



MINUTES

Audit and Risk Committee Meeting Monday, 17 June 2024

Ref: 1677998

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chambers, Timaru District Council, King George Place, Timaru
on Monday, 17 June 2024 at 9am**

Present: Bruce Robertson (Chairperson), Scott Shannon (Deputy Chairperson), Mayor Nigel Bowen, Janice Fredric

In Attendance: **Councillors:** Clr Stacey Scott

Officers: Nigel Trainor (Chief Executive), Paul Cooper (Group Manager Environmental Services), Justin Bagust (Chief Information Officer), Beth Stewart (Group Manager Community Services), Stephen Doran (Group Manager Corporate and Communications), Andrea Rankin (Chief Financial Officer), Narayan Swamy (Assurance Officer), Maddison Gourlay (Marketing and Communications Advisor), Rachel Scarlett (Governance Advisor)

Speakers: John Mackey (Audit New Zealand), Rudie Tomlinson (Audit New Zealand)

1 Apologies

1.1 Apologies Received

Resolution 2024/241

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the apology of Clr Michelle Pye and Clr Peter Burt be received and accepted.

Carried

2 Identification of Items of Urgent Business

No items of urgent business were received.

3 Identification of Matters of a Minor Nature

3.1 Matters of a Minor Nature Items Received

- Finalise Annual Plan
- Interim Management Plan Report Long Term Plan Audit

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

An update on the 'Insurance Programme Update' will be presented at the upcoming Audit and Risk Meeting on 09 September 2024.

Resolution 2024/242

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the Minutes of the Audit and Risk Committee Meeting held on 4 March 2024 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 Audit and Risk Committee Work Programme

The Assurance Officer presented the report outlining the programme of work for the Audit and Risk Committee (ARC).

The Chair noted that the October 2024 meeting would focus specifically on the 'Annual Report.' It was agreed to maintain the quarterly meeting schedule, with the addition of an extra meeting in October.

Resolution 2024/243

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Carried

6.2 External Auditors Open Recommendations

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

The Chief Executive, Group Manager of Infrastructure, Group Manager of Environmental Services, and Chief Financial Officer gave a high-level overview of the 'Audit NZ Report 2019/2020.'

The Chair expressed satisfaction with the 'High Annual Leave Balances'. Discussions also covered the 'Provision for Closed Landfills,' with the Group Manager of Infrastructure indicating that a report is expected in June 2024. This report will review risk and a prioritisation list. The 'Audit NZ Report 2021/2022' is still a work in progress.

The Development Contributions Policy was discussed. It is currently under review, particularly in relation to Timaru, especially the northern part of the area. The Group Manager of Environment Services indicated that a mixed model for Timaru might be considered and that it remains a work in progress. It was suggested that a letter regarding development contributions could be justified.

The Group Manager of Infrastructure provided an update on the 'Waka Kotahi – Investment Audit Report (August 2021).' Progress is being made, with the Long-Term Plan general ledger numbers now aligning with Waka Kotahi's categories.

An update on the Audit NZ Report 2022/2023 was provided, noting that the Council will transition to a regime where staff costs will be capitalised in the next financial year. It was also noted that Audit NZ will conduct the final clearance of the audit.

Resolution 2024/244

Moved: Cllr Scott Shannon

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Carried

6.3 Internal Audit Plan Update

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Committee with an Internal Audit Plan Update.

It was noted that the 'Asset Management' assignment is scheduled for completion in July 2024. Additionally, the 'Sensitive Expenditure – Follow-up Audit' will be presented to the Audit and Risk Committee in July 2024. The Chair expressed support for receiving an annual internal programme update and requested that the three-year plan be presented to the Committee in September 2024.

Resolution 2024/245

Moved: Ms Janice Fredric

Seconded: Cllr Scott Shannon

That the Audit and Risk Committee receive the internal audit plan 2023/24 update.

Carried

6.4 Risk Management Quarterly Report

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Committee with an update of the Risk Management Quarterly Report.

The Group Manager of Corporate and Communications updated the Committee on Stage Two of embedding the Risk Management Policy. The use of Promapp, including its risk module, has been implemented, transitioning risks from Excel spreadsheets into the Promapp system. Future efforts will focus on further embedding the system's use among staff.

