

Committee Members

Chair: Graeme McGlinn
Cr Andy Campbell
Cr Brett Cummings
Cr Chris Coll

Cr Peter Haddock
Cr Peter Ewen
Cr Mark McIntyre



WEST COAST
REGIONAL COUNCIL

PUBLIC COPY

Meeting of Risk and Assurance Committee
(Te Huinga Tu)

Tuesday 18 March 2025

**Following the completion of the
Corporate Services Committee Meeting at 9.30am**

West Coast Regional Council Chambers, 388 Main South Road,

Greymouth

and Live Streamed

link available on Council's Facebook Page:

<https://www.facebook.com/WestCoastRegionalCouncil>

Risk and Assurance Committee Meeting

(Te Huinga Tu)

AGENDA

(Rarangī Take)

	Pg No.
1. Welcome (<i>Haere mai</i>)	
2. Apologies (<i>Ngā Pa Pouri</i>)	
3. Declarations of Interest	
4. Public Forum, Petitions and Deputations (<i>He Huinga tuku korero</i>)	
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PUBLIC EXCLUDED BUSINESS

10. Confirmation of Public Excluded Minutes

- 10.1** Minutes of Risk and Assurance Committee Meeting
19 November 2024
Matters arising

11. Actions List – Public Excluded

12. Reports

- 12.1** Health and Safety Report
12.1.1 H&S Targets and Objectives 2025
- 12.2** Risk Summary Report
12.2.1 Risk Register – Top Level Risks
12.2.2 to 12.2.10 Risk Reports 199, 200, 201, 203, 204, 205, 211, 212, 214
- 12.3** Cyber Security Report
- 12.4** Management Response to Internal Audit - Update
12.4.1 Update on Internal Audit Management Response
12.4.2 Risk Matrix
- 12.5** Quarterly Whistleblower Report
12.5.1 WCRC Quarterly Report on Whistleblower Services provided by PwC 1 October 2024 to 31 December 2024
- 12.6** Riskpool Update
*12.6.1 Letter from Charlie Howe, CEO Civic Financial Services Ltd, and Marty Grenfell, Acting Chair of LGMFT (Riskpool), **Riskpool: Call to Members**, dated 4 March 2025*

- 12.6.2** Letter from Charlie Howe, CEO Civic Financial Services Ltd, and Marty Grenfell, Acting Chair of LGMFT (Riskpool), **Riskpool: Update on run-off**, dated 19 December 2024
- 12.6.3** Constitution of Local Government Mutual Funds Trustee Limited, 2007
- 12.6.4** Riskpool Trust Deed and Scheme Rules
- 12.6.5** Protection Wording
- 12.6.6** Riskpool 26th November 2025 Webinar Notes by WCRC Project Accountant

D. Lew
Chief Executive

Purpose of Local Government

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option promotes the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Health and Safety Emergency Procedure

In the event of an emergency, please exit through the emergency door in the Council Chambers.

If you require assistance to exit, please see a staff member. Once you reach the bottom of the stairs make your way to the assembly point at the grassed area at the front of the building. Staff will guide you to an alternative route if necessary.

5 Minutes of Risk and Assurance Committee Meeting 19 November 2024

Author Dearne Thompson, Principal Governance Advisor

Authoriser

Public Excluded No

Report Purpose

The purpose of this report is to receive the minutes of the Risk and Assurance Committee meeting of 19 November 2024.

Recommendations

It is recommended that Committee resolves to:

1. *Confirm that the minutes of the Risk and Assurance Committee meeting held on 19 November 2024 are a true and correct record.*

Attachments

Attachment 1: Minutes of the Risk and Assurance Committee meeting held on 19 November 2024.

THE WEST COAST REGIONAL COUNCIL

MINUTES OF THE RISK & ASSURANCE COMMITTEE MEETING HELD ON 19 NOVEMBER 2024 AT THE OFFICES OF THE WEST COAST REGIONAL COUNCIL 388 MAIN SOUTH ROAD, GREYMOUTH COMMENCING AT 10.54AM

PRESENT: F. Dooley (Chair), P. Haddock, A. Campbell, P. Ewen, B. Cummings, M. McIntyre

IN ATTENDANCE: D. Lew (Chief Executive), A. Pendergrast (Acting Corporate Services Manager (via Zoom)), C. Mills (Project Accountant), J. Field (Group Manager Office of the Chief Executive), R. Kemper (Group Manager – Council Business Unit), S. Genery (Principal Planning & Reporting Officer (via Zoom)), T. Hopkins (Group Manager – Catchment Management), P. Miller (Group Manager – Corporate Services), F. Love (Chief Advisor (via Zoom)), S. Tripathi (Governance Advisor), T. Wyndham-Smith (Principal Communications & Engagement Advisor)

1. WELCOME

The Chair opened the meeting and welcomed everyone.

2. APOLOGIES

The Chair called for apologies. There were none.

3. DECLARATIONS OF INTEREST

The Chair called for any declarations of interest. There were none.

4. PUBLIC FORUM, PETITIONS, AND DEPUTATIONS

There were no public forums or deputations.

5. MINUTES

The Chair called for any corrections to the minutes of the previous meeting held on 27 August 2024. A few minor corrections were noted.

MOVED (McIntyre/ Haddock) *that, subject to minor amendments, the minutes of the meeting of 27 August 2024 be confirmed as true and correct.*

Carried

MATTERS ARISING

There were none.

6. ACTIONS LIST

The actions list was discussed and updated as below –

- Item 1 – Ongoing.
- Item 2 – Completed. To be deleted.
- Item 3 – Completed. To be deleted.
- Item 4 – Ongoing.

MOVED (Campbell/ McIntyre) *that the Committee receives the Actions List for information.*

Carried

Cr Cummings joined the meeting at 9.40am.

7. CHAIR'S REPORT (Verbal Update)

The Chair provided a verbal report to the committee. He expressed satisfaction with the Council's progress in addressing risk and insurance programme matters. The Chair commended the quality of reports received by the Committee and looked forward to continued improvement throughout the remainder of 2024 and into the 2025 local body election year.

MOVED (Ewen/Cummings) *that the Chair's report be received.*

Carried

8. General Business

There was none.

PUBLIC EXCLUDED ITEMS

Moved (Dooley/ McIntyre) *that*

1. *the public be excluded from the following parts of the proceedings of this meeting, namely – agenda items **10, 11 and 12** (all inclusive); and*

Agenda Item No.	General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 7 of LGOIMA for the passing of this resolution
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9	<i>Confidential Minutes Risk and Assurance Meeting – 27 August 2024</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
10	<i>Actions List</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
11.1	<i>Health and Safety Report</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
11.2	<i>Risk Summary Report</i>	<i>The item contains information relating to security matters.</i>	<i>To prevent disclosure of information for improper gain or advantage (s7(2)(j)).</i>
11.3	<i>Riskpool Update</i>	<i>The item contains information relating to commercial matters</i>	<i>To protect commercial information s7(2)(b)).</i>
11.4	<i>Insurance Update</i>	<i>The item contains information relating to commercial matters</i>	<i>To protect commercial information s7(2)(b)).</i>
11.5	<i>Quarterly Whistleblower Report</i>	<i>The item contains information relating to commercial matters</i>	<i>To protect commercial information s7(2)(b)).</i>

2. *D Lew, A Pendergrast, C Mills, S Genery, B Keily, F Love, P Miller and J Field be permitted to remain at this meeting after the public have been excluded due to their knowledge of the subjects. This knowledge will be of assistance in relation to the matters to be discussed; and*

3. *M Wilson and R Southam from Aon be permitted to remain at this meeting after the public have been excluded due to their knowledge of the subject matter; and*
4. *The minutes taker also be permitted to remain.*

The meeting moved into public excluded session at 11.04am.

.....
Chair

.....
Date

6 Actions List

Author Dearne Thompson, Principal Governance Advisor

Authoriser Darryl Lew, Chief Executive

Public Excluded No

Report Purpose

This report is a summary of items that require actions.

The responsible managers have updated the list and will address their respective action items.

Recommendations

It is recommended that the Committee resolves to:

1. *Receive the report.*

ACTIONS LIST

Item No.	Reference	Date of Meeting	Item	Officer	Update
1.	ACT0018	27 Aug 2024	To present the paper on the next year internal audit program schedule.	Group Manager - Corporate Services	Ongoing. Paper being presented to the Committee in March 2025.

9. REPORTS

9.1	Management Response to Audit of 2023 – 2024 Annual Report
Author	Stewart Genery, Principal Planning and Reporting Officer
Authoriser	Darryl Lew, Chief Executive Officer
Public Excluded	No

Report Purpose

To provide the Committee with a copy of the audit report on the 2023 – 2024 Annual Report, including management responses.

Report Summary

The audit report on the 2023 – 2024 Annual Report was received in draft on 30 January 2025 from our external auditors, Ernst and Young (EY).

The findings and recommendations in the audit report are consistent with information previously provided to Council when considering adopting the Annual Report, being focused on rates, valuations, overheads and financial reporting.

Management accepts, in full, the recommendations made by the auditor and have provided commentary in response.

Our auditor, EY, has subsequently provided the draft timetable for the audit of the 2024 – 2025 Annual Report, noting those areas of Council work that will be the focus of the forthcoming audit.

