



# NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Opotiki District Council Chambers, 108 St John Street, Opotiki  
Monday, 11 June 2018  
Commencing at 10.00am**

## ORDER PAPER

**APOLOGIES**

**DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS**

**PUBLIC FORUM**

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**STANDING ITEM:**

**RISK WORKSHOP – TO BE HELD AT THE CONCLUSION OF THE MEETING**

**Members:** **Cr Arihia Tuoro (Chairperson)**

**Cr Ken Young**

**Ex-Officio:** **Mayor John Forbes**

**Independent Member:** **David Love**

**Committee Secretary:** **Gae Newell**

**Quorum:** **2**

**LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968**

**Councillors are reminded that if you have a pecuniary or non-pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the Council chamber.**

**Aileen Lawrie**

**CHIEF EXECUTIVE OFFICER**

## AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. The Audit and Risk Committee is a Committee of the Ōpōtiki District Council.
2. **Objective**

The objective of the Committee is to assist the Council in carrying out its duties in regard to financial reporting and legal compliance.
3. **Membership**

Chairperson: Councillor Tuoro  
Members: Councillor Tuoro, Councillor Young  
Ex-Officio: Mayor Forbes  
Independent Member: David Love
4. **Meetings**
  - 4.1 A quorum is two members.
  - 4.2 The Committee shall meet as needed but in any event, at least annually.
  - 4.3 Notice of meetings shall be in accordance with the requirements set out in the Local Government Act 2002.
5. **Terms of Reference**

*The Audit and Risk Committee will:*

  1. *Review Council's annual financial statements with Council management and the Auditors prior to their approval by Council.*
  2. *Oversee statutory compliance in terms of financial disclosure.*
  3. *Monitor corporate risk assessment and internal risk mitigation measures and oversee:*
    - *Council's risk management framework*
    - *internal control environment*
    - *legislative and regulatory compliance*
    - *internal audit and assurance*
    - *oversee risk identification on significant projects*
    - *compliance to Treasury Risk Management Policies.*
  4. *Review the effectiveness of Council's external accountability reporting (including non financial performance).*
  5. *Conduct the process for the Chief Executive's Performance, for report to Council.*

6. *Draw to the attention of Council any matters that are appropriate.*
7. *Investigate and report on any matters referred to the Committee by Council. The circumstances the Council may refer matters to the Audit and Risk Committees include:*
  - a. *Any significant issues arising from the financial management of councils affairs.*
  - b. *Any complaints against elected members or alleged breaches of the Councils code of conduct.*
  - c. *Any significant issues arising from Audit New Zealand processes.*
  - d. *Due Diligence on strategic asset acquisition or disposal.*
  - e. *Setting up of Council Controlled Organisations.*
  - f. *Development of a Council risk assessment and mitigation strategies.*

6. **Authority**

- 6.1 The Committee is authorised to investigate any activity referred to it by Council resolution. It is authorised to seek any reasonable information it requires from Council staff.
- 6.2 The Committee is authorised by the Council to obtain outside legal or other independent professional advice and to arrange for the attendance at meetings of outside parties with relevant experience and expertise if it considers this necessary.



**MINUTES OF AN ŌPŌTIKI DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD ON MONDAY, 30 APRIL 2018 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 10.00AM**

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**PRESENT:**

Councillor Arihia Tuoro (Chairperson)  
Councillor Ken Young  
David Love  
Mayor John Forbes

**IN ATTENDANCE:**

Aileen Lawrie (Chief Executive Officer)  
Bevan Gray (Finance and Corporate Services Group Manager)  
Ari Erickson (Engineering and Services Group Manager)  
Billy Kingi (Chief Financial Officer)  
Gae Newell (Personal Assistant to CEO and Mayor)

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**APOLOGIES**

Nil.

**DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS**

David Love noted that he is a Bay of Plenty Regional Councillor and is also a member of the Regional Council's Audit and Risk Committee.

Ken Young declared an interest in the Irrigation Scheme Valuation item.

**PUBLIC FORUM**

Nil.

**1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING  
19 MARCH 2018**

**p5**

**RESOLVED**

- (1) That the minutes of the Audit and Risk Committee meeting held on 19 March 2018 be confirmed as a true and correct record.**

HWTM/Young

**Carried**

**2. ACTION SCHEDULE**

**p10**

David Love stated that the committee should be looking at the risk matrix at each meeting, adding that he would like to see it as part of the agenda to ensure the committee is dealing with the right risks and they are in front of committee members.

The Finance and Corporate Services Group Manager stated that this will be discussed at the risk workshop following the meeting.

David Love noted that Council has a number of projects not started or not completed.

**RESOLVED**

- (1) That the Action Schedule be received.**

HWTM/Young

**Carried**

**3. QUARTERLY REPORT TO 31 MARCH 2018**

**p11**

The Finance and Corporate Services Manager advised that Billy Kingi has been appointed as Chief Financial Officer.

David Love stated that the finances are all over the place because of the uncertainty around the harbour and that is a risk. What other risks would be faced if the harbour goes ahead and what are the risks for the town; what if the harbour does not go ahead?

The Chief Executive Officer said that another scenario is that the project could be owned by another entity.

The Engineering and Services Group Manager stated that there is growth behind a number of items which means they will still go ahead. The Finance and Corporate Services Group Manager agreed, adding that there is also external funding for some items.

The Chief Executive Officer added that if the harbour does not go ahead the immediate impact will not be large as Council has not committed to anything in the immediate future, i.e. growth projects are beyond Year 3.

### *Banking*

His Worship the Mayor referred to the recent closure of the ANZ Bank's Ōpōtiki branch. Although banking with ANZ was part of a BOPLASS initiative, His Worship the Mayor queried if Council should consider how it does its banking business. It is about a principle rather than the level of service.

The Finance and Corporate Services Group Manager advised that he met with ANZ and tried to apply some pressure regarding the closing of the Ōpōtiki branch, but to no avail.

David Love queried if there would be a financial benefit, or a risk, if Council moved banks. He asked that a report come to the Audit and Risk Committee around the costs of moving to another bank.

His Worship the Mayor thought the community would like to see Council thinking about where it does its banking, even if there was some cost. This view was supported by David Love.

The Finance and Corporate Services Group Manager will bring a report back to the next meeting.

### *Rates Arrears*

David Love stated that Council should be looking at rates arrears over a six year period, adding that he has concerns and it does not look good from the outside.

The Finance and Corporate Services Group Manager advised that the figures in the table should be for two years and over. There are two issues with managing the arrears. If the figure is close to a million over a year is it the affordability or the collection?

The Chief Executive Officer noted that the figures in the table are for most of a year. The overdue amount for one year is almost a two year figure.

David Love said his overall concern is that a large percentage of arrears are over two years old. The Chief Executive Officer responded that there are political reasons for leaving the reporting as it is; Council needs to show the Crown that the rates cannot be collected and never will.

His Worship the Mayor stated that Council should be supporting LGNZ in its support of the Shand Report, adding that the Ōpōtiki district has a high proportion of non-rateable land.

David Love noted that the Regional Council have taken notice of Ōpōtiki District Council's submission to its 2018-2028 Long Term Plan, particularly in relation to deprivation etc. The Regional Council is looking at what it can do to help.

#### *Projects*

David Love said there are many projects that have been deferred or not commenced and queried if the work has been programmed correctly.

