



**ROTORUA  
LAKES COUNCIL**  
Te Kaunihera o ngā Roto o Rotorua

# **Kaupapataka Agenda**

## **NOTICE OF A MEETING OF AUDIT AND RISK COMMITTEE**

**Date: Thursday 14 November 2024**

**Time: 2:00 pm**

**Venue: Council Chamber**

### **MEMBERSHIP**

**Chair**

Mr Garrett

**Members**

Mr Henderson (Deputy Chair)  
Mayor Tapsell  
Cr Kai Fong

Cr Barker  
Cr Brown  
Cr Wang  
Cr Waru

**Quorum**

4

**Jean-Paul Gaston  
Acting Chief Executive**

**KOMITI AROTAKE ME TE HAUMARU  
AUDIT AND RISK COMMITTEE**

<b>Type of Committee</b>	Standing Committee
<b>Subordinate to</b>	Council
<b>Subordinate Committees</b>	N/A
<b>Legislative Basis</b>	Schedule 7 s30 (1) (A), Local Government Act 2002 Committee delegated powers by the Council as per Schedule 7, s32, Local Government Act 2002
<b>Purpose</b>	<p>The purpose of the Audit and Risk Committee is to:</p> <ul style="list-style-type: none"> <li>• monitor and report to the Council on: <ul style="list-style-type: none"> <li>○ The Council’s external and internal audit process</li> <li>○ The performance of Council’s legal responsibilities (within the ambit of the Committee’s delegated authority)</li> <li>○ The independence and effectiveness of Council’s internal audit processes</li> <li>○ Existing corporate policies (including recommending new corporate policies to prohibit unethical, questionable or illegal activities)</li> </ul> </li> <li>• provide a communication link between management, internal auditors/external auditors and Council</li> <li>• support measures to improve management performance and internal controls</li> <li>• support the professional independence, effectiveness and accountability of the Risk Management Framework</li> </ul>
<b>Membership</b>	<p>Chair – (Independent) Deputy Chair – (Independent) Mayor Deputy Mayor Deputy co-chair (2) – Community and District Development Deputy co-chair (2) – Infrastructure and Environment</p> <p>External members will be appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.</p> <p>External membership contracts are to be reviewed and assessed no later than two months after each triennial election to allow for transition and continuity</p>
<b>Quorum</b>	4
<b>Meeting frequency</b>	Four times a year

<p><b>Delegations</b></p>	<p>The Audit and Risk Committee will have responsibility and authority to:</p> <p><b>External Audit</b></p> <ul style="list-style-type: none"> <li>• Engage with Council’s external auditors regarding the external audit work programme and</li> <li>• Review engagement letters and management reports</li> <li>• Recommend to Council the terms and arrangements for the external audit programme</li> <li>• Monitor management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.</li> </ul> <p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>• In conjunction with the CE, agree the scope of the annual internal audit work programme</li> <li>• Approve Council’s internal audit charter</li> <li>• Monitor the delivery of the internal audit work programme</li> <li>• Assess whether all significant recommendations of the Internal Audit have been properly implemented by management. Any reservations the Internal Auditor may have about control risk, accounting and disclosure practices should be discussed by the committee</li> <li>• Review the Annual Internal Audit Plans and assess whether resources available to Internal Audit are adequate to implement the Plans.</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>• Review the effectiveness of the control environment established by management including computerised information systems controls and security. This also includes a reviewing/monitoring role of the documentation of all policies and procedures.</li> <li>• Review the effectiveness of the risk assessment/management policies and processes.</li> <li>• Engage with internal and external auditors on any specific one-off audit assignments.</li> <li>• Consider matters referred to the committee by the CE, Council or other Council committees.</li> <li>• Review the appropriateness of accounting policies adopted by Council</li> <li>• Civil Defence hazard and preparedness policies and procedures.</li> </ul>
<p><b>Relevant Statutes</b></p>	<p>All the duties and responsibilities listed above must be carried out in accordance with the relevant legislation.</p>
<p><b>Limits to Delegations</b></p>	<p>Powers that cannot be delegated to committees a per the Local Government Act 2002 Schedule 7 s32</p>

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## 1 KARAKIA WHAKAPUAKI – OPENING KARAKIA

### Tūtawa Mai

Tūtawa mai i runga

Tūtawa mai i raro

Tūtawa mai i roto

Tūtawa mai i waho

Kia tau ai te mauri tū

Te mauri ora, ki te katoa

Hāumi e. Hui e. Tāiki e!

### Tūtawa Mai

I summon from above

I summon from below

I summon from within

I summon the surrounding environment

The universal vitality and energy to infuse and enrich all present

Enriched, unified and blessed

## 2 NGĀ WHAKAPĀHA – APOLOGIES

The Chair invites notice from members of:

1. Leave of absence for future meetings of the Audit and Risk Committee; or
2. Apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

## 3 WHAKAPUAKITANGA WHAIPĀNGA – DECLARATIONS OF INTEREST

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

## 4 NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE - URGENT ITEMS NOT ON THE AGENDA

### Items of business not on the agenda which cannot be delayed

The Chair will give notice of items not on the agenda as follows:

Matters Requiring Urgent Attention as Determined by Resolution of Rotorua Lakes Council

The Chair shall state to the meeting.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Rotorua Lakes Council.

s.46A (7), LGOIMA

### Discussion of minor matters not on the agenda.

Minor Matters relating to the General Business of the Rotorua Lakes Council.

The Chair shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Rotorua Lakes Council for further discussion

s.46A (7), LGOIMA

**5 TE WHAKAŪ I NGĀ MENETI - CONFIRMATION OF MINUTES**

**5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 2 AUGUST 2024**

**RECOMMENDATION**

- 1. That the minutes of the Audit and Risk Committee Meeting held 2 August 2024 be confirmed as a true and correct record.**

# Minutes

**Audit and Risk Committee meeting  
held Friday 2 August 2024 at 1:00 pm  
Council Chamber, Rotorua Lakes Council**

- MEMBERS PRESENT:** Mr Garrett (Chair)  
Mr Henderson (Deputy Chair), Mayor Tapsell, Cr Kai Fong, Cr Barker,  
Cr Brown, Cr Wang (via Zoom), Cr Waru.
- APOLOGIES:** Cr Brown (lateness).
- IN ATTENDANCE:** David Walker, Audit Director, Audit NZ;  
Craig Fisher, Consultant, Kea New Zealand.
- STAFF PRESENT:** A Moraes, Chief Executive;  
T Collé, Group Manager, Corporate Services;  
O Hopkins, Executive Director, Corporate Planning and Governance;  
S Michael, Group Manager, Infrastructure and Environmental Solutions;  
J-P Gaston, Group Manager, Community and District Development;  
D Jensen, Director of Finance;  
E McCarthy, PMO & Risk Manager;  
D Cossar, Governance & Democracy Manager;  
R Griffith, Governance & Democracy Advisor.

The meeting opened at 1.00pm.

The Chairperson welcomed elected members, media, staff and members of the public.

## **1 KARAKIA WHAKAPUAKI – OPENING KARAKIA**

Cr Waru opened the meeting with a Karakia.

## **2 NGĀ WHAKAPĀHA – APOLOGIES**

The Chair noted an apology for lateness from Councillor Brown.

## **3 WHAKAPUAKITANGA WHAIPĀNGA – DECLARATIONS OF INTEREST**

The Chair noted the Audit and Risk Committee Members' Pecuniary Interest Register.

#### 4 NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE – URGENT ITEMS NOT ON THE AGENDA

None.

#### 5 TE WHAKAŪ I NGĀ MENETI - CONFIRMATION OF MINUTES

##### 5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 25 MARCH 2024

###### RESOLVED AR 24/08-017

Moved: Cr Kai Fong

Seconded: Mr Henderson

1. That the minutes of the Audit and Risk Committee Meeting held 25 March 2024 be confirmed as a true and correct record.

**CARRIED**

#### 6 PŪRONGO KAIMAHI – STAFF REPORTS

##### 6.1 ACTIONS REGISTER

###### RESOLVED AR 24/08-018

Moved: Cr Barker

Seconded: Mayor Tapsell

1. That the report 'Actions Register' be received.

**CARRIED**

The Chair noted that items completed will be reported and then removed from the register.

Key Project – Risk Overview Report:

- The Ministry for the Environment has confirmed funding.

OneCouncil Report:

- Post-implementation review of the OneCouncil system is ongoing.

Cr Brown joined the meeting at 1.04pm.

**6.2 AUDIT AND RISK COMMITTEE DRAFT WORK PROGRAMME****RESOLVED AR 24/08-019**

Moved: Cr Waru

Seconded: Cr Wang

- 1. That the report 'Audit and Risk Committee Draft Work Programme' be received.**

**CARRIED**

The Chair noted the format change to show completed and uncompleted items in the work programme.

Mayor Tapsell noted that the programme meeting dates are incorrect.

In response to questions from Councillor Barker:

- Internal audit – Rotoiti/Rotoma is a legacy item.
- Discussions are underway regarding the implications of an audit of the scheme.
- The work programme will be updated to reflect intended work.

The Chair requested that the Long-term plan management letter be added to the programme.

The Chair requested that the annual report process – '*key accounting assumptions*' be added to the Committee work programme.

**6.3 ENTERPRISE RISK REPORT****RESOLVED AR 24/08-020**

Moved: Cr Kai Fong

Seconded: Mayor Tapsell

- 1. That the report 'Enterprise Risk Report' be received.**

**CARRIED**

Elrond McCarthy and Andrew Moraes overviewed the report and spoke to a presentation titled 'Updated Category Settings' (DOC ID: 20447206).

- The executive team has approved a streamlined framework for project management.
- The framework applies to all projects but is starting with key high risk projects.
- The projects will be reported to the Infrastructure and Environment Committee.
- Intention is to embed this work within the organisation and roll out to all projects.
- By having project management in-house this will build up the organisation's capability.

The Chair noted that the role of the committee is to gain assurance that project risks are being properly managed, by receiving an overview of project management.

In response to questions from the Chair:

- New risks identified have followed from issues faced in the current reporting period.
- Including security, health & safety mitigations, after-hour dangers and storage of firearms.
- Although projects carry high risk there are mitigations in place to reduce risks.
- Other risks included resourcing for projects in the PMO office.
- Following the Long-term Plan there is an increase in raw risk from high value projects.

In response to questions from Mr Henderson:

- The framework provides appropriate project overview for the Committee.
- The framework should identify risks that change.

In response to questions from Cr Barker:

- The new framework contains stakeholder relationships.
- New framework highlights specific aspects of reputation risks.

In response to questions from Cr Kai Fong:

- The categories highlight areas of business in which risks will be identified and reported.
- The budget for work relating to identified risks is separate.
- projects may contain risks across various categories.
- Council's decision on risk appetite will determine the level of work carried out on a project.
- Risk appetite will be determined following management's assessment of residual risk and budgets.
- Trade-off between risks will be needed if residual risk is higher than expected.
- Category approval in this quarter means risk appetite work will feed into Annual Plan programme.
- Full council sign off will be needed once the committee has finished categorisation of risks.

In response to questions from Cr Wang:

- Sub-categories are not included in the risk category framework.

In response to questions from Cr Waru:

- Rating applied to risk categories is based on the likelihood of the consequence.
- Following adoption of new categories, risk rating will be recalculated.
- People, and Service Delivery categories produce risks with the highest rating.
- Categories specifically aren't rated, risks are identified through the categories, and then rated.

**Action Point:**

- Project management framework to be brought to the committee's next meeting.

**RESOLVED AR 24/08-021**

Moved: Cr Waru

Seconded: Cr Kai Fong

- 2. That the Committee notes the information provided in this report.**
- 3. That the Committee provide feedback on the revised framework category settings.**
- 4. That the Committee confirm the framework category settings.**

**CARRIED**

**6.4 TREASURY UPDATE****RESOLVED AR 24/08-022**

Moved: Cr Brown  
 Seconded: Cr Waru

1. That the report 'Treasury Update' be received.

**CARRIED**

David Jensen overviewed the report.

- Expecting interest rates to taper off at the end of 2024.
- Weighed average cost of capital is around 4.15%.
- Borrowing for shorter periods to maintain flexibility.

In response to questions from Mr Henderson:

- Liquidity ratio – benchmark in LTP is 110%, currently at 113%.
- Liquidity ratio – forecast to remain in policy for the next two years.
- Benchmarking weighted average cost of capital against LTP assumptions is ongoing.
- Weighted average cost of capital is also benchmarked against the market.
- LTP assumptions were conservative given market conditions at the time.