It is recommended that the Committee note that although focus is currently being placed on implementing an Asset Management System, this work may not be sufficiently mature to mitigate the current audit qualification for the forthcoming Annual Report.

Recommendations

It is recommended that the Committee resolve to:

1. *Receive the report.*
2. *Note the findings of the auditor.*
3. *Note the sixteen recommendations of the auditor.*
4. *Accept the management response to these recommendations.*
5. *Note the proposed timeline and focus areas for the audit of the 2024 – 2025 Annual Report.*

Issues and Discussion

Background

The external auditor, EY, has provided the end of year audit report for the 2023 – 2024 financial year, recommending focus on improving some systems and processes.

The auditor recommends that our rating system and valuation of assets requires significant improvement.

Additionally, the auditor recommends that some of our financial practices need substantial improvement, including providing clarity in overhead allocation, maintenance of capital commitments and grants management.

The auditor notes that some other systems need improvement, including interim financial reporting, maintenance of records and reconciliation.

A number of these focus points were raised by the auditor when presenting the draft Annual Report to Council for consideration in October 2024, with a brief discussion occurring between the Council and the auditor at that stage.

Current situation

In total, the auditor has made 16 recommendations to Council for system improvements. These are categorised as follows:

- Four recommendations are made against systems that the auditor considers need significant improvements
- Six recommendations are made against systems that the auditor considers needs substantial improvements

- Six recommendations are made against systems that the auditor considers needs some improvements

Management accepts all recommendations, and note that post the audit, work has already proceeded to deliver against some of these recommendations.

Attachment 1 sets out the auditor's recommendations, and the actions management have already taken, or have planned to take, to deliver the improvements required.

The Committee will note that the auditor has raised concerns over how rates setting occurred and valuations as high-risk areas. Significant effort subsequently focused on improving our rate setting processes. This was largely successful for the 2024 – 2025 financial year.

The Committee will recall that a qualification was received against our infrastructure asset valuations in 2023 – 2024. The Committee will be aware of the effort currently underway to implement an Asset Management System. Presently it remains unclear whether that system will be sufficiently mature to avoid a further qualification against infrastructure asset valuations for the 2024 – 2025 reporting period.

For the audit of our 2024 – 2025 Annual Report, the auditor has presented a draft timetable (Attachment 2). The Committee will note the specific focus areas for this audit include:

- Infrastructure Assets
- Integrity of rates strike, rates invoicing and collection
- Non-financial performance reporting
- Grants and Subsidies
- Investments
- Expenditure, procurement and tendering
- Debt

Options Analysis

The auditor classification of recommendations allows for prioritisation either against importance, or against ease.

Presently, management responses have been primarily focused on importance. The Committee may wish to consider if this best meets their expectations for system and process improvements.

Costs and Benefits

As the Committee are aware, Council is continuing to rebuild systems and processes where these were not previously as functional as needed. Although significant work has already been completed to improve systems and processes, management recognises that work remains to rebuild those systems and processes that the community would reasonably expect to be efficiently and effectively functional.

Presently, we are continuing to focus effort on our financial, rating and valuation systems to ensure the systems operate with the maturity needed to provide confidence to management and governance, noting that work to date has already paid dividends, including quarterly financial performance reporting, and an enhanced level of confidence in our rating system.

Primarily this focus and work has been delivered to date through in-house resources, with some external expertise as needed.

Considerations**Implications/Risks**

Continued focus is required to lift system maturity and deliver on community expectations that Council operates with efficiency and is effective. This is a continuing journey.

Significance and Engagement Policy Assessment

There are no issues within this report which trigger matters in this policy.

Tangata whenua views

This is a management response to an audit report. The views of tangata whenua have not been sought.

Views of affected parties

This is a management response to an audit report. The views of affected parties have not been sought.

Financial implications

This is a BAU work programme. There are no direct financial implications associated with delivery of these system improvements.

Legal implications

There are no legal implications with this work programme.

Attachments

Attachment 1: West Coast Regional Council – Report on Findings for the Year Ended June 2024

Attachment 2: West Coast Regional Council – Audit Plan for the Year ended 30 June 2025

West Coast Regional Council

**Report on Findings
For the Year Ended June 2024**



EY

**Building a better
working world**

17 January 2024

Peter Miller
General Manager – Corporate Services
West Coast Regional Council
388 Main South Road, Paroa,
Greymouth 7805

Dear Peter

Report on Control Findings

We have completed our audit of the financial statements and non-financial performance information of West Coast Regional Council (the 'Council' or 'WCRC') for the year ended 30 June 2024.

This report reflects all control matters and issues arising from our audit findings that we consider appropriate for review by management. Our findings and recommendations set out in this report should be read in conjunction with our Audit Close Report presented to Council at its meeting of 22 October 2024. During the course of the 2023/24 financial year Council went through a period of extensive change, particularly in relation to personnel. This period gave rise to a significant number of financial reporting and systems based issues that we acknowledge Council have been working to mitigate. We have sought to outline a range of these findings in this report to support your ongoing improvement plan. We would like to emphasise the importance of continuing to improve your reporting and control mechanisms.

In accordance with the Auditor-General's Auditing Standards, which incorporate International Standards on Auditing (New Zealand), we performed a review of the design and operating effectiveness of Council's significant financial reporting processes. Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data. They have not been designed for the purposes of making detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in Council's internal control environment.

We wish to express our appreciation for the courtesies and co-operation extended to our representatives during the course of their work.

If you have any questions or comments, please do not hesitate to call me on 027 489 9378 or at stuart.mutch@nz.ey.com.

Yours faithfully
Ernst & Young



Stuart Mutch
Partner

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1. Overview

1.1 Overview of Risk Ranking System

We have detailed our risk ranking system below in order to provide context for rankings.

**High
Needs significant
improvement**

Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of intended objectives, financial results or may otherwise impair Council's reputation.

**Moderate
Needs substantial
improvement**

Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.

**Low
Needs some
improvement**

Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

1.2 Summary of Recommendations

The following is a risk profile of our recommendations:

	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
2.1.1 Application of Rates Factors Inconsistent with Rates Resolution	X	-	-
2.1.2 Accuracy of Rates Resolution: One District Plan rate	X	-	-
2.1.3 Integrity of Unit Rates applied in Infrastructure Assets Revaluation	X	-	-
2.1.4 Alignment of Infrastructure Asset Valuation volume and length data with underlying asset management database	X	-	-
2.2.1 Grants Management Database, record keeping and the Management of Revenue Recognition	-	X	-
2.2.2 Instruction and oversight of External Valuations	-	X	-
2.2.3 Overhead allocation to the costing of grants	-	X	-
2.2.4 Maintenance of Capital Commitment Records	-	X	-
2.2.5 Stocktake Procedures	-	X	-
2.2.6 Delegations of Authority and authorisation of expenditure	-	X	-
2.3.1 Interim Management Reporting	-	-	X
2.3.2 Regular and consistent reconciliation procedures	-	-	X
2.3.3 GST Proof Procedures	-	-	X
2.3.4 Maintenance of Consent records including recognition of Council fee rights	-	-	X
2.3.5 Rehabilitation Provision: Update of Key Inputs	-	-	X

2.3.6 Maintenance of historical knowledge of purpose for legal expense	-	-	X
Number of Recommendations	4	6	6

1.3 Disclaimer

Issues identified are those found within the course of the audit for year ended 30 June 2024 or revisited from previous audits. Recommendations are intended solely for the use of Councillors and management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than Councillors and management or for any purpose other than that for which it was prepared.

2. Observations from the 2024 audit

2.1 High Risk Category Issues

2.1.1 Application of Rates Factors Inconsistent with Rates Resolution

<p>Observation</p>	<p>During the setting and charging of rates for the 2023/24 year in July and August 2023 errors were generated through the manner in which rates were going to be applied to properties. Principally as a consequence of errors in the application of valuations across the different rating districts within the region. Council undertook a targeted review of how this issue arose and then took steps to credit ratepayers and re-invoice ratepayers in accordance with original expectations as rates were higher than had been communicated to ratepayers. A key learning taken by Council from this exercise was that the accuracy of the steps taken between calculating total rates within the test environment through to the passing of the rates strike and the application of rates within the rating application requires careful, experienced independent review at each step. We are not seeking to re-assess these errors within the rating process applied at the start of the financial year. However, it provides important context to the matter identified within the re-billing process that took place in November and December 2023.</p> <p>While completing rates calculation testing on the re-charged rates we noted that Council had altered the rates factors used to calculate the new re-set rates. Council changed the rates so that Council would levy the same amount of rates revenue that they had set out to recover. Essentially Council reverse engineered the rate factor so it would levy the rates revenue set in the Rates Resolution using the new capital values.</p>
<p>Risk</p>	<p>By not applying the factors as set out in the rates resolution, Council did not rate in compliance with the Local Government (Rating) Act 2002 which requires the factors communicated in consultation documents and included in the rates resolution to be applied.</p> <p>The changing of the rate factors resulted in the levy of rate payers decreasing. However, there was still some risk that certain ratepayers were asked to pay more due to Council changing both the CV and Rate Factors. For the purposes of the Annual Report, following consultation with the Office of the Auditor-General we were satisfied that there was no evidence that the matter was material enough from a financial statement perspective to draw attention to the matter in the audit report. Therefore, we did not modify the audit report for this issue.</p>
<p>Recommendation</p>	<p>Council undertake specific review of the appropriateness of each step of the rate setting process against the Local Government (Rating) Act 2002. Formal legal advice should be obtained and documented in regard to the approach to be adopted where changes are to be made to pre-prescribed and adopted rates.</p>
<p>Management Response</p>	<p>Rates setting process is under review in 2024/25 to look to mitigate the issues that arose in the rate setting process in 2023/24. This review is supported by the 2023 – 2024 internal audit, and consequential recommendations. This has resulted in a mapping of our rating system, increased clarity in roles</p>

and accountabilities and enhanced checks and balances. Additionally, we are looking to enable easier data migration on a regular basis to ensure up to date information. Our GIS system is being rebuilt to enable better data validation. We are in discussions with IBIS regarding Rates modelling.