The Chief Executive Officer advised that some sit in a category that is reliant on grant funding and as funding has not been obtained, they have been deferred. A couple of projects have slipped due to staff departures.

The Finance and Corporate Services Group Manager posed the question of how do we expedite the process through new ways to manage projects better and then tie those processes into the capitalisation of assets? He considered that projects could be put on the Risk Register, along with treatments, as something to be aware of. The policy change made last year would treat projects over the next three years of the LTP as being very fluid.

#### **RESOLVED**

**(1) That the report titled "Quarterly Report to 31 March 2018" be received.**

Love/Tuoro

**Carried**

#### **4. IRRIGATION SCHEME VALUATION**

**p35**

Councillor Young acknowledged an interest in this item.

#### **RESOLVED**

**(1) That the report titled "Irrigation Scheme Valuation" be received.**



**(2) That staff provide a copy of the letter to the Board of the irrigation scheme.**

HWTM/Love

**Carried**

Councillor Young abstained from voting.

**5. ROADING AUDIT**

**Verbal Item**

The Engineering and Services Group Manager spoke to an NZTA powerpoint presentation titled "Investment Audit – Ōpōtiki District Council" which covered the following points:

- Key Messages – Asset Management
- Key Messages – Data
- ONRC – Data Quality Report
- Cost Data by Peer Groups – 3yr Average
- Overall comment

At the request of the Committee, a copy of the presentation is attached to these minutes.

**RESOLVED**

**(1) That the verbal update on the Roading Audit be received.**

Love/Tuoro

**Carried**

**6. KOHA REPORT**

**p38**

**RESOLVED**

**(1) That the report titled "Koha Report" be received.**

Love/Young

**Carried**

**7. RESOLUTION TO EXCLUDE THE PUBLIC**

**p40**

**SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987**

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

**8. In-Committee Minutes – Audit and Risk Committee Meeting 19 March 2018.**

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

Item No	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
8.	<b>In-Committee Minutes – Audit and Risk Committee Meeting 19 March 2018</b>	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 section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:**

8.	Maintain effective conduct of public affairs Protect Information Protect the privacy of natural persons	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i), (d) and (e) Section 7(2)(a)
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Love/Young

**Carried**

**RESOLVED**

- (1) That the in-committee minutes of the Audit and Risk Committee meeting held on 19 March 2018 be confirmed as a true and correct record.**

HWTM/Love

**Carried**

**RESOLVED**

- (1) That the resolutions made while the public was excluded be confirmed in open meeting.**  
**(2) That the public be readmitted to the meeting.**

Love/Young

**Carried**

**THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 11.20AM.**

**THE FOREGOING MINUTES ARE CERTIFIED AS BEING A  
TRUE AND CORRECT RECORD AT A SUBSEQUENT IN-  
COMMITTEE MEETING OF THE AUDIT AND RISK  
COMMITTEE ON 11 JUNE 2018.**

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**COUNCILLOR ARIHIA TUORO  
CHAIRPERSON**

# Investment Audit Opotiki District Council

Tony Lange – Risk & Assurance

9 to 12 April 2018



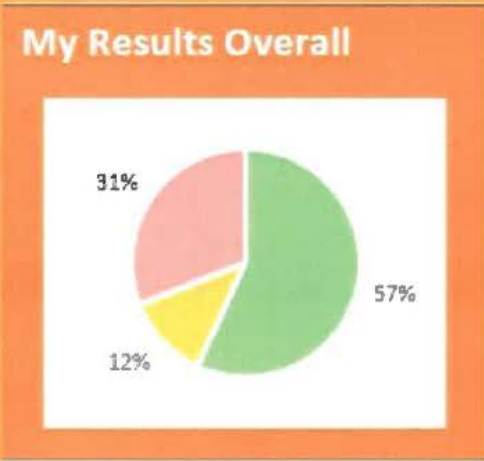
## Key messages - Asset management

- The key to achieving least whole-of-life cost for the network is strong **asset management** practice, which includes enabling the use of innovative services, products and methods of procurement. This requires:
  - effective planning and delivery to achieve value for money objectives, e.g. early tendering opportunities, awareness of the annual programme and better timing of works
  - improved knowledge sharing
  - a consistent road classification system and levels of service across the whole network
  - greater collaboration between asset owners.

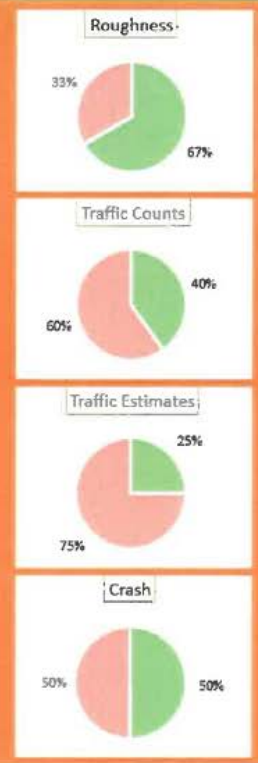
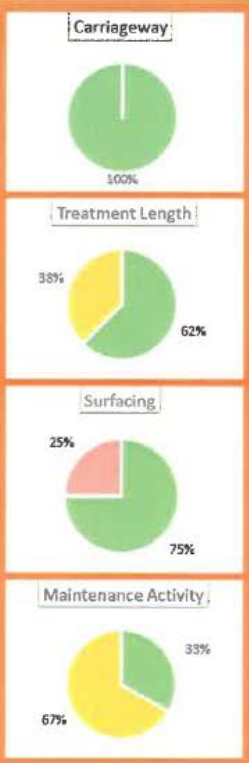
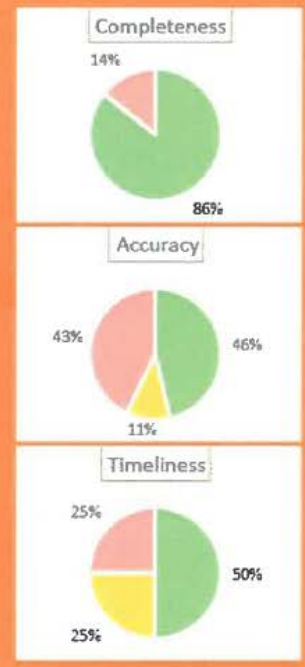
## Key Messages – Data

- A step change in performance measurement and management and **data** collection is required to obtain best value for money and to develop requirements for improved data input, transformation of the data into useful, repeatable and meaningful information, dissemination, and effectiveness in the use of data, focusing on areas such as:
  - requirements for data, data-based systems (e.g. RAMM), dTIMS and technology platforms
  - measurements to assess the effectiveness of different road maintenance projects and new materials
  - measurement to enable better timing of interventions
  - road classification.