In response to questions from Cr Brown:

- Rotoiti/Rotoma rates were determined following advice from PwC.
- Advice included the expected cost of capital over term of the project.
- Council is not charging interest but an internal cost of capital charge.
- Paying upfront will not incur the cost of capital charge.

In response to questions from Mayor Tapsell:

- Fixed or floating borrowing is considered each time new borrowings are undertaken.
- Prior strategies when interest rates were low included more fixed borrowing.
- Debt was spread evenly across ten year window.
- Increase in uncertainty has compressed window from ten to seven years.
- Strategy now involves not locking debt into high interest rates long term.

In response to questions from Cr Waru:

- PwC is a preferred supplier.

In response to questions from the Chair:

- PwC provide monthly report, and also provide specific advice when required.

**Action Point:**

- Suggested template from Mr Henderson to be adopted into Treasury reporting.

Meeting adjourned at 1.58pm.

Meeting reconvened at 2.03pm.

<b>6.5</b>	<b>DRAFT AUDIT NEW ZEALAND MANAGEMENT LETTER - 2022/23 ANNUAL REPORT</b>
<p><b>RESOLVED AR 24/08-023</b></p> <p>Moved: Cr Wang Seconded: Cr Waru</p> <p><b>1. That the report 'Draft Audit New Zealand Management Letter - 2022/23 Annual Report' be received.</b></p> <p style="text-align: right;"><b>CARRIED</b></p>	

Thomas Collé, David Jensen, and David Walker (Audit Director, Audit NZ) overviewed the report.

- Management report identifies areas of improvement.
- Quality Assurance Reviews.
- Long-term Plan 2024-2034 process incorporated learnings and recommendations.

In response to questions from the Chair:

- Internal control process is limited by number of staff available.
- Sensitive expenditure policy has recently been reviewed by management.

In response to questions from Mr Henderson:

- Current stage of the audit is addressing system descriptions.
- Discussed suggestions are more applicable to the final audit.
- Draft management report shows organisational progress.

In response to questions from Cr Waru:

- Quality assurance reviews can minimize contradictions in key documents.

In response to questions from Cr Barker:

- Previously audit managers were invited to governance meetings.
- Initial access for auditors was limited to publicly accessible information.

The Chair noted the outstanding audit items still to be addressed, particularly that the Sensitive Expenditure Policy be brought to the Committee.

**Action Point:**

- Staff to confirm that audit item for Ozone is a legacy item.



**6.6 2023/2024 AUDIT PLAN****RESOLVED AR 24/08-024**

Moved: Cr Kai Fong  
Seconded: Cr Brown

- 1. That the report '2023/2024 Audit Plan' be received.**

**CARRIED**

Thomas Collé, David Jensen and David Walker (Audit Director, Audit NZ) overviewed the report.

- The report sets out areas of focus and key dates for the 2023/2024 Audit.
- Variable, trivial and overall materiality.

In response to questions from the Chair:

- Staff are progressing in line with the audit dates.
- Final elements of interim audit being completed.
- Planning underway for revaluations of assets currently under upgrade.

In response to questions from Mr Henderson:

- Valuations are recommended as an area of focus.
- Difficult to forecast audit variations.
- Auditing standard changes regarding group reports will impact sector.

**7 HE WHAKATAUNGA KIA HOKI ATU TE ARONGA O TE HUI HAI HUI TŪMATAWHĀNUI – RESOLUTION TO MOVE INTO PUBLIC EXCLUDED (TO CONSIDER AND ADOPT CONFIDENTIAL ITEMS)**

**RESOLVED AR 24/08-025**

Moved: Cr Waru

Seconded: Cr Barker

That Audit and Risk Committee resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>7.1 Presentation: Annual Report Review, Executive Summary of Recommendations</b>	s7(2)(f) – the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment	s48(1)(a)(i) - 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 would exist under section 6 or section 7
<b>7.2 - Confidential Minutes of the Audit and Risk Committee Meeting held on 25 March 2024</b>	Please refer to the relevant clause/s in the open meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
<b>7.3 - Confidential Actions Register</b>	Please refer to the relevant clause/s in previous meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
<b>7.4 - Rotorua Lakes Council Claims in Progress</b>	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - 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 would exist under section 6 or section 7
<b>7.5 - Chief Executive's Review of the Waste Water Treatment Plant Project</b>	s7(2)(c)(i) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	s48(1)(a)(i) - 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 would exist under section 6 or section 7

**CARRIED**

**8 TE KARAKIA WHAKAMUTUNGA – CLOSING KARAKIA**

Cr Waru closed the meeting with a karakia.

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The Meeting closed at 4.11pm.

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To be confirmed at the Audit and Risk Committee meeting on 14<sup>th</sup> November 2024.

Rotorua Lakes Council is the operating name of Rotorua District Council

**6 NGĀ TĀPAETANGA - PRESENTATIONS**

Nil.

**7 PŪRONGO KAIMAHI – STAFF REPORTS**

**7.1 WORK PROGRAMME**

**Doc ID:** 20962776  
**Prepared by:** Greg Kieck, Manager, Governance, Strategy & Compliance  
**Approved by:** Jean-Paul Gaston, Acting Chief Executive  
**Attachments:** 1. Work Programme

**HE TŪTOHUNGA  
RECOMMENDATION**

1. That the report 'Work Programme' be received.



14 November 2024

**Audit and Risk Committee Draft Work Programme**

(...) Completed   (...) Yet to be Completed   (...) Uncompleted	Jul 23	Sep 23	Nov 23	Mar 24	Aug 24	Nov 24	Mar 25	Jun 25
Risk Management Activity reports (ERM Report)	✓	✓	✓	✓	✓	✓	✓	✓
Business continuity plans - overview					✓	✓	tbc	tbc
Work Plan & Actions Register		✓	✓	✓	✓	✓	✓	✓
Risk deep dives								
OneCouncil Post implementation review	✓							
- SHMC Post implementation review		✓						
- Annual Report & Audit Post-Implementation Review					✓			
- Cyber Risk		✓						
- Rotoiti/Rotomā Sewerage Reticulation Scheme			✓					
- Wastewater Treatment Upgrade			✓					
- Cyber Security and Risk								
- Internal Audits								
- Rotoiti/Rotomā								
- Wastewater Treatment Plant					✓			
- Asset management maturity – annual update		✓						
Policy and framework reviews								
Financial Delegations policy					✓	✓	tbc	tbc
- Risk Management framework		✓						
- Protected disclosures				✓				
- Health and safety policy charter				✓				
- Procurement			✓					
- Contract management								
- Sensitive expenditure		✓				✓		
- Treasury Risk Management			✓		✓	✓	✓	✓
- Legislative compliance					✓	✓	tbc	tbc
- Fraud policy				✓				
- Insurance programme overview								
Insurance updates		✓	✓	✓	✓	✓	✓	✓
- Potential liability claims notified		✓	✓	✓	✓	✓	✓	✓
- Conflicts of Interest and Gifts declaration (staff and elected members)		✓	✓	✓	✓	✓	✓	✓
Completed reviews in line with audit plan								
Key project updates								
Long Term Plan process			✓					
Long-term Plan Management Letter						✓		
Fraud risk management framework		✓	✓	✓				
External audit								
Audit arrangements letter				✓	✓			
- Interim audit management letter			✓		✓			
- Final audit management letter				✓	✓			
- Key accounting estimates and judgements		✓						
Tax compliance	tbc							
Tax review outcomes	tbc							
- Annual tax compliance statement	tbc							
- Annual leave, wellbeing and health and safety indicators	tbc							
Internal Audit programme	tbc							
Approve 3-year audit plan	tbc							
Annual Report Process								
Key accounting assumptions							tbc	tbc

\*Currently under review.

**7.2 ACTIONS REGISTER**

**Doc ID:** 19910254  
**Prepared by:** Greg Kieck, Manager, Governance, Strategy & Compliance  
**Approved by:** Jean-Paul Gaston, Acting Chief Executive  
**Attachments:** 1. Actions Register

**HE TŪTOHUNGA  
RECOMMENDATION**

1. That the report 'Actions Register' be received.

ACTION	COMMITTEE MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
<p>A&amp;R Draft Work Programme</p> <ul style="list-style-type: none"> <li>Investigate developing and funding an internal audit programme.</li> <li>Asked that the Delegations policy be moved forward from March 2024 to November 2023 (Supported by the Mayor). To be discussed with Deputy Mayor following meeting.</li> </ul>	19 July 2023	<p>Chair</p> <p>Cr Kai Fong</p>	Group Manager Corporate Services	<p>Chair to raise with Councillors.</p> <p>Actioned, yet to be brought to Committee</p>
<p>One Council report</p> <ul style="list-style-type: none"> <li>Request that the post implementation report specifically look at the benefits realisation. (actual benefits vs planned benefits)</li> </ul>	19 July 2023	Chair	Group Manager Corporate Services	Ongoing – to be actioned once implementation completed.
<p>Key Project – Risk Overview report</p> <ul style="list-style-type: none"> <li>Chair requested that deep dives into specific projects should include a high-level assessment and provide context for the level of risk (increasing or reducing) and changes.</li> <li>Cr Kai Fong, asked for more regular reporting on the Museum project (aligned to the risk framework) to Infrastructure and Environment Committee. The request was supported by Cr Barker, the Chair of the I&amp;E Committee.</li> </ul>	20 September 2023	<p>Chair</p> <p>Cr Kai Fong</p>	Group Manager Corporate Services	<p>On Going Action</p> <p>On Going Action – Scheduled for Agenda – March 2024</p>



ACTION	COMMITTEE MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
<ul style="list-style-type: none"> <li>Mayor Tapsell asked that the Rotoiti/Rotomā Sewerage Reticulation Scheme be moved forward in list of key risks until the decision on the \$10m funding from the Minister Parker had been resolved.</li> </ul>		Mayor Tapsell	Group Manager Corporate Services	Completed – August Meeting – Mayor Tapsell noted that funding had been approved.
<p>Waste Water Treatment Plant</p> <ul style="list-style-type: none"> <li>PMO to undertake an internal audit assurance review of the project – WWTP with the results to be reported back to the committee.</li> </ul>	27 November 2023	Chair	Group Manager Corporate Services	Completed – Brought to committee 2 <sup>nd</sup> August 2024.
<p>2023 Annual Report and Audit</p> <ul style="list-style-type: none"> <li>Post Implementation review following 2023 Annual Report and Audit.</li> </ul>	27 November 2023	Chair	Group Manager Corporate Services	Ongoing
<p>Actions Register</p> <ul style="list-style-type: none"> <li>The Chair requested that a review of the committee’s terms of reference be added to the work programme and clarify what policies the committee is responsible for.</li> </ul>	25 March 2024	Chair	Executive Director Corporate Planning and Governance	Ongoing

ACTION	COMMITTEE MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
Actions Register <ul style="list-style-type: none"> <li>The Chair requested that the 'procurement policy' Pg 4. Heading – Applications, subsection – (f) be updated to include the addition: “With the requirement to subsequently report the CEO decision and reasons for, to Council, at the earliest opportunity.”</li> </ul>	25 March 2024	Chair	Group Manager Corporate Services	Ongoing
<ul style="list-style-type: none"> <li>Quarterly treasury reporting to be brought to the Committee.</li> </ul>	25 March 2024	Chair	Group Manager Corporate Services	ONGOING – brought to August Meeting
Enterprise Risk Report <ul style="list-style-type: none"> <li>Project Management Framework to be brought to the next committee meeting</li> </ul>	2 August 2024	Deputy Chair		
Treasury Update <ul style="list-style-type: none"> <li>Suggested template from Mr Henderson to be adopted into treasury reporting</li> </ul>	2 August 2024	Deputy Chair	Director of Finance	Completed – brought to November meeting.
Draft Audit New Zealand Management Letter – 2022/2023 Annual Report <ul style="list-style-type: none"> <li>Staff to confirm that audit item for Ozone is a legacy item.</li> </ul>	2 August 2024	Chair		

**7.3 AUDIT NEW ZEALAND MANAGEMENT LETTER - LONG-TERM PLAN 2024-2034**

**Prepared by:** Greg Kieck, Manager, Governance, Strategy & Compliance

**Approved by:** Jean-Paul Gaston, Acting Chief Executive

**Attachments:** 1. Audit New Zealand Management Letter - Long-term Plan 2024 - 2034

**1. TE PŪTAKE  
PURPOSE**

This report covers the Audit New Zealand Management Letter on the audit of the Long-term plan 2024-2034, and the proposed responses to issues raised within the report.