2.1.2 Accuracy of Rates Resolution: One District Plan Rate

Observation

During the course of our audit procedures we noted that the One District Plan Targeted Rate generated significantly more rates revenue than the level of revenue that was set in the originating Council rates resolution and Annual Plan.

Rates Revenue per the General Ledger	\$1,244,713
Rates Revenue Set in the Rates Resolution	\$1,000,000
Difference	\$244,713

This error was caused by the rates set in the rates resolution being incorrectly calculated. The calculation error was due to using the incorrect total estimated Capital Value. Instead of Using \$9,254,280,850 WCRC used \$7,555,963,305, representing an old set of capital values. This resulted in a rate factor of 0.0001522 instead of 0.0001081. So, when the factor was applied to the correct capital values \$244k of additional rates revenue was gathered. This was not corrected in the rates correction sent out by Council in December 2023 and was only detected during the course of our audit procedures.

Council sought Legal advice from Jonathan Salter who determined this was not a breach of the Local Government (Rating) Act 2002 and that there was no obligation for Council to return the money to ratepayers. There is no obligation to refund the money because Council applied the factor set in the rates resolution. Even if the factor set in the resolution was wrong Council is entitled to receive the rates levied using this factor as the capital values to which it was applied were the legal values at that time.

Risk

The rating of significantly greater levels of rates to that which has been communicated to the Community reflects further weaknesses in the rate setting process and places a significant risk of a loss of confidence in Councils ability to undertake a core process accurately and in accordance with their communications.

Recommendation

Council undertake specific review of the appropriateness of each step of the rate setting process against the Local Government (Rating) Act 2002. Formal legal advice should be obtained and documented in regard to the approach to be adopted where changes are to be made to pre-prescribed and adopted rates.

Management Response

Our review of the rates setting process, clearer delineation between roles, and enhanced checks and balances will focus on ensuring that this issue is less likely to reoccur.

2.1.3 Integrity of Unit Rates applied in Infrastructure Assets Revaluation

Observation	<p>Construction unit rates represent a key element of any infrastructure asset valuation. The normal practice that we observe in the sector where an independent valuer is requested to undertake a valuation of assets is either:</p> <p>The valuer provides relevant unit rates, including professional on costs and other associated rates, utilising their own databases of pricing that they have built up through the course of their associated work with organisations in the local government or other relevant sectors. In such situations the professionally qualified and experienced valuer will document how the unit rates are sourced, how active the market is and how any unit rates have been adjusted for cost inflation factors if appropriate. In such circumstances Council and their respective auditors should be able to place reliance on this professional valuer to carry out their role in the manner expected and consequently on the unit rates, unless something very particular is occurring in the local market to suggest otherwise.</p> <p>Alternatively, the following approach might be adopted:</p> <p>The valuer receives unit rates from the owner of the infrastructure asset based on the organisations local, arms-length transaction based, recent market experience. The valuer will then assess the appropriateness of those rates and adopt them as their own, having reviewed them to an appropriate extent to assess that the integrity of their valuation will not be impeded or lose professional integrity in any way. In such cases the auditor should seek to understand how the unit rates have been collated and undertake some verification procedures focused on Council's records. However, a degree of reliance should also be able to be placed on the review process that the valuer has adopted.</p> <p>As a part of the 2023 financial statement close process Council obtained an independent valuation of its flood control assets utilising Stantec as an independent valuer. Within our 2023 audit process we identified that this valuation drew upon flood control asset construction unit rates from an Aon valuation obtained by Council, which itself had placed reliance on unit rates provided by management of Council. Stantec expressly stated it had been provided unit rates from Council and had not undertaken any level of review of those rates against its own knowledge of unit costs. Essentially this resulted in a requirement for Council and the audit team to validate the appropriateness of the rates collated and used initially by Aon and then by Stantec. It was identified in 2023 that the employee who had provided the rates had left Council and they could not be validated back to observable market pricing at that time. Council sought a further valuation from Stantec in 2024 with the intention that the integrity of the unit rates be improved through Stantec's own mechanisms. However, following discussions by Council and audit representatives with the valuer, it was clearly identified that Stantec had simply taken the unsupported unit prices from 2023 and simply applied an inflation rate adjustment.</p> <p>Council were able to source some information to support elements of the unit costing for key costs, including rock & rubble. However, these were quite variable and not well collated by the point in time at which the Annual Report had to be adopted. As a consequence the qualification in our audit report on this matter was carried forward and re-applied in 2024.</p>
Risk	<p>Flood control infrastructure assets represent Councils key asset. The integrity of the valuation underlies the overall financial statements of Council. Whilst significant elements of the assets are non-depreciable due to their nature, it remains important for Council to appropriately value and record asset values for external reporting purposes.</p>
Recommendation	<p>Council develop an updated database of construction unit rate information which can be shared with its external valuers to support the integrity of Councils valuation. An alternative option may be for Council to specifically articulate in its valuation requirements that the valuer must use their own database of information to support their unit rates for valuation purposes and that any valuation includes a statement of confidence in those unit rates as applicable to the West Coast region.</p>

Management Response	WCRC is implementing an asset management framework through ArcGIS. This toolset will enable the creation of an asset register and will record asset condition inspections, defects and works orders. This significant project is a step change in Council's asset management approach, resulting in better management information (including volumetric data), and consequently more efficient and effective resource deployment. Opportunities for future enhancements include planning and workflow management. Initial work will enable Council to collate accurate asset data, and together with up-to-date costings, will enable realistic valuation estimates, as has been discussed with the auditor.
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2.1.4 Alignment of Infrastructure Asset Valuation volume and length data with underlying asset management database

Observation	Council maintain a geographically widespread and extensive network of flood control assets throughout the region. Assets are often in remote location and in many cases have been in place for some time. We have noted that Council takes care to document volumes and locations for work done, such as replacements of damaged or weakened elements of the assets and maintain information in regards to extensions of assets. However, there has not been a full review undertaken of the length, breadth, hight and conditioning of flood control infrastructure assets for sometime, if at all. In addition, whilst asset information is maintained in GIS there is not a high level of confidence that it is fully reflective of the assets on the ground or adequate in both volume and conditioning information to provide a high standard basis for valuation purposes
Risk	Councils records do not reflect the physical state and location of flood control assets throughout the region diminishing the integrity of valuations undertaken on those assets and restricting Councils ability to undertake asset management planning and renewals work.
Recommendation	Council continue to enhance asset information in regards to location, length, breadth, hight and conditioning of flood control assets and that this information be drawn together and maintained in an accurate and effective manner.
Management Response	As per the response to 2.1.3 above. Additionally, Council will note that specific resources have now been allocated to our capital works programmes, including a Capital Programme Manager and Project Accountant.

2.2 Moderate Risk Category Issues

2.2.1 Grants Management Database, record keeping and the Management of Revenue Recognition

<p>Observation</p>	<p>Council receives significant levels of Grant funding from a variety of agencies throughout the year, with \$15.6 million of grants being recognised as non-exchange revenue transactions in the 2023/24 period. These grants are derived from a broad range of different counter-parties some of which are central government agencies. With significant capital works programmes in the forthcoming years the extent of grants received will continue to be material to Councils operations and responsibilities. However, with the current economic circumstances faced by central government the monitoring and expectations placed upon local authorities receiving funding may increase.</p> <p>During the course of our 2024 audit we found it difficult to obtain contractual information and Council's documented understanding of that contractual information in regards to the revenue recognition criteria of either IPSAS 23 <i>Revenue from Non-Exchange Transactions</i> or IPSAS 9 <i>Revenue from Exchange Transactions</i>. Generally contracts are maintained and negotiated by operational business units although they were difficult to obtain. We found that the finance function of Council were not close to the nature of the transactions and were not involved in the management of revenue recognition. Nor was there a centralised database of contracts maintained reflecting their period of relevance, key contractual terms, the funders expectations, the methods by which revenue should be recognised in consideration of IPSAS 23 (particularly in regards to the recognition of deferred revenue liabilities).</p>
<p>Risk</p>	<p>We acknowledge that the significant level of staff turnover has caused additional challenges in keeping track of contractual documentation and maintaining a full understanding of Council's obligations. However, given the significance of the level of revenue being generated through Grants it is critical that contract arrangements are understood by both the frontline operational teams and the financial management team of Council so that invoicing can be undertaken and revenue and liabilities, where appropriate for the potential return of funds, recognised in an appropriate manner in accordance IPSAS 23.</p>
<p>Recommendation</p>	<p>Contracts be maintained within a centralised database so that both operational and finance teams have appropriate levels of access and understanding of contractual terms and the point in time in which Council can invoice and ultimately recognise revenue, which, under IPSAS 23, may not be aligned.</p>
<p>Management Response</p>	<p>WCRC has completed a few changes in staffing, we have appointed a Capital Programme Manager and Project Accountant focused on our capital works programmes, and a Senior Management Accountant who is tasked with partnering with the business. We have appointed a Document Management staff member in IT. We are continuing to approach system improvement alongside BAU as the preferred management approach, acknowledging that such an approach results in a slower-time delivery of necessary system improvements, but recognising that this approach is less costly to our community and results in better staff buy-in to changes. Management remains confident that for the majority of system improvements that we now have sufficiently skilled and competent in-house resources to deliver on community and Governance expectations.</p>

