noted at present.</p> <p>The Whakatāne District is particularly exposed to this risk due to its geography. It has a history of significant natural disasters including landslides, debris flows, volcanic eruptions, earthquakes, flooding, and coastal storms.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> ○ Significant assets are destroyed or rendered useless for several months. ○ Key services are not available to the community for several weeks. ○ Long term severe health impact to a significant number of people. 	
	Inherent Risk	Extreme ←	
	Residual Risk	High ←	
	Target Risk	High ←	
	Risk Reduction General Approach	Risk reduction is based on the 4R's of Emergency Management – Reduction, Readiness, Response and Recovery. This recognises that we can reduce the risk of impacts from natural hazard events (and climate change) through adaptation of our land use, informed land use planning into the future, and preparedness for events through building community resilience and coordination of emergency and other agencies.	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
9.1 Strategy and Policy [S. Perdia]			
2.06 - Develop climate change adaptation plan 2.07 - Coordinate implementation of climate change strategy incl. energy management programme	<ul style="list-style-type: none"> • Climate Change Strategy review completed [December 2023] 	<ul style="list-style-type: none"> • Project Plan for Climate Change Adaptation Project [March 2024] • Climate Change Strategy document for consultation with the LTP complete [Feb24] 	<ul style="list-style-type: none"> • Final Climate Change Strategy (mitigation & adaption) adopted by Council [June 24]
9.2 Resource Management Policy [D. Bewley]			
2.09 - Natural hazard risk investigations (EQ, tsunami, landslide, coastal hazards)	<ul style="list-style-type: none"> • Toi Moana BOP Climate Change Adaptation Review complete. This highlights the relative exposure to hazard risks in the region and by district. is undertaking a survey of areas of concern for communities within the region about climate change [mid 2023]. • Monitoring progress of the Climate Adaptation Bill. Awaiting confirmation of timeframe from Central Government. • CDEM Group Plan review completed [December 2023]. 	<ul style="list-style-type: none"> • Climate Change Adaptation Plan commenced [March 2024] • Flood risk from breach or overtopping of Whakatane River - trigger levels for Emergency Management Planning [2024] 	<ul style="list-style-type: none"> • Plan Changes to the District Plan, and other emergency management readiness activities [2024/2025] • Further evidence-based investigation of local hazards risks is underway, including liquefaction, tsunami, coastal inundation and landslide risk, and in relation to EQPB. Investigations to be completed during 2024 and 2025 financial years
9.3 Waste Management & Minimisation [B. Gray]			
5.04 - Implement (new) waste management and minimisation plan (WMMP)	<ul style="list-style-type: none"> • MFE approved waste diversion project with Crew, implementation started in May. 	<ul style="list-style-type: none"> • Planning for service delivery changes included into the LTP. • Consultation items being prepared for options for the LTP. 	<ul style="list-style-type: none"> • Waiting to understand if there are any changes proposed from the new government. Waste Minister is not part of cabinet, so changes may take some time to come through.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