**HE TŪTOHUNGA  
RECOMMENDATION**

1. That the report 'Audit New Zealand Management Letter - Long-term Plan 2024-2034' be received.

**2. TE TĀHUHU  
BACKGROUND**

Council's Long-term Plan 2024 – 2034 was adopted by Council on 26 June 2024.

The process for the development and the content of the final plan is prescribed by the Local Government Act 2002 and was subject to review by the Office of the Auditor General.

AuditNZ provided an opinion on the Long-term Plan 2024 – 2034 and the Management Letter from AuditNZ is presented to the committee for consideration.

**3. TE TINO AROMATAWAI  
ASSESSMENT OF SIGNIFICANCE**

The detail of this report is not deemed significant in relation to Council's Significance and Engagement Policy.

**4. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA  
COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY**

Council's Long-term Plan was consulted with the community over April and May 2024.

**5. HE WHAIWHAKAARO  
CONSIDERATIONS****5.1. Mahere Pūtea  
Financial/Budget Considerations**

The details of this report do not carry financial or budget considerations

**5.2. Kaupapa Here Me Ngā Hiraunga Whakariterite  
Policy and Planning Implications**

The details of this report, specifically recommendations from AuditNZ, are considered as part of the improvement processes for the development of the Long-term Plan 2027 – 2037.

**5.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua  
Tāngata Whenua Impact Assessment**

Nil

**5.4. Tūraru  
Risks**

Nil

**5.5. Te Whaimana  
Authority**

The Audit and Risk Committee has the authority to receive this report.

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

**Rotorua Lakes Council's  
Long-term Plan**

For the period 1 July 2024 to 30 June 2034

## Contents

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## Key messages

We have completed the audit of the Rotorua Lakes Council's (the District Council) Long-term Plan (LTP) for the period 1 July 2024 to 30 June 2034. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

### Audit report

Our audit report included an unmodified audit opinion dated 26 June 2024 with an emphasis of matter paragraph. We included an emphasis of matter paragraph to draw the readers' attention to the uncertainty over external funding relating to the Museum's exhibition project.

We are satisfied that the LTP provides a reasonable basis for long-term, integrated decision-making and coordination of the District Council's resources, and provides a reasonable basis for accountability of the District Council to the community.

### Matters identified during the audit

The LTP adoption took place before the statutory deadline. Management have been open to the audit findings on the LTP and the underlying information.

Our work on the infrastructure strategy and asset management plans identified some areas that we think the District Council should consider when developing its future LTPs.

### Thank you

We would like to thank the District Council, management and staff for the assistance received during the audit, as well as their level of preparedness.



David Walker  
Appointed Auditor  
1 October 2024

# 1 Our audit report

## 1.1 We issued an unmodified audit report



The audit report we issued on 26 June 2024 included an unmodified audit opinion with an emphasis of matter paragraph on the LTP. This means we were satisfied that the District Council's LTP provides a reasonable basis for long-term, integrated decisions and coordination of the District Council's resources, and provides a reasonable basis for accountability of the District Council to the community. Without modifying our opinion we included an emphasis of matter paragraph drawing the reader's attention to the District Council's assumption that external funding contributions will be obtained for the Rotorua Museum Exhibition project. The external funding contributions are uncertain because funding has not yet been committed. If the level of external funding is not achieved the District Council will reconsider proceeding with the project.

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

## 1.2 Uncertainty over external funding

The District Council has assumed and included in their financial forecasts \$157 million of expected funding for capital expenditure (excluding Waka Kotahi) over the forecast period. This is made up of committed funding of \$147.5 million comprising the Tarawera sewerage scheme (\$7.3 million), Rotorua Restoration project (\$52.8 million), Central and Western Stormwater Master planning (\$84.6 million), Aquatic Centre (\$2.5 million), and Whakarewarewa Forest (\$0.5 million). We have agreed the committed funding to contracts, funding agreements and or other supporting information.

We noted that \$8.5 million of funding is not committed and comprises the Sala Street Chapel (\$250k) and the Rotorua Museum Exhibition project (\$8.3 million). We reviewed these projects and determined that they were non-critical projects in terms of service delivery with an appropriate alternative in place should the funding not be received. The level of uncertainty and response, should funding not be received, is adequately disclosed in the strategic assumptions in the Long-term plan.

We believe obtaining external funding is uncertain but not unreasonable. The District Council has a good history of obtaining external funding for these projects. Now that the Museum Restoration project is fully funded there is an even stronger reason to support the Museum Exhibition project. As a result, we have included an emphasis of matter paragraph in the audit opinion to draw attention to the District Council's disclosures in the LTP.



### 1.3 Affordable waters reform assumptions and associated disclosures

Central government is currently reviewing the way that three waters are managed in New Zealand. The new Government has repealed the Three Waters reforms of the previous government and has plans to pass two laws to replace it.

The first Bill is currently in Parliament but not yet being passed and some uncertainty remains around the form of the final legislation. We expect that the legislation will allow the District Council to establish water services council-controlled organisations (CCO). At this stage we understand the District Council has not planned to establish a Water services CCO and have continued to recognise the three waters assets in the LTP.

As legislation has not yet passed there is still high uncertainty around what form the new Government's local water done well policy will take. Therefore, we do not believe any comment or emphasis or matter in our opinion is required as we do not have enough information to conclude on compliance the District Council with legislation nor do we know what the legislation will entail.

### 1.4 Uncorrected misstatements

The LTP is free from material misstatements, including omissions. Misstatements found during the course of the audit were addressed by the District Council. The remaining misstatements are individually and collectively not material to the LTP.

We discussed any misstatements that we found with management. All misstatements identified were corrected.

### 1.5 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.

We wish to acknowledge the significant effort that the District Council put into preparing for the audit. The District Council had a detailed project plan which included key milestones and deadlines required to complete the LTP and underlying information. This contributed to enabling the District Council to meet key deadlines.

The District Council was receptive to audit recommendations and is focussed on continuous improvement. In addition, the District Council staff were available throughout the audit and provided requested information in a timely manner. Overall, the audit progressed well.

## 2 Matters raised in the Audit Engagement Letter



In our audit engagement letter dated 29 February 2024, we identified the following key risks and issues which were areas of emphasis during our audit.

### 2.1 The content of the consultation document

Although the District Council had selected not to have their consultation document audited, we reviewed the consultation document for matters being consulted on and their flow on impact into the LTP. Even though we would have recommended improvements to the consultation document had it been audited, the consultation document did provide a basis for public participation in the District Council's decision making about the proposed content of its LTP and facilitated debate with the community (as can be seen from the media reports).

We are satisfied the items consulted on in the consultation document flowed through to the LTP in the form of the District Council's preferred options.

### 2.2 Control environment

Our approach to the audit was to identify, confirm and assess the District Council's key processes and controls over the underlying information and ultimate production of the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our audit opinion.

We found that the overall control environment is reliable for the purposes of supporting the LTP.

### 2.3 Financial strategy

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

The District Council's financial strategy has not significantly changed from the strategy used in the 2021-31 LTP. Rather than a strategic document, we noted it to be a summary of information and points from other written policies and so achieving a compliance function rather than a "guiding document". Nonetheless, the financial strategy does include key focus areas for the District Council. The key elements of the strategy is to maintain affordable rates levels, utilise debt to fund key projects that improve the district and maintain debt below 250% of revenue.

The strategy covers moving the costs of providing a service to those who use it (user pays), maintaining existing assets, modernising, and improving infrastructure and supporting growth in the district.

Our review identified some opportunities to consider and to improve the District Council's financial strategy. They include:

- The maximum debt level of 250% of total revenue is set within the District Council's Financial Strategy. The LGFA uses the same ratio as one of its Financial Covenants for all borrowers. However, those are maximum borrowing limits that may not necessarily be the District Council's optimum borrowing level. An optimum borrowing level would be determined by a suite of factors that would guide the District Council to "what is the best overall borrowing level" taking into account the District Council's requirements and the District Council's demographics. The financial strategy could benefit by considering an optimum borrowing level and the suite of factors to determine that borrowing level.
- Debt repayment: The District Council predominately funds capital expenditure from debt. To fund future capital expenditure and achieve the debt-headroom desired by the District Council, the financial strategy should articulate the debt repayment strategy integrating that strategy with other District Council goals (for example, intergenerational equity referred to in the Treasury policy, Infrastructure Strategy targets, etc).
- The Local Government (Financial Reporting and Prudence) Regulations requires councils to set quantified limits. In addition, the District Council sets its own capping levels / limits where necessary through the Financial Strategy and Treasury Policy. In considering what limits to set the strategy could provide guidance through a framework of factors to be considered in establishing those limits.
- The Financial strategy includes a section on "Investments in Companies" which provides the reason for holding the equity interests as principally to "... achieve efficiency and community outcomes ...". The Financial strategy could be strengthened by articulating a broader framework that would apply to equity investments, such as, lending limits, financial parameters (for example, outcome of trading in insolvent circumstances) and "what would be the financial tipping point at which council would need to consider proactive action?", etc.

We recommend the District Council considers these improvements during the development of its future financial strategy.

#### **Management comment**

*Management takes on board the feedback and will consider how to integrate the recommendations going forward.*

*Current LGFA borrowing limits are 285% decreasing to 280% for 2026. Council adopted a lower limit of 250%. In doing so, Council was able to set a debt strategy that accelerated debt repayment, provided funding for all key infrastructure projects, while also providing adequate headroom to respond to future challenges.*

## 2.4 Infrastructure strategy

We reviewed the infrastructure strategy and are satisfied that it provides an overview of the District Council's objectives of the district, the current networks condition and the identified risks as well as strategic improvements required to meet the strategic outcomes. The 2024-34 strategy outlines the District Council's approach to continue business as usual for infrastructure activities. This means looking after existing assets by ensuring they continue to meet the needs of the community and providing infrastructure to enable further growth to occur.

We performed sufficient work to ensure that the infrastructure strategy:

- reconciles to information in the financial model;
- supports accountability;
- has a correlation between depreciation and renewals that is reasonable; and
- includes the necessary information to achieve its statutory purpose.

Overall, the infrastructure strategy is fit for purpose and the supporting underlying information is considered reasonable. The infrastructure strategy fulfils the legislative purpose of such a document and is consistent with our knowledge of asset management planning for the District Council.

Our review identified some opportunities to further reflect good practice or otherwise improve the District Council's infrastructure strategy. They are:

- The infrastructure strategy only includes the minimum mandatory asset classes; roading and three waters. The District Council would benefit by including all significant asset classes - Parks Gardens and Sports fields, Aquatic Centra and other significant buildings delivering Community Services - Museum, Energy Events Centre, Sir Howard Morrison Centre, Libraries.
- Improve linkages between the discussion of levels of service performance measures and changes in levels of services and the capital expenditure allocated to levels of service projects.
- Consider including the longer-term asset lifecycle view (rather than limiting to 30 years) to provide additional context for renewals and growth particularly.
- Consider including a section on the District Council's approach to lifecycle management (including maintenance, renewals, asset creation and disposal, and asset optimisation).
- The financial forecasts in the infrastructure strategy are uninflated. This does not provide appropriate support for the forecasts in the LTP (which are inflated).

We recommend the District Council considers these improvements during the development of its future infrastructure strategy.

**Management comment**

*The opportunities raised will be included in the continuous improvement process. The Infrastructure Strategy was updated on 13 June 2024 with inflated financial forecasts to reflect earlier Audit NZ feedback.*

**2.5 Assumptions**

We reviewed and assessed the appropriateness of assumptions that the District Council has used as a basis for the development of the LTP. In particular, we tested the assumptions such as growth, inflation, the Waka Kotahi subsidy rate, interest rates on borrowings, capital expenditure delivery do-ability, climate change and external funding for major capital projects.

We were satisfied that the assumptions were appropriate at this time and that they have been applied consistently in the development of the underlying information of the LTP.

**2.5.1 Climate change**

For this LTP we paid more attention to the assumptions that the District Council have made about climate change and the adequacy of other information and disclosures relating to climate change.

We noted that the District Council's climate change assumptions are that there will be more frequent and extreme rainfall and wind events. There are also likely to be longer dry spells and hotter weather, therefore increasing severity of droughts for the district, increase in the likelihood of flooding and a greater chance of extreme forest fire danger days. Therefore, the District Council has disclosed the level of uncertainty for this assumption as "medium".

We reviewed the District Council's climate change assumption and found the assumption to be reasonable and supportable. We also assessed the quality of the supporting documentation the District Council used in the development of its assumption and were satisfied the climate change assumption has been applied consistently in the development of its underlying information.