2.2.2 Instruction and oversight of External Valuations

Observation	<p>Our discussions with representatives of Stantec in relation to the independent valuation of infrastructural assets in 2024 reflected that their 30 June 2024 valuation included a simple inflation adjustment of 2023 unit rates and no significant examination of the underlying assets of Council or re-assessment of construction rates applied within the valuation. This appeared to be contrary to the expectations of Council and did not provide for an enhancement of the valuation from 2023.</p> <p>It became apparent that the valuer had undertaken the valuation in line with what they had understood Stantec had been contracted to undertake. However, this ultimately resulted in Council's audit report being modified to give reference to the concerns raised in 2023 which, because of the approach adopted by Stantec in 2024 were not resolved.</p> <p>The completion of any valuation is dependent on the clarity and effectiveness of instructions provided and the scope of work to be completed.</p>
Risk	<p>Without effectively managing the valuation of infrastructure assets and ensuring that the scope for work to be completed fulfils the requirements and needs of Council and other stakeholders, there remains a significant risk that the work will fall short of expectations.</p>
Recommendation	<p>Clearly document the scope of any valuation engagement. This could include seeking audit input and then having discussions with the valuer progressively through the valuation exercise to obtain assurance that their work will be in line with expectations.</p>
Management Response	<p>Please also note 2.1.3 above.</p> <p>Valuation engagement will be reviewed with Corporate Services and the Catchment team to ensure the right outcome for 2024/25.</p>

2.2.3 Overhead allocation to the costing of grants

Observation	<p>For the majority of grant revenue recognised by Council, the driver for revenue recognition is the incurrence of expenditure with external parties focused on undertaking the expectations of the contractual requirements. During the course of our review of this expenditure and the revenue recognition adopted by Council we noted that Council generally only recognised directly attributable external, invoiced to Council, costs. In some cases direct staff costs were incurred and also recognised to drive revenue recognition. However, we noted no situations where Council would allocate any form of directly attributable overheads to contracts for the purposes of recovery through invoicing to grant providers and revenue recognition. We did not examine all contracts, where available, to review the appropriateness of overhead recoveries, but in our experience in other parts of the local government sector, we would see some form of directly attributed overhead allocation. Whilst some contracts may not allow for the recovery of overheads, there does not appear to be any pro-active management of this opportunity / risk.</p>
Risk	<p>Council is not reflecting the true cost of completing its contractual obligations associated with external contracts and hence is not recognising the extent of revenue it may be entitled to.</p>
Recommendation	<p>Review contractual arrangements for Grants received from third parties for the nature of costs that can be recovered or are applicable within the contractual arrangements.</p>

	Depending on contractual entitlements Council may be able to charge directly attributable overheads to grant project codes and consequently recognise additional revenue, at an earlier date, than what it is current doing.
Management Response	The Senior Management Accountant and Project Accountant are now working closely with the Teams that generate grant funding to ensure costs claimed are in-line with contractual obligations.

2.2.4 Maintenance of Capital Commitment Records	
Observation	During the preparation of the 2024 financial statements, it became apparent that Council were unable to accurately and efficiently generate a schedule of capital commitments for financial reporting purposes. Specific details of signed contracts, and how much expenditure has been incurred to date had not been collated and reviewed to support the financial reporting of Council.
Risk	Without maintaining a clear schedule of contractual commitments Council will be unable to: <ul style="list-style-type: none"> • Determine at any specific point in time the level of future capital costs to which it is contracted and for which it must attribute future cash flows to; • Fully monitor financial progress against capital projects from a cash flow perspective; • Assess the completeness of capital retention liabilities against the level capital projects cash flows to date; and • Fully fulfil its financial reporting obligations in regards to capital commitments.
Recommendation	Capital works contracts and equipment purchase agreements be collated into a single database against which expenditure is tracked and external reporting can be generated.
Management Response	The Project Account is now tasked with ensuring that this level of visibility is available from our contractual commitments.

2.2.5 Stocktake Procedures	
Observation	Council maintain ownership of significant volumes of Vector Control Services (VCS) bait that is utilised to manage introduced species within the region. In addition Council maintain rock and rubble at quarry sites on the west coast. Whilst some records were maintained in regards to volumes held at balance date, the extent to which stocktake procedures had been undertaken, documented, reviewed and stock records adjusted for variations identified was difficult to identify and confirm.
Risk	The failure to count inventory volumes at year end can give rise to the inaccurate determination of inventory values for financial reporting purposes. Inaccurate inventory valuation procedures will also impact the integrity of cost of services provided within the given the financial period. This will impact Council's ability to understand the profitability, or extent of losses associated with inventory based functions.
Recommendation	A stocktake by undertaken of all material inventory locations for both VCS bait and quarry rock and rubble. Appropriate unit rates should then be applied to the identified lines of inventory. Variances to perpetual records should then be investigated and adjustments to records and the general ledger made. Management of Council liaise with audit in the lead up to balance date to assess the scale and materiality of inventory holdings to determine what stocktake procedures should be undertaken at or close to 30 June 2025 to support financial reporting.
Management Response	Levels and value of inventory, including rockpiles are to be available for 30 th of June and a stocktake of all inventories to be completed.

2.2.6 Delegations of Authority and authorisation of expenditure	
Observation	As a consequence of restructuring and staff turnover significant changes have taken place within the delegated authority framework historically maintained by Council. During the course of our annual audit we identified that some forms of expenditure were not being approved, or had no evidence of approval, or the delegated authority listing had not been updated to reflect the individuals undertaking new roles for Council.
Risk	Expenditure may be incurred outside of delegated authorities.
Recommendation	The delegated expenditure authority framework be updated in a timely and effective manner.
Management Response	Review of the delegation for purchase of goods or services to be the responsibility of the Corporate Services team with the Finance Manager and Accounts Payable officer to be responsible for review. We will look to implement an internal audit process to review on a random sample basis.

2.3 Low Risk Category Issues

2.3.1 Interim Management Reporting

Observation	During the course of the 2023 / 24 financial year as a result of staff changes and a lack of capacity in key financial reporting roles, monthly and quarterly financial reporting was not undertaken and provided to Council.
Risk	Regular management reporting to senior management and those charged with governance provides for the application of a more effective management control environment. The simple preparation of management reporting will generate the identification of issues and errors requiring resolution. In addition, if regular reporting to those charged with governance occurs on an ongoing basis throughout the financial year, then the ability of those charged with governance to be able to stand back and effectively review, challenge and then adopt annual reporting is significantly enhanced.
Recommendation	Management implement financial reporting in summarised financial statement form to Council on at least a quarterly basis to allow for the timely consideration of Council financial performance and an increased awareness of Councils revenue, expenditure and balance sheet position through the year.
Management Response	Our financial system maturity has increased post the 2023 – 2024 Annual Report audit. Council will be aware that Q1 and Q2 financial reports were presented to the Corporate Services Committee on time and to standard. These are enabled but our ability to now complete monthly financial reporting. This management information will be further enhanced through cashflow reporting becoming available in April.

2.3.2 Regular and consistent reconciliation procedures

Observation	As a part of the financial statement close process for 30 June 2024 Council was required to undertake significant work in regard to certain elements of the balance sheet to undertake reconciliations and to investigate variances. Whilst this was a critical element of preparing financial statements for audit, it is critical that reconciliations are completed in a disciplined manner on a monthly basis. This will enable the timely investigation of issues by management and provide enhanced confidence in the interim reporting undertaken by management.
Risk	The lack of regular balance sheet reconciliation procedures increases the chances of errors remaining undetected for a protracted period of time giving rise to write-offs or adjustments having to be made without a full understanding as to how an issue came about. A lack of effective independence reconciliation preparation and review processes can also lead to an enhanced risk of fraud.
Recommendation	A regular and timely reconciliation process be established for all key balance sheet accounts. Reconciliations should be supported by positional reconciliations of actual assets or liabilities that are supportable by substantive evidence, not transaction listings from the ledger. The integrity of reconciliation preparation should be independently reviewed with variances and other issues being investigated in a prompt manner.

