



AGENDA

Audit and Risk Committee Meeting Tuesday, 15 June 2021

Date Tuesday, 15 June 2021

Time 11am

Location Meeting Room 1
Timaru District Council
King George Place
Timaru

File Reference 1427567

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Meeting Room 1, Timaru District Council, King George Place, Timaru, on Tuesday 15 June 2021, at 11am.

Audit and Risk Committee Members

Keiran Horne (Chairperson), Cr Peter Burt (Deputy Chairperson), Cr Stu Piddington, Janice Fredric and Mayor Nigel Bowen

Quorum – no less than 2 members

Local Authorities (Members' Interests) Act 1968

Subcommittee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Ashley Harper
Acting Group Manager Commercial and Strategy

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- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 9 March 2021

Author: Jo Doyle, Governance Advisor

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 9 March 2021 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

1. Minutes of the Audit and Risk Committee Meeting held on 9 March 2021



MINUTES

Audit and Risk Committee Meeting Tuesday, 9 March 2021

Ref: 1427567

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Meeting Room 1, Timaru District Council, King George Place, Timaru
on Tuesday, 9 March 2021 at 11am**

Present: Keiran Horne (Chairperson), Mayor Nigel Bowen, Cr Stu Piddington, Janice Fredric

In Attendance: Chief Executive (Bede Carran), Group Manager Commercial and Strategy (Donna Cross), Group Manager People and Digital and Acting Group Manager Community Services (Symon Leggett), Group Manager Infrastructure (Andrew Dixon), Acting Group Manager Environmental Services (Erik Barnes), Chief Information Officer (Justin Bagust), Chief Financial Officer (Azoora Ali), Risk and Assurance Manager (Ernest Bernard), Director Audit New Zealand (John Mackey – via Video Link), Manager of Property Services and Client Representative (Nicole Timney), Health & Safety Advisor (Kevin Rowell for item 6.7), Governance Advisor (Jo Doyle)

1 Apologies

Resolution 2021/35

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the apology received from Cr Peter Burt be accepted and leave of absence granted.

Carried

2 Identification of Items of Urgent Business

There was no urgent business.

3 Identification of Matters of a Minor Nature

There were no matters of minor nature.

4 Declaration of Conflicts of Interest

There were no conflicts of interest.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 8 December 2020

A minor correction to the following was noted:

In item 6.6

“Two audits have been moved because of work load, the audit of GST, PAYE and FBT tax compliance will not take place in January 2021 and the accounts payable field work will occur in January as well”.

Will be replaced with

“Two audits have been moved because of work load, the audit of GST, PAYE and FBT tax compliance will now take place in January 2021 and the accounts payable field work will occur in January as well”.

Resolution 2021/36

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the Minutes of the Audit and Risk Committee Meeting held on 8 December 2020, with the amendments noted above, be confirmed as a true and correct record of that meeting and that the Chairperson’s electronic signature be attached.

Carried

5.2 Action List

The actions generated from previous Audit and Risk Committee meetings were updated.

It was noted that the corporate risk register has been updated with results of Senior Leadership Team workshops, however there is further work to yet be completed.

In relation to the “ComplyWith” compliance tool, a compliance report should be included in the Work Programme and any items identified as required to achieve compliance included in the outstanding items register.

The repeat items are requested to be combined for ease of reading.

The tax risk management framework and formal consultation with CCO’s is being worked through.

ACTION POINT

- Include “ComplyWith” reporting to the work plan and outstanding items register.

Resolution 2021/37

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the actions are received and noted.

Carried

6 Reports

6.1 Audit and Risk Committee Work Programme

The Committee was provided with the programme of work, it was noted that the credit rating review has historically been held in public excluded, but has been included in the public agenda for this meeting.

The timing of the management report from the annual report and audit and engagement letter for the FY21 audit was discussed and the lateness queried. It was noted that the engagement letter would usually be ready for this meeting as well as the management letter from last year.

Audit NZ Director John Mackey advised that:

The management report to Council is drafted and is with management to obtain their comments which are expected back by 16 March.

Regarding the engagement letter, the planning is underway for this year, however the immediate priority is to have all Council's Long Term Plan and Consultation Documents audited to enable adoption. A prioritisation process is being undertaken and a plan is expected to Timaru District Council before the end of June with expectations and deadlines. The Audit NZ national resourcing committee are working on prioritising the resource, the Consultation Documents audits are taking longer than expected and need to be adopted by 30 June.

Covid-19 impacts and the associated information requirements have also affected timing.

The areas of focus for the upcoming year were noted as similar to last year, the revaluation of the land transport assets and Downlands Water Scheme. There are no moves to change statutory deadlines for entities for this financial year for the adoption of 31 October. The Audit Director would provide a timetable for the annual report FY21 audit prior to June.

A member queried the recent media article on Waimate District Council's annual report and Downlands. Officers explained this was predominantly a timing issue, with TDC needing to complete its financials and audit before Waimate can complete its own (and each of the audit teams needing to sign off). In addition to Covid, it is understood there were 3 main contributing factors noted in the Waimate District Council management report as leading to delays and increased costs, Downlands, the Alpine Energy Valuation and a vested asset issue. The TDC team were responsive when responding to queries regarding Downlands but there was need to align the timing and sign off of both audits (and additional work required as a result of the asset revaluation); the statement regarding the Alpine Energy valuation is not considered valid, and the vested asset issue does not relate to TDC.

Resolution 2021/38

Moved: Ms Keiran Horne

Seconded: Ms Janice Fredric

That the report be received and noted.

Carried

6.2 Corporate Risk Register Update (All Risks)

The Committee was provided with an update on the corporate risk register. Risk workshops have been undertaken with the Senior Leadership Team, and this has produced very good discussions and participation.

There are 6 extreme risks identified, and further updates have happened after a workshop completed yesterday.

It was requested that the Covid Specific Risk Register have a heading put in place to make the reading easier and that any changes in the risk register be highlighted.

The critical capital works was discussed, and this risk has reduced, however there are risks of intensive management in terms of delivery. Some elements of risk are outside of Council's control e.g. logistic supplies.

The major hazards were also discussed, these are showing as still work in progress with no timelines indicated. The senior leadership team have had conversations about Civil Defence emergencies for weather events, this can create a high financial burden on infrastructure. Events are occurring regularly, and human pandemics are becoming more common.

Concern was expressed that the staff personal security, protection and wellbeing is still considered an extreme risk. The consequence remains at the extreme level as there are staff who receive threats, even with controls in place once the outcome is placed in the matrix the result is extreme.

As this is a work in progress and a living document, officers are encouraged with further development to make the areas as specific and measureable as possible to allow the owner to mitigate as best as possible. It is important for the committee to be able to see measurable specific actions put in place to increase mitigation of these risks.

Reporting to Council was discussed, and it would be beneficial to send the heat map to Council once all complete.

Emerging risks from the LTP were identified as an area that needs review, discussions are being held, but this is yet to be completed. The ambitious capital work programme, climate change and the effect of Covid are areas of focus.

In terms of the Covid risk register, flight risk was noted by the Chair, pressures on the workforce, without the international flow, is occurring. Mitigations put in place to reduce this are a multi-pronged approach, providing career opportunities for existing staff and a remuneration framework that ensures staff are adequately paid for the environment.

ACTION POINT

- Place a heading on the Covid specific risk register
- Highlight any changes in the risk register
- Send the heat map to Council after Audit and Risk Committee have seen completed version.

Resolution 2021/39

Moved: Ms Keiran Horne

Seconded: Ms Janice Fredric

That the report be received and noted.

Carried

6.3 Probity Report

The Committee was advised there have been no incidents of wrong doing brought to the attention of the Chief Executive or other senior executives in Council.

Questions were raised by the Committee as to whether this training will be compulsory, and will it form part of the performance framework.

The ethics training has seen 200 staff undertake fraud awareness, and those that were unable to attend will have follow up sessions, and the training is expected to be included in the induction plan for new staff.