# ONRC – Data Quality report



### My Results by Dimension

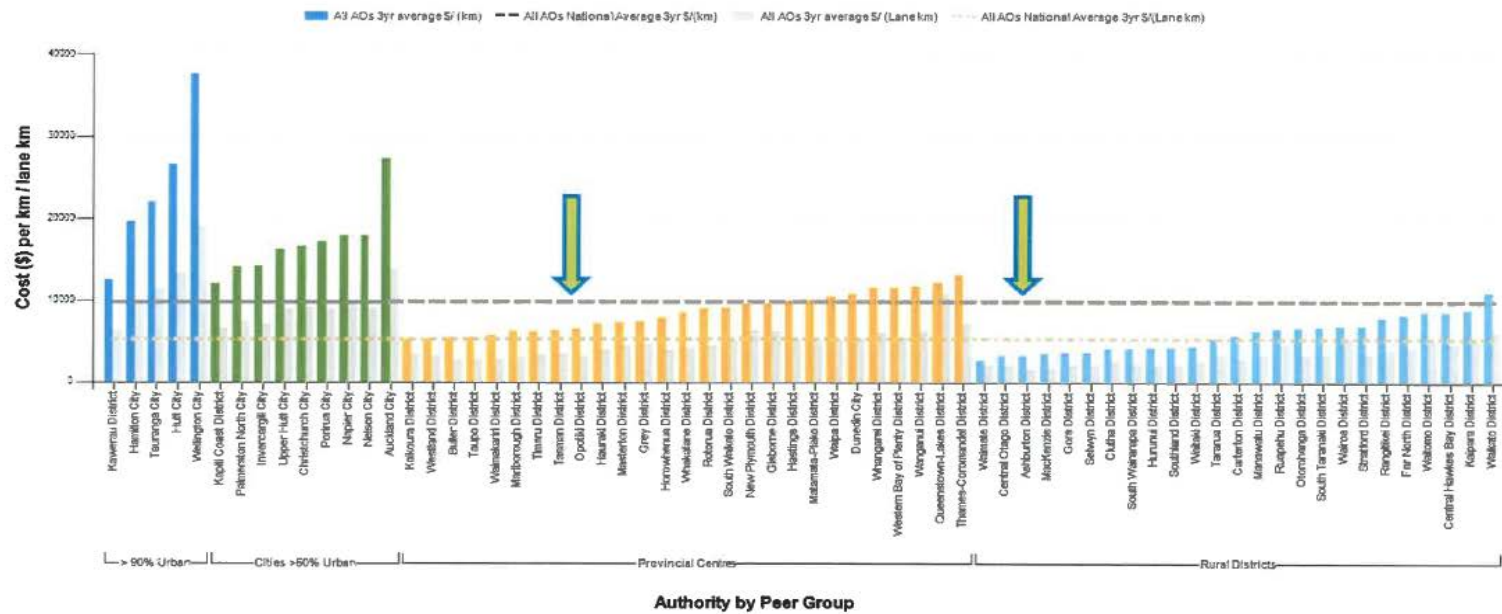


# ONRC – Data Quality report

Category	Indicator	Measure	Unit	Target	Actual	Notes
Road Condition	1.01	Percentage of roads in good condition	%	90	88	...
	1.02	Percentage of roads in fair condition	%	8	10	...
	1.03	Percentage of roads in poor condition	%	2	2	...
	1.04	Percentage of roads in very poor condition	%	0	0	...
	1.05	Percentage of roads in closed condition	%	0	0	...
	1.06	Percentage of roads in major works condition	%	0	0	...
	1.07	Percentage of roads in minor works condition	%	0	0	...
	1.08	Percentage of roads in emergency works condition	%	0	0	...
	1.09	Percentage of roads in safety works condition	%	0	0	...
	1.10	Percentage of roads in other works condition	%	0	0	...
Road Safety	2.01	Number of road deaths	Number	10	12	...
	2.02	Number of road injuries	Number	100	110	...
	2.03	Number of road fatalities	Number	5	6	...
	2.04	Number of road hospitalizations	Number	50	55	...
	2.05	Number of road property damage claims	Number	1000	1100	...
	2.06	Number of road traffic violations	Number	10000	11000	...
	2.07	Number of road traffic stops	Number	10000	11000	...
	2.08	Number of road traffic citations	Number	10000	11000	...
	2.09	Number of road traffic convictions	Number	1000	1100	...
	2.10	Number of road traffic deaths	Number	10	12	...
Road Network	3.01	Length of road network	km	1000	1000	...
	3.02	Number of road kilometers	km	1000	1000	...
	3.03	Number of road kilometers in good condition	km	900	880	...
	3.04	Number of road kilometers in fair condition	km	100	120	...
	3.05	Number of road kilometers in poor condition	km	20	20	...
	3.06	Number of road kilometers in very poor condition	km	0	0	...
	3.07	Number of road kilometers in closed condition	km	0	0	...
	3.08	Number of road kilometers in major works condition	km	0	0	...
	3.09	Number of road kilometers in minor works condition	km	0	0	...
	3.10	Number of road kilometers in emergency works condition	km	0	0	...
Road Funding	4.01	Amount of road funding	\$m	100	110	...
	4.02	Amount of road funding per km	\$/km	100	110	...
	4.03	Amount of road funding per road type	\$/km	100	110	...
	4.04	Amount of road funding per road class	\$/km	100	110	...
	4.05	Amount of road funding per road condition	\$/km	100	110	...
	4.06	Amount of road funding per road safety	\$/km	100	110	...
	4.07	Amount of road funding per road network	\$/km	100	110	...
	4.08	Amount of road funding per road traffic	\$/km	100	110	...
	4.09	Amount of road funding per road property damage	\$/km	100	110	...
	4.10	Amount of road funding per road traffic violations	\$/km	100	110	...



# Cost Data by peer groups -3yr average.



## Overall comment

- Overall the network is in very good condition. Low risk though average for VfM based upon Dollars per Kilometre
- Unsealed roads are appropriate for traffic volume though need to consider impact of forestry operations e.g. Motu Rd. Spot patching of potholes to extend grading cycle and remote locations
- Sealed roads are in very good condition. Mirror network indicators. Current funding levels are appropriate for reseal and rehabs in near future. Recommend Pedestrian guide for all new footpaths.
- Safety, few minor tweaks to work on.
- Data, reflect on REG data reports, develop improvement plan (AMP) and implement. Condition rating surveys meet NZTA rules, recommend 200m sections and 40m sample size. Work with RAMM champions to improve data quality and knowledge.
- Succession planning, timely!
- Thankyou