Management Response	Reconciliations will shortly transition to part of the BAU monthly close process, and work will be ongoing to enhance this BAU process further including documenting outcomes of reconciliations ensuring any matters are completed. This is a work in progress as we get the processes up to date.
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2.3.3 GST Proof Procedures

Observation	During the course of the 2023/24 financial year Council had concerns in relation to the manner in which GST was being recorded and cleared through their respective GST accounts. In addition we noted that more than what would be considered the standard three GST accounts were involved in the broader GST reconciliation process. Council do not undertake an overarching GST proof exercise on a monthly or quarterly basis to support their GST recognition exercise. By utilising information drawn from both Income Statement and Balance Sheet accounts within the general ledger, in regards to transactions that include GST, a reasonable estimate of expected GST returns can be derived to cross validate GST returns prior to their payment.
Risk	GST returns are not accurate and Council have no mechanism in place to obtain an additional level of comfort in regards to their integrity prior to funds being returned.
Recommendation	A GST proof be developed that can draw upon General Ledger positions on a monthly or bi-monthly basis to support GST positions recognised and returned.
Management Response	Management accepts this recommendation and this will be built into our financial processing going forward.

2.3.4 Maintenance of Consent records including recognition of Council fee rights

Observation	<p>The Resource Consent team was unable to locate a signed copy of a resource consent selected for testing. We would expect adequate records should be maintained of all finalised consents issued.</p> <p>We noted examples of Resource Consent agreements which include clauses allowing Council to charge an annual fee in arrears equivalent to 0.5% of the Bond Quantum for the relevant year and to deduct that fee from the interest earned for that year. Discussions with management reflected that they were not aware of this clause and have not enforced it.</p>
Risk	Documentation of consents provided, and an understanding of those consents is not maintained and understood in a consistent and complete manner.
Recommendation	The documentation of consents issued and relevant clauses of a financial nature be maintained and understood in a centralised manner for the use of relevant groups within Council.
Management Response	This is considered to be a one-off issue. Considerable effort has been placed on system maturity within our consents team, ensuring that our records are maintained appropriately.

2.3.5 Rehabilitation Provision: Update of Key Inputs

Observation	During the course of our review of the provisions maintained to support the cost of closing and rehabilitating (where necessary) Council's quarries, we noted that calculations had not been updated to reflect new discount rates and the changes in the expected use profile of the sites for 2024.
Risk	Provisions recognised for financial reporting purposes and the associated expected closure costs do not represent the true cost to Council.
Recommendation	All key inputs to provisions be re-assessed and documented on at least an annual basis as a part of the financial statement close process.
Management Response	Management accepts this recommendation, which will be led by the Finance team and delivered prior to the end of the Financial Year.

2.3.6 Maintenance of historical knowledge of purpose for legal expense

Observation	During the 2023/24 financial year Council incurred a significant level of legal costs with a range of legal services providers. Due to staff turnover, there was limited knowledge, or access to information to support the nature of the services provided by certain legal firms to Council during the period. This placed restraints on the ability for Council management to assess whether matters had been closed out or whether there existed potential external obligations to consider as at 30 June 2024 for financial reporting purposes.
Risk	No effective assessment can be made of the completeness or valuation assumptions underlying contingent liabilities or provisions arising from legal action against Council.
Recommendation	The documentation of historical matters placed with Council's legal Counsel be documented, maintained and understood by a relevant small number of key personnel so that records and understanding can be maintained and carried forward.
Management Response	The Corporate Services Team will work with teams within council to ensure we capture the information required

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West Coast Regional Council

Audit Plan for the year ending 30 June 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

WELCOME



Dear Risk and Assurance Committee Members

We are pleased to present our External Audit Plan (Audit Plan) for West Coast Regional Council for the year ending 30 June 2025. Our meeting with you on 18 March 2025 is a forum to discuss our Audit Plan, the scope of our work, your current expectations and to ensure that our efforts are aligned with your expectations.

Our audit is designed to express an audit opinion on the 30 June 2025 full year Annual Report including service performance information and the Summary Annual Report that you expect to prepare for publication.

Our Audit Plan has been prepared acknowledging, and with consideration of West Coast Regional Council's current and emerging business risks and the resultant financial statement and performance information impacts. It is designed to be responsive to the unique needs of West Coast Regional Council, to maximise audit effectiveness and to deliver the high-quality audit you expect.

Should you have any questions or comments, please do not hesitate to contact me. We look forward to discussing our Audit Plan with you at the Risk & Audit Committee meeting on 18 March 2025.

Yours faithfully



Stuart Mutch
Partner
7 March 2025

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AREAS OF AUDIT FOCUS

8

key focus areas identified that remain broadly consistent with the prior year



Our areas of audit focus have been summarised below and explained in detail in the [Areas of Audit Focus](#) section. We have identified matters that are likely to require significant audit effort, which will be validated and reassessed throughout the course of our audit.

- Infrastructure Assets HIGH
- Integrity of Rates Strike, Rates invoicing and collection HIGH
- Non-financial performance reporting MEDIUM
- Grants and Subsidies MEDIUM
- Investments LOW
- Expenditure, Procurement and Tendering LOW
- Debt LOW

AUDIT APPROACH



Our audit approach is built around developing an understanding of your systems and associated controls and then to develop appropriate procedures to provide ourselves and ultimately Council with assurance in relation to your Annual Report.

We plan to take a substantive approach in areas of significant management judgement or where this has been assessed as more efficient or effective.

PLANNING MATERIALITY



\$759K

Our planning materiality has been set at \$759k, calculated at 3% of operating expenditure as forecast in LTP 24-34. The basis for calculating planning materiality is consistent with the prior year.

We will report all audit differences over \$38k.

INDEPENDENCE



We will confirm our independence throughout the audit and remain in compliance with *NZICA Code of Ethics and the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* independence requirements and the OAG's own independence standards.



Infrastructure Assets

Our Understanding

Infrastructure assets represents the most significant component of the Council’s balance sheet with carrying values of the following amounts at 30 June 2024:

Infrastructure Assets	\$000
Bridges, roads and accessways	43
Drains and channels	4,117
Pipes, culverts and floodgates	2,043
Seawalls, stopbanks and earthworks	182,150
Structures	2,763
Infrastructure capital work in progress	12,090
Total Value	203,206

Infrastructure assets are revalued regularly in accordance with Council’s revaluation policy. Revaluations are either completed internally (and independently peer reviewed) or by external valuation professionals.

EY qualified the 30 June 2023 and 30 June 2024 audit reports in relation to the valuations of seawalls, stopbanks and earthwork assets due to not being able to obtain sufficient audit evidence for the value of these assets, in regards to unit pricing. Part of the challenge in determining the value of the assets was associated with reconciliation of the data available to determine the existence of those assets (i.e. Length, Volume and Height) and the data used by the valuers.

Management is in the process of implementing a new asset management system and expects to inspect as much as 60% of Infrastructure Assets for length, volume, height and other relevant metrics by 30 June 2025. The key challenge will be whether this is representative of the asset class and obtaining real confidence in the asset unit rates in 2025.

Capital Projects

Council recognised \$17.9 million of capital work in progress across a number of significant capital projects at 31 December 2024 with expenditure expected to increase progressively through the financial year. Significant procurement decisions, the oversight of capital projects and the recognition of costs incurred in an appropriate manner represent key processes for Council to manage in 2024/25.

Planned Audit Approach

Our planned audit procedures for Infrastructure Assets includes:

- For infrastructure assets that are successfully implemented into the new asset management program in FY25, assess the new data for appropriateness and check key inputs.
- For assets that are inspected by management, and data that is added to the new system compare the new data to the old data to assist in determining the reliability of the old data, and hence whether confidence can be maintained in the old data to not detract significantly from any new valuation.
- Obtain managements assessment of the assumptions underlying the valuation with a particular focus on unit pricing.
- Examine management’s assessment for significant asset indicators of impairment and any resultant write-down of the Council’s infrastructure assets.
- Examine the appropriateness of depreciation against the estimated useful lives in the Council’s accounting policies. We will also consider the useful lives included in the re-assessment of asset condition.
- Assess the fixed asset reconciliation of underlying data to the general ledger with a focus on significant additions and disposals during the year.

Capital Projects

- We will build an understanding of the status of projects and how costs are incurred and tracked across individual projects. This will include managements practice of examining the classification of expenditure as operational or capital in nature.
- We will assess, on a sample basis, the accounting for significant additions and disposals of assets during the year.
- We will review the appropriateness of the recognition of capital project work in progress to obtain assurance that work has not been completed and is continuing and hence does not require capitalisation into the fixed asset register, as completed.
- We will give consideration to the recognition of contractor retention liabilities on key projects that occur over extended timeframes.
- We will connect our work on capital projects with our work on grant funding where significant central government of other external funding is linked to work completed.