As part of ongoing performance framework, there will be an expectation every few years to attend follow up training. It can also be made relevant to specific parts of the business to identify challenges that make their work difficult.

It was suggested training could be provided by way of a recorded e-learning module to reduce ongoing costs.

Resolution 2021/40

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted

Carried

6.4 Internal Audit and Assurance Programme

The Committee was provided with an update on the progress with the 20/21 Internal Audit (IA) Programme.

The draft reports have come in and will be provided to the next committee meeting. A delay in the accounts payable review due to the LTP has affected the timing of these reports which will be presented at the June meeting.

The CBay operations procurement and credit card review were not undertaken because of specific incidents, in this case the Senior Leadership Team wanted more assurance around protocols.

There are no major or high risk concerns at this stage from the draft reports.

Resolution 2021/41

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be noted and received.

Carried

6.5 Risk Management Framework Communications Plan

The Committee was presented with the communication plan within TDC's Business Continuity Plan which were requested at the previous meeting.

A committee member asked if the vaccination plan is being considered and where there are front facing roles that would require the Covid vaccination, and how will the Council deal with staff who are hesitant to receive it.

There is a flu vaccination that will be offered to staff, and it is expected that this will run alongside that scheme.

The many documents attached were discussed and the Group Manager's advice that there is no single crisis management plan. This could be added to the improvement programme so that staff understand what response and communication lines they should be guided by, to be progressed

as appropriate given other priorities. The regular review of these plans and any crisis management plan should be included in the policy review programme.

ACTION POINT

- That a coherent crisis management plan needs to be added to the policy review programme.

Resolution 2021/42

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be noted and received.

Carried

6.6 Credit Rating Review

The Committee was updated on the recent review of Council's credit rating.

The Fitch annual credit rating review has been received, Council retains its AA- rating. This has been published using Council's communication streams.

Resolution 2021/43

Moved: Ms Keiran Horne

Seconded: Ms Janice Fredric

That the Committee note and receive the report.

Carried

6.7 Health and Safety Update

The Committee was presented with update on health and safety activity since the last meeting in December 2020.

A focus on prioritising actions of a high and critical nature and the critical risks are consuming the majority of work. Contractors are a focus, and how the working relationships are being reset.

The new health and safety platform Assura is being trialled by health and safety reps, and will be rolled out within a few weeks. This system will be able to be used by all staff from their phones, and contractors can also use this tool. It was queried whether Councillors have had a demo of Assura.

The near misses and safe behaviours on site will be reiterated with contractors, and included within the KPI dashboard. The trends will be reported to Council.

The health and safety requirements for the Theatre Royal project were discussed. An external health and safety advisor has been assigned to this project. The document will be attached alongside Council's health and safety plan. The project management team will have monthly team meetings and the project steering group will forward any critical risks through to Council.

Resolution 2021/44

Moved: Ms Keiran Horne
 Seconded: Ms Janice Fredric

That the report be received and noted.

Carried

7 Consideration of Urgent Business Items

There was no urgent business.

8 Consideration of Minor Nature Matters

There were no minor nature matters.

9 Exclusion of the Public

Resolution 2021/45

Moved: Ms Keiran Horne
 Seconded: Mayor Nigel Bowen

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
<p>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 8 December 2020</p>	<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 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</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>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>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>	
10.2 - Public Excluded Action List	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
10.3 - 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 commercial activities</p>
10.4 - Cyber Security Report	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	Commercial sensitivity

	person who supplied or who is the subject of the information	
10.5 - Outstanding Items raised by audits	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 enable commercial activities
10.6 - Employee Matters	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
10.7 - 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 out, without prejudice or disadvantage, commercial activities	Due to an obligation of confidence and to protect the public interest To enable commercial activities
10.8 - Committee and Chief Executive only time (agenda placeholder)	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons 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 a person’s privacy To enable commercial activities

Carried

- 10 Public Excluded Reports**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 8 December 2020**
- 10.2 Public Excluded Action List**
- 10.3 Issues Watch Register**
- 10.4 Cyber Security Report**
- 10.5 Outstanding Items raised by audits**
- 10.6 Employee Matters**
- 10.7 Committee and Auditor only time (agenda placeholder)**
- 10.8 Committee and Chief Executive only time (agenda placeholder)**
- 11 Readmittance of the Public**

Resolution 2021/46

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

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

Carried

The meeting closed at 2.12pm.

.....
Keiran Horne
Chairperson

6 Reports

6.1 Action List

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Acting Group Manager Commercial and Strategy

Recommendation

1. That the actions are received and noted.

Purpose of Report

- 1 Attached are the actions generated from previous Audit and Risk Committee meetings to be updated.

Attachments

1. **Public Minutes - Action Points**  

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
16 June 2020	Corporate Risk Register <ul style="list-style-type: none"> - Areas of development with tangible actions and owner of risk to be included. - A project management framework to be developed for major events and projects. 	Risk and Assurance Manager	6 October 2020	A number of workshops held, risk register continues to be refined, next update to be provided at ARC in June 21 In January 2020, Timaru District Council established a Programme Delivery Team. The Programme Delivery Team is responsible, amongst other, to increase the organisational project, programme and portfolio management maturity of the organisation by implementing new systems and processes aligned with the industry best-practices. In this context, the Programme Delivery Team carried-out an external P3M3 assessment (Project, Programme and Portfolio

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
				<p>Management Maturity Model).</p> <p>As a result, it was assessed that Timaru District Council currently has a Project, Programme and Portfolio Maturity Index of 1.3 (on a scale of 0 to 5). In addition, it has been assessed that TDC has a target P3M3 index of 3.</p> <p>The benefits of having good project management practices are numerous. Apart from reducing significantly the rate of project failures, organisations who have higher project management maturity also have lower direct costs than poor project management companies.</p>

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
				<p>In order to increase its project management maturity, a key recommendation for TDC is i) to develop a Project Management Framework and ii) to begin the process of evaluating requirements and needs for a single piece of project management software to provide coordinated tracking and progress reporting on all TDC initiatives.</p> <p>Those two initiatives are now ongoing. The development of the project management framework is being led by the Programme Delivery Team and started in January 2021. The project management framework will defines how an idea becomes a project and what are the</p>

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
				requirements to initiate, plan, execute, control and monitor and close a project. The framework will enable greater visibility on the overall organisational work programme and provide assurance on how projects are being planned and executed. A project charter is available.

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
8 December 2020	<p>6.4 – Tax Risk Management Framework</p> <p>Ensure a governance framework is formalised for Council that will be included on a work plan and reviewed every four years.</p> <p>Council should ensure formal consultation is held with CCO-s in regard to Tax Risk Management Framework.</p>	Management Accountant		<p>The Financial Accountant is progressing the engagement with TDHL and Venture Timaru on the proposed Tax Risk Management Framework. With the appointment of the new Chief Financial Officer this will be progressed and formalised over the next six months.</p> <p>Ongoing reviews are being diarised in Finance Team workflows.</p>
8 December 2020	<p>The Risk and Assurance Manager to correct the points raised – Communication Plan, include the Website area – Headings within the appendices and tables are not consistent.</p>	Risk and Assurance Manager		<p>In Progress – Website area to be confirmed with IT.</p>

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
9 March 2021	6.2 – Corporate Risk Register Update <ul style="list-style-type: none"> • Place a heading on the Covid specific risk register. • Highlight any changes in the risk register. • Send the heat map to Council after Audit and Risk Committee have seen completed version. 	Risk and Assurance Manager	June 2021	<ul style="list-style-type: none"> • Completed • Completed • In-Progress
9 March 2021	6.5 – Risk Management Framework Communications Plan That a coherent crisis management plan needs to be added to the policy review programme.	Risk and Assurance Manager	June 2021	In Progress

#1331022

6.2 Timaru Airport CAA Part 139 Recertification.

Author: Ashley Harper, Senior Programme Delivery Manager
Matt Sisson, Airport Operations and Safety Manager

Authoriser: Andrew Dixon, Group Manager Infrastructure

Recommendation

That this report be received and noted.