Discussion included the hazards associated with AF8 (Alpine Fault magnitude 8) and the application numbers for bringing parks in-house. An automated system for this transition was also noted.

The Chief Executive mentioned that the 'Iwi Engagement' risk assessment rating will be reviewed. The Group Manager of Corporate and Communications explained how risk assessment ratings are prioritised, with particular emphasis on the need for a high-risk rating for Health and Safety risks and the importance of further work to mitigate these high risks.

It was suggested that separating 'natural hazards' items would be beneficial, and this will be investigated further.

The Chair emphasized that once the Long-Term Plan is adopted, a review and revision of strategic risks and their relevance will be necessary. The Chair also requested the inclusion of a diagram in future reports that provides an overview of the Risk Assessment Framework and the Council's position relative to each point. Emphasis should be placed on climate issues, with current climate assessment details to be provided and reflected upon.

Resolution 2024/246

Moved: Mr Bruce Robertson

Seconded: Cllr Scott Shannon

That the Audit and Risk Committee:

1. Receives the Quarterly Strategic Risks update
2. Receives and notes the Risk Management Maturity Improvement Plan.

Carried

6.5 Legislative Compliance Quarterly Report

The Group Manager Corporate and Communications presented this report to provide the Committee with an update on legislative compliance.

It is agreed not to renew the ComplyWith system. A Legal Services Manager has been hired to assist with reviewing legal compliance and establishing a framework for reporting.

The importance of engaging all staff in health and safety compliance was discussed, highlighting that this is both a cultural and educational focus for the Timaru District Council.

The Group Manager of Environmental Services and the Chief Executive shared negative experiences with ComplyWith, noting that it does not provide adequate assurance. It was agreed that exploring alternative options for quality assurance would be best practice.

Additionally, it was discussed that the focus for the October 2024 Audit and Risk Committee Meeting will be to recommend a letter of representation to Rudie Tomlinson (Audit NZ) for sign-off.

Resolution 2024/247

Moved: Deputy Chairperson Scott Shannon

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receives and notes the Legislative Compliance report.

Carried

6.6 Sensitive Expenditure Quarterly Report

The Chief Financial Officer spoke to this report to update the Committee on sensitive expenditure for the period 1 January 2024 to 31 March 2024.

Noted was no significance in the March 2024 Quarter.

Resolution 2024/248

Moved: Ms Janice Fredric

Seconded: Mr Bruce Robertson

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Carried

6.7 Business Improvement Update

The Continuous Improvement Business Partner presented this report to provide the Committee with an update on the Business Improvement Work Programme and outline the next steps.

The SmartyGrants platform has been approved. It was noted that future reports should include financial details and timelines for each project.

A close-out report for Attekus Bookable and Assura will be presented at an upcoming Audit & Risk Meeting, though ongoing improvements are expected. Progress on Promapp is continuing.

The Chief Executive mentioned that MagiQ has potential due to its comprehensive finance tool capabilities. Updates on the Business Improvements Programme will be provided in a future Audit & Risk Meeting.

Resolution 2024/249

Moved: Ms Janice Fredric

Seconded: Deputy Chairperson Scott Shannon

That the Audit and Risk Committee receives and notes the Business Improvement Update report.

Carried

6.8 Accounting Policies 2024 Annual Report

The Chief Financial Officer and Senior Accountant spoke to this report to present the draft accounting policies for inclusion in the 2023/24 Annual Report.

The discussion included the need to standardise policies between the Council and its subsidiaries and addressed any issues presented. Audit NZ provided a breakdown of the asset classes and valuations for Timaru District Holdings Limited, Alpine Energy, Timaru District Council, and PrimePort.

It was noted that there have been no substantial changes to accounting policies or significant changes to disclosures for the year. Audit NZ discussed the revaluation policy for assets and sought further clarity in this area.

It was discussed that If the Council's revaluation exceeds 10%, a full revaluation will be done; if it nears 10%, an index valuation will be conducted. Efforts will focus on improving valuations, especially for water and roading assets. Some minor valuations are still pending, but the main priority is on water and roading

The Chief Executive highlighted that land and building revaluations will need to be a key focus, and further discussions will be required. The Senior Accountant noted that the revaluation of land and buildings is scheduled for next year, emphasising the need for clarity on what should be revalued.