Key judgements: Assumptions used in valuations and classification of capital and maintenance costs

Relevant accounting standards: PBE IPSAS 17 *Properties, Plant and Equipment*

Level of complexity or management judgement: HIGH

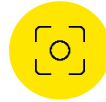
High Risk Focus Areas



Audit Approach



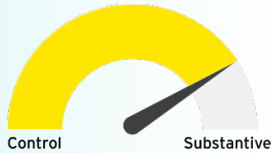
Areas of Audit Focus



Background



Planned Audit Approach



Integrity of Rates Strike, Rates Invoicing and Collection

Key Judgements: Compliance with the Local Government (Rating) Act and provisioning for outstanding rates debtors

Relevant accounting standards: PBE IPSAS 23 Revenue from Non-Exchange Transactions

Level of complexity or management judgement:

HIGH

- Rates income levied represents the Council’s primary revenue source. There is a specific legislation in place which must be adhered to for the rates set to be lawful. In the local authority context, failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue.
- The requirement for there to be consistency between the rates resolution, Funding Impact Statement and the Finance Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by the Council forming the core of the Councils revenue.
- The accuracy of a rates strike is dependent on the integrity of the rates database. The reliability of the rates billing system should ensure rates are billed appropriately.
- FY24 Background: When WCRC set their rates for FY24 errors existed in the capital values used to set the rates resulting in the incorrect rate factors. This resulted in incorrect rates being levied and invoiced to the Council’s ratepayers. Council corrected this by altering the rates factors applied by Council in billing. This caused further non-compliance with the Rating Act which was discussed with the OAG and deemed immaterial for financial reporting purposes but still a significant error by Council in the management of rates. Other inconsistencies were also identified during the audit. This recent history of errors and a lack of understanding of the key elements of legislated requirements.

- Obtain an understanding of the Council’s rating structure and review the Council’s rate resolution for the financial year and its linkage to the Long-Term Plan.
- Review the Council’s procedures for enduring the rates set are compliant with the Local Government Rating Act and test that the rates set are being applied appropriately to the rating database and invoiced accordingly.
- On a sample basis, we will undertake a review of billing to specific ratepayers and subsequent collection.
- Certain rate paying groups represent a higher collection risk. We will examine any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances.

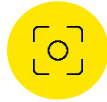
Medium Risk Focus Areas



Audit Approach



Areas of Audit Focus



Background



Planned Audit Approach



Non-Financial Performance Reporting

Key Judgements: Selection of measures relevant to reporting non-financial performance

Relevant accounting standards: PBE FRS 48 Service Performance Reporting

Level of complexity or management judgement:

MEDIUM

- Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a “performance story” to the community.
- Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether the service performance report fairly reflects the Council’s actual service performance for the period.
- The performance framework set as part of the 2024/34 LTP is applicable to the 2025 financial year
- PBE FRS 48 *Service Performance* Reporting standard now forms the basis of reporting against Annual Plan or LTP objectives and targets

- Our audit procedures will focus on assessing completeness and effectiveness of the Council’s non-financial performance reporting.
- Update our understanding of key performance reporting processes and review methodologies applied by the Council.
- Assess, on a sample basis, the measures have been accurately reported on and outputs have been achieved where stipulated.
- Provide feedback on the overall annual report and the summary annual report.

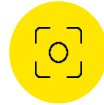
Medium and Low Risk Focus Areas



Audit Approach



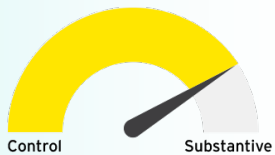
Areas of Audit Focus



Background



Planned Audit Approach



Grants and Subsidies

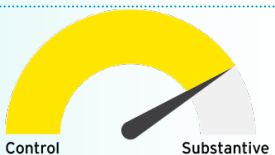
Key Judgements: Appropriateness and measurement of costs included in claims, based on both operational and capital expenditure

Relevant accounting standards: PBE IPSAS 23 Revenue from Non-Exchange Transactions

Level of complexity of management judgement: MEDIUM

- During the year, Council receives grants and subsidies from various funding sources. These grants typically require funding to be spent on a particular project or area of Council’s operations with any unspent funds to be returned
- Any unspent amounts for funding already received, at balance date are recorded as a current liability – Revenue in Advance, unless grants funded in advance, or rewarded to Council have no “return obligation” at 30 June 2025.

- Obtain and review funding agreements for significant grants and subsidies to understand revenue recognition principles and any return obligations implicit in the agreements
- For contracts requiring regular progress reporting, obtain the most recent communication with the provider to understand the project status and whether estimated completion is on schedule
- For other grants, agree the receipt of funds to Council bank statements and assess whether Council have met the performance obligations included within the funding contract in order to recognise the revenue
- Assess significant expenditure either side of balance date to obtain assurance expenditure and corresponding positions are recognised in the appropriate period
- For Grants accruals at year end, obtain the invoice and evidence of subsequent receipt and agree the rights to those grants to approved contracts signed before balance date.



Investments

Level of complexity of management judgement: LOW

- Council holds \$14.7m of investments placed with JB Were principally invested in international and domestic equities and bonds as at 31 December 2024.
- This investment portfolio represents a long term hold position for Council and has seen good returns over its investment life. We note that whilst markets remain strong there are a range of factors in the global environment presenting future risk.

- Obtain an understanding of the investment portfolio maintained in the year and review the recognition of gains, losses and the year end position by Council.
- Obtain evidence supporting any changes to Council’s investments through new investments made, or funds drawn down.
- Confirm the JB Were position at year end.

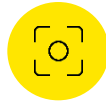
Low Risk Focus Areas



Audit Approach



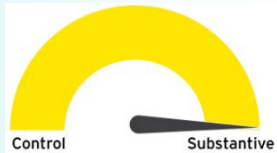
Areas of Audit Focus



Background



Planned Audit Approach



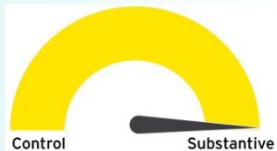
Expenditure, procurement and tendering

Level of complexity of management judgement:

LOW

- ▶ Appropriateness of Councillor and management expenditure is an area of interest to ratepayers.
- ▶ Council's capital works procurement programme involves significant cash flows and complex long term contract management.
- ▶ The unprecedented level of change within Council over the last two years has placed strain on processes. However, with a more stable structure in place we expect improvement within the control environment.
- ▶ Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit (or perceived personal benefit).

- ▶ We will review Council's policies to check if there is adequate guidance regarding the procedures for handling sensitive expenditure and conflicts of interest within the organisation and policies are consistent with best practice guidelines issued by the OAG. This includes the following types of expenses; travel, training, consultant fees, use of credit cards and Councillor expenses.
- ▶ We will update our understanding of Council's procurement and contract tendering processes and testing on a sample basis contracts procured during the year follow policies appropriately.
- ▶ We will review, on a sample basis, expenditure and credit card statements of councillors and management and checking expenditure is appropriate and in line with Council Policies.



Debt

Level of complexity of management judgement:

LOW

- Council holds \$17.7m of debt through several drawdowns with the Local Government Funding Agency (LGFA) as at 31 December 2024.
- The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the reporting certificates.

- ▶ We will review the relevant debt facility agreements including the process for managing drawdowns and obtain evidence supporting any changes to Council's borrowing obligations and limits with LGFA.
- ▶ We will consider the term or current classification of the debt and obtain LGFA confirmation of the outstanding debt position at year end.
- ▶ We will complete assurance procedures over the debenture trust deed consistent with previous years.

Digital Audit Approach

Delivering a digital audit is standard to the way we execute. What is personalised is the journey

Digitalisation continues to be one of the most important drivers of transformation, especially in these changing times. The evolving business landscape has challenged the usual accounting and reporting cycles for many companies, prompting a faster transition to digital work environments. It is even more critical now for companies to share trustworthy and readily available financial information for stakeholders.

- West Coast Regional Council’s stakeholders rightfully demand audits of the highest quality.
- West Coast Regional Council want to ensure that audits are leveraging your latest investments in systems, technology and data.
- West Coast Regional Council want greater transparency of the audit process.
- West Coast Regional Council expect auditors to ask meaningful and insightful questions about your data throughout the audit.

Data-driven Audit

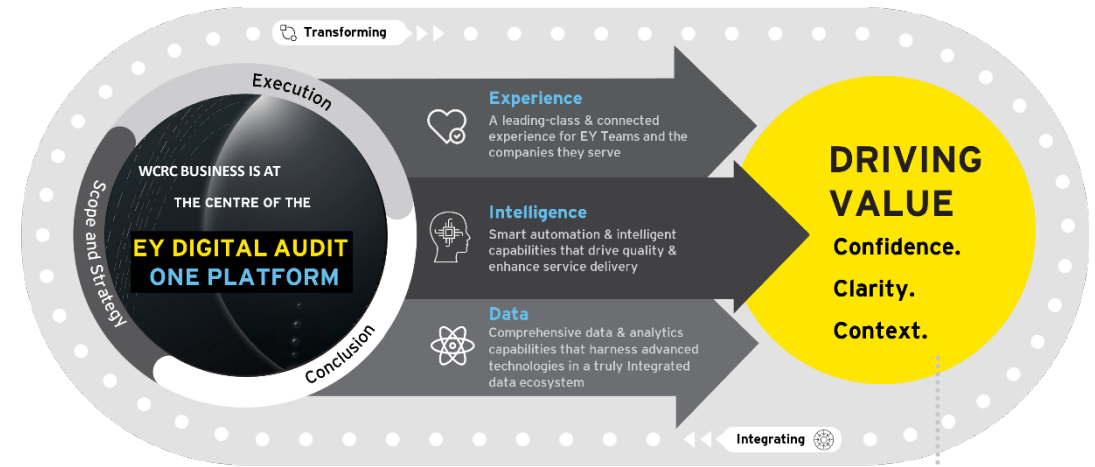
To meet the expectations of stakeholders, regulators and clients of a modern audit, EY has invested over \$1bn in new technology and an additional \$1.4bn in AI, revolutionising our professional practice. This is the EY Digital Audit, the first data-driven audit.