Purpose of Report

- 1 To advise the Audit and Risk Committee that the 5 yearly Civil Aviation Authority (CAA) Part 139 Recertification for the Timaru Aerodrome was achieved before the 23 March 2021 renewal date.

Assessment of Significance

- 2 Achieving recertification is deemed of low significance under Council's Significance and Engagement Policy as it is consistent with the ability to operate the Timaru Airport with AirNZ scheduled flights for the South Canterbury community.
- 3 However, if recertification was not achieved the inability to operate the Timaru Airport for AirNZ scheduled flights would make this issue more significant to the South Canterbury community.

Discussion

- 4 The Timaru Aerodrome is required to be certified under CAA Part 139 in order to accept aircraft such as those used by AirNZ, currently being the Dash Q300.
- 5 CAA Part 139 is the method used to show that an aerodrome is fit for purpose and meets a wide range of minimum standards. In particular there is emphasis on Safety Management Systems (SMS) implementation, physical features compliance, operational Levels of Service (LoS) and the suitability of staff to be employed as Senior Persons. All these components are brought together via an exposition which is submitted for approval more than two months prior to expiry of the certificate.
- 6 The SMS component is relatively new and the site specific SMS which contains 13 elements was audited in November 2020 and was deemed to be present and suitable. The Senior Persons formal recorded interviews were held in early March 2021 and the site audit was held on 16 March 2021.
- 7 These audits identified three minor findings which generated corrective actions which were implemented immediately and therefore allowed the recertification application to be approved.
- 8 While on site the auditors observed a small number of issues that would improve the exposition or the operating procedures at the aerodrome and these will be considered for inclusion as an amendment to the exposition as they get resolved. These 'observations' are

most helpful and will improve the operation of the aerodrome, particularly in an emergency event.

- 9 Achievement of recertification is a key performance measure in the Long Term Plan and this measure has now been achieved. In the four intervening years between recertifications CAA carry out site audits of the SMS implementation, LoS and physical features.
- 10 Now that recertification has been achieved the role of Airport Chief Executive will progressively transfer to the Group Manager Infrastructure.

Attachments**Nil**

6.3 Health and Safety Update

Author: Symon Leggett, Group Manager People and Digital

Authoriser: Symon Leggett, Group Manager People and Digital

Recommendation

That the report be received and noted.

Purpose of Report

- 1 This report is to provide an update on health and safety activity since the last report to the Audit and Risk Committee in March 2021.
- 2 The health and safety of staff, contractors and members of the public who 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.

Assessment of Significance

- 3 Very low. While the health and safety of our staff and members of the public is important the assessment for this report, in accordance with our Significance and Engagement Policy is very low.

Coronavirus

- 4 The Covid-19 Coronavirus, is still a constant factor in our activity, especially for customer facing roles and community facilities. Council continues to follow the advice and guidelines issued from the Ministry of Health (MOH), Local Government New Zealand (LGNZ) and various professional bodies, such as Sport New Zealand.
- 5 Our business continuity plans (BCP) remain active and are updated to reflect the changes in national alert levels or advisory recommendations. This is an active as part of our business activity.

Update on Activity

- 6 The amount of activity and output against our health and safety work-plan has been impacted by the absence of Kevin Rowell, our Health & Safety Advisor. Unfortunately Kevin has been off work for two months undergoing treatment for a historic injury, but he is recovering well and we expect to see him back on deck at the end of the month.
- 7 Members of the Health & Safety Committee have picked up the day to day tasks of managing our programme, especially the risk assessment, approval of contractor activity, permits to work and incident investigation.
- 8 While we have missed Kevin's experience, it has been a great development opportunity for the Committee members to step up and manage these processes. As a result we have seen an increase in their understanding of risk, the application of controls by contractors and importantly the assessment of the effectiveness of those controls.

- 9 The below work-plan activity was previously completed by Kevin and largely remains as 'work in progress' items.

Health and Safety Action List:		
Has been done	Completed Date	Action
Review of current system	✓ Completed July 2020	Contractors identified as major area of risk
Review of worksite	✓ Completed July 2020	Areas of Risk <ul style="list-style-type: none"> • Landfill Transfer station • Water Treatment • Waste Water Treatment
Review of Large Contractors	✓ Completed September 2020	All Major Contractors have a functioning H&S system, even if not all of them were consistent in using it for council work <ul style="list-style-type: none"> • Many are Site Wise/ Site Safe accredited • Have improved use of systems on council projects / jobs
Review of Small Contractors	✓ Completed September 2020	There is a contrast between large and small contractors <ul style="list-style-type: none"> • Some have advanced systems • " " workable systems • " " nothing in place • Actively working these teams to improve standards
Review of TDC Processes	✓ Completed September 2020	Areas of concern with Contractors <ul style="list-style-type: none"> • Minimal oversight of risk preparedness • Minimal oversight of contractor reporting to Council • Minimal oversight of Competencies of contractors working on council sites
Development of Documentation, Processes	Completed September 2020- Ongoing ✓ Completed October	<ul style="list-style-type: none"> • Permits • JSAs • SSP • SOP • Incident investigation • Risk Assessments • Training for above
Introduction of system for identification of risk across all sites	January 2021	<ul style="list-style-type: none"> • Permit system • JSA Training based on:

	<ul style="list-style-type: none"> ✓ IP Created October 	<ul style="list-style-type: none"> • Risk Identification and Mitigation • Contractor Management • Incident Investigation • Set up of monthly KPI's for contractors
Development of Safety Representatives	<p>January 2021- Ongoing</p> <ul style="list-style-type: none"> ✓ IP Created October 	<ul style="list-style-type: none"> • Investigation • SSPs • Permits – Issuer- Receiver • Auditing
Development of the Safety Committee	<p>Ongoing</p> <ul style="list-style-type: none"> ✓ IP Created October • Ongoing training 	<ul style="list-style-type: none"> • Training the trainer • Training of risk identification & mitigation, investigation, development of contractor SSPs • Management of risks on the respective worksites • Review of Hazard Registers, outstanding actions • Review of SOPs • Review of occurrences, e.g Injuries, near miss, etc
Disaster Planning Museum	<ul style="list-style-type: none"> ✓ Short Term Completed October 	<ul style="list-style-type: none"> • Planning for disaster • What triggers the plan • Recovery from Disaster
Christmas on the Bay	<ul style="list-style-type: none"> ✓ Completed. 	<ul style="list-style-type: none"> • Risk Assessment Thur 12th
Launch of Assura	<ul style="list-style-type: none"> ✓ Completed. 	<p>Health & Safety Management Data Base</p> <ul style="list-style-type: none"> • Training of all TDC workers who will be using the system <p>March 2021 Update</p> <ul style="list-style-type: none"> • Assura implemented, testing completed and in the process of being rolled out to all staff. <p>June 2021 Update</p> <ul style="list-style-type: none"> • System implemented and operational.