# Pictures...



# Pictures...



# Pictures



# Pictures - Otta seal



	Issue	Recommendation	Done	Assigned To	Status	Comments
5	Resource recovery centre	Recommend Council review systems and controls around cash handling	<input type="checkbox"/>	Ari Erickson	Complete	Tills are in place at all RRC's, we have also amended the cash collection process. Looking further at IT solutions to help, including installation of EFTPOS at coast RRC's
7	Asset management plans	Recommend Council ensures that asset management plans are updated on a continuous basis	<input type="checkbox"/>	Ari Erickson	Complete	AMP's have historically been updated annually but should be updated more regularly in line with change as living documents. In an effort to streamline the AMP process and better engage Council a summary AMP for all 3 waters of 40-60 pages has been drafted instead of the traditional 200 page documents for each of the 3. An asset management policy and framework needs to be assembled to ensure update occurs, early efforts to complete policy was stalled by the departure of key finance staff.
21	Contract Management policy and Guidance	Recommend Council develop a contract management policy and guidance, to include procedures and templates for consistency	<input type="checkbox"/>	Ari Erickson	In Progress	Contract management processes are currently being built, upon completion a Policy will be assembled. AMP's have included necessary budgets to develop contracts and processes surrounding contracts.
22	Contract management oversight	Have individual or team in place with responsibility for oversight of contract management activities	<input type="checkbox"/>	Ari Erickson	In Progress	Training recently provided to team in relation to the contract module. Initial development of internal process is already underway with resource, structure and responsibility changes within the E&S department first on the agenda towards its development. ProMap champion will build processes. Potential contract manager position being assessed - consideration to funding systems and justification against 10 year works programme.
23	Contract management system	Put in place a contract management system to capture all contract information	<input type="checkbox"/>	Ari Erickson	Complete	Finance have implemented the Contracts Module within Ozone to manage contracts and contract payments. A process to control contract coding, approval and receipting is being assembled and will be included in the contract management policy and ProMap
24	Project Management	Recommend a documented approach and methodology, planned approach to undertake post implementation reviews, have independent quality assurance reviews.	<input type="checkbox"/>	Ari Erickson	In Progress	Project management framework has been drafted. To be further developed upon filling project manager role. Some significant changes required. Resources presently stretched due to Asset Manager position currently vacant. Project management policy, asset management policy and contract management policy will likely be assembled in conjunction as they are closely related.
27	Procurement	Council to ensure that late tender policy in contract documents is consistent with Procurement Policy, ongoing.	<input type="checkbox"/>	Ari Erickson	In Progress	Need to get fully familiar with new procurement policy. Policy currently being reviewed by NZTA. Assigned to Janan.
28	Qualified proposal evaluators	Council to correct the wording in its contract documents for Qualified Proposal Evaluators by 30/06/17	<input type="checkbox"/>	Ari Erickson	In Progress	Assigned to Janan
29	Procurement Strategy	Council to amend Procurement Strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency by 30/06/18	<input type="checkbox"/>	Aileen Lawrie	In Progress	Audit NZ are yet to provide a response
30	Contract Management	NZTA audit recommend that Council improves its contract management documentation to reflect actions agreed and undertaken by 30/06/17	<input type="checkbox"/>	Ari Erickson	In Progress	Budget has been planned in three waters summary AMP to review and develop current service level contracts into comprehensive proactive maintenance contracts. Capital project contracts development is planned to be reviewed and revised as necessary alongside Policy development. Pending contract manager position conclusions or other dedicated resource.
31	Asset Management	Audit NZ recommend a formal impairment assessment over assets held at cost is performed to ensure they are measured at lower of cost and recoverable amount.	<input type="checkbox"/>	Ari Erickson	In Progress	This will be undertaken ahead of year end being 30 June and incorporated in the Annual Report.
32	Asset Management	Monthly reconciliations to be performed between the fixed asset register and the general ledger. These should be independently reviewed.	<input type="checkbox"/>	Ari Erickson	In Progress	There has been a lot of work done as a project to ensure this process is completed, as well as aiding the organisation to complete their compliance requirements in the most efficient manner. This process is very near to completion.
33	Asset Management	Develop and implement an asset capitalisation policy that states the minimum amount of assets that will be capitalised as well as guidance for the type of expenditure to be capitalised.	<input type="checkbox"/>	Ari Erickson	In Progress	This is under development as part of the asset management policy.
37	Annual Report Process	Annual report process to be planned and scheduled on a project basis and closely monitored to ensure milestones are met, and substantiation files is prepared.	<input type="checkbox"/>	Bevan Gray	Complete	Project plan was developed for the interim audit and tested whilst audit were on site. We will continue with this throughout the Annual Report process.
38	Legislative compliance	Appropriate processes to be implemented to ensure compliance with legislation, eg Annual Report includes results of any measurement undertaken during the year of progress towards the achievement of community outcomes	<input type="checkbox"/>	Bevan Gray	In Progress	Have not had any feedback from Audit on this, we were seeking clarification around how we could achieve this.
39	Legislative compliance	Implement a formal process to ensure compliance with key legislative requirements for Annual Plans	<input type="checkbox"/>	Bevan Gray	In Progress	A review process will be developed for Annual Plans, and a draft set will be sent to audit for comment ahead of adoption to avoid this situation in future. A legal review of rates setting documentation was done this year.
40	Shand Report	Review recommendations - specifically govt paying rates on their properties and what the impact to ODC would be.	<input type="checkbox"/>	Bevan Gray	Not Started	To have a look at once LTP is out for consultation





## REPORT

Date : 30 May 2018

To : Audit and Risk Committee Meeting, 11 June 2018

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **DRAFT MANAGEMENT REPORT ON THE AUDIT OF LONG TERM PLAN CONSULTATION DOCUMENT 2018-28**

File ID : A137689

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### **EXECUTIVE SUMMARY**

**This report introduces the draft Management Report from Audit NZ on their audit of the Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. After every engagement with Audit they provide us with a report outlining their findings for management to take into consideration or make improvements upon before the next audit engagement. This report outlines the key messages contained within the draft Management Report from Audit.**

### **PURPOSE**

- To provide the Audit and Risk Committee with the draft Management Report from Audit NZ for comment before it is finalised. Council staff have made suggested comments for your approval or amendment should you so wish.

### **BACKGROUND**

- Council engages Audit NZ to undertake the audit duties required of a Local Authority, and after every engagement they prepare a Management Report outlining the process, what went well, what didn't go so well and needs improvement, and what improvements had been made since the last audit. This report is very important in identifying to Council and staff what the focus areas should be within Council, and what aspects need to be worked upon.

## **DISCUSSION AND OPTIONS SECTIONS**

The draft Management Report and suggested comments in response to Audit NZ is attached as an appendix.

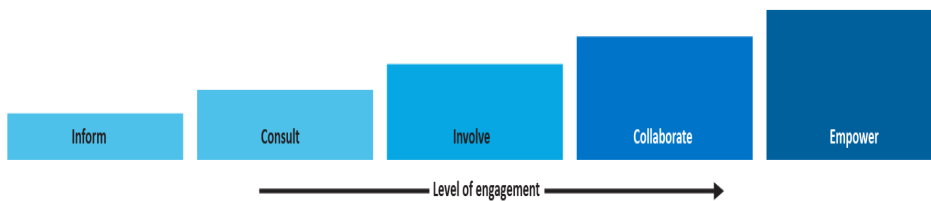
## **SIGNIFICANCE ASSESSMENT**

### **Assessment of significance**

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for the Draft Management Report on Audit of the Long Term Plan Consultation Document 2018-28 is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

### **Assessment of engagement requirements**

As the level of significance for the Draft Management Report on Audit of the Long Term Plan Consultation Document 2018-28 is considered to be of low the level of engagement required is determined to be at the level of Inform according to Schedule 2 of the Significance and Engagement Policy.



## **RECOMMENDATIONS:**

- 1. That the report titled "Draft Management Report on the Audit of Long Term Plan Consultation Document 2018-28" be received.**
- 2. That the management comments be approved and provided to Audit NZ to finalise the report.**