<p>5.08 - Implement local organic waste processing plant - 3-year project</p> <p>5.10 - Implement resource recovery park model at Murupara refuse transfer station</p> <p>5.11 - Implement construction and demolition waste diversion project in collaboration with crew – dependant on funding (pending)</p> <p>5.12 - Work with whānau, hapū and iwi on waste minimisation initiatives</p> <p>5.13 - Consultation and implementation of regulatory changes – waste minimisation act, NZ waste strategy, litter act</p>	<ul style="list-style-type: none"> Legislated reporting through to MFE started, WDC were already well positioned with data and reporting requirements. We have needed to review and revise the delivery plan outlined in this LTP due to some legislation changes coming from Central Government. It will no longer be appropriate to implement local organic waste processing plants ahead of food waste collection changes. We will defer this and incorporate into the implementation of that collection service. Composting and worm farm scheme successfully run at the end of 2022. Review of food waste collection started in collaboration with ODC and KDC, and will ultimately end in S17A review process. Collection contract renewed [Oct.23] 	<ul style="list-style-type: none"> Collaboration options considered across the Eastern Bay of Plenty. Eunomia report prepared. 	
<p>9.4 Civic Defence Emergency Management [D. Bewley]</p>			
<p>6.08 - Manage programme for emergency management and EOC responsibilities</p> <p>6.09 - Support community readiness programmes</p>	<ul style="list-style-type: none"> EOC rosters are maintained, and training needs are continually being assessed. Training is being provided along with EMBOP. WDC is an active member of the Group at Joint Committee, CEG and Sub-Committee levels. Maintaining Annual Plan requirements across the Group. Development of Community Response Plans are progressing and are on-going. T. Better Off Funding to support resilience building [2024/25], including alternative EOC. Maintain EOC functionality in Civic Centre [July 2023] Participated in Exercises e.g. Shakeout [October 2023] 	<ul style="list-style-type: none"> CDEM Group Assurance Framework being developed [Feb. 2024] Additional resource in place (January 2024) 	<ul style="list-style-type: none"> Linking Climate Change Adaptation work with Emergency Management Planning internally [July 2004]

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 10. Lack of community support			
<p>Risk definition</p> <p>There is a risk that there is an insufficient level of support from our communities that has a significant impact on the ability of the Council to deliver upon it stated service levels and goals for the community.</p> <p>This risk exists due to the diverse, distributed and complex nature of the communities in which deliver the services of Council, and the extent of implementation of change and improvement reflected in Council plans, along with the increasing demand on people’s time and ability to engage in local service unless it has a direct impact on them.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> o Prolonged public dissatisfaction with the policies or actions of Council. 	
	Inherent Risk	High	←
	Residual Risk	Medium	←
	Target Risk	Medium	←
	Risk Reduction General Approach	Effective communication to, and consultation with, our communities will be critical to managing this risk.	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
10.1 Local Governance [E. Hatch]			
<p>1.05 Governance arrangements and induction for new triennium (includes ongoing programme of training, support, and development for elected members).</p>	<ul style="list-style-type: none"> • Pre-Election Report Issued • Briefing for Incoming Council completed [Nov. 22] • Governance Solutions delivered Councillor Training [Nov. 22]: <ul style="list-style-type: none"> o LGS o Wellbeing’s o Being an elected Member o Decision Tree and Meeting Know how o Standing Orders • Fortnightly Council workshops being utilised in addition to BAU as methodology to provide induction to new councillors on specific issues [Nov. 22 – Jun. 23] 		<ul style="list-style-type: none"> • Fortnightly Council workshops will continue to be utilised, in addition to covering BAU, as methodology to provide induction to new councillors on specific issues, including particularly through Annual Plan 2023-34 and LTFP 2024-2034 [Jun. – Sept. 23] • Consideration to upskill additional (2) Elected Members with RMA certification via the Making Good Decisions Programme through Ministry of the Environment within the current triennium, both panel and chair certification. (Expected to occur in FY 2024/25)
10.2 Communications & Engagement [E. Hatch]			
<p>1.11 - Manage media relationship and deliver external communications</p> <p>1.12 - Support internal communications</p> <p>1.13 - Manage digital and social media</p>	<p>Page likes ⓘ Facebook followers ⓘ Instagram followers ⓘ</p> <p>12,312 – 13,403 1,335</p> <p>Campaigns / consultation</p> <ul style="list-style-type: none"> • Ko Konei - October/November/December • Murupara Community Board newsletter - October/December • Rangitāiki Community Board newsletter - October/December • Raumatī in the Rohe Summer Campaign • Solid Waste - various • Community Grants and Funding Policy review consultation • Whakatāne Youth Awards 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Te Kōputu & Te Whare Taonga rebrand underway.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