Going Forward:

To Do	Time Frame	Action
Refinement of Assura	September 2021	<p>Health & Safety Management Data Base</p> <ul style="list-style-type: none"> • Refine the reporting functions • Complete the import of relevant resources • Expand use to incorporate permit to work activity, SOP's and JSA's

<p>Controls for High risk Work</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Working Alone • Fatigue • Drug& Alcohol • Competencies on worksites • Driver Training& Education • Identification of work and areas that require permitting • Contractor competencies <p>March 2021 Update</p> <ul style="list-style-type: none"> • Second draft completed and engagement with external contractors initiated <p>June 2021 Update</p> <ul style="list-style-type: none"> • Awaiting H&S Advisor’s return
<p>Development of Policies & Standards</p>	<p>Ongoing</p>	<p>Health and Safety Policies</p> <ul style="list-style-type: none"> • D&A • Injury Management • Fatigue • Driving <p>Health and Safety Standards</p> <ul style="list-style-type: none"> • PPE • Training <p>March 2021 Update</p> <ul style="list-style-type: none"> • Policy activity has been initiated. • Standards- to be developed over 2021 <p>June 2021 Update</p> <ul style="list-style-type: none"> • Awaiting H&S Advisor’s return
<p>Deconstruction 02 North St Safety Plan</p>	<p>Med – Long Term</p> <p>✓ Safety Plan completed in November Draft</p>	<ul style="list-style-type: none"> • Safety Plan • Meetings with TDC / Ecan • Set Up of site <p>March 2021 Update</p> <ul style="list-style-type: none"> • No update to report <p>June 2021 Update</p> <ul style="list-style-type: none"> • No update to report
<p>Infrastructure</p>	<p>Working closely with approved contractors</p>	<ul style="list-style-type: none"> • Contractor H&S management <p>March 2021 Update</p> <ul style="list-style-type: none"> • Ongoing engagement with contractors <p>June 2021 Update</p> <ul style="list-style-type: none"> • Chair of the H&S Committee has been active in reviewing the approved contractors and working directly with them

Sound Shell	Short- Med Not Started	<ul style="list-style-type: none"> Risk Associated with the Deconstruction of sections of the Building <p>March 2021 Update</p> <ul style="list-style-type: none"> Project has been rescheduled <p>June 2021 Update</p> <ul style="list-style-type: none"> No update to report
Theatre Royal	Short- Med Not Started	<ul style="list-style-type: none"> Risk Assessment Tue 10th <p>March 2021 Update</p> <ul style="list-style-type: none"> Discussions underway with the relevant teams <p>June 2021 Update</p> <ul style="list-style-type: none"> No update to report
Contractor Engagement	On Going	<ul style="list-style-type: none"> Visit Contractors on council Work sites or their offices <p>March 2021 Update</p> <ul style="list-style-type: none"> Ongoing engagement with contractors <p>June 2021 Update</p> <ul style="list-style-type: none"> Chair of the H&S Committee has been working directly with contractors on a 'as needs basis'
Risk Assessments of Water Tanks within the District	Ongoing	<ul style="list-style-type: none"> Working with Water Care <p>March 2021 Update</p> <ul style="list-style-type: none"> Controls implemented by CityCare <p>June 2021 Update</p> <ul style="list-style-type: none"> No update to report
Contractor Risk	On Going With Ernest	<ul style="list-style-type: none"> Continuing with Meetings <p>March 2021 Update</p> <ul style="list-style-type: none"> Ongoing engagement with contractors <p>June 2021 Update</p> <ul style="list-style-type: none"> Chair of the H&S Committee has been working directly with contractors on a 'as needs basis'
Critical Risk	First draft completed for TDC	<p>March 2021 Update</p> <ul style="list-style-type: none"> Assessment of critical risks and review of their controls for TDC <p>June 2021 Update</p> <ul style="list-style-type: none"> No update to report

- 10 This activity highlights the work underway with our contractors and the significant progress made in improving our processes for managing high risk activity. While the progress over the last two months has been impacted, it is pleasing to see the benefit being realised for investing in our H&S Committee.
- 11 In addition to the above table, the future H&S activity has been mapped into the attached work programme, detailing separate work streams for the year.

Health and Safety Statistics

- 12 The H&S events involving staff continue to be very low in number and nature. The majority of events are classed as ‘incident only’ with causation being investigated as appropriate.
- 13 As we’re now operating the new Assura system, our new H&S platform, our reporting capabilities are temporarily reduced as we only have 5 months of incident data in the system. Our old system, Safehold, no longer allows us to extract data from the system for generating reports, so we can only report on part year results for 2020/2021.
- 14 The reporting period for Assura runs from January to December, which will assist in accurate rolling 12 month averages. All of the incidents listed in the current period includes the school holiday periods and the subsequent increase in incidents at our aquatic facilities.
- 15 We’ve requested modifications to the Assura reporting platform to better assess incidents involving staff verse members of the public. We have a number of draft reports in development at this stage. Please find below the part year incident report from Assura:



Health & Safety Summary Report
Location: TDC

Summary

Event Summary	Occurred This Period	12m Avg	YTD	Currently Active	Completed This Period
Accident	65	8.92	107	64	43
Injuries	62	8.67	104	62	42
LTI (Medical)	0	0.00	0	0	0
LTI (Non Medical)	0	0.00	0	0	0
Non LTI (Medical)	0	0.08	1	1	0
Non LTI (First Aid)	9	0.92	11	6	5
Non LTI (Non Medical)	52	7.17	86	49	37
Property Damage	0	0.00	0	0	0
Environmental	0	0.00	0	0	0
Near Miss	3	0.33	4	2	2
Pain & Discomfort	2	0.25	3	2	1

16 Please find below the part year incident report from Safehold:

Incident Type	Part Year 2020	Change since last report	Full Year 2019/ 2020	Full Year 2018/2019	Full Year 2017/2018	Full Year 2016/2017
Incident Only	11	1	40	59	43	21
First Aid	6	1	16	27	23	27
Medical Treatment	0	0	4	0	4	8
Lost Time	1	0	2	1	0	5

Incident Detail

- 17 The Committee has requested extra detail for incidents resulting in lost time and medical treatment.
- 18 There are no lost time injuries or medical treatments to report in this period.

Staff Wellness

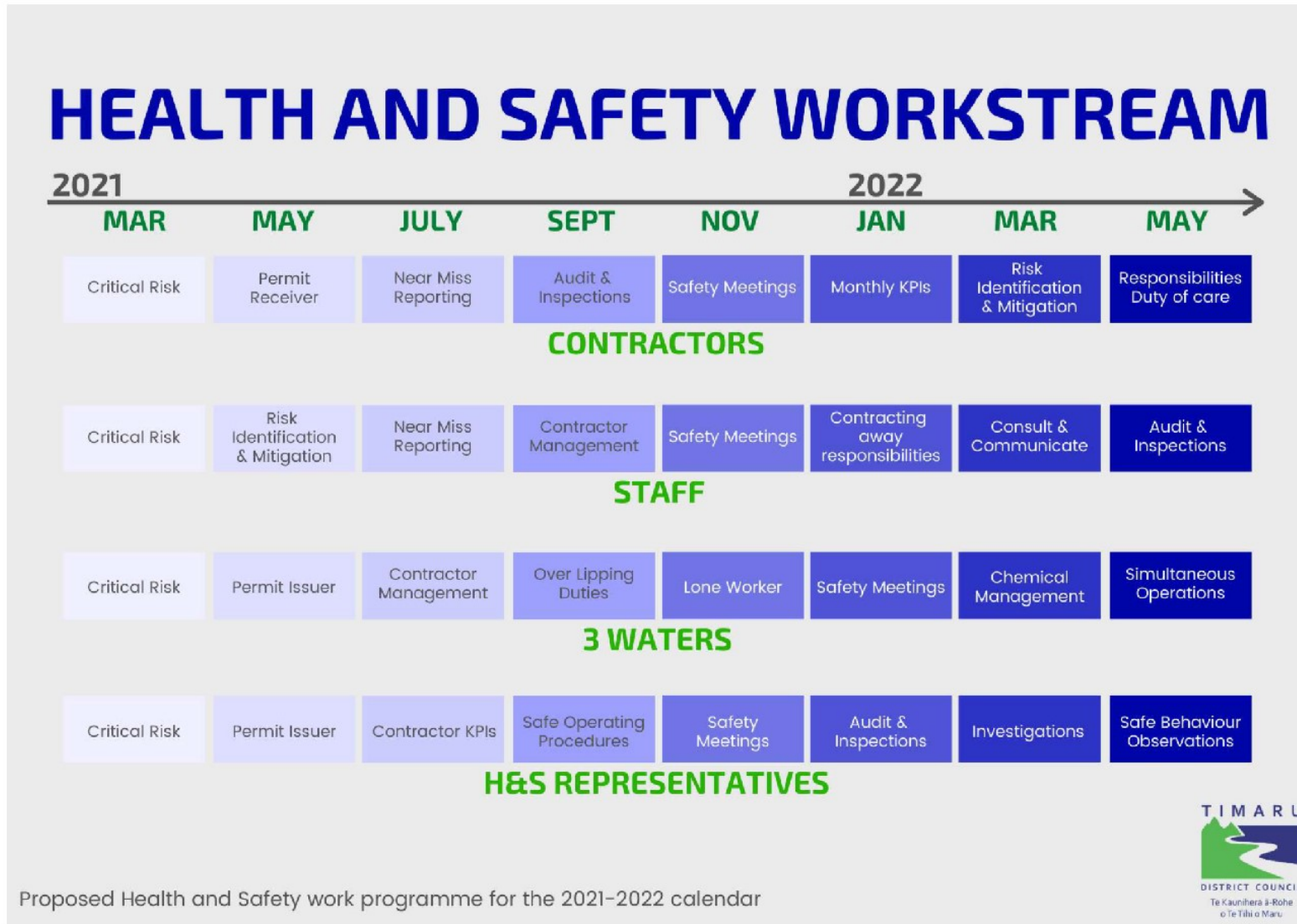
- 19 The Committee has requested information on staff wellness as it relates to the external support offered through the Mindful Me counselling service. The report for this period isn't available from the provider, but they have confirmed that the referral rate is steady with no apparent increase.