Bevan Gray

**FINANCE AND CORPORATE SERVICES GROUP MANAGER**

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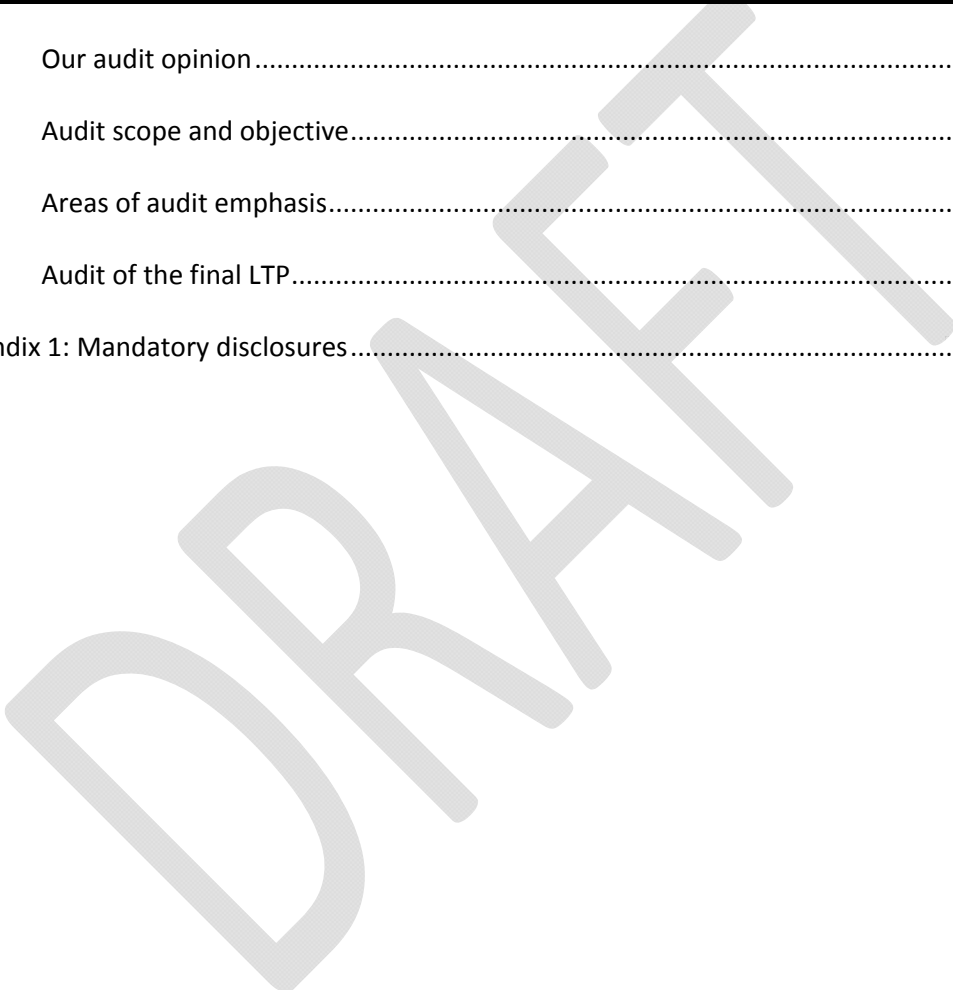
Report to the Council on the audit of  
**Ōpōtiki District Council's**  
Long Term Plan Consultation Document for the period  
1 July 2018 to 30 June 2028

# Report to the Council

We have completed the audit of Ōpōtiki District Council’s (the Council’s) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and, where appropriate, makes recommendations for improvement.

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3#	Areas of audit emphasis.....	4#
4#	Audit of the final LTP.....	13#
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## Key messages

We have completed the audit of the Council's Long Term Plan Consultation Document (LTP CD) for the period 1 July 2018 to 30 June 2028. We issued an unmodified opinion, with an emphasis of matter paragraph on 24 April 2018. An emphasis of matter paragraph was included in the opinion to draw readers' attention to uncertainties over the effect on the underlying information if the proposed Ōpōtiki Harbour Transformation project (the Harbour project) does not proceed and the assumptions made about the Harbour project.

The Harbour project continues to be a significant matter for Council. Council is still awaiting a decision from Central Government on whether it will commit funding to the project. This is expected to be made at the same time the LTP CD public consultation. The LTP CD has been prepared based on the assumption that Central Government will contribute funding to the project. If there are changes in that assumption following Central Government's decision, the Council should inform us as soon as possible so that we can determine the extent of audit work required to complete the final LTP. The current timing of our audit work and the amount of time provided is limited, so we need to consider how much work we will need to do and how soon this can be done in order to help the Council meet its adoption timeframes.

The Council's final LTP is required to be reviewed by the Office of the Auditor-General before the audit opinion for the final LTP can be issued. It is therefore crucial for the Council to have an appropriate project plan and be prepared as soon as possible to deliver a final LTP and appropriate supporting documentation within the agreed timeframes.

Our review of the Infrastructure Strategy and Financial Strategy identified some suggestions for the Council to consider as it considers feedback from its consultation process and prepares its final LTP.

### Future focus

As well as the opinion issued on the LTP CD we will issue an opinion on the final LTP that will be adopted before 1 July 2018.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

### Thank you

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

Clarence Susan  
Audit Director  
21 May 2018

## 1 Our audit opinion

### 1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion with an emphasis of matter on the Council's LTP CD on 24 April 2018.

This meant we were satisfied the Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

We have included an emphasis of matter paragraph in our opinion. This is to draw readers' attention to important information and matters that need to be considered when reading the consultation document and underlying information. The emphasis of matter is further explained below.

### 1.2 Ōpōtiki Harbour Development Project – Emphasis of Matter paragraph

The Ōpōtiki Harbour Development Project (the Harbour project) continues to be a significant infrastructure project planned for the district. The Council has consulted on this project since the 2009-19 LTP and has been working to progress this project from 2015. Part of this work included receiving \$3 million additional funding from the Government to further develop a detailed business case with updated costings and modelling. As a result of responding to more information being gathered and proposed design changes the original cost estimates for the project may not be appropriate. The Council is awaiting a decision from Government on the project.

The Council has included additional disclosures in the LTP CD outlining that the Council's financial contribution to the project remains at \$5.4 million and that if the costs of the project change, they intend to re-consult with the community.

This project is financially significant and any changes to the timing or extent of the project could affect the Council's ability to deliver on the matters consulted on in the LTP CD. As a result we have included an emphasis of matter paragraph in the audit opinion to draw attention to the Council's disclosures.

The following wording has been included in the audit opinion for the LTP CD:

***Emphasis of matter – uncertainties over the effect of the proposed Harbour project***

*Without modifying our opinion we draw your attention to the disclosures on page 16, which outline the uncertainties over the proposed Harbour project, and the forecast financial impacts and assumptions made about*

*the project. The project is financially significant to the Council. The Council has stated that its contribution to the project will be limited to \$5.4 million. If this is not the case there will be financial implications for ratepayers which are not currently incorporated into the financial forecasts underpinning the Council's consultation document.*

Once a decision has been made by the Government, we ask that the Council informs us as soon as possible so we can determine the amount of audit work required to complete the audit of the final LTP.

### **1.3 Unadjusted misstatements**

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All significant misstatements were amended prior to the Council adopting the LTP CD and underlying information.

## **2 Audit scope and objective**

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 24 October 2017.

## **3 Areas of audit emphasis**

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit.

### **3.1 Wastewater reticulation upgrade**

We identified that wastewater reticulation was a significant risk for the Council due to the size of its associated capital expenditure. This project has previously been consulted on with the public in the 2012-22 LTP.

We understand the Council has completed an extensive investigation as to which is the best solution for the upgrade. We engaged our special assurance and audit services team to review the cost estimates and assumptions relating to the upgrade. We are satisfied that these assumptions are reasonable and supported, consistently applied throughout the financial model, and correctly disclosed.

### **3.2 Financial Strategy**

We reviewed the Council's Financial Strategy and considered whether it is financially prudent and allows for the right debate with the community.