<p>1.14 - Provide corporate design and publications support</p>	<ul style="list-style-type: none"> • Community safety camera (CCTV) project • Over 80's morning tea • ERP project • Road Safety – various • Council meeting live streaming • Service desk portal • Friends of the Spatial Plan • Climate Change • Plan Change 8 • Matatā water pipe replacement • Matatā water metres • Matatā Wastewater project drop in day • Matatā Wastewater Co Design hui • Fees and Charges • Biodiversity Credit System • Annual Report • Murupara Water • Long Term Plan • Three Waters BAU – water shutdowns, water taste • Where does your water come from diagram • Animal Control – dogs • Project Future Proof • Natural Hazard maps and modelling • Economic Development – Rebel Business School • Reusable cup initiative • Tiny Houses • Annual Report • Signage at Whakatāne Refuse Transfer Station • Peace Street Stormwater and Road Safety Upgrade • Stay up with the play campaign • Campaign monitor templates • Tsunami blue zone campaign • Te Kōputu / Murupara summer holiday programmes • Tame Iti exhibition • Kōpeopeo Service Lane collateral • Kotahitanga 2023 • LWFF 2024 • isite graphics • Tourism flags • Summer like this campaign • Discover Whakatāne Guide • Summer at Wharfside • District entrance signs – Whakatāne, Matatā and Rotoma • Landing Road roundabout • Draft Arts, Culture and Creativity Strategy consultation • Rex Morpeth Recreation Hub consultation • Summer road works campaign • Free Reusable Produce Bag campaign • Annual garden bed planting information campaign • Wainui Road Closure information campaign 		
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7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

10.3 Community Development [E. Hatch]			
<p>1.17 - Support development and implementation of community plans</p>	<ul style="list-style-type: none"> • Community planning activities have been taking place in Edgecumbe, Murupara and Awatapu. • The Edgecumbe Community Plan and Awatapu Community Plan have been finalised and have now moved into delivery phase. • Planning and engagement for the Murupara Community Plans is well underway. • Discussions are taking place on the potential for community plans for other communities within the District. Support for these will be dependent on available resourcing. 	<ul style="list-style-type: none"> • A first draft of the Matata community plan is underway. • The Community Funding Coordinator will assist communities with completed plans to try access external funding / funding partners. 	<ul style="list-style-type: none"> • The Community Partnerships Team will continue to support planning processes in each of these communities as required. • This includes community-led hui, workshops, events and engagement activities planned for 2024 linked to these community planning processes. • Communities with completed plans are likely to submit to the LTP for initiatives linked to their plans.

7.5.3 Appendix 3 - Figure 3 - Risk Register incorporating Management Action Status(Cont.)

RISK 11. Major economic/ financial or social shock			
<p>Risk definition</p> <p>There is a risk of unpredictable shifts in the global or domestic economies that would significantly impact on the ability of the Council to deliver upon it stated service levels and goals for the community.</p> <p>The risk exists and is ongoing due to the nature of market shifts and cycles, however, is higher at present due to increased volatility and speed of change within inflation / interest rate, labour cost and supply chain economics. The change is exacerbated by political drivers especially the Russian/Ukraine war.</p>	Potential Risk Impacts	<ul style="list-style-type: none"> Unanticipated costs of more than \$5m. Overspend of Annual Plan OPEX by 5%. 	
	Inherent Risk	Extreme ↖	
	Residual Risk	High ↖	
	Target Risk	Medium ←	
	Risk Reduction General Approach	<p>Maintenance of a strong financial reporting and planning framework to ensure the delivery of regular, business context informed, transparent insight to Council's financial performance to support effective executive management and decision making by Elected Members.</p> <p>WDC also reduces risk in this area by being relatively well positioned with lower debt levels compared to many councils giving us debt financing as a method to manage some shocks, though itself needs an effective treasury planning to itself be effective as a risk mitigation.</p>	