Conclusion

- 20 The health and safety of our staff, contractors and customers remains a high priority for the organisation. While there are still many opportunities for improvement, our progress adds to a positive health and safety culture.

Attachments

1. **Health & Safety Work Plan**  



6.4 Audit and Risk Committee Work Programme**Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Ashley Harper, Acting Group Manager Commercial and Strategy**Recommendation**

That the report be received and noted.

Purpose of Report

1 This report is 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		✓		
Implementation items risk management framework	✓			
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)		✓		
Accounting policy review (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				✓
AuditNZ interim audit report		✓		

Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Credit rating review			✓	
Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

Attachments

Nil

6.5 TDC Strategic Risk Register

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Acting Group Manager Commercial and Strategy

Recommendation

1. That the report be received and noted.

Purpose of Report This report is to provide an update on the TDC Strategic Risk Register.

Assessment of Significance

- 2 Reporting on the updated Risk Register is considered to be low significance in terms of Council's Significance and Engagement Policy, however, managing the extreme and high risks is potentially more significant.

Background

- 3 The TDC Strategic Risk Register has been updated. A risk workshop with Senior Leadership Team (SLT) was held on the 10th of May 2021 to continue to refresh and re-focus the Strategic Risk Register, with ongoing workshops.

In the recent risk workshop SLT discussed in detail most of the risks on TDC's Strategic Risk Register, with some risks having been combined. The discussion led the leadership team to:

- Discuss the risks
- Assign action plans for extreme risks
- Consensus about relative importance of risks
- Awareness of different viewpoints

- 4 Remaining tasks in updating the register will be carried out separately with each GM. Risks will continue to be workshopped, with updates to be reported to the Committee.
- 5 We have recently purchase the risk module within promapp. We are currently in the process of loading all the information into this module. Risk reports with dashboards will be generated from promapp for future Audit and Risk Committee meetings.

Attachments

1. TDC Strategic Register 15 June 21  

Timaru District Council Strategic Risk Register

This register contains the risks assessed by the SLT on 31 August 2020
Risk register last updated 10 May 2021

TDC Strategic risk register

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TDC Strategic risk register

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Risk profile

This profile is considered to be TDC's residual risk profile – the level of risk taking into account the controls currently in operation

LIKELIHOOD	Almost certain				
	Likely		ENGAGED COMMUNITY	MAJOR HAZARDS INSURANCE	
	Possible	STORMWATER IT FAILURE	INSTITUTIONAL KNOWLEDGE STAFF ERRORS KEY FACILITIES POWER/ TELECOMMUNICATIONS	CAPITAL WORKS	STAFF PERSONAL SECURITY, PROTECTION AND WELLBEING
	Unlikely	WATER SUPPLY SEWERAGE SYSTEMS	CLIMATE CHANGE INEFFECTIVE BUSINESS PLANNING	SABOTAGE/VANDALISM	FINANCIAL LOSS PUBLIC INJURIES, DEATH OR SERIOUS INJURY

TDC Strategic risk register



KEY – RISK SEVERITY	LOW	MEDIUM	HIGH	EXTREME
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Risk assessment metrics

Risk consequence

Risk 'consequence' is the impact that TDC may experience should a given risk occur. Each is considered under a number of areas relevant to TDC business.

	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Achievement of the Vision and Community Outcomes	No impact on the Vision and Community Outcomes	Inconvenience or delay in achieving the Vision and Community Outcomes	Significant difficulty introduced to achievement of the Vision and Community Outcomes Lost opportunity to contribute positively to one or more of the Vision and Community Outcomes	Failure to achieve a specific community Outcome Lost opportunity to significantly advance a specific Community Outcome	Failure to achieve multiple Community Outcomes Lost opportunity to significantly advance multiple Community Outcomes
Financial	Financial impact up to \$100k	Financial impact of over \$100k to 250k	Financial impact of over \$250k to \$1M	Financial impact of over \$1M to \$5M	Financial impact of more than \$5m
Health and Safety (Customers, staff, contractors)	Minor injury, first aid not required	First aid or minor treatment	Medical treatment required	Serious harm, for example broken bones, hospitalisation	Loss of life; multiple serious harms; permanent severe disability

TDC Strategic risk register

	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Service delivery to community	Short-term reduction in service delivery which is easily restored and does not compromise the community's health and wellbeing	Reduced service delivery that does not compromise the community's health and wellbeing	Key service not available to some of the community for ten hours or more Continued service degradation for two days or more	Key service not available to a significant portion of the community for two days or more Continued severe service degradation for one week or more	Key service not available to a large proportion of the community for one week or more Continued severe service degradation for one month or more
Organisational capability and capacity	Temporary problem with organisational capability resulting in no impact on external service delivery	Loss of organisational capability in some areas resulting in sub-optimal support to external delivery activities	Organisation unable to function for less than 10 hours Serious reduction in organisational capability for one week or more	Organisation unable to function for more than 10 hours Serious reduction in organisational capability for two weeks or more	Organisation unable to function for more than two days Serious reduction in organisational capability for one month or more
Reputational	Negative feedback from individuals Short-term 'letters to the editor' (or online equivalent) commentary	Short-term loss of confidence among small sections of the community Regional adverse political or media comment for one or two days Sustained 'letters to the editor' (or online equivalent) commentary in usual sources	Short-term and manageable loss of community confidence Regional adverse political or media comment for more than two days Significant social media commentary or campaign from new sources	Loss of community confidence requiring significant time to remedy National adverse political or media comment for more than two days Regional adverse political or media comment for more than one week Requirement for (televised) public explanation	Insurmountable loss of community confidence National adverse political or media comment for more than one week Requirement for (televised) public apology or defence Adverse comments or questions in Parliament
Legislative / regulatory compliance	One-off minor regulatory or legislative non-compliance with no direct impact on the community's health or wellbeing	One-off minor regulatory or legislative non-compliance with potential impact on the community's health or wellbeing	Complaint to the Ombudsman, Auditor-General or other statutory office Multiple related minor non-compliances due to an underlying systemic issue Significant breach or non-compliance resulting in regulatory scrutiny	Significant breach or non-compliance, or multiple breaches or non-compliances, resulting in regulatory action and/or restrictions on Council activities	Court proceeding or criminal action for breach or non-compliance; potential for imprisonment of elected member or staff Judicial review on a matter of rates or other funding, or on a matter with significant financial impact

TDC Strategic risk register

Risk likelihood

'Likelihood' is the frequency that TDC may expect to experience the assessed consequences should the identified event or situation occur (the risk).

