



MINUTES

Audit and Risk Committee Meeting Tuesday, 5 October 2021

Ref: 1450092

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chamber, Timaru District Council, King George Place, Timaru
on Tuesday, 5 October 2021 at 09:30am**

Present: Bruce Robertson (Chairperson), Cr Peter Burt (Deputy Chairperson), Mayor Nigel Bowen, Janice Fredric, Cr Stu Piddington arrived 9.55am

In Attendance: Ashley Harper (Three Waters Stimulus Advisor), Ernest Bernard (Risk & Assurance Manager), Jason Rivett (Acting Chief Financial Officer), Hannah Goddard-Coles (Director Engagement & Culture), Erik Barnes (Acting Group Manager Commercial & Strategy), Paul Cooper (Group Manager Environmental Services), Andrew Dixon (Group Manager Infrastructure), John Liddiard (Senior Accountant), Kevin Rowell (Health & Safety Advisor), Fabia Fox (Policy Analyst), Andrew Feary (Governance Advisor), Mark Low (Strategy & Corporate Planning Manager), John Mackey (Audit NZ Audit Director), Brittany Pilcher (Risk & Assurance Officer)

1 Apologies

Cr Stu Piddington for lateness.

2 Identification of Items of Urgent Business

There are no items of Urgent Business

3 Identification of Matters of a Minor Nature

There are no Matters of a Minor Nature

4 Declaration of Conflicts of Interest

There are no Declarations of Conflicts of Interest

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 15 June 2021

Resolution 2021/54

Moved: Mayor Nigel Bowen

Seconded: Cr Peter Burt

That the Minutes of the Audit and Risk Committee Meeting held on 15 June 2021 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Carried

6 Reports

6.1 Health and Safety Update

The Health & Safety Advisor spoke to Committee to provide an update on the health and safety activity since the last report to the Audit and Risk Committee in June 2021. The health and safety of staff, contractors and members of the public who work in or use our facilities is a constant focus for the organisation. Continuous improvement is a key theme to ensure we're always striving for a stronger safety culture.

The council is active in ensuring staff working from home and out in the field are operating in a safe environment. Units make Safe Behaviour Observations for those out in the field.

There were questions raised as to the report framework of Health and Safety to the Council where the Health and Safety Update via the minutes of the Audit and Risk Committee is the only formal reporting undertaken. It was noted that some of the reporting lacked detail such as Critical Control Observations; and did not assure the Committee as to what actions have been undertaken.

The Director of Engagement & Culture spoke to the Committee on staff wellness and how the Senior Leadership Team were looking at ways to support staff with fatigue. There is currently a strategy being developed and was being peer reviewed with the results of which due out in coming week.

Action Point

That the Report & Minutes be provided to Council

Resolution 2021/55

Moved: Cr Peter Burt

Seconded: Mayor Nigel Bowen

That the report be received and noted in acknowledgement of the committees responsibilities under the Health and Safety at Work Act 2015.

Carried

6.2 Debenture Trust Deed update

The Acting Chief Financial Officer spoke to the Committee to update the Audit and Risk Committee on proposed changes to the Debenture Trust Deed (DTD) following recent legislative changes.

The legislative changes and subsequent legal advice suggest changes to the DTD particularly around alternative dispute resolution and the removal and appointment of trustees; to allow the robustness of the Deed to continue. Currently the amendment process is on hold due to ongoing discussions with the Local Government Funding Agency. Awaiting legal advice as to next steps in the process as to what changes will be required to the Deed before reporting back to Council for approval.

Resolution 2021/56

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receive and note this report.

Carried

6.3 Accounting Policies for 2021 Annual Report

The Acting Chief Financial Officer spoke to the report to present the draft accounting policies for inclusion in the 2020/21 Annual Report. There were no key policy changes since the adoption of the 2021-2031 Long Term Plan with alignment of accounting policies in line with Audit NZ recommendations which have been revised with the help of PricewaterhouseCoopers.

Transportation assets have been revalued and arrangements still to be finalised for the Downlands Rural Water Scheme that is shared with Waimate & Mackenzie District Councils, respectively. How the Downlands Rural Water Scheme is treated as either a joint operation or subsidiary of Timaru District Council potentially had material implications in Councils disclosure obligations. An agreement with the other Councils has been made in principle, awaiting completion of Councils adoption of their respective LTP. Council undertook a revaluation of its three water assets however adjustments may be needed due to Covid-19's global effect on production of raw material and supply chain fragility; adjustments in increased cost of replacement assets. The lifespan of the assets remains a critical element.