Control and Treatments by Focus Areas:			
	Existing Controls / Treatments Delivered	New Controls / Treatments Delivered	Future Controls / Treatments Planned
11.1 Finance (G Connolly)			
<p>8.13 - Review treasury policy</p> <p>8.14 – Review financial management reporting</p> <p>8.15 - Review/develop financial strategy and policies (DCP and FCS) to fund infrastructure for growth</p> <p>Additional focus areas:</p> <p>Effective Accounts Receivable Management Practices impacting on collections and Councils Bad Debt</p>	<ul style="list-style-type: none"> Reporting framework redeveloped based on modified FIS to ensure it is effective for provide clear performance measurement, transparent insights on a quarterly basis to guide decision making across executive and council to demonstrate clear control of the risk [Dec. 22] Projects reforecast methodology implemented as a temporary placeholder to improve 2023-34 and ahead of systemic EMPO improvement for 2024-25; improving phasing identification and borrowing requirements. With 24-25 reforecast presented including basis of methodology to Finance and Performance Committee. [Dec. 23] Sensitivities on interest rate shifts - Finance team developed a quick sensitivities model that enables faster assessment of LCI (wage) / PPI (operating cost) / OCR (interest cost) sensitivity within the forecast framework and included in report to Risk and Assurance [Oct. 23] Fraud Policy reviewed and adopted [Nov.23] 	<ul style="list-style-type: none"> Completed invoicing of all share of Joint Venture losses to Ministry of Transport [Dec.23] Risk and Assurance Committee reviewed and presented to committee for adoption [Mar.23] Treasury Policy covering Investment Policy and Liability Management Policy developed to presented to committee for adoption [Mar.24] Q2 2024-25 Forecast completed demonstrating limited risk in achievement of financial outcomes for 24-25 year, and advantage of identifying \$32m in key project phasing into 2024-25 [Feb.24] 	<ul style="list-style-type: none"> Proposed we investigate LGFA credit rating in increase availability and optionality around borrowings capacity for the LTP2034 period [Mar. 24] Financial Strategy being developed within LTP2034 [Jun.24] Revenue and Financing Policy being redrafted as part of legislative requirement for LTP2034 incorporate desktop review finding for LG consultant and good practice identified in Taituara Guides and aligned with other councils including Funding Needs Analysis [Jun. 24] Sensitive Expenditure Policy developed to presented to committee / council for adoption [Mar.24] Commenced scoping for Account Receivable sundry debtor reporting, tracking, insights and management tool to ensure more effective and proactive management and response to debtor issues. [Aug.24] Develop accounts receivable debt management policy [Aug.24]