Rating		Probability of event occurring
Almost certain	5	90% or greater chance of occurring in next 12 months or Certain to occur in next 5 years and It would be unusual if this didn't happen
Likely	4	60% to 90% chance of occurring in next 12 months or Expected to occur in next 5 years and It would be unusual if this didn't happen
	3	25% to 60% chance of occurring in next 12 months or Likely will occur in next five years and Occurrence is always possible
Unlikely	2	2% to 25% chance of occurring in next 12 months or Expected to occur once every 5 to 20 years and May Occur
Rare	1	Up to 2% chance of occurring in next 12 months or Could occur once every 50 or more years and Will only occur in exceptional circumstances

TDC Strategic risk register

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TDC Strategic risk register

1. Critical Capital Works

Risk description

Failure to deliver critical capital works programme set out in the Long Term Plan/Annual Plan.
 (Critical capital works are defined by SLT as those that are essential to support our communities' physical, environmental and economic security/safety)

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Likely	Extreme	Major	Possible	High	

Risk Owner

GM Infrastructure

Risk drivers, sources and causes

- a) Sub-optimal people capability and capacity to effectively project manage
- b) Supply Chain challenges - demand exceeding supply, overseas supply constraints
- c) Third Party risk - Landowner reluctance, reliance on performance of contractors
- d) In-adequate funding – actual costs being substantially higher than budgeted
- e) Political risk – changing priorities, additional items added to work programmes
- f) Extended or extreme weather events

Consequences

Unacceptable level of risk to the wellbeing of our community
 Not meeting service levels and/or consent/statutory requirements
 Not aligning rates funding with project delivery
 Expected timeframes not being met

TDC Strategic risk register

Risk analysis

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress of developments	Responsibility
a) Sub-optimal people capability and capacity to effectively project manage	Experience of the Unit Manager/project manager responsible. Programme team are hands on actively monitoring and assisting project owners to identify and address issues using agile methodologies.	Reporting provided to date on critical projects confirms risks being adequately managed.	Project improvement work programme in place to lift capability (people & systems) This will include guidance/processes to determine adequate project resourcing requirements.	6 months in to a two year work programme Mid-2022	On track	GM Strategy & Commercial
b) Supply Chain challenges - demand exceeding supply, overseas supply constraints	Supply has been elevated as a key risk to projects. Contractors are required to provide specific detail as to the risk supply may (or may not) affect delivery and how this risk will be addressed.	Supply issues are not delaying any critical projects currently.	For some projects it may be prudent and cost-effective for Council to purchase and hold stock of key materials.	On-going	On track	GM Infrastructure
c) Third Party risk - Landowner reluctance, reliance on performance of contractors	Regular contractor workshops to inform the industry of Council needs/expectations. Relationship management practices with approved contractors Engage with landowners early to seek their buy-in	Effective Isolated incidents of	No specific opportunities identified currently. Monitor. 2. Supply Chain	On-going	On track	GM Infrastructure

TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress of developments	Responsibility
d) In-adequate funding – actual costs being substantially higher than budgeted	<p>to the works as early as possible. Communication plans for affected landowners to support good relationship management.</p> <p>Ensure project is well scoped upfront. Review budgeted costs prior to commencement of project. Adequate contingency funding. If tenders exceed budget, revisit project scope, seek additional funding if appropriate.</p>	<p>landowners withholding permission that are being worked through.</p> <p>Projects not exceeding budgets (inclusive of contingency)</p>	<p>Review processes as part of the overall project management improvement programme.</p>	<p>Six months into a 2 year programme Mid 2022</p>	<p>On Track</p>	<p>GM Commercial & Strategy</p>
e) Political risk – changing priorities, additional items added to work programmes	<p>Working through projects and project risks with newly elected Councillors to assist with progression of committed capital projects. Regular dashboard reporting to elected members to provide assurance that critical capital projects are progressing adequately</p>	<p>Effective</p>	<p>Continue to refine value of reporting on the overall capital programme as well key individual projects.</p>	<p>On-going</p>	<p>On Track</p>	<p>Programme Delivery Manager</p>

TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress of developments	Responsibility
f) Extended or extreme weather events	Build contingency into timing and budget of the project. Limited disaster funding available to assist with related additional costs. Be prepared to reschedule non critical capital projects to re-direct resourcing.	Adequate	Consider increasing Disaster fund reserve to better prepare for more frequent, higher intensity weather events.	LTP Budget request Mid 2021	On Track	GM Infrastructure

Monitoring and reporting

Each GM to report to SLT on progress with development opportunities as part of the quarterly strategic risk review
Critical Projects monthly reporting to SLT

TDC Strategic risk register

2. Major Hazards – Earthquake, Flooding, Tsunami & Human Disease Pandemic

Risk description

Major and or/extended interruption to Levels of Service to our community. Inability to co-ordinate and manage sustained response and recovery functions.

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Likely	Extreme	Major	Likely	Extreme	

Risk Owner

Group Manager Environmental Services

Risk drivers, sources and causes

- a) Large earthquake (AF8), Major flooding (including Dam failure), Tsunami (local or regional source), Human Disease Pandemic
- b) Insufficient staff to manage an extended response/recovery (beyond 7 days) while maintaining 'Business as Usual' services
- c) Insufficient resourcing to support the 4 'Rs' – Risk reduction, Readiness, Response and Recovery

Consequences

Unacceptable level of risk (both lives and property) and service interruption to our community
 Significant Financial loss
 Loss/damage to key property and infrastructure
 Significant economic impact on our District

Risk analysis

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timelin e for compl etion	Progr ess	Responsibility
a) Large earthquake (AF8), major flooding,	Lifelines project (led by Group CDEM) to build resilience into key infrastructure – power, communications, state highways	Risk Reduction - Limited Readiness – Limited, due to high number of events	As part of the Council wide Climate change strategy consider opportunities for risk reduction for our high priority	2021-31 LTP	On Track	GM Environmental Services

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TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
<p>Tsunami, Human Disease Pandemic</p> <p>b) Insufficient staff to manage an extended response/recovery (beyond 7 days) while maintaining 'Business as Usual' services</p> <p>c) Insufficient resourcing to support the 4 'Rs' – Risk reduction, Readiness, Response and Recovery</p>	<p>etc.</p> <p>Trained, experienced Emergency Operations Centre (EOC) staffing (limited numbers who are shared with BAU), trained volunteer networks to activate local civil defence centres (CDCs) in Geraldine, Temuka & Pleasant Point.</p> <p>Nationally led, locally supported public education programmes designed to increase personal preparedness and resilience</p> <p>Community response plans in place for at risk communities (coastal/river based)</p> <p>Siren network</p> <p>Some internal business continuity planning</p> <p>High level pre-planning for major hazard scenarios</p> <p>Limited disaster recovery funding</p> <p>Access to external support in EOC from neighbouring Councils, Group CDEM and national EMAT</p>	<p>in Canterbury, community have a greater awareness of being prepared.</p> <p>Response - Adequate for reasonably localised events not extending beyond 7 days.</p> <p>Recovery – Limited, relies on BAU staffing being prepared and available to lead recovery under the four well-beings, so not just infrastructure.</p>	<p>hazards</p> <p>Resilient communities programme – individuals and businesses</p> <p>Advance resource sharing arrangements/ joint EOC with Waimate & Mackenzie District Councils.</p> <p>Train volunteers to work in the EOC as well as in CDCs</p> <p>Advance business continuity planning for critical Council services</p> <p>Review effectiveness / cost of siren network and alignment with NEMA guidelines</p> <p>Increase disaster recovery funding</p> <p>All of the above is dependent on additional resourcing being secured through the LTP process if we wish to lift the Level of Service.</p>			

TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Time line for completion	Progress	Responsibility
	Infrastructure managers aware of hazards and considering building in resilience into networks where possible/affordable.					

Monitoring and reporting

If additional resourcing secured through the LTP process a work programme is to be prepared to focus on priorities to address these key risk areas for SLT review within in three months of funding being received. Key milestones can then be added to the strategic risk review register.

TDC Strategic risk register

3. Climate change

Risk description

We fail to deliver levels of service due to the effects of changing climate.