The Council's Financial Strategy has changed from the strategy used in the 2015-25 LTP. One of the key changes to the Strategy is that the Council has decreased the uniform annual general charge by \$20, this is to help alleviate some of the rates burden on low value properties. Another key change is that the Council will utilise more external borrowing to fund capital expenditure work. The Council has proposed to do this so that it can spread the loan servicing cost over the useful life of the assets constructed in order to achieve better inter-generational equity. In prior LTPs, the Council has focused on reducing debt levels and keeping rates increases as low as possible so the Council had the capacity to invest in growth opportunities, such as the Harbour project, and be ready to deal with any opportunities or emergencies as they arise.

The first draft Financial Strategy we reviewed, identified that the Council was planning to increase debt to \$55 million in year 10. We queried this with the Council and whether it would be able to draw this level of debt from the Local Government Funding Agency (LGFA) which will only lend borrowings at a ratio of 175% of net debt to revenue. Following that discussion, we received an updated Financial Strategy that showed the Council's borrowing peaked at a maximum of \$45.3 million in year 10.

We reviewed the updated Financial Strategy and the links to the Infrastructure Strategy and are satisfied the Financial Strategy is financially prudent, is reflected in the forecast financial information, and is adequately summarised in the LTP CD. We also identified the following areas for improvement.

### 3.2.1 Impact of the Council's Financial Strategy

The Council's Financial Strategy for this LTP is to utilise debt to deliver the Harbour project, the Ōpōtiki Township Wastewater Reticulation system, and other capital expenditure works, whilst spreading the repayment of the debt and cost of servicing the loans over the life of the underlying asset. In order to do this the Council is planning to increase external debt to \$45.3 million in year 10. However, it was unclear in the Financial Strategy what impact this increase in debt will have on the Council beyond the 10 year plan or any other potential issues around affordability and sustainability the Council needs to consider with this increase in debt.

We recommend the Council reviews its Financial Strategy and consider whether there should be some commentary in the Strategy of the issues and impacts this will have on the community beyond the 10 year period.

#### Management comment

*The LTP process itself involves a review of the financial strategy, and this is why there have been changes to funding made. The changes made are to illustrate financial prudence and intergenerational equity. Audit comments above are factually incorrect, capital expenditure is funding from internal borrowing, not external borrowing.*



### 3.2.2 Debt levels

As at 30 June 2017, the Council's level of debt was \$5 million. In order to deliver against the Council's propose capital expenditure program there are plans to increase debt to \$17.6 million in year one and then up to \$45.3 million in year 10.

The Council is planning to borrow this debt from the Local Government Funding Agency (LGFA) which will lend borrowings at a ratio of 175% of net debt to revenue.

In the last two years of the LTP, the Council is anticipating to breach this current limit of 175% as its net debt to revenue will be 185% and 191%.

In order to borrow above this level the Council must obtain a credit rating. If a credit rating is obtained the Council will be able to borrow up to 250% of net debt to revenue.

The Council has received confirmation from LGFA that it is comfortable with the currently proposed breaches of the 175% limit but subject to the following conditions:

- that the Council commits to obtaining an external credit rating from either Fitch or Standard and Poors that will need to be in place at the time the Council exceeds the net debt to revenue of 175%;
- the net debt to revenue ratio is at all times forecast to be less than 250% (this applies to all LGFA member councils); and
- the Council commits to becoming a guarantor if it wishes to borrow more than \$20 million from LGFA. If it does not wish to become a guarantor then it would need to have alternative committed borrowing facilities in place.

We are comfortable with the proposed breaches of the current limit of 175% in years 9 and 10 and the disclosures within the Consultation Document. Additionally, the LGFA is comfortable with the breaches assuming the above conditions are met.

The Council should consider the impact of the decisions made through the deliberation process and consider how else it may be able to remain within its borrowing limits, whilst delivering its services and considering the affordability of its operations for the community.

We recommend the Council implements appropriate systems and processes to ensure compliance with these LGFA conditions and considers allowing sufficient time to obtain the relevant credit rating to ensure that the proposed borrowing can be drawn down.

#### Management comment

*Council is aware of the limits and has a good relationship with LGFA, with regular discussions about future borrowing.*

### 3.3 Infrastructure Strategy

We reviewed the Infrastructure Strategy and are satisfied that it provides an overview of the Council's intentions regarding the management of its critical assets, including wastewater, storm water, water supply, roading, and significant works planned for the upcoming 30 years. The Strategy substantially meets the requirements of section 101B of the Local Government Act 2002 (the Act).

We have noted some opportunities for improvement or to further reflect good practice in the Council's Infrastructure Strategy. These include:

- Linking the key solutions to the options provided in the appendix of the Infrastructure Strategy so the reader can clearly identify linkages between the two.
- Providing more information for the most likely scenario (over the life of the Infrastructure Strategy), the significant capital decisions the Council will need to make, when these decisions need to be made, the principal options to be considered, and the approximate scale or costs for each option.
- Linking the options and costings in the Infrastructure Strategy to the information included in the LTP CD as there is no direct linkage between the two.
- The options analysis provided in appendix A is relatively linear (do what we propose or do nothing) and includes a lot of smaller decisions. There is also no discussion of what constitutes a "significant decision about capital expenditure" and it is unclear whether all these decisions should be considered significant. The Council is required to identify principal options only for significant decisions, therefore we would expect that a thorough options analysis for significant decisions is performed to identify other principal options.
- The planning assumptions in the Strategy are rather generic and do not disclose the specific assumptions that have been made about climate change, the levels of service currently being delivered, growth, etc. If there is high level of uncertainty about any of these assumptions, the Infrastructure Strategy should also discuss the implications these assumptions will have on financial forecasts.
- The expenditure graphs in section 5.2 of the Infrastructure Strategy are difficult to read to determine the actual projected spend for each asset category and for each expenditure driver, we recommend these graphs are separated. The Act requires expenditure in years 11 – 30 to be in bands of 5 years rather than annually. This may provide some flexibility in presenting this information.
- The information on pages 54 – 92 discussing the funding of renewals is not required to be disclosed in the Infrastructure Strategy as these are Financial Strategy issues.

- Page 3 of the Infrastructure Strategy states the issues that have been presented and discussed with key stakeholders, however, it does not identify who these key stakeholders are.
- The discussion of the Harbour project assets in the Infrastructure Strategy needs to be clearer on the assumptions that have been made relating to this project as they affect the strategy and financial forecasts included in the Infrastructure Strategy.
- The discussion on population growth in section 3.3 is not clear on what assumption has actually been used to base the future asset requirements and therefore the forecasted capital expenditure related to growth.
- Section 4 of the Infrastructure Strategy provides an overview of the schemes. This could be significantly enhanced with more contextual information on the water and wastewater assets. The Council could include statistical information such as raw water limitations (if any), water storage and treatment capacity against peak daily demand (to demonstrate capacity for growth) and capacity/peak flows (wet and dry weather) for the wastewater schemes.

We have communicated these to management for consideration and will follow up on this as part of our work of the final LTP document.

#### **Management comment**

*All comments from audit surrounding the format and content of the infrastructure strategy have been noted and will be implemented in the final document.*

### **3.4 Assumptions**

We reviewed and assessed the appropriateness of assumptions the Council has established as a basis for the development of the LTP CD. In particular, we tested:

- funding of the Ōpōtiki Harbour Development (refer section 1.2 above for further information);
- growth;
- inflation;
- climate change;
- future treasury changes;
- NZTA subsidy rates;
- revaluation of infrastructural assets;

- useful lives of infrastructural and depreciation rates; and
- the development of commercial aquaculture industry and a navigable harbour entrance at Ōpōtiki.