**2.5.2 Capital expenditure delivery assumption**

A key focus area for the audit of the LTP was assessing the reasonableness of the assumption the District Council has made about capital expenditure delivery. From our previous reports on local authorities, we have identified that local authorities have, on average, only spent 80% of their capital expenditure budgets from 2012/13 to 2019/20. Local authorities' performance did improve in 2020/21, with 88% of capital expenditure

budgets being spent, although over one third of local authorities spent less than 80% of their capital expenditure budgets.

Under delivery of capital expenditure budgets can have significant implications to the local authority and the community, including reductions in levels of service, and ratepayers paying for work that has not been completed.

In forming a view of the reasonableness of the District Council's capital expenditure forecasts, we reviewed how well the District Council has delivered against its previous forecasts, as well as understand how the District Council planned to meet its delivery forecasts for the LTP period.

We found that the District Council has a strong track record of delivery especially on its infrastructure assets. We also considered the District Council's plans to support the delivery of its capital expenditure programme and found that the District Council has increased its internal capacity and secured agreements with external providers. Given the mechanisms the District Council has put in place to improve capital delivery, the timeframes for delivery are in the circumstances considered realistic.

We concluded that the delivery of the District Council's capital expenditure programme was reasonable.

## **2.6 Quality of asset-related forecasting information (including condition and performance information for critical assets)**

A significant portion of the District Council's operations relates to the management of its infrastructure: the roading network and the "three waters" of water supply, wastewater and stormwater. These activities typically make up a significant percentage of the District Council's operational and capital expenditure.

We found the asset management control environment is reliable for the purposes of supporting the LTP. 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. This is based on a high-level assessment of the District Council's asset management planning systems, review of asset management plans, infrastructure strategy, and discussions with staff involved in asset management planning for key infrastructure activities.

We noted that there were differences between the classification of projects in the asset management plans and the capital projects listing included in the LTP. We understand there are plans to update the asset management plans once the LTP has been adopted.

Once the final LTP has been approved, the asset management plans will need to be updated to reflect the correct classification included in the LTP and infrastructure strategy.

### **Management comment**

*The asset management plans will be updated to reflect the correct classification of projects.*

## 2.7 Performance management framework

We reviewed the District Council's performance framework and made several recommendations to management for improvements to measures or targets. We followed up as part of our review of the LTP document and note that the District Council has addressed our recommendations.

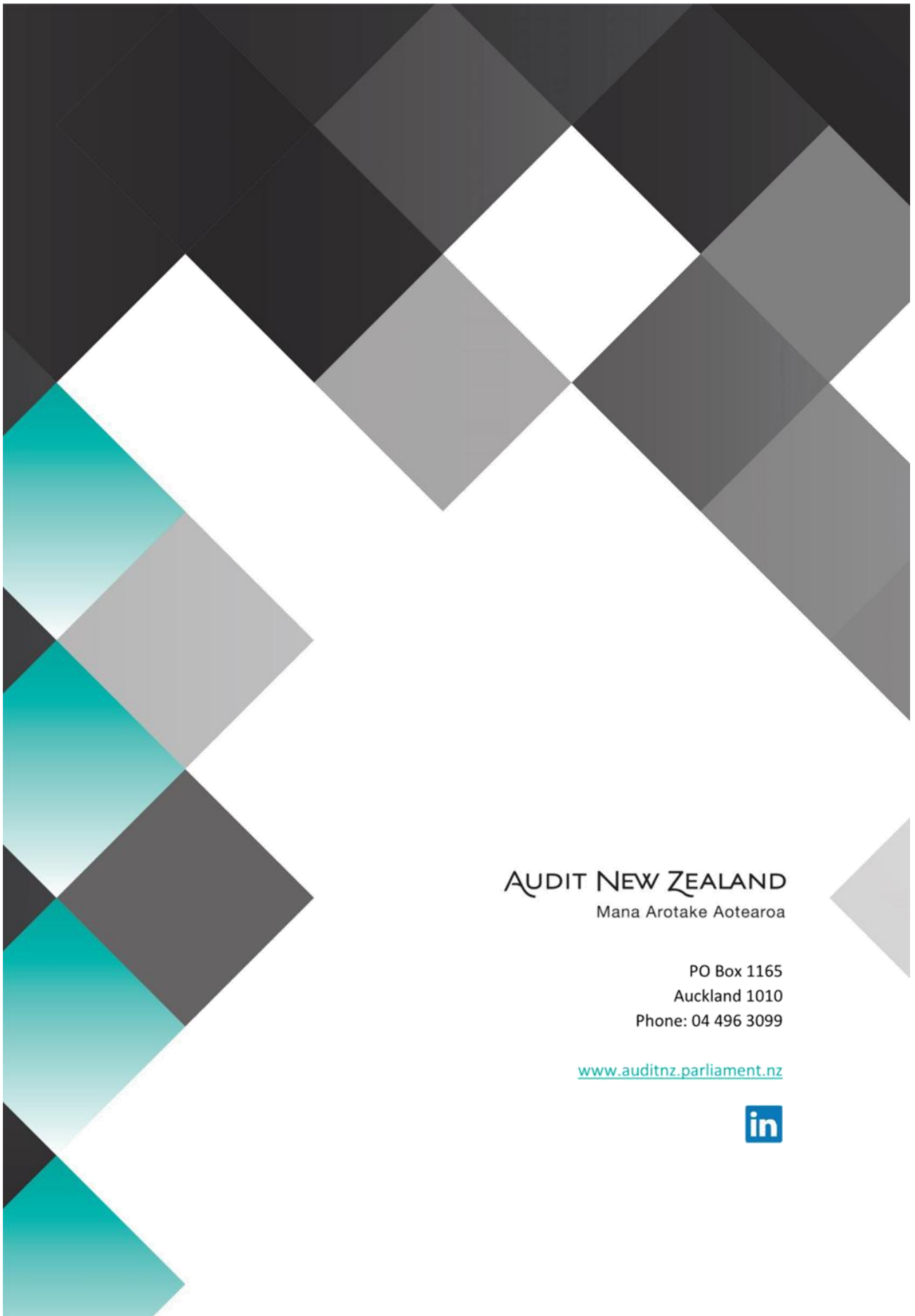
Overall, we assessed the performance management system and processes as adequate. While we appreciate the District Council will have other measures to monitor activity performance, these measures may not always be accessible by the ratepayer. In addition, the local government environment is changing (for example, the Three Waters) and the District Council should be conscious of what measure(s) would provide the ratepayer with a reasonable measure/combination of measures to assess the District Council's performance. We concluded that the levels of services and forecasts performance are currently reasonable and link to the forecast financial information. The forecast performance framework is currently adequate and will provide a framework for a meaningful assessment of actual levels of service provision delivered by the District Council.



## Appendix 1: 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 LTP 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 does not relieve management or the District Council of their responsibilities.</p> <p>Our audit engagement letter dated 29 February 2024 contains a detailed explanation of the respective responsibilities of the auditor and the District 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 District 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 District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the LTP audit we have carried out engagements in the areas of annual audit and the debenture trust deed assurance engagement, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for 2024-34 LTP engagement is \$114,000 as detailed in our Audit Engagement Letter.</p> <p>We will also charge an audit fee for the audit of the annual report for the year ended 30 June 2024 during this period.</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>





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**7.4 AUDIT AND RISK COMMITTEE REPORT FOR ENTERPRISE RISK MANAGEMENT NOVEMBER 2024**

**Prepared by:** Elrond McCarthy, Manager, Capital Delivery

**Approved by:** Jean-Paul Gaston, Acting Chief Executive

**1. TE PŪTAKE  
PURPOSE**

The primary purpose of this report is to provide the Rotorua Lakes Council's Audit and Risk Committee and relevant stakeholders with a comprehensive analysis of the progress and status of the Council's Enterprise Risk Register (ERR) and associated Enterprise Risk Management (ERM) framework.

**2. TE TUHINGA WHAKARĀPOPOTOTANGA  
EXECUTIVE SUMMARY**

The report aims to achieve the following objectives:

- **Inform Oversight and Decision-Making:** This report serves as a critical source of information for the Audit and Risk Committee, enabling them to make informed decisions regarding the Council's ERM and its associated processes. It provides a detailed overview of the current status of various risks and the effectiveness of risk mitigation measures being delivered across the organisation.
- **Highlight Key Risks and Mitigation Efforts:** The report identifies and highlights the most significant risks that have the potential to impact the successful delivery of Council activities. It also outlines the actions and strategies implemented to mitigate these risks.
- **Promote Transparency and Accountability:** By presenting a clear and comprehensive analysis of the risk register and associated actions, the report promotes transparency within the Council's operations. It allows stakeholders to understand how risks are being managed and how resources are allocated to address them.
- **Support Strategic Planning:** The analysis of the risk register provides insights that can inform future strategic planning efforts. By identifying areas where additional attention or resources may be needed, the report assists in aligning the Council's goals and priorities with its risk management strategies.
- **Encourage Continuous Improvement:** The report encourages a culture of continuous improvement within the Council by assessing the effectiveness of risk mitigation efforts. It highlights areas where further action or adjustments may be necessary to achieve the desired risk levels.
- **Facilitate Communication:** This report serves as a communication tool for sharing progress and risk management status with relevant stakeholders, including Council members, staff, and external partners. It helps ensure that everyone involved in the ERM process is well informed.

- **Support Compliance and Accountability:** By examining risks related to compliance, regulatory changes, and external audits, the report helps ensure that the Council remains in alignment with legal and regulatory requirements. It underscores the importance of good governance practices.
- **Strengthen Resilience:** The report emphasizes the need for resilience in the face of unexpected challenges, such as changing demographics, economic shifts, or policy changes. It encourages the Council to be adaptable and responsive to evolving circumstances.

#### **HE TŪTOHUNGA RECOMMENDATION**

- 1. That the report 'Audit and Risk Committee Report for ERM Nov 2024' be received.**
- 2. That the committee notes the information provided in this report.**

### **3. TE TĀHUHU BACKGROUND**

Rotorua Lakes Council (RLC) has in place a Risk Management Policy and Framework. This separates risk management at RLC into three distinct areas:

- Enterprise Risk Management (ERM)
- Operational Risk including; Business as usual (BAU) activities, Project Risk and Health and Safety Risk at an operational level.
- Corporate Health and Safety

This report considers Council's Enterprise Risk Management.

The Council is committed to managing risks effectively in order to achieve its strategic objectives and protect the interests of its stakeholders. The Enterprise Risk Management Policy outlines the framework for enterprise risk management within the council, including the roles and responsibilities of staff, the processes and systems used to identify and manage risks, and the reporting and monitoring requirements. Enterprise risk looks at risks to the organisation as a whole, while operational risk focuses on specific operational processes and activities.

Keeping risk registers current and monitoring change in risks and progress against actions is achieved through an ongoing review process starting at business unit level.