As a result of EY’s transformation journey, it stands today as the only global organisation with the data, technology and people to provide a globally consistent, fully scalable and data-driven audit.

[The latest EY Assurance technology releases in May 2024](#) include the launch of additional AI-powered capabilities, such as supporting EY teams with financial statement tie-out procedures globally. EY also introduced pilots of generative AI (GenAI) technologies – driving toward the integration of the award winning EY.ai.EYQ ecosystem of GenAI capabilities with EY’s next-generation Assurance technology platform.

The EY Digital Audit improves the way our auditors look at risk, reduces management burden in supporting the audit and provides new insights to improve West Coast Regional Council’s finance processes.

What



Driving Value

Stakeholders’ expectations of the purpose and objective of the audit are ever-increasing. The EY response to this includes continuous investment in the digital audit. Infusing it with data and technology, allows EY audit teams to drive value in three distinct areas:

Confidence through sustainable audit quality and exceptional global service delivery

Clarity through real-time visibility into audit progress and full population data analysis that supports insights into trends and anomalies

Context through right-sized approaches that align to company transformation agendas and provide perspectives framed within the broader landscape

Internal Control Environment

The primary responsibility for the design and operating effectiveness of the internal control environment, including the prevention and detection of fraud and error, rests with those charged with governance and management.

We obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control to you.

Our assessment of internal controls covers:

- The control environment including entity level controls
- West Coast Regional Council’s risk assessment procedures
- The design and operating effectiveness of internal controls (including IT general controls)
- Monitoring of controls (internal audit and self-assessment).

We provide management with an [internal control letter] during the audit process, outlining our findings and our recommendations on where improvements in internal controls can be made. Where significant deficiencies come to our attention, we will communicate these to the Risk & Assurance Committee.

Internal Audit

We consider where we can use the internal audit function during our audit procedures to minimise duplication and to rely on their work wherever possible.

Where we use the internal audit work, we will:

- Understand significant processes and perform walkthrough of a transaction through the entire process
- Retest a sample of the controls tested by internal audit
- Adjust substantive audit procedures at year end based upon the results of the testing.

Assessing the Risk of Fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Audit Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).

Our approach to fraud risks are outlined below:

Understanding the business and the control environment - We will enhance this understanding to provide a foundation for our risk assessment. Our understanding includes the business model as well as external factors and internal factors, including the governance and monitoring structures in place.

Identification of risks of material misstatement due to fraud – we will challenge risk assessments in line with the current environment, applying the fraud triangle when making these risk assessments, focusing on sources of fraud risk factors.

Responding to risks of material misstatements due to fraud – we will take into account our understanding of the entity’s business and its control environment, designing tailored responses to identified risks of fraud and evaluating the reliability of audit evidence obtained (e.g. use of confirmation.com to address confirmation risks).

Communicating our audit approach to fraud risks – We will discuss fraud risks with the audit committee [for audits of listed entities] including our approach to addressing those risks.

Communicating identified or suspected fraud – We will report any instances of suspected fraud to management and the audit committee in accordance with obligations under both auditing and ethics standards.

Your EY Team

We understand that our team is the most important element of your relationship with us.

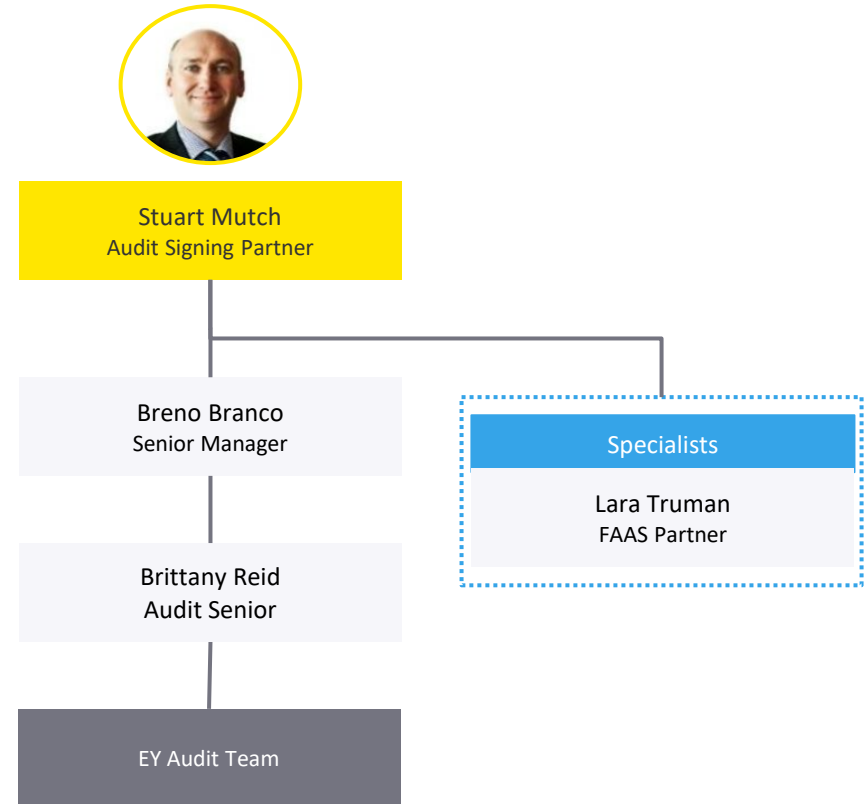
Our team has been involved in the audit of West Coast Regional Council, or Councils of a similar nature for a number of years. This stability provides West Coast Regional Council with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your business. Furthermore, we have incorporated experts from our Financial Accounting and Advisory Services team to assist us in addressing the financial risks facing West Coast Regional Council.

Team rotation

We believe that the periodic rotation of the key decision makers on the audit assists with maintaining our independence and bringing a fresh view. We actively plan rotation well in advance of the required rotation period to ensure that you benefits from a smooth transition.

Connecting with the Chair of the Risk and Assurance Committee

Throughout our audit process, Stuart and Breno will attend the Risk and Assurance meetings, in person or through Microsoft Teams, and are available to meet the Committee or the Council at any time during the year. Stuart is available to meet with the Risk and Assurance Committee Chair prior to each meeting or at other points of the year as required.



Engagement Execution

The following timetable highlights the major activities that are key elements of our audit plan:

1. Planning	Timing (Weeks Beginning)
Understanding of strategy	18 & 24 February
Audit Plan Presentation	18 March
2. Interim audit work	
Interim Audit Procedures – Focused on processes and controls	7 & 14 April
3. Year end audit	
Year end fieldwork offsite	Early September
Year end fieldwork onsite	Early / Mid September
Distribution of papers to Risk & Assurance Committee	TBC
Stuart Mutch attends Risk & Assurance Committee	TBC
Council adoption of Annual Report & date of Audit Report	TBC

APPENDICES

A. Independence

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B. System of Quality Management - ASQM 1 (Australian Standard on Quality Management)

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C. Data Security and Privacy

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A. Independence

Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both West Coast Regional Council’s and broader regulatory independence requirements.

We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)
- Independence requirements of the Office of the Auditor-General

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit Committee.



A. Independence (cont.)

000's	2024	2025	Independence threats / concerns identified	Actions taken to eliminate or address the threat and safeguards adopted
Audit fee disclosure				
Audit Fee	\$163.5	\$171.7		
Total remuneration for audit services per the financial statements	\$163.5	\$171.7		
Assurance related:				
OAG Audit Standards and Quality Support charge and disbursements	\$14.5	\$15.2		
Total remuneration for audit and audit related services per the financial statements	\$178	\$186.9		
Other independence considerations:				
Directorships of former partners	None	None	Familiarity threat	
Business relationships with the Council (e.g. use of client software by EY)	None	None	Self-interest threat	Reviewed all business relationships with the company and either ceased those that threatened our independence or ensured the relationships are on purely commercial terms.
Close relationships of EY professional and client staff	None	None	Familiarity threat	Reassigned members of the audit team who had close relationships with client staff.
Size of non audit fees versus audit fees	0%	0%	Perception of lack of independence	Considered the nature of the services provided, which are one-off in nature and not expected to recur.

B. System of Quality Management

The annual evaluation conclusion for EY New Zealand is that that the objectives of the System of Quality Management are being achieved as of 30 June 2024 and that they support the consistent performance of quality audits and related engagements.

EY’s approach to quality management

Professional and Ethical Standard 3 (“PES 3”, which is the NZ version of ISQM 1) is applicable to all firms that perform audits and other similar engagements. As a result, we are required to design, implement and operate a system of quality management (“SQM”) to provide reasonable assurance that:

- The member firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements
- Engagement reports issued by the member firm or engagement partners are appropriate in the circumstances.

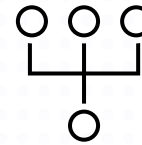
We are also required to monitor, remediate and annually evaluate the SQM as well as communicate to those charged with governance how the SQM supports the consistent performance of quality engagements. The following slides explain our approach and the results of our most recent assessment.