From our review, we identified inconsistencies with the assumptions made in the financial model, the supporting documentation and the assumptions disclosed in the Council's assumptions document. This resulted in multiple drafts of assumptions to review as well as checking that these assumptions had been correctly applied within the financial model that underlined the financial forecasts.

Once the Council made the appropriate changes, we were satisfied the assumptions were appropriate and they had been applied consistently in the development of the underlying information of the LTP CD.

### 3.4.1 Refinement of demand forecasting

Through our review of non-asset related activities, we have considered whether the Council's approach to forecasting demand is reasonable. Our view is that this is an area which could be further refined. Whilst we accept there are a number of expenses that will not increase due to growth, there are some services offered by the Council that will increase as a result of this growth. In turn, the costs related to providing these services, such as processing more building consents and dog registrations, will increase. There is also the overarching principal that increases in capital expenditure cost will require further monitoring and implementation from staff, contributing to these increased costs.

From the financial forecasts provided, it indicates that these considerations to variations in costs, and thus revenue required, have not been made in all areas.

We recommend that the Council refines its process for demand forecasting. This includes considering the impact that growth will have, not only on Council costs but the flow-on effect of an increase in the Council services provided.

#### Management comment

*Council have dealt with the financial impact of growth on the organisation through the projects workbook. This was reviewed by audit on site. We feel this issue has been addressed.*

### 3.5 Quality of asset-related forecasting information

We found the asset management control environment is reliable for the purposes of supporting the LTP CD. This involved assessing the quality of asset management information and the accuracy, reliability, and supportability of the flow of information from asset management planning into the LTP CD. This is based on a high level assessment of the

Council's asset management planning systems, review of asset management plans, Infrastructure Strategy, and discussions with staff involved in asset management planning. Recent condition assessments undertaken on assets has improved the overall asset data. The Council should continue to update its underlying asset information as it completes replacement and renewal works.

### **3.6 Performance framework**

We reviewed the Council's performance framework and made a number of recommendations to management regarding the new framework. These recommendations were presenting baseline information, clarification on some of the targets and reducing the number of technical and internal measures.

We communicated these improvements to management and are satisfied management has appropriately incorporated this feedback into the draft framework.

### **3.7 Content of the LTP CD**

We reviewed the Council's LTP CD and are satisfied the LTP CD included appropriate information to enable consultation with the public on key issues.

There are a number of matters included in the LTP CD where the Council is seeking feedback from the community. These matters are not being officially consulted on as there were no options presented in terms of the impact on rates, debt, and levels of service. We understand these matters were included in the LTP CD as the Council is interested in feedback from the community and whether to pursue these matters further.

As the Council considers the feedback from this process and any actions going forward, it should consider whether these matters require specific consultation under the Council's Significance and Engagement Policy and require a formal consultation process.

### **3.8 Adopting and auditing the underlying information**

The Council prepared and adopted the underlying information necessary to support the LTP CD.

We found the majority of documents presented for audit were of a good standard, with some updates subsequently required as a result of audit recommendations and Council decisions.

Our review of the underlying information also identified a number of audit recommendations that are yet to be made to the financial statements and key policies. These recommendations are:

- Funding impact statements for the groups of activities to include the "other capital funding" line under sources of capital funding to ensure compliance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

- A number of recommendations where improvements could be made to the Infrastructure Strategy. These are detailed in section 3.3 above.
- NZTA assumption in the Infrastructure Strategy is not consistent with the assumptions used in the financial model.
- There are a number of assumptions to be updated in the assumptions section of the final LTP;
- To ensure compliance with legislation, the Financial Strategy needs to include information about the expected changes in population and the costs of providing for those changes, as well as the securities of its borrowings.
- Capital expenditure projects in the underlying information need to be consistent with the information in the financial model as there are inconsistencies between the two.
- The years of the debt servicing benchmark need to be included in the graphs as these are currently omitted.
- Opening balances in the financial statements need to be updated to reflect the Council's latest financial position.
- There are a number of account balances in the Statement of Financial Position that are currently flat-lining (that is, intangible assets, and employee entitlements) that need to be adjusted to reflect movements in other financial statements.
- Opening balances in the Statement of Changes in Equity need to be consistent with the prior year's closing balances.
- Percentages used for the funding splits in the Revenue and Financing Policy need to be consistent with the splits in the individual groups of activities funding impact statements.

These recommendations did not have an impact on the information included in the LTP CD, however, they do impact the final LTP document. These changes will need to be made prior to our audit visit in June where we will check that these recommendations have been incorporated into the final LTP.

#### **Management comment**

*Council will review these requests, and if they have not yet been addressed will make the required changes.*

### 3.9 Project management, reporting deadlines, and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process. The Council had a project plan in place that stated the key elements and timelines required to complete the LTP CD and underlying information.

The audit process for the LTP CD did not go as smooth as anticipated. The first draft provided to us was based on figures that were higher than the figures included in the LTP CD adopted by the Council. The changes to the underlying information required additional audit work and caused delays in the finalisation of the LTP CD. These extra time costs incurred are above those expected in the agreed audit fee.

The main reasons for the delay were:

- The initial draft provided for audit was based on underlying information that did not support the LTP CD that was adopted by the Council. This resulted in two sets of underlying information needing to be audited that required additional audit time.
- There were multiple drafts of the LTP CD to ensure the final LTP CD included appropriate information to enable consultation with the public on key issues and ensure compliance with key legislative requirements.
- A number of errors were identified in the financial model that were not supported by appropriate supporting documentation. This required a number of changes to be made to the financial model as well as changes to key policies and underlying information.
- There was no comprehensive audit file that included relevant supporting documentation or workpapers to support information in the LTP CD. When information was requested there were delays in the Council providing the information.

Following the completion of the final LTP audit work, we will discuss with management potential cost recoveries as a result of the additional audit work undertaken.

#### Management comment

*Unfortunately the government process on the harbour funding has been a moving target throughout this LTP process and presented us with significant challenges. We appreciated the collaborative approach to addressing the issues with Audit NZ, OAG and MBIE but the consequences of that discussion and debate meant delays to both ours and your processes.*

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*We invite Audit NZ to provide a template for a comprehensive audit file to enable us to do this better in future and to have a debrief on these other issues to allow us to understand them better.*

#### **4 Audit of the final LTP**

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in the week commencing 18 June 2018.

We are responsible for reporting on whether the final LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the final LTP, we will focus on how these are reflected in the final LTP. We will consider the effect of the decisions that come from the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes, and disclosures have been made.

The timeframe for the Council's staff to prepare the final LTP following the Council's deliberations and the subsequent audit work of the final LTP is very tight. The Council's ability to adopt its final LTP on 29 June 2018 is therefore at risk, especially if the information prepared is not of the expected standard or not available at the expected date.

In order for us to complete an efficient audit of the final LTP in June, it is important that we receive all supporting documentation for the audit, which has been subject to internal quality assurance reviews, by 18 June 2018, as outlined in our audit arrangements letter. We also expect the Council to prepare a schedule of changes to the financial forecasts, performance framework, and other underlying information that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

The Council's LTP is required to undergo a review process by the Office of the Auditor-General before the audit opinion can be issued. This is currently planned for 25 June 2018. This leaves very little time to make significant changes prior to the Council's planned adoption date of 29 June 2018. We will work with management to try to undertake any audit work possible, prior to this time.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.