***This report contains information for a report generated on 31/10/2024.***

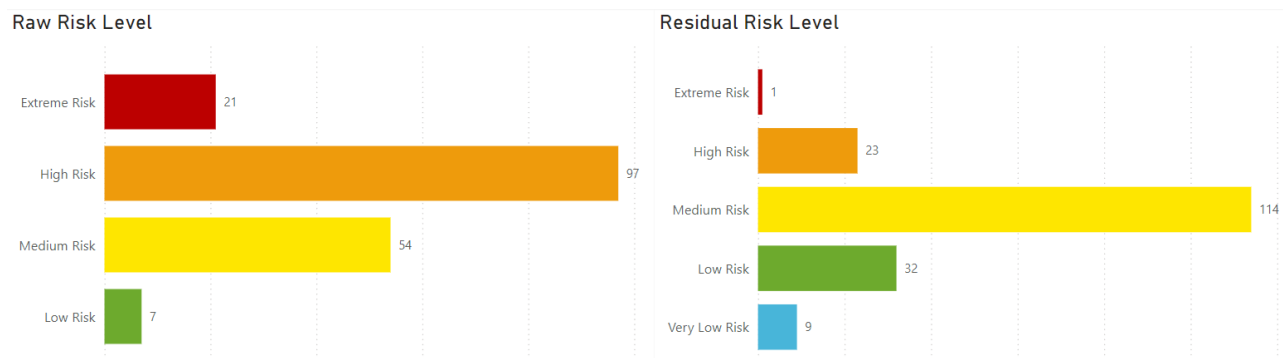
**4. TE MATAPAKI ME NGĀ KŌWHIRINGA  
DISCUSSION AND OPTIONS**

**Enterprise Risk Register Summary**

	Current Report Status		Previous Report	
	Raw Profile	Residual Profile	Raw Profile	Residual Profile
<b>Total Active Risks</b>	179		173	
<b>Closed Risks</b>	0		2	
<b>New Risks</b>	6		0	
<b>Risk Profile</b>	Raw Profile	Residual Profile	Raw Profile	Residual Profile
<b>Extreme</b>	21	1	18	0
<b>High</b>	97	23	94	22
<b>Medium</b>	54	114	54	112
<b>Low</b>	7	32	7	31
<b>Very Low</b>	0	9	0	8

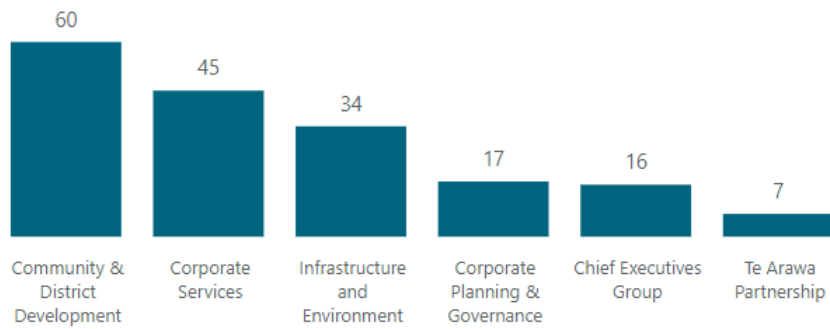
As of 31 October 2024, the Enterprise Risk Register contains 179 risks across 18 business units. There has been 6 new risks identified in the reporting period, detailed in table 5.2

**Risk Profile**



Risk mitigation measures continue to result in a significant reduction of ‘Extreme’ and ‘High’ risks resulting in one residual extreme risks and a reduction from 97 to 23 high risks. The impact is an increase of medium, low and very low risks meaning that the impact of any realised risk is likely to be significantly reduced.

**Volume of Risk by Group**



**Volume of Risk by Type**



Volume of Risk by Category

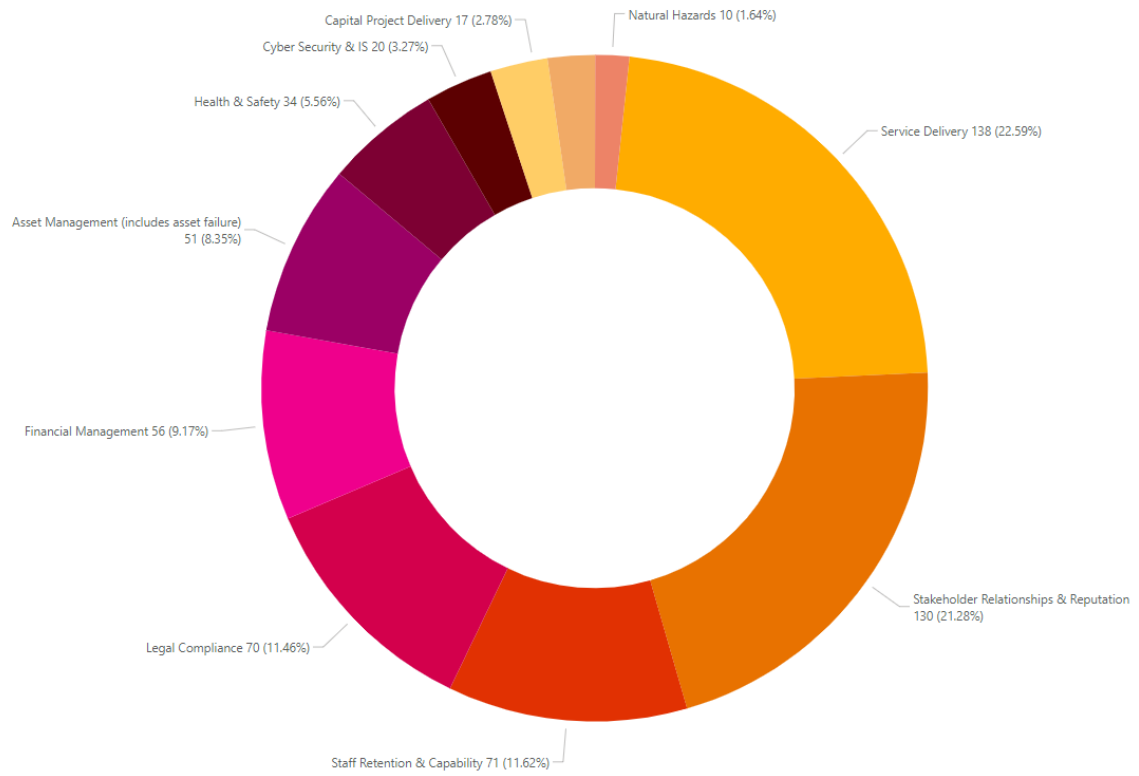


Table 4.1 - New Risks in this period

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
People & Organisational Development	Organisation Security Risk	High	H&S Manager developing Security Action Plan	Medium	In Progress
Legal & Property	If building H&S mitigations are not properly implemented and adhered to by operational staff and/or tenants they will be at risk of injury (or worse).	Extreme	Operational isolation process to be implemented until an elimination option can be achieved.	High	In Progress
Community Safety	Lack of availability of afterhours emergency vet services for Animal Control, welfare and reputation. Our current arrangement is with Bay After Hours Vet situated in Tauranga due to no local services at a comparable cost.	Extreme	Given there is no local vet offering affordable after hours service, we need to secure an appropriate local arrangement.	Extreme	In Progress
Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status

Community Safety	RLC ownership of firearms and the implications of firearms for Animal Control use.	Extreme	<p>Internal investigation into the management of firearms - completed. Meeting held with Police and Firearms Safety Authority to mitigate risk - completed</p> <p>Director of Community Safety and Regulatory Services and the Manager of Regulatory Services applying for a firearms license that enables both to manage and audit firearms on behalf of Council - in progress.</p> <p>All RLC firearms taken to a local gunsmith for maintenance and secure storage - completed.</p> <p>All authorized Animal Control Officers applying for their firearms licenses - in progress</p> <p>All RLC firearms x5 are being sold on behalf of RLC by a local gunsmith - in progress.</p> <p>The funds from the sale will purchase 2x suitable firearms - in progress.</p> <p>New safe purchase and room updated to safely accommodate firearms. This room is restricted - in progress.</p> <p>Review of SOP - in progress.</p> <p>Review of Firearms Policy - in progress.</p> <p>Six monthly firearms training - to be arranged upon obtaining firearms licenses.</p> <p>Interim SOP - If on private property, the owner of the animal seeks vet assistance to euthanize animal(s) and if in public areas i.e. horses on the road, we seek Police assistance to euthanize the animal(s).</p> <p>Vehicle safe checks - completed</p> <p>Firearm registers and record keeping - in progress</p>	Low	In Progress
Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status



<p>Community Safety</p>	<p>Non-compliant discharge of wastewater at the Dog Pound potentially causing or contributing to a breach of discharge requirements in the receiving environment and associated resource consent conditions (via the landfill discharge). Possible prosecution risk and reputation / relationship/ environmental damage.</p>	<p>High</p>	<p>Reduce interim risk through infrastructure improvements while a larger specific project focused on stormwater is developed and funding approved.</p>	<p>Very Low</p>	<p>In Progress</p>
<p>People &amp; Organisational Development</p>	<p>Civic Centre Security Breach</p>	<p>High</p>	<p>Initiate Security Action Plan. Majority of staff on training have commenced online training modules (prerequisite to the in person course)</p>	<p>Medium</p>	<p>In Progress</p>

Table 4.2 - Top Raw Enterprise Risks

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
CE's Group	Failure of Council to uphold statutory obligations (e.g. Building Act, H&S) with severe impact on staff or the public.	Extreme Risk	Ensure there is a robust organisational framework for identifying Council's statutory and regulatory compliance obligations, together with processes for regular monitoring and assurance.	High Risk	Complete – Pending Review
CE's Group	Council Reputation Risk: Perceptions of poor governance or management competence causing significant reputational damage (locally and/or nationally).	Extreme Risk	<p>Uphold high standards of professional integrity across the organisation.</p> <p>Uphold public expectations of transparent decision-making processes</p> <p>Maintain a well-trained workforce to ensure competent reporting from officials.</p> <p>Introduce and maintain Reo Marama (easy to understand communications) policy, providing sound information to diverse audiences</p> <p>Ensure compliance with Council's significance and engagement policy, including providing appropriate engagement planning, resourcing and support</p>	Medium Risk	Complete – Pending Review
CE's Group	<p>Council Strategic Risk: Inability to effectively take on community leadership role:</p> <ul style="list-style-type: none"> <li>- Lack of social license</li> <li>- Weak relationships with partner agencies</li> <li>- Capability to deliver through others</li> <li>- Current structures not enabling local decision making e.g. regional transport and economic development forums</li> <li>- Lack of clarity of separate roles of partners</li> <li>- Funding not provided for broader role</li> </ul>	Extreme Risk	<ul style="list-style-type: none"> <li>- Council leadership keeps a focus on maintaining and strengthening robust, effective relationships with partner agencies.</li> <li>- Clear, timely communications with partner agencies on issues of mutual concern.</li> <li>- Active advocacy with central government (including local MPs, relevant Ministers and departments) on the needs and priorities of the Rotorua district.</li> <li>- Housing Accord with central government and iwi to ensure Rotorua is able to focus central Govt. attention and resources on addressing local housing issues.</li> </ul>	Medium Risk	Complete – Pending Review

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
Community Safety	Inaccurate/significant variation from forecast demand for inspections/applications (e.g. food safety, alcohol, geothermal, animal control, changing legislation) resulting in under/oversupply of staff resourcing.	Extreme Risk	Animal Control roster has been reworked to a more workable alternative. The Sale and Supply of alcohol amendment act is anticipated to increase workload in alcohol licensing. Work is underway to better understand what this may entail. Further training for Food Compliance staff to continue working toward Environmental Health Officer (EHO) qualifications is essential so that we build succession in this role. Currently we have only one EHO, which is a succession risk. Continued monitoring in terms of Food Safety compliance is required to ensure that the cities (approx. 600) food suppliers remain safe.	High Risk	In Progress
Community Safety	Increased service delivery demand without adequate resources to meet the demand and act more proactively.	Extreme Risk	Business case to increase Animal Control Officers by two. A review of existing Policy and SOP's is underway. Strengthened training is also underway to support staff capability in respect of investigations/prosecutions/firearms	Low Risk	In Progress
Community Safety	Insufficient management of Council's Geothermal responsibilities.	Extreme Risk	A qualified external contractor has been engaged for oversight and response. Preparing a report for the Executive on options for future service delivery. Communicating with Worksafe and BOPRC ongoing.	Very Low Risk	In Progress
Community Safety	Lack of resourcing and suitable organisational structure to meet service delivery.	Extreme Risk	Safety plan completed (complete, implementation underway) Additional resourcing (underway) Redefined service approach (guardians) and training (underway) Proposed staff realignment (proposed early 2024)	Low Risk	In Progress

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
Corporate Strategy & Planning	<p>Council Governance Risk:</p> <p>Breaches of confidentiality or misinformation creating reputational damage through traditional &amp; social media, and other forms of communication.</p>	Extreme Risk	<p>Council has a Code of Conduct in place for elected members</p> <p>Induction for new elected members included training on governance standards and the code of conduct</p> <p>New processes for transparent decision-making (i.e. workshops) and more detailed records of reasons for confidentiality (giving elected members greater confidence in the reasons for confidentiality)</p> <p>Staff engagement survey being held in Nov 2023, which will assist to identify and address staff engagement</p>	Medium Risk	Complete – Pending Review
Infrastructure & Environmental	<p>Increasing regulatory requirements, i.e. consent conditions are increasing costs and time to implement projects.</p>	Extreme Risk	<p>Proactively identifying ways of engaging more with regional staff and the public to enable more dialogue and understanding of infrastructural issues and the effects of Council services. This includes meeting with Regional Council staff, meeting with residents association officials, attending public gatherings and seeking to explain Council’s approach. Keep up to date with changing legislation, and submitting where appropriate.</p>	Medium Risk	Complete – Pending Review
Legal & Property	<p>Obsolete facilities components not able to be repaired. Contractors have notified RLC that some existing specified systems within buildings can no longer be repaired as supply/production has been discontinued.</p>	Extreme Risk	<p>A program of works is being created to address the obsolete systems and plan for their early replacement before failure. If failure occurs in the meantime then RLC is at risk of facilities being closed due to specified systems under the BWOFF not being operable.</p>	High Risk	In Progress