Individuals with SQM roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil their System of Quality Management roles and are accountable for fulfilling their responsibilities.

Note: In the context of the annual evaluation of the SQM, EY New Zealand refers to the following member firms performing audits or reviews of financial statements or other assurance or related services engagements: Ernst & Young (partnership), Ernst & Young Limited and Ernst & Young Strategy and Transactions Limited.

EY is dedicated to delivering high-quality audits and assurance engagements and serving the public interest.

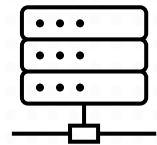
Key elements of EY’s SQM



Common processes, policies, programs and technologies



Consistent quality objectives, quality risks and responses



Commitment to conduct high-quality audits across the EY organisation

EY member firms, which include the relevant New Zealand firms, are ultimately responsible for the design, implementation, and operation of their SQM, and have the responsibility to:

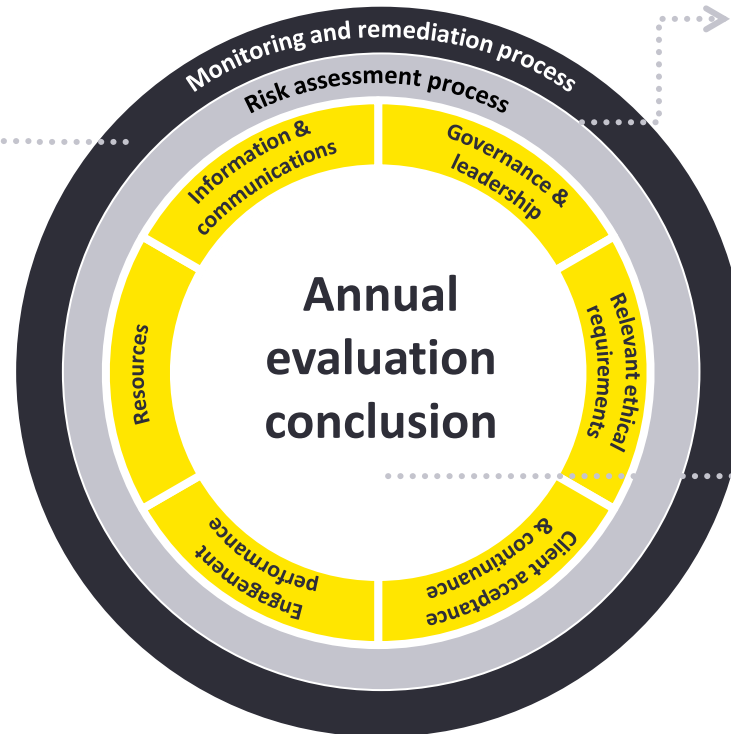
- Evaluate policies, technologies, strategies, programs and baseline elements provided to them
- Determine if they need to be supplemented by the member firm to be appropriate for use.

B. System of Quality Management (cont.)

SQM processes to support quality audits

Monitoring and remediation process

- Provide relevant, reliable and timely information about the design, implementation and operation of the SQM and a basis for the identification of deficiencies in the SQM.
- Monitoring activities include monitoring the entire SQM (e.g., testing SQM controls, internal inspections of completed engagements, assessing member firm and personnel's compliance with ethical requirements related to independence).
- If deficiencies are identified, they are corrected on a timely basis and an action plan is designed, implemented and evaluated for effectiveness.



Risk assessment process

- Establishing quality objectives (based on PES 3 requirements).
- Identifying and assessing quality risks.
- Designing and implementing responses (including policies, technologies and key controls).

Annual evaluation conclusion

The annual evaluation conclusion:

- Is as of 30 June for all EY Member Firms performing engagements in the scope of PES 3
- Considers the results of monitoring activities.

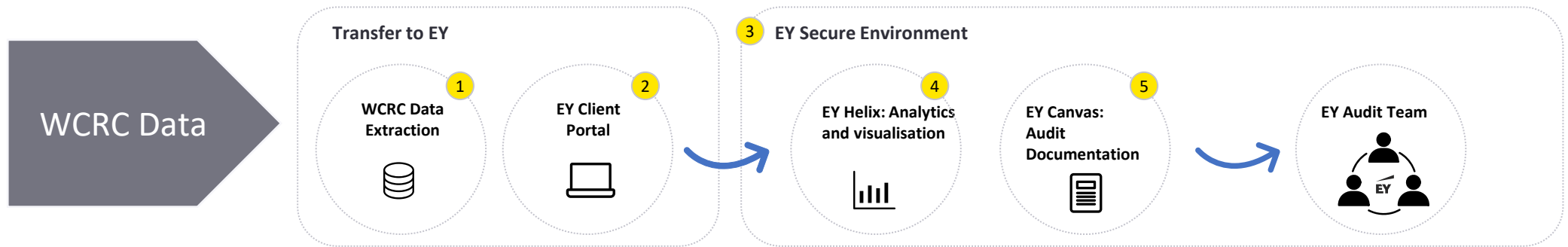
Key roles within the SQM include:

- The Country Managing Partner: assigned ultimate responsibility and accountability for the SQM by concluding on its effectiveness.
- The Country Assurance Managing Partner: assigned operational responsibility for the System of Quality Management. This includes recommending the System of Quality Management annual evaluation conclusion to the Country Managing Partner.
- The Country Independence leader: assigned operational responsibility for compliance with independence requirements.
- The Country Professional Practice Director: assigned operational responsibility for monitoring the SQM including concurring with or proposing changes to the recommended SQM annual evaluation conclusion.

C. Data Security and Privacy

Protecting your data

Here is an overview of EY's data security protocols.



1	2	3	4	5
<ul style="list-style-type: none"> Data Extraction 	<ul style="list-style-type: none"> EY Canvas Client Portal allows EY teams to send requests for documents used to support the audit. It requires multi-factor authentication. Better security of client data and automated uploading into EY Canvas, creating confidence that data has been properly delivered to EY. 	<ul style="list-style-type: none"> EY laptops are protected by personal firewalls, full-disk encryption (AES 256). Passwords (with complexity rules) are encrypted and stored in the corporate Active Directory. The EY corporate network is only accessible at an EY facility, or via the EY corporate Virtual Private Network (EYRC). EYRC requires two-factor authentication to establish a connection including a security token generated one-time access number. Data sent over EY RC is encrypted using 128-bit transport layer security (TLS). To maintain information security compliance, EY Global technology products, services and data centres are subject to several forms of audits, including independent third-party compliance audits against ISO 27001:2013, annual SOC2 Type II attestations and annual ISAE 3402 audits of our three global data centres. 	<ul style="list-style-type: none"> The EY Helix analytics are deployed on EY laptops or on servers and accessed by authorised audit engagement teams only. The underlying data for each engagement is stored on the EY asset within a client specific project. 	<ul style="list-style-type: none"> Our EY professionals have access to EY Canvas directly from the EY Corporate Network while in an EY office. EY Canvas is not accessible from the internet. All file attachments uploaded to EY Canvas are encrypted using 256-bit AES encryption and stored on a file server in the private network segment of the EY Canvas environment.
<p>The EY information security policies and standards are based upon the internationally recognised ISO 27002 standard for information security management. Additionally, EY operates a Cybersecurity Centre 24x7, 365 days a year. This centre can provide dedicated cyber threat management, including security monitoring, facilities access monitoring, infrastructure security testing, application security testing and incident response.</p>				

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All in to shape the future with confidence.

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WEST COAST REGIONAL COUNCIL

To: Chair, Risk and Assurance Committee

*I move that the public be excluded from the following parts of the proceedings of this meeting, namely – **agenda items 10-12** (all inclusive); and that*

1. *D. Lew, J. Field, C. Mills, S. Genery, P. Miller and B. Keily be permitted to remain at this meeting after the public have been excluded due to their knowledge of the subjects. This knowledge will be of assistance in relation to the matters to be discussed;*
2. *S. Mutch, Ernst & Young be permitted to remain at this meeting after the public have been excluded due to their knowledge of the subjects; and*
3. *That the minute taker also be permitted to remain.*

Agenda Item No.	General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 7 of LGOIMA for the passing of this resolution
10	<i>Confidential Minutes Risk and Assurance Meeting – 19 November 2024</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
11	<i>Actions List – Public Excluded</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
12.1	<i>Health and Safety Report</i>	<i>The item contains information relating</i>	<i>To protect private information and to</i>

		<i>to privacy and security matters.</i>	<i>prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
12.2	<i>Risk Summary Report</i>	<i>The item contains information relating to security matters.</i>	<i>To prevent disclosure of information for improper gain or advantage (s7(2)(j)).</i>
12.3	<i>Cyber Security Report</i>	<i>The item contains information relating to security matters.</i>	<i>To prevent disclosure of information for improper gain or advantage (s7(2)(j)).</i>
12.4	<i>Management Response to Internal Audit - Update</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
12.5	<i>Quarterly Whistle-blower Report</i>	<i>The item contains information relating to privacy and security matters.</i>	<i>To protect private information and to prevent disclosure of information for improper gain or advantage (s7(2)(a) and s7(2)(j)).</i>
12.6	<i>Riskpool Update</i>	<i>The item contains information relating to commercial matters</i>	<i>To protect commercial information s7(2)(b)).</i>