Action Point

Arrangements to be finalised for the Downlands Rural Water Scheme that is shared with Waimate District Council & Mackenzie District Council.

Accounting for the Downlands Rural Water Scheme to be reviewed by Audit NZ as part of their audit process.

Audit NZ to review Accounting Policies before reporting back to Council.

Resolution 2021/57

Moved: Cr Peter Burt

Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee receive and note this report.

Carried

6.4 Letter of Representation for the Audit of the 2021-31 Long Term Plan

The Acting Chief Financial Officer spoke to the Committee to present the letter of representation for the audit of the 2021-31 Long Term Plan (LTP) to the Audit and Risk Committee.

Resolution 2021/58

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receive and note this report.

Carried

6.5 Tax Governance Framework 2021

The Acting Chief Financial Officer spoke to the Report seeking approval from the Audit and Risk Committee for the Tax Governance Framework. There has been no significant changes to the Councils tax framework since this was previously considered by the Audit and Risk Committee in 2020.

Timaru District Council is adopting a low tax risk appetite for its tax obligation as it was expected that a Local Government should meet all of its tax obligations in full and with transparency; this should also be applied to Council's subsidiaries. There is currently a Bill before Parliament regarding *inter alia* the removal of interest in tax deduction when investing in Council Controlled Organisations as opposed to a Council Controlled Trading Organisation; changes in those tax liabilities and how it is applied, which may require further reporting to the Audit and Risk Committee should the proposed Bill be passed.

Discussion ensued as to whether the report be approved by the Council and disseminated to the subsidiaries of the group or endorsed by the Council for the approval of the subsidiaries approval before approved by the Council. It was agreed that former should be applied.

Action Point

The endorsement of the report is to be disseminated to the subsidiaries of the group before reporting back to Council for final approval.

Resolution 2021/59

Moved: Ms Janice Fredric

Seconded: Cr Peter Burt

That the Audit and Risk Committee:

1. Receive and note this report
2. Endorse the Tax Governance Framework
3. Refer the Tax Governance Framework to Timaru District Holdings Limited (TDHL), Venture Timaru (VT) and Aorangi Stadium Trust (AST) for adoption
4. Once the tax governance framework is adopted by the subsidiaries it is referred to Council for final approval.

Carried

6.6 Conflicts of Interest Policy Review

The Policy Analyst spoke to the revised version of Council's Conflicts of Interest Policy. The report provides the Committee an opportunity to assess the proposed reporting and disclosure framework for Elected Members, independent members of Council committees and employees. The policy was led by a risk assessment by Council and staff and aligned with Audit NZ and the

Office of Auditor General (OAG) advice. A current amendment bill before parliament (Local Government (Register of Pecuniary Interests) Amendment Bill) intends to require the mandatory publishing of interests registers, such as a register of gifts or payments and registers of pecuniary interests; this is also to include external appointees as well as elected members.

Due to Timaru District's size conflicts were bound to occur by association with personal contacts this should be addressed by training. It is intended that the Risk and Assurance Manager will review all conflicts as to the risk associated and how they will be managed.

It was suggested the proposed policy as it applies to Elected Members is premature pending the passing of the Parliamentary Amendment Bill; the addition of the recommendation was added to reflect that.

Action Point

Once the Local Government (Register of Pecuniary Interests) Amendment Bill is passed and enacted (if this occurs), the Policy is to be referred back to the Audit and Risk Committee.

Recommend interest register be published by making available on Timaru District Council website.

Include the Conflicts of Interest Policy in the Audit and Risk Committee work programme.

Resolution 2021/60

Moved: Cr Peter Burt

Seconded: Cr Stu Piddington

That the Audit and Risk Committee:

1. Note the advice from the Office of the Auditor General regarding managing conflicts of interest in the public sector.
2. Approves and recommends to Council the adoption of the revised Conflicts of Interest Policy.
3. Approves and recommends to Council that the Elected Members Interest Register be amended and updated to include how conflicts of interest are to be managed, and declarations of non-pecuniary conflicts of interest.
4. Recommends to Council that the outstanding recommendation from Audit New Zealand regarding the inclusion of how conflicts of interest are to be managed in the Employee, and Elected Member Interest Registers, be closed out.
5. Recommend publishing of the Elected Members Register publically on the Timaru District Council website.
6. Following enactment of the Local Government (Register of Pecuniary Interests) Amendment Bill, report back to the Committee

Carried

6.7 Sensitive Expenditure Policy Review

The Policy Analyst spoke to a revised version of Council's Sensitive Expenditure Policy for consideration and approval prior to the Policy being adopted by Council. Material changes to Council's current sensitive expenditure policies are discussed within the report.