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
Legal & Property	Failure of geothermal plant under the ownership of RLC resulting in damage to the environment, loss of serviceability and potentially putting staff or the public at risk.	Extreme Risk	Initiate a long-term maintenance and renewal plan for geothermal bores and plant rooms under the ownership of RLC. This requires someone with specialist understanding and experience that does not exist within the existing Legal & Property team. Someone would need to be engaged for this continued requirement to ensure we meet BOPRC and legislative requirements.	High Risk	In Progress
PMO & Risk	If projects are delivered without appropriate governance arrangements and/or experienced personnel appointed then project may be negatively affected.	Extreme Risk	Project governance to be implemented for each project. Project assurance supported by PMO. Projects to report issues to PMO for review by senior managers. Hold regular project reviews.	Medium Risk	In Progress
PMO & Risk	If staff fail to adhere to the Council's project management framework and resources then project may be subject to; lack of peer review, increased timeframes, costs and reputational damage.	Extreme Risk	Project assurance, quality assurance and enterprise level project and reporting to be supported by the PMO. PMO Portfolio Analyst to monitor and report any areas of concern. Training to be supported by PMO and HR.	Medium Risk	In Progress
PMO & Risk	If the Council's project pipeline is not clearly defined or understood, the Council's return on investment may not be maximised.	Extreme Risk	Develop an enterprise level Project Portfolio and agree reporting arrangements with the executive group and L3 managers across the organisation. Provide staff training and workshops to increase PPM maturity.	Medium Risk	In Progress
PMO & Risk	Movement in the cost of materials and labour resulting in projects no longer being viable.	Extreme Risk	All capital project are regularly reviewed to assess impact. Project viability assessments to be undertaken. Consider re-scoping of projects. Engage with suppliers to assess impact and potential solutions.	High Risk	In Progress

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
PMO & Risk	Lack of project management capability to deliver the organisations objectives.	Extreme Risk	Recruitment and retention strategy. Outsourcing of resources if required. PPM coaching and training support, streamlined PM requirements, defines roles, responsibilities, and standardised systems.	Medium Risk	In Progress
PMO & Risk	Business Case/Strategic assessment becomes obsolete or is undermined by external or internal changes	Extreme Risk	Project governance to be implemented for each project. Project assurance and quality assessment supported by PMO. Business case/strategic assessment and progress toward strategic objectives to be use as part of stage gate/progress reviews by the project sponsor.	Medium Risk	In Progress
PMO & Risk	If issues and resolutions are not properly recorded and escalated in a timely manner, this may result in increased timeframes, cost and reputational damage.	Extreme Risk	Project governance to be implemented for each project. Project assurance supported by PMO. Projects to report issues to PMO for review by senior managers. Hold regular project team meetings and identify conflicts. Managers to review the project plan and stakeholder engagement plan for potential areas of conflict.	Medium Risk	In Progress
Community Safety	Lack of availability of afterhours emergency vet services for Animal Control, welfare and reputation. Our current arrangement is with Bay After Hours Vet situated in Tauranga due to no local services at a comparable cost.	Extreme Risk	Given there is no local vet offering affordable after hours service, we need to secure an appropriate local arrangement.	Extreme Risk	In Progress

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
Community Safety	RLC ownership of firearms and the implications of firearms for Animal Control use.	Extreme Risk	<p>Internal investigation into the management of firearms - completed.</p> <p>Meeting held with Police and Firearms Safety Authority to mitigate risk - completed</p> <p>Director of Community Safety and Regulatory Services and the Manager of Regulatory Services applying for a firearms license that enables both to manage and audit firearms on behalf of Council - in progress.</p> <p>All RLC firearms taken to a local gunsmith for maintenance and secure storage - completed.</p> <p>All authorized Animal Control Officers applying for their firearms licenses - in progress</p> <p>All RLC firearms x5 are being sold on behalf of RLC by a local gunsmith - in progress.</p> <p>The funds from the sale will purchase 2x suitable firearms - in progress.</p> <p>New safe purchase and room updated to safely accommodate firearms. This room is restricted - in progress.</p> <p>Review of SOP - in progress.</p> <p>Review of Firearms Policy - in progress.</p> <p>Six monthly firearms training - to be arranged upon obtaining firearms licenses.</p> <p>Interim SOP - If on private property, the owner of the animal seeks vet assistance to euthanize animal(s) and if in public areas i.e. horses on the road, we seek Police assistance to euthanize the animal(s).</p> <p>Vehicle safe checks - completed</p> <p>Firearm registers and record keeping - in progress</p>	Low Risk	In Progress

Business Unit	Risk Event	Raw Risk Level	Proposed Actions/Action plan	Residual Risk Level	Risk Action Plan Status
Legal & Property	If building H&S mitigations are not properly implemented and adhered to by operational staff and/or tenants they will be at risk of injury (or worse).	Extreme Risk	Operational isolation process to be implemented until an elimination option can be achieved.	High Risk	In Progress

**5. TE TINO AROMATAWAI  
ASSESSMENT OF SIGNIFICANCE**

The decisions or matters of this report are not considered significant in accordance with the Council’s Significance and Engagement Policy.

**6. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA  
COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY**

Consultation is not required as this is a technical matter of Governance.

**7. HE WHAIWHAKAARO  
CONSIDERATIONS**

**7.1 Mahere Pūtea  
Financial/Budget Considerations**

There may be financial implications from proposed risk mitigating actions. However, any actions that require Council approval will be bought separately to the appropriate Committee at the appropriate time.

**7.2 Kaupapa Here Me Ngā Hiraunga Whakariterite  
Policy and Planning Implications**

There may be policy or planning implications from proposed risk mitigating actions. However, any actions that require Council approval will be bought separately to the appropriate Committee at the appropriate time.

**7.3 Te Aromatawai Whakapātanga Ki Te Tāngata Whenua  
Tāngata Whenua Impact Assessment**

There may be Tāngata Whenua implications from proposed risk mitigating actions. However, any actions that require Council approval will be bought separately to the appropriate Committee at the appropriate time.



**7.4 Tūraru**

**Risks**

There are no major risks associated with the decisions or matters.

**7.5 Te Whaimana**

**Authority**

The Committee has the authority to accept this report, evaluate its contents and make recommendations to Council.

**7.5 SENSITIVE EXPENDITURE POLICY**

**Prepared by:** David Jensen, Director of Finance  
**Approved by:** Thomas Collé, Chief Financial Officer  
**Attachments:** 1. Sensitive Expenditure Policy

**1. TE PŪTAKE  
PURPOSE**

This report presents Council's Sensitive Expenditure Policy for information to the Audit & Risk Committee.

The Policy is due for review in January 2025.

**HE TŪTOHUNGA  
RECOMMENDATION**

1. That the report 'Sensitive Expenditure Policy' be received.

# Sensitive Expenditure Policy

Date Created	Next Review	Officer Responsible
26 January 2023	January 2025	Director, People and Organisational Development

## Policy Purpose:

This policy seeks to give effect to the guidance contained in the Controller & Auditor-General’s good practice guide, “Controlling sensitive expenditure: Guide for public organisations” (October 2020).

In the guide, the Controller and Auditor-General states: “Spending by a public entity that could be seen to give some private benefit to a staff member, such as overseas travel, can be controversial. We call this type of spending “sensitive expenditure”. Although it may be perfectly justified, its potential sensitivity means that careful decision making is needed.”

The Controller & Auditor-General states that because councils are dealing with “public money” expenditure should be subject to the standards of probity and financial prudence expected of a public entity; and able to withstand public and political scrutiny. Therefore expenditure decisions should:

- a) have a justifiable business purpose;
- b) preserve impartiality;
- c) be made with integrity;
- d) be moderate and conservative, having regard to the circumstances;
- e) be made transparently;
- f) be made with proper authority; and
- g) be appropriate in all respects;

The policy is aimed at meeting the Controller and Auditor-General’s expectations that councils have written policy and processes in place to ensure ‘sensitive expenditure’ is appropriately controlled. The policy applies to all employees of Rotorua Lakes Council and its subsidiary organisations, and does not affect items of sensitive expenditure specifically provided for by employment agreements.

This policy should be read in conjunction with Auditor-General’s good practice guide which provides more comprehensive, principle-based guidance to the management of sensitive expenditure. The website also provides a range of additional resources to support the management of sensitive expenditure.

### 5.9.1 Approving Sensitive Expenditure

Approvals should:

- clearly state the business purpose - where this is not clear from supplier documentation a written statement should be included
- be accompanied by original supporting documentation such as tax invoices (credit card statements are not adequate)
- be given before the expenditure is incurred, whenever practical otherwise be submitted soon after expenditure is incurred
- where receipts are not available for minor expenditure (eg parking meters, tips), include a description, date and amounts

Claims should:

- clearly state the business purpose - where this is not clear from supplier documentation a written statement should be included
- be accompanied by original supporting documentation such as tax invoices (credit card statements are not adequate)
- be submitted soon after expenditure is incurred
- where receipts are not available for minor expenditure (eg parking meters, tips), include a description, date and amounts

Credit cards (Purchase cards):

- Refer to separate Purchase Cards (P-cards) Policy

## 5.9.2 Travel and Accommodation Expenditure

Air travel:

- All travel involving flights, rental cars or one or more nights away, requires advance approval from a more senior manager (or from a DCE or CE where travel is international)
- Where possible air travel should be booked well in advance to secure the most cost effective airfares available.
- All air travel is to be in Economy Class. Any exception requires specific authorisation by the CE.
- Other than Air New Zealand Koru Club membership for the Chief Executive, the council will not pay for membership of airline clubs except where a specific business case is approved by the CE.

Meals and accommodation while travelling

- Current levels approved by the Executive Team allow claims up to \$25 (incl GST) for breakfast, \$30 for lunch, and \$45 for dinner when travelling on council business within New Zealand. Where meals are required to be taken at the hotel being stayed at, 'actual and reasonable' meal expenses may be claimed. Claims need to be supported by receipts.
- A meal expense cannot be claimed if a meal has been provided as part of

another package being paid for by Council, e.g. meals are covered and paid for as part of Conference registration fees or a meal has been paid for by another party.

- For overseas travel, 'actual and reasonable' meal expenses may be claimed. Claims need to be supported by receipts.
- Meal reimbursement is not to include alcohol unless previously authorised by the CE or DCE as part of approved business entertainment and hospitality.
- Expenses from hotel room mini bars are the responsibility of the employee.
- Accommodation should be moderate, cost effective and appropriate to requirements, taking into account location, standard, safety and security.
- Where the employee chooses to stay privately and where this will not significantly result in extra travel or other costs being incurred, a daily allowance of \$60 per night may be claimed to allow a gift or contribution to be given to the host.

#### Motor Vehicles

- The most economical forms of transport, appropriate to the purposes of the travel, are expected to be used.
- The most economical type and size of rental car, consistent with purpose, distance and number of people, is to be used when required for council business.
- Staff members are expected to comply with traffic, parking and other laws when on council business. The driver is responsible for any fines for parking or traffic offences incurred while conducting Council business using council, rental or personal vehicles.
- Private use of a rental vehicle is not permitted except where authorised by the CE, DCE or senior manager, and where an arrangement is made for the cost to be reimbursed to the council by the employee.
- Taxi use should be moderate and cost effective relative to other transport available, and should not usually be used for travel between home and office, except for approved safety or similar reasons relating to work after hours.
- RLC does not provide staff with taxi cards.
- Council vehicles should not usually be used for private purposes (outside of formal employment arrangements).
- Business travel by private motor vehicle should be the exception rather than the rule, be approved in advance and limited only to where other means (eg RLC vehicle, flight, rental car) are less practical and/or less cost effective.
- Reimbursement rates for private vehicle use will be set by RLC from time to time in line with public sector rates, and reimbursement will require a completed signed claim based on distance travelled.

#### Tipping

- Claims for reimbursement will be accepted for reasonable levels of tipping during international travel, and in places where tipping is local practice.

#### Private travel linked with official travel

- Staff may be allowed to take private travel before, during or at the end of travel on business provided no additional cost is incurred, the private travel is incidental

to the business purpose of the travel and pre-approval is granted.

Travelling spouses, partners or other family members

- Generally travel costs of accompanying persons will not be paid for.

Stopovers

- Stopovers should be pre-approved and have a clear business purpose.