7.5.4 Appendix 4 – Council Consequence of Risk

7.5.4 Appendix 4 – Council Consequence of Risk

7.5.4 Appendix 4 – Council Consequence of Risk(Cont.)

APPENDIX 1: Council Consequence of Risk

Scale	Score	Financial	Health and safety	Legislative and regulatory	Operational and service delivery	Image and reputation
Catastrophic	5	A Capex overspend of >15% or an Opex overspend of >5% of the annual plan. Rates increase of >2pp above the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of over \$5 Million.	An incident resulting in multiple fatalities. Long term severe health impact on significant numbers of people.	Breaches result in severe penalties for Officers of the Council. Compliance failures result in severe restrictions placed upon all areas of the core Council business.	Key services not available to a large proportion of the community for one week or more. Severe service degradation for one month or more. Failure to achieve multiple community outcomes. Deterioration in majority of KPI >30% The majority of the critical assets are destroyed or rendered unusable for several months	National adverse political or media comment for more than one week. Requirement for (televised) public apology or defence A consistent and long term public outcry against policies or actions of the Council A long term irreconcilable loss of confidence in the Council's capabilities and standing
Major	4	A Capex overspend of >10% or an Opex overspend of >3% of the annual plan. Rates increase above the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$1M ~ \$5M.	An incident resulting in a single fatality. Long term severe health effects on multiple people.	Breaches result in legal action being taken against officers of the Council. Compliance failures result in substantial restrictions placed on several areas of core Council business.	Key service not available to a significant portion of the community for two days or more. Continued severe service degradation for one week or more. Failure to achieve a specific community outcome. Deterioration in multiple KPI of 15 ~ 30%. Majority of critical assets are destroyed or rendered unusable for several weeks.	National adverse political or media comment for more than two days. Regional adverse political or media comment for more than one week Prolonged public disaffection with the policies or actions of the Council Loss of confidence in the Council's capabilities and standing lasting for several months
Moderate	3	A Capex overspend of >5% or an Opex overspend of >1% of the annual plan. Rates increase close to the limit on rate increase from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$500K ~ \$1M.	A severe injury or multiple casualties requiring hospitalisation. Long term health effects on one or more people.	Breaches require significant attention or corrective actions Compliance failures result in restrictions placed upon limited areas of core Council business	Key service not available to some of the community for ten hours or more. Continued service degradation for two days or more. Significant difficulty introduced to achievement of community outcomes. Deterioration in some KPI of 5 ~ 15%. A range of assets, some critical, are destroyed or rendered unusable for a week.	Regional adverse political or media comment for more than two days Public disaffection with the Council's policies or actions lasting from days to weeks Loss of confidence in the organisation's capabilities lasting for several weeks
Minor	2	A Capex overspend of >2% or an Opex overspend of >0.5% of the annual plan. Rates increase considerably above the forecast from the financial strategy in the LTP/Annual plan. Unanticipated costs or losses of \$50K ~ \$500K	Injuries requiring medical attention. Short term negative health effects.	Breaches require attention or corrective action Compliance failures result in minor restrictions placed upon core Council business	Reduced service delivery that does not compromise the community's health and wellbeing. Service degradation at times during a week. Inconvenience or delay in achieving community outcomes. Deterioration in top key performance indicators of 1 ~ 5%. A number of assets are destroyed or rendered unusable, but can be replaced within acceptable timeframes.	Regional adverse political or media comment for one or two days Public disaffection with the Council's policies or actions is limited to a few days Short term loss in confidence regarding the Council's capabilities and or standing lasting for several days
Insignificant	1	An Opex or Capex overspend of the annual plan. Rates increase slightly above the forecast from the financial strategy in the LTP /Annual plan. Unanticipated costs or losses of \$10K ~ \$50K	Incident requiring simple first aid only. Momentary or limited health impact.	Breaches are insignificant in nature with no disruption to performance of duties Compliance failures result in negligible restrictions placed upon core Council business	Short-term reduction in service delivery which is easily restored and does not compromise the community's health and wellbeing. There are minimal effects on the achievement of community outcomes. Assets receive little or minimal damage, or are only temporarily unavailable for use.	Short-term 'letters to the editor' (or online equivalent) commentary There is limited public disaffection with the policies and actions of the Council Public confidence in the council remains largely unaffected

7.5.5 Appendix 5 – Council Likelihood of Risk

7.5.5 Appendix 5 – Council Likelihood of Risk

7.5.5 Appendix 5 – Council Likelihood of Risk(Cont.)

APPENDIX 2: Council Likelihood of Risk

Likelihood	Score	Descriptor
Almost certain	5	<ul style="list-style-type: none"> >90% chance of occurring in next 12 months. It is expected to occur in 9 of the next 10 years.
Likely	4	<ul style="list-style-type: none"> 70% - 90% chance of occurring in next 12 months. It is expected to occur in 7 of the next 10 years.
Possible	3	<ul style="list-style-type: none"> 30% - 70% chance of occurring in next 12 months. It is expected to occur in 3 of the next 10 years.
Unlikely	2	<ul style="list-style-type: none"> 5% - 30% chance of occurring in next 12 months. It is expected to occur once in the next 10 years.
Rare	1	<ul style="list-style-type: none"> <5% chance of occurring in next 12 months. It is expected to occur once in the next 30 years or more.