At 10:33 am, Clr Scott Shannon left the meeting.

At 10:35 am, Clr Scott Shannon returned to the meeting.

The Annual Report and the Long-Term Plan 2025 should be aligned with land and building valuations. Audit NZ noted that if the Council adopts a revaluation cycle for land and buildings, it could create issues for some subsidiaries that do not currently revalue these assets. The interim audit is complete with no material issues identified. The final audit will begin on 23 September 2024, with the audit opinion expected to be issued by 31 October 2024. These timelines may change based on the outcome of the Long-Term Plan.

Meeting adjourned 10.48am.

Meeting resumed 10.56am.

The Chief Financial Officer announced that a Draft Annual Report will be presented to the Audit and Risk Committee on 9 September 2024.

The Chair requested additional dates and details on the quality procedures for the Draft Annual Report from the Chief Financial Officer. This information should be provided internally as soon as practicable before the 21 October 2024 meeting.

Audit NZ discussed the Audit Dashboards, noting that minimal staff have been onsite for specific tasks. This has made it challenging to complete offsite work, with issues accessing Council systems. Future access to Esker will be arranged to address these issues.

Resolution 2024/250

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

1. That the Audit and Risk Committee receive and agree to the accounting policies for the 2024 annual report and the 2025 financial year.
2. That the Audit and Risk Committee agree that the accounting policies apply to Timaru District Council and the Council Controlled Organisations and the Council Controlled Trading Organisations that comprise the Timaru District Council Group.
3. That the Audit and Risk Committee receive the 2023/24 Audit Plan.

Carried

Attachments

- 1 Timaru District Council 24J Audit Plan

6.9 Long Term Plan 2024-34 Update

The Group Manager Corporate and Communications spoke to this report to provide a brief update on the Timaru District Council Long Term Plan 2024-34 process.

Discussion included the 01 July 2024 being the projected adoption date of the Long Term Plan.

Audit NZ reflected on the challenges encountered with the Long-Term Plan, including issues with time frames and incomplete asset information. They discussed the timelines and processes that should be followed before final adoption. Audit NZ expressed hope that they will be able to provide a clear opinion by 1 July 2024.

Resolution 2024/251

Moved: Mr Bruce Robertson

Seconded: Cllr Scott Shannon

1. That the Audit and Risk Committee receives and notes this update on the 2024-34 Long Term Plan
2. That the Audit & Risk Committee receives the Interim Report to Council.

Carried

Attachments

- 1 Timaru District Council Interim Report

7 Consideration of Urgent Business Items

No items of urgent business were received.

8 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

9 Exclusion of the Public

Resolution 2024/252

Moved: Mr Bruce Robertson

Seconded: Cllr Scott Shannon

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 at 11.30am:

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 4 March 2024	<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)(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>To protect a person's privacy, including the privacy of deceased persons</p> <p>To protect commercially sensitive information</p> <p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest.</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 Council to carry out commercial activities</p> <p>To prevent use of the information for improper gain or advantage</p>

	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	
10.2 - Issues Watch Register	<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>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable Council to carry out commercial activities</p>
10.3 - Internal Audit Quarterly Report	<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)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</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 commercially sensitive information</p> <p>To protect the effective conduct of public affairs</p> <p>To enable Council to carry out commercial activities</p>
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Health and Safety Performance Report	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, including the privacy of deceased persons

	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	To protect commercially sensitive information
10.6 - Committee and Auditor only time (agenda placeholder)	<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)(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 information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest.</p> <p>To enable Council to carry out commercial activities</p>
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, including the privacy of deceased persons</p> <p>To enable Council to carry out commercial activities</p>

Carried

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

10.2 Issues Watch Register

10.3 Internal Audit Quarterly Report

10.4 Cyber Security Report

10.5 Health and Safety Performance Report

10.6 Committee and Auditor only time (agenda placeholder)

10.7 Committee and Chief Executive only time (agenda placeholder)

11 Readmittance of the Public

Recommendation

That the meeting moves out of Closed Meeting into Open Meeting at 1.54pm.

The meeting closed at 1.54pm.

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Bruce Robertson
Chairperson