### 5.9.3 Entertainment & Hospitality Expenditure

Claims for entertainment & hospitality

- Advance approval to incur expenditure for business related entertainment and hospitality is required and should be limited to specific identified staff.
- Claims for reasonable levels of entertainment and hospitality for approved business occasions may include reasonably priced and appropriate levels of food and alcohol.
- It will usually only be for one or more of the following purposes:
  - Building relationships
  - Officially representing RLC
  - Reciprocity where there is a clear business purpose and is within normal bounds
  - Recognising significant business achievement
  - Building revenue
  - Supporting internal organisational development
- Appropriate seasonal events, such as Christmas celebrations, may include some entertainment and hospitality including moderate expenditure on food and alcohol. This is subject to pre-approval by the CE or DCEs, and is to be substantiated by appropriate documentation and reasons for it being provided.

### 5.9.4 Goods and Services Expenditure

Sale of surplus assets to staff

- Assets should not be sold to staff at discounted rates if a greater value could be realised elsewhere
- Staff disposing of assets should not benefit from the disposal.
- Where practical, assets for disposal to staff should be valued and subject to a tender process that is appropriate to the value of the item.

Loyalty reward schemes

- RLC does not pay for membership of frequent flyer clubs or other loyalty



reward programmes

- RLC recognises that staff members required to travel on council business regularly endure some disadvantage or hardship without receiving additional compensation. This includes travelling at weekends and other unsociable times, working additional hours and being away from families and other personal commitments. In recognition of this, and as partial compensation, employees may accrue points on their personal frequent flyer and other loyalty programme accounts and retain personal use of the accrued points, providing use of the specific airline or other service does not incur additional costs to Council, and provided bookings are in accordance with the requirements of this policy.
- Approval to retain and use frequent flyer and other loyalty awards is to be acknowledged in staff employment agreements.
- The CE will monitor compliance on an ongoing basis and will review reports on staff travel at quarterly intervals.

Private use of RLC assets

- RLC assets, including photocopiers, stationery, telephones, cell phones, and internet access, should not generally be used for private use unless permitted in defined circumstances.
- Reasonable levels of use of RLC telephones for brief personal non-toll calls are permitted (eg for keeping in touch with children or dependents), or use of data (e.g. seeking directions) but should be kept to a minimum and be undertaken in non-work time where possible.

RLC use of personal assets

- Reimbursement for RLC business use of personal assets may from time to time be approved for reasons such as cost, convenience and availability and where RLC would not fully use such an asset if it acquired it directly. Examples include private motor vehicles, private cell phones, home telephones and computers.
- Staff members must not approve or administer payment to themselves for use of their assets; and managers approving such payments must ensure principles of justified business purpose, impartiality and integrity are applied.

Personal use of RLC suppliers

- Managers are responsible for ensuring that the selection of suppliers is in RLC's interests and is not affected by purchasing privileges available to staff.
- Access to staff preferential purchases from suppliers is subject to:
  - use of such privileges being moderate
  - personal purchases not being made on behalf of third parties (such as family members, friends)
  - payment being made in full
  - RLC not being used as a source of credit



- Value and quantity limits being set where appropriate
- Accounting Department monitoring staff purchases to avoid risks to future procurement decisions

### 5.9.5 Staff Support and Welfare Expenditure

#### Clothing and grooming

- Other than where uniforms or health and safety clothing are supplied, staff will not usually be entitled to expenses for clothing or grooming (eg dry cleaning, hairdressing etc) for normal business activity.

#### Care of dependents

- Payments for care of dependents will not normally be considered other than in exceptional circumstances – such as when the staff member is unexpectedly required to work at very short notice).

#### Financing social club activities

- Any payments by RLC to a staff social club should be prudent and reasonable, and have a justified business purpose (eg organisational development or staff welfare).

#### Farewells and retirements

- Expenditure on farewells (including cost of functions and gifts) should be moderate and relevant, and pre-approved at CE or DCE level.

#### Sponsorship of staff or others

- Staff taking part in an activity that is not part of their job (eg a sporting event) may receive sponsorship from RLC through provision of, or payment for specified goods or services (eg t-shirts or tournament entry fees).
- Sponsorship should be moderate and conservative, and have a justified business purpose (eg publicising RLC activities, or organisational development). Payments made without a justified business purpose are deemed 'donations' (see below).
- Where sponsorship relates to non-staff, it should be transparent, and it is preferable that the sponsorship is to an organisation the person belongs to, rather than directly to the individual.

### 5.9.6 Other Types of Expenditure

#### Corporate boxes

- RLC will not as a general principle, acquire corporate boxes outside



of venues operated by RLC. Donations

- Where payment (in money or by provision of goods or services) is made without expectation of receiving goods or services in return, it is a donation.
- As a general principle the council does not make donations.
- However on rare occasions where a donation is approved it must be disclosed, consistent with RLC business, lawful, non-political, appropriate in size to the circumstances, and should not result in any counterpart obligation. It should be to a recognised organisation rather than an individual, and be by normal commercial means (eg direct credit).

Gifts

- Gifts usually take the form of a tangible object but may also include, for example, discounted goods or services, or entry to an event.
- Occasions where staff offer gifts require a justified business purpose, and the principles of moderate and conservative expenditure, integrity and preserving impartiality are particularly relevant.
- Staff should take measures to avoid the risk of any gift being excessive or inappropriate, involving an expectation of favour or return, or being a substitute for legitimate payment of remuneration

Receiving gifts

- While the receiving of gifts by staff from suppliers and clients is not strictly RLC 'sensitive expenditure' it does need to be transparent to ensure it does not affect RLC's decision making, as this could be perceived as compromising our impartiality or integrity
- Staff may generally accept unsolicited gifts of low value (e.g. pens, calendars etc) that are offered on an infrequent basis (e.g. at Christmas or during occasional promotions).
- Gifts of more than \$50 in value should be declared to the staff member's departmental manager (or DCE or CE) who will determine whether it is appropriate for the gift to be retained personally by the staff member or used by RLC.
- Higher value gifts (\$100 or more) should be recorded in an RLC Gift Register (TRIM Doc No. RDC-6383) and remain the property of RLC.



**7.6 TREASURY UPDATE - SEPTEMBER 2024**

**Prepared by:** David Jensen, Director of Finance  
**Approved by:** Thomas Collé, Chief Financial Officer  
**Attachments:** 1. Treasury Update - September 2024

**1. TE PŪTAKE  
PURPOSE**

This report presents an update on Council's treasury positions and compliance with the covenants set within the Treasury Policy as at 30 September 2024.

**2. TE TUHINGA WHAKARĀPOPOTOTANGA  
EXECUTIVE SUMMARY**

Council has a Treasury Policy which sets the strategic direction for Council's treasury function and the mitigation procedures in place to minimise Council's exposure to treasury related risk.

This report provides an update on the treasury related risks as at 30 September 2024 and assesses Council's exposure as required by Council's Treasury Policy.

**HE TŪTOHUNGA  
RECOMMENDATION**

1. That the report 'Treasury Update - September 2024' be received.

**3. TE MATAPAKI ME NGĀ KŌWHIRINGA  
DISCUSSION AND OPTIONS**

Council has an active approach to treasury risk management, with regular monitoring of key metrics and covenants alongside PwC who are engaged as Council's treasury advisors. Council staff meet with PwC on a monthly basis to discuss treasury matters and advice is sought before borrowing agreements with external lenders are entered into to ensure compliance with the Treasury Policy and that the terms of the loan are favourable to market.

This report provides an update on Council's key treasury related risks as measured through PwC's treasury reporting system.

**3.1 Interest Rate Risk**

Interest rate risk is the risk that financing costs will exceed projections due to adverse movements in interest rates, which is managed through the use of fixed and floating rates to achieve certainty of financing costs into the future.

The policy minimums and maximums provide Council with a directive to prioritise price certainty within the short term, while enabling flexibility towards future debt. The debt forecast within this measure is based on the 2024-34 Long Term Plan and is revised as Council works to deliver on the capital expenditure the borrowing within the Long Term Plan enables.

Council has positioned itself at the lower permitted range within the policy banding in anticipation of a future interest rate cutting cycle as inflation subsides, which Council will be able to take advantage of. Council is in compliance with the interest rate covenants within the Treasury Policy as at 30 September 2024.

### 3.2 Funding and Liquidity Risk

Liquidity and funding risk is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations, particularly as Council's cash flow is dependent on cyclical revenue and the maturity of cash investments or external loans.

In order to ensure Council has sufficient funding and liquidity, Council maintains cash on hand and committed facilities with external lenders at a level which ensures a liquidity ratio of no less than 110%, which ensures that immediate cash flow needs are able to be met. Council also manages this risk by ensuring that the tenure of external borrowing loans is staggered to prevent large spikes in maturities falling due within any particular year.

Council also manages debt maturity repayments through the use of pre-funding. Council has a debt maturity of \$26 million in April 2025 which has been pre-funded ahead of time and is placed on term deposit at rates favourable to the rates payable on the loan. Council is in compliance with the funding and liquidity covenants within the Treasury Policy as at 30 September 2024.

### 3.3 Foreign Exchange Risk

Foreign Exchange Risk is the risk that volatile movements in foreign currency may adversely affect the cost to Council of entering into arrangements with offshore parties. Council has not entered into any significant foreign exchange contracts and this risk remains low.

### 3.4 Counterparty Credit Risk

Counterparty Credit Risk is the risk of losses occurring as a result of a counterparty default. Council manages this risk by placing limits on the proportion of financial exposure held by external parties, and by placing minimum credit ratings on the external parties Council gives exposure to.

Council has a temporary timing breach of counterparty limits. Council worked alongside PwC to action three interest rate swap contracts in September 2024 for the first time in 11 years in order to obtain favourable interest rate pricing and only had agreements in place with one major trading bank to action these swaps. This breach will correct in early 2025 upon the maturity of a term deposit. To ensure this does not occur in the future, Council will be executing ISDA's with another major trading bank.

## **4. TE TINO AROMATAWAI ASSESSMENT OF SIGNIFICANCE**

This report is considered to be of low significance in accordance with Council's Significance and Engagement Policy.

**5. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA  
COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY**

This report does not require community engagement.

**6. HE WHAIWHAKAARO  
CONSIDERATIONS**

**6.1. Mahere Pūtea  
Financial/Budget Considerations**

There are no financial or budget considerations within this report.

**6.2. Kaupapa Here Me Ngā Hiraunga Whakariterite  
Policy and Planning Implications**

There are no policy and planning implications within this report.

**6.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua  
Tāngata Whenua Impact Assessment**

There is no impact on Tāngata Whenua within this report.

**6.4. Tūraru  
Risks**

There are no risks associated with this report.

**6.5. Te Whaimana  
Authority**

This report is presented for information to the Audit & Risk Committee.



**Rotorua Lakes  
Council**



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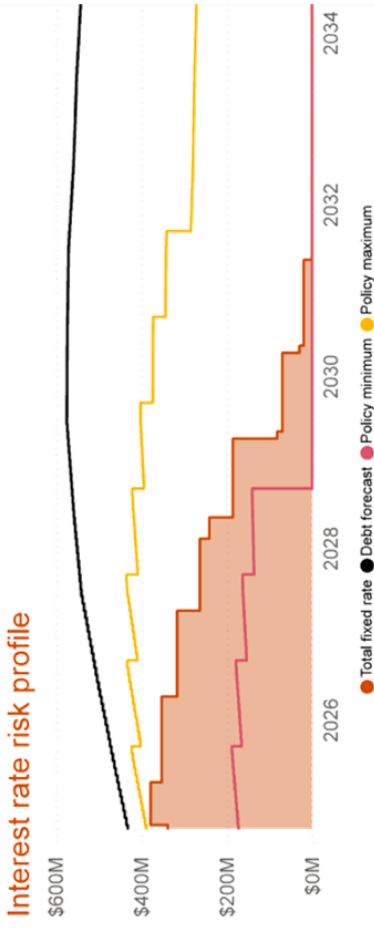
We have tested the Dashboard for logic and consistency, but have not completed a full internal review of the Dashboard. In any event, it is not possible to ensure that any Dashboard is 100% free of errors and will perform correctly under all possible scenarios, and accordingly we give no such guarantee.



reasury summary - positions and compliance

Rotorua Lakes Council

MonthEnd: September 2024 | Currency: NZD | 1. Main debt forecast | 2. Debt forecast - increasing | 3. Debt forecast - decreasing