The report details the proposed reporting and monitoring framework contained in the revised Policy, including quarterly reporting to the Committee on sensitive expenditure.

The Sensitive Expenditure Guidelines and Procedures are also presented to inform the Committee of the internal control framework which will support the revised Policy.

The revisions are driven on the advice of Audit NZ and the Office of Auditor General (OAG).

Resolution 2021/61

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee:

1. Note the advice from the Office of the Auditor General regarding sensitive expenditure, including policies and procedures within the public sector.
2. Recommends to Council the adoption of the revised Sensitive Expenditure Policy.
3. Recommends to Council the adoption of the proposed amendments to the Elected Members' Remuneration, Allowances and Expenses Policy to ensure all expenses are approved in accordance with the one-up principle.
4. Recommends to Council that the outstanding recommendations from Audit New Zealand relating to the review of the Sensitive Expenditure Policy, approval of sensitive expenditure, and timely review of policies are closed out.
5. Approves in principle the proposed audit and reporting framework detailed within the Policy and agrees that Sensitive Expenditure be included as a standing item on Audit and Risk Committee Meeting agendas.
6. Notes the revised Sensitive Expenditure Guidelines and Procedures.

Carried

6.8 Audit NZ Timaru District Council Annual Report 2020/21 Audit Plan

The Strategy and Corporate Planning Manager and Acting Chief Financial Officer spoke on the Audit NZ plan for the TDC Annual Report 2020/21.

The Government has adjusted the timeline for Councils to adopt their Annual Reports until the end of December for the 2020 / 2021 financial year and 2021 / 2022 financial year. Audit NZ is scheduled to begin their audit on 15 November. The key areas of focus are being built into the Work Programme.

Audit NZ are currently experiencing disruption in their productivity and workload due to the current coronavirus restrictions with an audit opinion available by the 20th December 2021. The Audit and Risk Committee will hold another meeting via Zoom to review the opinion and recommend to Council the Annual Report's adoption. Audit NZ will notify the Committee should the adoption date not be achievable.

Action Point

Prepare for an Extraordinary Audit and Risk Committee and Council for the adoption the Annual Report prior to 24th December 2021.

Resolution 2021/62

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Audit NZ plan for the Timaru District Council Annual Report 2020/21 be received.

Carried

6.9 Outstanding Items Raised By Various Audits

The Risk and Assurance Manager and Three Waters Stimulus Advisor outlined to the Committee, progress against outstanding items from previous audits.

The timeline of the outstanding items have been tested as to their reasonableness and it was noted several have equal ranking in terms of priority due to running simultaneously with different owners within Council.

It is envisaged the issues will start to clear with increased regularity now that a risk management structure has been established.

Action Point

Separation of prioritizing the ranking of the outstanding items into a low, medium or high and the items that have not started, be grouped together.

Resolution 2021/63

Moved: Mayor Nigel Bowen

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receives and notes this report.

Carried

6.10 Internal Audit and Assurance Programme

The Risk and Assurance Manager and Three Waters Stimulus Advisor provided the Audit and Risk Committee with an update on the progress with the 2020/21/22 Internal Audit (IA) Programme.

The CBay café has been assessed as high risk predominantly due to lack of segregation of duties in requisitions. Now the risk has been identified changes have begun to take place. The Crowe report highlighted the Council's GST risk as being high however since the report measures have been undertaken to resolve.

There were several other areas of concern that required action such as a close out audit or reporting to the Senior Leadership Team.

Action Point

Management responses to the programmes findings to be clear and concise.

Schedule reviews or complete the close out audits for items in the Internal Audit Plan that have no reviews scheduled for the next three years.