## Appendix 1: Mandatory 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 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 24 October 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the Ōpōtiki District Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to our work in carrying out all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed. This assignment is compatible with the independence requirements of the Auditor-General. Other than this assignment, we have no relationship with or interests in the Council.</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 District Council 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 District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

## REPORT

Date : 30 May 2018

To : Audit and Risk Committee Meeting 11 June 2018

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **RISK REGISTER REPORT MAY 2018**

File ID : A137706

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### **EXECUTIVE SUMMARY**

**This is a standing report to the committee on the Council risk register. This was raised at the last meeting as something that we need to include so that changes and improvements are minuted for reporting purposes.**

### **PURPOSE**

To provide the committee with a high level overview of the Risk Management process and procedures within Council.

### **BACKGROUND**

A review/workshop on the Council risk register has been a standing item of the committee meetings for some time now, however it hasn't captured in a formal way the outcomes of those discussions. It was raised at the last committee meeting that we should have a formal report to each committee meeting that captures and minutes any changes made and the effectiveness of our systems and processes.

### **DISCUSSION AND OPTIONS SECTIONS**

Council's risk management tool (Promapp) is a fantastic tool for capturing risks and treatments associated and applied to those risks. What it doesn't do particularly well is provide an overview or dashboard of those risks and how they are managed. This was raised at the last committee meeting, and following that we created a dashboard utilising information from the Risk Register.

### Inherent Risk

Likelihood#	2 Minor	3 Moderate	4 Major	Total
3 Quite possible			18	18
4 Likely	1	1	3	5
5 Highly likely		3	4	7
<b>Total</b>	<b>1</b>	<b>4</b>	<b>25</b>	<b>30</b>

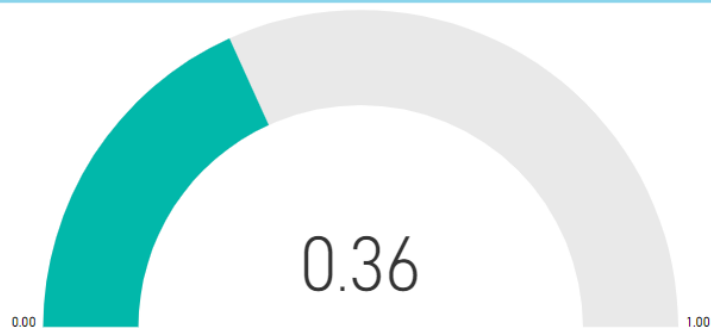
### Residual Risk

Residual Likelihood#	2 Minor	3 Moderate	4 Major	Total
1 Highly unlikely		1		1
2 Unlikely		4	12	16
3 Quite possible		7	2	9
4 Likely	1	2	1	4
<b>Total</b>	<b>1</b>	<b>14</b>	<b>15</b>	<b>30</b>

### Risks

Title	Inherent Rating	Residual Rating
Community not equipped to manage and respond to growth effectively	high	med high
Conflicts of interest of Council members	medium	medium
Council members do not fulfil their roles and responsibilities	med high	medium
Inappropriate behaviours of Council members	medium	medium
Inappropriate management of organisation	medium	Med Low
Inappropriate process of appointing and managing process of appointing Chief Executive	medium	low
Ineffective Council leadership	medium	Med Low
Ineffective governance	high	medium
Infrastructure Assets are taken out of Community Control/Ownership	medium	medium
Living wage requirement	medium	medium
Needs of stakeholders are not met	high	medium
Not being able to attract resources to the district	med high	medium
Organisation not equipped to manage and respond to growth effectively	med high	medium
Pursuing inappropriate business strategies	med high	medium
Relationship between Organisational Leadership and Elected Council not effective	medium	medium
Relevant information not reported to Council and/or advice does not meet standard	medium	medium

### Treatment Effectiveness



### Risks to be Reviewed this Year

Year	Quarter	Title
2018	Qtr 4	Conflicts of interest of Council members
2018	Qtr 4	Inappropriate management of organisation
2018	Qtr 2	Ineffective Council leadership
2018	Qtr 4	Infrastructure Assets are taken out of Community Control/Ownership
2018	Qtr 4	Relationship between Organisational Leadership and Elected Council not effective

### Portfolio Selection

#### Portfolios

- Finance
- Finance;Governance Contro...
- Governance Control and Co...
- Governance Control and Co...
- Information Management
- Operations and Service Deli...
- People
- Project
- Property and Assets

The Dashboard provides an overview of the risks on a portfolio basis. It illustrates the inherent and residual risks, provides measurement on the effectiveness of the controls in managing/mitigating those risks. Lists them, and also highlights upcoming review dates for risks.

This report outlines an action required by the committee, and provides direction on what risks should be reviewed by the committee at each of the meetings.

It is recommended that this informs the workshop that follows the meeting.

**SIGNIFICANCE ASSESSMENT**

**Assessment of significance**

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for Risk Register Report May 2018 is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

**Assessment of engagement requirements**

As the level of significance for Risk Register Report May 2018 is considered to be of low the level of engagement required is determined to be at the level of ‘Inform’ according to Schedule 2 of the Significance and Engagement Policy.



**RECOMMENDATIONS:**

- 1. That the report titled "Risk Register Report May 2018" be received.**

Bevan Gray

**FINANCE AND CORPORATE SERVICES GROUP MANAGER**

## REPORT

Date : 30 May 2018  
To : Audit and Risk Committee Meeting, 11 June 2018  
From : Chief Financial Officer, Billy Kingi  
Subject : **KOHA REPORT**  
File ID : A137591

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### **EXECUTIVE SUMMARY**

**The purpose of this report is to provide details of koha payments made from 1 April 2018 to 30 May 2018.**

### **PURPOSE**

The purpose of this report is to provide details of koha payments made from 1 April 2018 to 30 May 2018.

### **BACKGROUND**

Audit New Zealand considers koha to be sensitive expenditure. To ensure transparency of the size of koha and the occasions for giving koha, the Audit and Risk Committee receives regular reports on koha payments made, disclosing the following information:

- The amount of koha
- The purpose of the payment
- The reason or justification for the amount.

Koha payments made for the period 1 April 2018 to 30 May 2018:

<b>Date</b>	<b>Amount</b>	<b>Details</b>	<b>Number of Attendees</b>
7 May 2018	\$200.00	Tōrere Reserves Trust - hosting and catering of Coast Community Board meeting held 8 <sup>th</sup> May at Tōrere Marae.	15

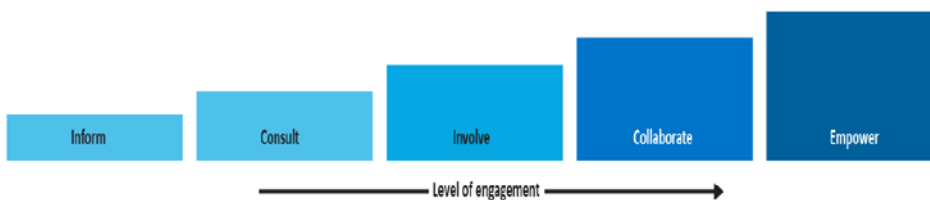
## **SIGNIFICANCE ASSESSMENT**

### **Assessment of significance**

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for receiving the Koha Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

### **Assessment of engagement requirements**

As the level of significance for receiving the Koha Report is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



## **RECOMMENDATIONS:**

- 1. That the report titled "Koha Report" be received.**

Billy Kingi

**CHIEF FINANCIAL OFFICER**