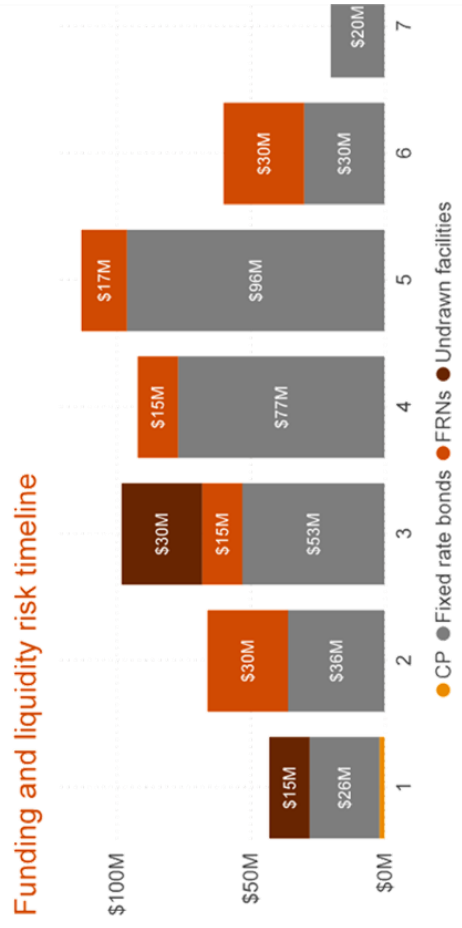


**Interest rate risk**  
 Last month: ✓ | Next month: ✓ | Compliant until: September 2025

**Liquidity risk**  
 Last month: ✓ | Next month: ✓ | Compliant until: April 2025

**Funding risk**  
 Last month: ✓ | Next month: ✓ | Compliant until: April 2026

**Investments**  
 Last month: ✓ | Next month: ✓



**Liquidity ratio**  
 117%

**\$446,926,669**  
 Gross debt less pre-funding

**\$417,926,669**  
 Net debt

**\$45,000,000**  
 Undrawn and unlinked bank facilities

**\$29,000,000**  
 Liquid deposits

**Counterparty credit limits**  
 Counterparty: BNZ | Compliant? X

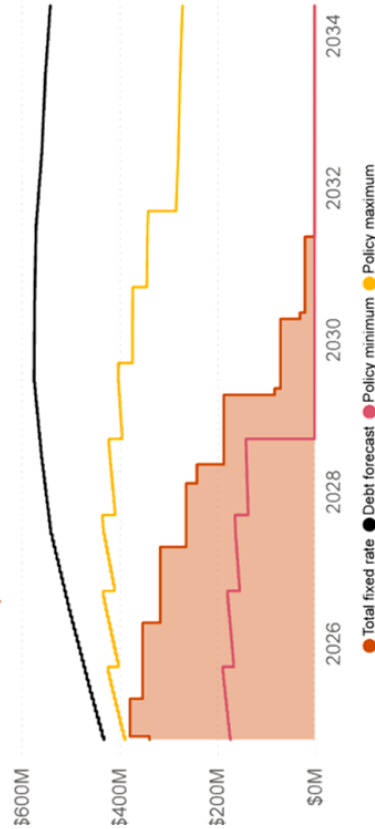


treasury summary - positions

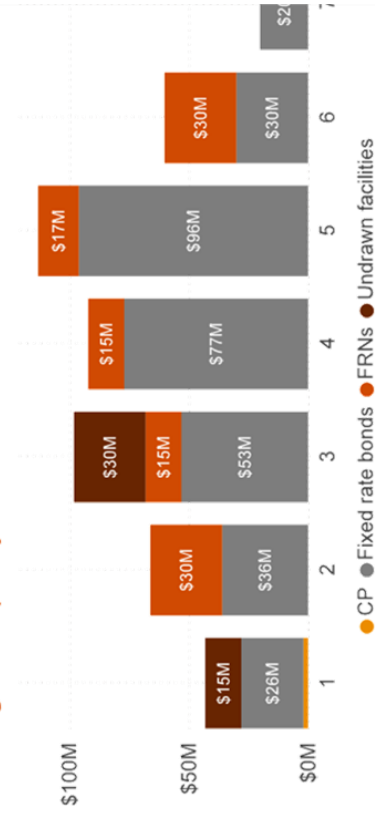
Rotorua Lakes Council

MonthEnd: September 2024 | Currency: NZD | 1. Main debt forecast | 2. Debt forecast - increasing | 3. Debt forecast - decreasing

Interest rate risk profile



Funding and liquidity risk timeline



● Total fixed rate ● Debt forecast ● Policy minimum ● Policy maximum ● CP ● Fixed rate bonds ● FRNs ● Undrawn facilities

Interest rate summary

#	Bucket	Min	Max	Actual
1	0 - 12	40%	90%	81%
2	12 - 24	35%	85%	69%
3	24 - 36	30%	80%	56%
4	36 - 48	25%	75%	42%
5	48 - 60	0%	70%	24%
6	60 - 72	0%	65%	9%
7	72 - 84	0%	60%	2%
8	84 - 96	0%	50%	0%
9	96 - 108	0%	50%	0%
10	108 - 120	0%	50%	0%

Counterparty credit limits

Counterparty	Total exposure	Total limit	Compliant?
BNZ	\$35,048,460	\$30,000,000	✗

Funding summary

Bucket (years)	Policy	Actual
0 - 3	15% - 60%	42%
3 - 7	25% - 85%	58%
7 - 15	0% - 60%	0%
<b>Total</b>		<b>100%</b>





counterparty credit overview Rotorua Lakes Council

Select all BNZ

Counterparty credit limits

MonthEnd September 2024 ▼

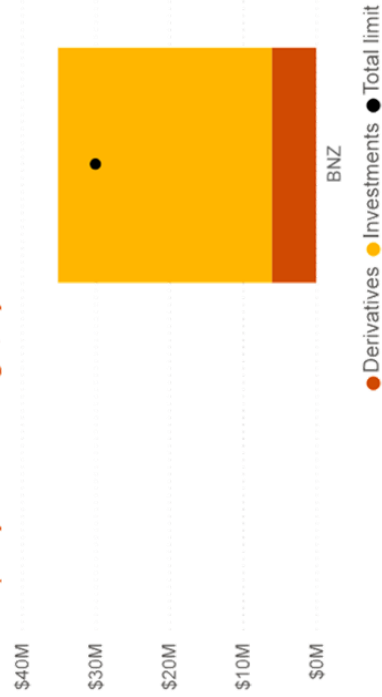
Counterparty BNZ ▲

Vtm date Latest month end ▼

Currency NZD ▼

Counterparty	Investments exposure	MtM	Derivatives exposure	Total exposure	Total limit	Compliant?
BNZ	\$29,000,000		\$6,048,460	\$35,048,460	\$30,000,000	✘

Counterparty credit usage, by bank



Counterparty credit composition



Rotorua Lakes Council

Interest rate risk position

MonthEnd  
September 2024

Currency  
NZD

1. Main debt forecast

2. Debt forecast - increasing

3. Debt forecast - decreasing

**Interest rate risk timeline**

● Total fixed rate ● Debt forecast ● Policy minimum ● Policy maximum

**Interest rate summary**

Bucket	Min	Max	Actual
0 - 12	40%	90%	81%
12 - 24	35%	85%	69%
24 - 36	30%	80%	56%
36 - 48	25%	75%	42%
48 - 60	0%	70%	24%
60 - 72	0%	65%	9%
72 - 84	0%	60%	2%
84 - 96	0%	50%	0%
96 - 108	0%	50%	0%
108 - 120	0%	50%	0%

**Key Metrics:**

- \$446,926,669 Gross debt less prefunding
- \$338,000,000 Total fixed rate instruments
- 76% Current hedged (%)
- 4.15% Current WA fixed rate
- 3.60 WA fixed term (years)

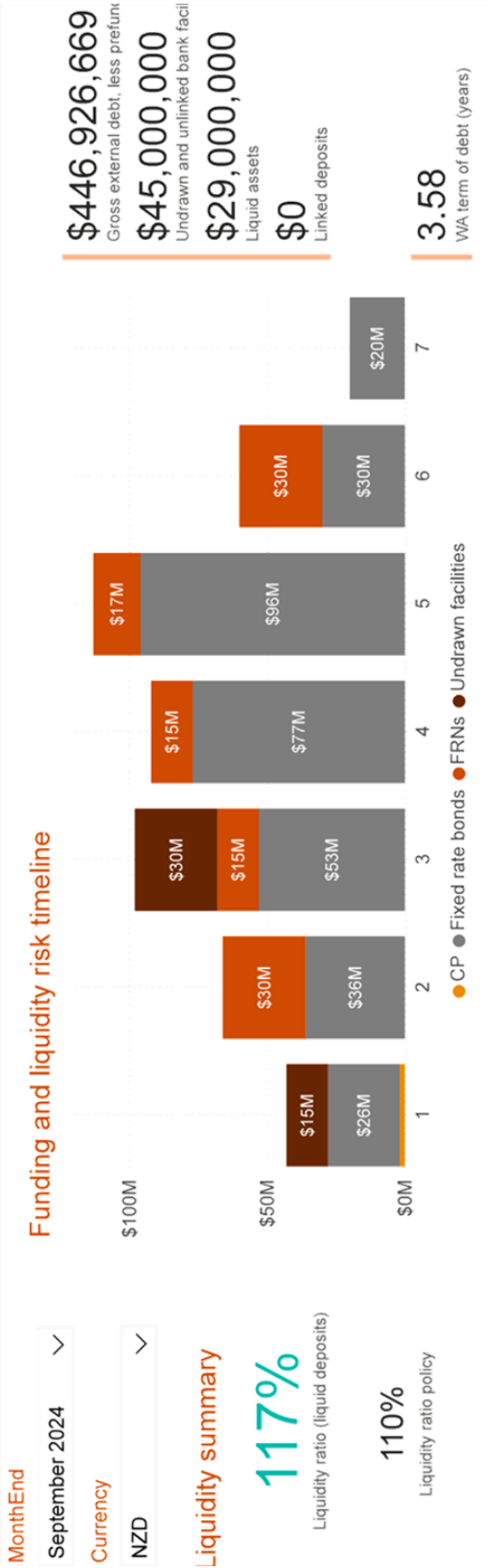
**List of instruments**

Instrument	Counterparty	Notional (\$)	Start date	Maturity date	Interest rate
Swap	BNZ	20,000,000	15 October 2024	16 April 2029	3.58%
Swap	BNZ	20,000,000	15 October 2024	15 April 2030	3.62%



Rotorua Lakes Council

Funding and liquidity risk position



Funding summary

Bucket (years)	Maturing in period (\$)	Policy	Actual
0 - 3	\$206,926,669	15% - 60%	42%
3 - 7	\$285,000,000	25% - 85%	58%
7 - 15	\$0	0% - 60%	0%
<b>total</b>	<b>\$491,926,669</b>		<b>100%</b>

List of instruments

Instrument	Counterparty	Drawn (\$)	Limit (\$)	Maturity	Margin
Commercial Paper (non bank-linked)	LGFA	1,926,669	1,926,669	5 November 2024	0.15%
Fixed Rate Bond	LGFA	5,000,000	5,000,000	15 April 2025	
Fixed Rate Bond	LGFA	5,000,000	5,000,000	15 April 2025	
Fixed Rate Bond	LGFA	10,000,000	10,000,000	15 April 2025	
Fixed Rate Bond	LGFA	6,000,000	6,000,000	15 April 2025	





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**8 HE WHAKATAUNGA KIA HOKI ATU TE ARONGA O TE HUI HAI HUI  
TŪMATAWHĀNUI – RESOLUTION TO MOVE INTO PUBLIC EXCLUDED (TO  
CONSIDER AND ADOPT CONFIDENTIAL ITEMS)**

**PUBLIC EXCLUDED**

1. Exclusion of the Public
2. 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:

<b>RECOMMENDATION</b>		
<p><b>1. That Audit and Risk Committee resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:</b></p>		
<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>8.1 - Confidential Minutes of the Audit and Risk Committee Meeting held on 2 August 2024</b>	Please refer to the relevant clause/s in the open meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
<b>8.2 - Confidential Actions Register</b>	Please refer to the relevant clause/s in the open meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
<b>8.3 - Rotorua Lakes Council Liability Claims in Progress (Information Only)</b>	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - 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 would exist under section 6 or section 7
<p><b>Consideration has been given to public interest in these matters and officers' advice is that the above reasons for confidentiality outweigh the public interest in these matters.</b></p>		

**9 TE KARAKIA WHAKAMUTUNGA – CLOSING KARAKIA**

Kia whakairia te tapu

Kia wātea ai te ara

Kia turuki whakataha ai

Kia turuki whakataha ai

Hāumi e. Hui e. Tāiki e!

Restrictions are moved aside

So the pathway is clear

To return to every day activities

To return to every day activities

Allied, enriched, unified, and blessed