Resolution 2021/64

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

1. That this report be received and noted.
2. That the Internal Audit programme be updated.

Carried

6.11 TDC Strategic Risk Register and Covid 19 Specific Risk Register

The Risk and Assurance Manager spoke to the Committee on the Strategic Risk Register and Covid-19 Specific Risk Register. Procedures have all been transferred to Promapp. Delays have occurred due to the current coronavirus restrictions, as such the paper presented has aged and does not reflect the current risk situation. Senior leadership is discussing the items in the risk workshops more openly and identifying new risks.

Action Point

An annual risk profile be prepared. Once prepared, presented to the Committee and Council through a workshop for feedback.

Resolution 2021/65

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

1. That the report be received and noted.
2. That an annual risk profile be prepared and presented to Audit and Risk Committee and Council in a combined workshop.

Carried

6.12 Probity Report

The Risk and Assurance Manager spoke to this report and it is noted that there have been no incidents of wrongdoing brought to the attention of the Chief Executive or other senior executives in Council.

Resolution 2021/66

Moved: Cr Peter Burt

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.13 Action Points - Public

The Acting Group Manager Commercial and Strategy spoke to the Committee of the actions generated from previous Audit and Risk Committee meetings to be updated.

Resolution 2021/67

Moved: Mr Bruce Robertson

Seconded: Cr Peter Burt

That the actions are received and noted.

Carried

6.14 Audit and Risk Committee Work Programme

The Risk and Assurance Manager and Three Waters Stimulus Advisor presented this report to update and outline the programme of work (below) for the Committee.

Work Programme				
<i>Public items</i>	Oct	Dec	Mar	Jun
Minutes an actions from prior meeting	✓	✓	✓	✓
TDC Strategic Risk Register	✓	✓	✓	✓
Risk register – all risks including COVID 19 (annually)			✓	
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update	✓	✓	✓	✓
Tax risk management report		✓		
Internal audit and assurance programme	✓	✓	✓	✓
Implementation of Legislative Compliance tool - ComplyWith		✓		✓
Audit plan and engagement letters (annually)	✓ LTP 3 yearly			✓ Annual Plan
Audit management report (annually)		✓		
Key Accounting Judgement (annually)				✓
Tax Risk Management Framework		✓ 2 yearly		
<i>Public excluded items</i>				
Minutes an actions from prior meeting	✓	✓	✓	✓
Health and safety update (quarterly)	✓	✓	✓	✓
Issues Watch Register (quarterly)	✓	✓	✓	✓
Cyber Security Report	✓	✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
Draft annual report review (annually)	✓			

Review audit representation letters (annually)	✓			
Debenture Trust Audit Report				✓
Audit NZ interim audit report		✓		
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Credit rating review			✓	
Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

Resolution 2021/68

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

7 Consideration of Urgent Business Items

There were no items of urgent business to consider.

8 Consideration of Minor Nature Matters

There were no matters of minor nature to consider.

9 Exclusion of the Public

Resolution 2021/69

Moved: Cr Peter Burt

Seconded: Cr Stu Piddington

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 15 June 2021	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(i) - The withholding of the information is necessary to protect information where the making available of the</p>	<p>To protect a person’s privacy</p> <p>To prevent disclosing a trade secret</p> <p>Commercial sensitivity</p> <p>Due to an obligation of confidence and to protect the public interest</p>

	<p>information would disclose a trade secret</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable commercial activities</p> <p>To enable commercial or industrial negotiations</p>
<p>10.2 - Timaru District Council Draft Annual Report 2020/21</p>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.3 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable commercial activities
10.4 - Public Excluded Action Points	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person’s privacy
10.5 - Cyber Security Report	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	Due to an obligation of confidence and to protect the public interest
10.6 - Committee and Auditor only time (agenda placeholder)	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry	Due to an obligation of confidence and to protect the public interest To enable commercial activities

	out, without prejudice or disadvantage, commercial activities	
10.7 - Committee and Chief Executive only time (agenda placeholder)	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person's privacy</p> <p>To enable commercial activities</p>

Carried

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 15 June 2021

10.2 Timaru District Council Draft Annual Report 2020/21

10.3 Issues Watch Register

10.4 Public Excluded Action Points

10.5 Cyber Security Report

10.6 Committee and Auditor only time

10.7 Committee and Chief Executive only time

11 Readmittance of the Public

Resolution 2021/70

Moved: Cr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the meeting moves out of Closed Meeting into Open Meeting.

Carried

The meeting closed at 1421.



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Bruce Robertson
Chairperson