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Likely	Extreme	Moderate	Unlikely	Moderate	

Risk Owner

Chief Executive

Risk drivers, sources, causes

Lack of localised evidence based knowledge to inform the planning – climate change adaptation strategy (D) Dependent on resourcing funding

- Capability and capacity
- Resourcing and Funding
- Change in or loss of infrastructure development
- Economic impacts
- Increased compliance costs or restrictions on operations [impact on local industries and economy also noted]
- Community wellbeing - ability for Council to deliver core services to impacted settlements
- Rebuilding or resettlement of impacted communities
- Water service delivery impacted
- Financial cost of response, rebuild

TDC Strategic risk register

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
<p>Monitoring of inundation projections, overland flow paths, network capacity, rising sea levels and their impact on coastal settlement.</p> <p>Communication with Ecan</p> <p>Having information on climate change effects river water takes</p> <p>District Plan Review</p> <p>Infrastructure Strategy and Activity Management Plan</p>		<p>Lack of localised evidence based knowledge to inform the planning Capability and capacity</p> <p>Adaptation strategy to be developed</p> <p>Activity management plans (AMPs) continue to be developed to identify how to enhance resilience in networked and community infrastructure</p> <p>Climate change strategy work initiated. Factor into next LTP.</p> <p>Mitigation through District Plan.</p>			SLT and Unit Managers

Monitoring and reporting

TDC Strategic risk register

4. Insurance may not be available to cover the loss

Risk description

Unavailable cover

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Extreme	Likely	Extreme	Major	Likely	Extreme	

Risk Owner

Group Manager Commercial and Strategy

Risk drivers, sources and causes

Financial loss, loss of reputation, possible impacts on ability to provide expected levels of service

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Use of insurance broker Valuations for insurance purposes Regular reviews of assets insured Participant in LAPP Staff training on obligations to insurer to observe terms of the policy.		Local Government Risk Agency being considered, Council workshop to strategically review future property/insurance requirements			

TDC Strategic risk register

Monitoring and reporting

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TDC Strategic risk register

5. Public injuries, Death or Serious Injury

Risk description

Death or serious injury to public, staff, volunteers, contractors or elected members

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Extreme	Possible	Extreme	Extreme	Unlikely	High	

Risk Owner

Chief Executive

Risk drivers, sources and causes

Nature of the Council activity and the facility, Workers, contractors and members of the public

Risk Analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Health and Safety policies and procedures Health and Safety Committee Health and Safety advisor and external advisors Staff and volunteer training Contractor engagement procedures Risk registers, relevant controls, internal audits and verification Driving and vehicle monitoring policy. Site specific risk plans as appropriate. Increased membership of Health and Safety Committee and increased training and task allocation across the wider business.	Moderate	Ensure consistency of contractors' H&S policies and the implementation of the policies and procedures H&S is embedded in the procurement processes Review the structure of the current Health and Safety Committee to better align with Act? Done Updating the H&S manual to the NZS45001 standard. This includes revitalising policies, procedures, permits to work,			CE (operationalised via particular Council activity owner)

TDC Strategic risk register

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Standard Operating Procedures (SOP's)		standard operating procedures and verification activity. Confirmation of new supplier of vehicle monitoring systems imminent. Manual H&S processes in place in interim. Improve due diligence and notification of activity – shift culture to have a greater focus on behaviour instead of the paper.			
Operating procedures at Council facilities	Moderate	Systems and processes for regular review and improvement			

Monitoring and reporting

TDC Strategic risk register

6. Staff personal security & protection and wellbeing

Risk description

Injury caused by staff due to physical/mental attacks against staff

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Extreme	Likely	Extreme	Extreme	Possible	Extreme	Strong-moderate

Risk Owner

CE (operationalised via the activity GM)

Risk drivers, sources and causes

Abuse, Injury, death, self-harm, increasing psycho-social issues, mental health issues and substance abuse

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Physical security measures Staff training (ongoing), Security cameras Panic alarms Office lockdown procedures Regular checks of at risk staff and procedures Debrief in case of near miss. Case by case risk assessment. Staff training, relationships with Police, panic alarms, security procedures at residential properties, 2	Strong-moderate	Staff training Bringing it into induction training Staff awareness Sites outside of TDC main office still need reviews/upgrades. The key sites outside of the main building have been assessed and security measures implemented. Further site assessments	December 21		Chief Executive

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	up procedures, remote monitoring of vehicles, body cams (recording), range of deterrents, post incident debriefs, counselling Upgraded customer service areas, e.g. shields and collapsible counter		are ongoing. Security cameras and updated processes in place at Timaru Library.	Dec-21		

Monitoring and reporting

TDC Strategic risk register

7. Engaged Community

Risk description

Loss of the relationship of trust and confidence with the community.

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Possible	Medium	Moderate	Likely	High	

Risk Owner

Chief Executive

Risk drivers, sources and causes

Ineffective/substandard delivery of Council's services and activities on timely basis, a disengaged community, vociferous, confrontational and potentially litigious special interest groups, all leading to a loss of trust.
 Lack of community goodwill, loss of business confidence/investment.
 Affect voter turnout

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Council meeting and complying with all of its statutory obligations on a timely basis Strategic and cohesive approach to community engagement and connectedness Elected members having strong constructive engagement with the community	Strong	Ongoing development/ mapping of business processes, Ongoing internal assurance programme Keeping current communications			

TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Developing and maintaining strong relationships with key partners and stakeholders		Culture of openness and accountability			

Monitoring and reporting

TDC Strategic risk register

8. Water supply

Risk description

Failure of water supply systems, including inability to obtain sufficient water or provide safe drinking water

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Moderate	Unlikely	Medium	Minor	Unlikely	Low	

Risk Owner

Group Manager Infrastructure

Risk drivers, sources and causes

Illnesses, death, loss of reputation, financial loss, difficulties in meeting level of service, Government inquiries

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Activity Management Plan, Infrastructure Strategy Asset renewal programmes Documented procedures Qualified staff Testing programmes Physical security Industry standards Water Safety Plans Contract specifications Telemetry systems	Renewal programmes being delivered. Robust water quality and performance monitoring process including some continuous monitoring. Robust failure response processes	Treatment Plant upgrade to improve supply reliability (treatment of dirty water). Reduced water consumption. Greater use of water metering to understand	2021-27	On Track	Infrastructure Group Manager

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Water network modelling Leak detection programmes Treatment plant and water take processes Insurance, Public education Monitoring possible water sources Water restrictions Liaison with high water users Business Continuity Planning Health and Safety Policy Bylaws	and contracts in place. Robust reporting processes and auditing.	demands. Upgrading of water takes.			

Monitoring and reporting

TDC Strategic risk register

9. Sewerage systems

Risk description

Failure of sewerage systems

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Moderate	Possible	Medium	Minor	Unlikely	Low	

Risk Owner

Group Manager Infrastructure

Risk drivers, sources and causes

Illnesses, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service, adverse environmental impact

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Activity Management Plan Infrastructure Strategy Documented procedures Qualified staff Testing and monitoring programmes Physical security Industry standards Contract specifications Telemetry systems Insurance Public education	Renewal programmes being delivered. Robust testing and performance monitoring process including some continuous monitoring. Robust failure response processes and contracts in	Improved trade waste compliance to ensure industrial discharge meets consent requirements. Reduction in wet weather flows with reduced I&I.	2021-24		Group Manager Infrastructure

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Business Continuity Planning, Health and Safety Policy Bylaws	place. Robust reporting processes and auditing. Treatment plant and pumping station Operators/maintenance in-house. Trade waste consents process. Some infiltration and inflow monitoring.				