7.6 Risk and Assurance Committee 2024 Workplan

Risk & Assurance Committee 2024 Work Programme

1 March 2024



	March	May	August	November
Meeting Administration				
Location	Whakatāne DC	Whakatāne DC	Whakatāne DC	Whakatāne DC
Pre-Agenda Meeting	TBC - 19 February 2024	TBC – 6 May 2024	TBC – 12 August 2024	TBC – 11 November 2024
Meeting Date	Friday, 1 March 2024	Friday, 17 May 2024	Monday, 26 August 2024	Friday, 22 November 2024
Public Forum – Items to Review, Approve or Note				
External Assurance	<ul style="list-style-type: none"> 2022-23 Final Report to Governors 	<ul style="list-style-type: none"> 2023-24 Audit Plan 	<ul style="list-style-type: none"> Management Action Update 	<ul style="list-style-type: none"> 2023-24 Final Report to Governors
Internal Assurance	<ul style="list-style-type: none"> IA 2024 Work Programme Update (Verbal) 			<ul style="list-style-type: none"> IA Focus Area 1 Report
External & Internal Assurance 2023 Key Learnings	<ul style="list-style-type: none"> Yes – provided for in the Report to Governors 		<ul style="list-style-type: none"> IA 2024 Update Report including Action Status 	<ul style="list-style-type: none"> IA 2024 Update Report including Action Status IA 2025-26 Work Plan Approval
Enterprise Risk Report	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Treasury Report	<ul style="list-style-type: none"> Yes Proposal to seek Credit Rating 	<ul style="list-style-type: none"> Yes Update on Proposal to Seek Credit Rating 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Policy Review	<ul style="list-style-type: none"> Treasury Policy Risk Management Policy 			
Other				
Public Excluded Forum – Items to Review, Approve or Note				
Legal Proceeding	<ul style="list-style-type: none"> Yes including costs update 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Insurance	<ul style="list-style-type: none"> Renewals update 			
Significant Projects and Work Programmes	<ul style="list-style-type: none"> Boat Harbour 	<ul style="list-style-type: none"> Yes 		
External Assurance PAX	<ul style="list-style-type: none"> Committee/External Auditor only time 			





Risk & Assurance Committee 2024 Work Programme

1 March 2024

Calendar of other key activities:				
Key Dates	External Audit	Local Waters (Three Waters) Reform	2024-25 Annual Plan	2024-34 Long Term Plan
Jan.				
Feb.		Water Services Acts Repeal Act 2024		
Mar.				Consult
Apr.				
May	Interim			
Jun.			Part of LTP	Adopt 27-Jun
Jul.		Local Waters Done Well - legislation expected		
Aug.	Final			
Sep.	Final			
Oct.	Complete			
Nov.				
Dec.		Local Waters Done Well – long term replacement bill expected		

8 Resolution to Exclude the Public - *Whakataunga kia awere te marea*

8 Resolution to Exclude the Public - *Whakataunga kia awere te marea*

8.1 Resolution to Exclude the Public

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Confirmation of Risk and Assurance Committee Public Excluded Minutes 13 November 2023
2. Legal Proceedings Report – February 2024
3. Insurance Renewals Update
4. Boat Harbour Project Update

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

	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
1.	Confirmation of Risk and Assurance Committee Public Excluded Minutes 14 November 2023	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)
2.	Legal Proceedings Report – February 2024	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)
3.	Insurance Renewals Update	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)
4.	Boat Harbour Project Update	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

8.1 Resolution to Exclude the Public(Cont.)

Item No	Interest
1, 2	Maintain legal professional privilege (Schedule 7(2)(g))
1, 2	Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))
3	Protect information, which if public made available would: i. Disclose a trade secret; or ii. reasonably prejudice the commercial position of the person who supplied or who is the subject of the information (Schedule 7(2)(b))
4	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(a))

1 Confirmation of Minutes - *Te whakaaetanga o ngā meneti o te hui*

1 Confirmation of Minutes - *Te whakaaetanga o ngā meneti o te hui*

1.1 Public Excluded Minutes - Risk and Assurance Committee - 13 November 2023

2 Reports - *Ngā Pūrongo*

2.1 Public Excluded – Legal Proceedings: March 2024

2.1.1 Appendix 1 – Legal Spend Analysis

2.1.2 Appendix 2 - Legal Issues Register

2.2 Public Excluded - Insurance Policy Report for 2023/24

2.3 Update of the Boat Harbour project - February 2024