Monitoring and reporting

TDC Strategic risk register

10. IT failure

Risk description

IT failures (including on line applications used and cyber-attacks)

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Extreme Major	Almost Certain	Extreme	Minor	Possible	Medium	Strong

Risk Owner

Group Manager People and Digital

Risk drivers, sources and causes

Regulatory and statutory non-compliance
 Difficulties in maintaining levels of service, financial loss, loss of data and information, altered or corrupted records, privacy breach, reputational loss

Risk analysis

Existing controls	Assessment of existing controls	Areas development for	Timeline for completion	Progress	Responsibility
Regular backups and off site storage of backups Passwords two required for authentication External reviews, IT policies, Business Continuity Plan, Discussions with suppliers Regular maintenance of equipment including upgrades	Strong	Review business continuity plans. Ongoing maintenance of cyber security measures, including regular updates, patches and training	To be carried out annually	Underway – with regular reporting to Audit & Risk Committee	GM People & Digital and CIO

TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Multiple redundancies Latest cyber security suites, Firewalls, Staff security requirements Staff training and awareness Information breach or loss of data – Information management strategy Cyber security review and actions Maturity with cyber security Staff training ongoing		Ongoing awareness of international trends and threats. Ongoing review of internal compliance measures.			

Monitoring and reporting

TDC Strategic risk register

11. Ineffective business planning

Risk description

Ineffective organisation planning and budgeting processes (LTP/Annual Plan/Activity Management Plans/Projects/District Plan)

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Possible	High	Moderate	Unlikely	Medium	

Risk Owner

SLT and Unit Managers

Risk drivers, sources and causes

Difficulties in maintaining levels of service and delivering LTP/Annual work programme
 Increased costs/financial loss
 Loss of reputation, community dissatisfaction, staff morale/turnover

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Good LTP and Annual Plan expertise and development processes. Highly skilled Corporate Planning team. Regular reporting against LTP and Annual Plan. Review of capital projects. Monitoring of AMP work improvement plan delivery. Recruiting for Programme Delivery Manager. Review planning, maturity, processes and effectiveness		Develop improved financial systems /processes for LTP and Annual Plan. Deliver capex plan. Project management training and support. Development of improvement programmes yet to be completed			

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Identify areas for development, and develop programme for improvement Review major understanding and use of these tools, knowledge and ability to deliver					

Monitoring and reporting

TDC Strategic risk register

12. Financial loss

Risk description

A major financial shock

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Extreme	Possible	Extreme	Extreme	Unlikely	High	

Risk Owner

SLT and Unit Managers

Risk drivers, sources and causes

Reduced revenue
 Revision of strategic priorities for investment decisions
 Borrowing funds implications

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Keep a strong financial position. Deliver on budget		Keep a strong financial position. Deliver on budget			

Monitoring and reporting

TDC Strategic risk register

13. Staff errors

Risk description

Staff mistakes or staff providing incorrect advice

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Likely	Extreme	Moderate	Possible	Medium	

Risk Owner

SLT and Unit Managers

Risk drivers, sources and causes

Legal challenge, financial loss, damage to Council reputation

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Staff training Corporate Policies, Delegations, Insurance Legal advice sought where appropriate. Peer/management review of outputs and reports. Performance framework, coaching and staff	Strong	Documented procedures for high risk areas in promap Continuous improvement culture development process at debrief following poor decision making to share learnings and update processes. Quality assurance framework to be developed under Risk and Assurance function.			

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	development Assessment, monitor, review, discuss and develop		Development of a skills framework for each roles required skills and complete annual assessment to determine ongoing development needs- fill those development needs through an Individual Development Plan (IDP)	June 2022	Not started	People & Capability and Unit manager

Monitoring and reporting

TDC Strategic risk register

14. Institutional knowledge

Risk description

Loss of institutional knowledge

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Moderate/ Major	Almost Certain	Extreme	Moderate	Possible	Medium	

Risk Owner

SLT and Unit Managers

Risk drivers, sources and causes

Failure to meet statutory obligations or key Council accountabilities as set out in performance measures due to the loss of knowledge and know-how from departure of key staff.

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Documenting processes and systems Mentoring and training and development for all staff Increased substantially the accountability and capability within the finance team		Documented procedures for high risk areas as a priority in promapp Managers have implemented succession and retention planning activity as required Update the Talent Matrix assessment to identify key staff and complete an assessment of possible flight risk. Assess the suite of			

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
			<p>'benefits' available to roles that will increase staff retention (Career pathway, training & development, secondment opportunities, 'value add' terms and conditions, market pay assessment)</p> <p>Implement activity focused on increasing employee engagement, especially driving the sense of value/ appreciate people derive from their role</p> <p>Investigate the development of a formal 'pathways to retirement' programme for employees to gradually decrease their hours, handover, mentoring and train their replacements</p>			

Monitoring and reporting

TDC Strategic risk register

15. Key facilities

Risk description

Council buildings deemed to be unusable

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Possible	High	Moderate	Possible	Medium	

Risk Owner

Group Manager Commercial and Strategy and Property Manager

Risk drivers, sources and causes

Difficulties in meeting levels of service, financial loss, low staff morale

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Assessments being undertaken Remediation plans being developed Additional resource engaged Ability to relocate services if needed Remote access availability Budget included within 2018-28 draft LTP for structural work on known Earthquake Prone buildings		Ongoing strengthening programme to be considered in next LTP. EPB strategy and programme for TDC owned buildings to be finalised, including for IL3 and IL4, EOC buildings			

TDC Strategic risk register

Monitoring and reporting

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TDC Strategic risk register

16. Stormwater

Risk description

Inadequacy of stormwater systems

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Minor	Possible	Medium	Minor	Possible	Medium	

Risk Owner

Group Manager Infrastructure

Risk drivers, sources and causes

Illness, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service, flooding

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Activity Management Plan Infrastructure Strategy Catchment Management plans development Documented procedures Qualified staff Testing and monitoring programmes Physical security Industry standards Contract specifications Telemetry systems	Renewal and upgrade programmes developed. New requirements drafted for District Plan review.	Stormwater catchment management consents obtained and acceptable conditions Greater stormwater quality monitoring (additional staff). Infrastructure upgrades capacity and quality.	2021-24	On Track subject to funding approval	Group Manager Infrastructure

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	Insurance Public education Business Continuity Planning Significant investment through LTP in relation to stormwater systems.		On site stormwater mitigation measures for new developments. Impacts of climate change better understood.			

Monitoring and reporting

TDC Strategic risk register

17. Sabotage/Vandalism

This is actually a cause not a risk – the risk is that some critical infrastructure gets damaged and disrupts the supply of services – so probably already covered under 13,14,15 and 17

Risk description

Sabotage or vandalism at multiple locations or severe in nature

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Possible	High	Major	Unlikely	Medium	

Risk Owner

SLT

Risk drivers, sources and causes

Death, Injury, Financial loss, loss of services, difficulties in maintaining level of service, loss of reputation

Risk analysis

Existing controls	Assessment of existing controls	Areas development for	Timeline for completion	Progress	Responsibility
Physical security Surveillance cameras in some locations Physical deterrents/locking of some facilities Staff monitoring Zero tolerance approach Insurance		Further security improvements at critical sites.			

TDC Strategic risk register

Monitoring and reporting

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TDC Strategic risk register

18. Power/telecommunications

Risk description

Power and/or telecommunication failures

Risk evaluation

Date of evaluation	Unmanaged risk			Residual risk			Controls assessment
	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	
31 August 2020	Major	Possible	High	Moderate	Possible	Medium	

Risk Owner

Group Manager People and Digital

Risk drivers, sources and causes

Difficulties in maintaining level of service, financial loss

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Generators at critical sites UPS for critical IT equipment Mobile phones Landline and wireless networks Engagement with key suppliers Some Satellite phones available	Power supply reliable through generator but with limited capacity. Reliant on one Mobile phone network (Chorus) that carries some risk.	Generator being added at STEC. Looking at diesel storage onsite. Strengthening of Civic Building - EOC to IL4. Be active members of Lifelines project. Create business continuity plans to ensure sufficient power generation for at least 5 days. Develop 'capability' list at		Generator in place, instructions on use in place, training conducted with staff at STEC and Welfare team.	

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
			various sites (where do we have back up) Look to have access to Vodaphone network as alternative. Also potentially a few more satellite phones. Develop communication alliances with contractors and consultants.			

Monitoring and reporting

6.6 Probity Report

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Bede Carran, Chief Executive

Recommendation

That the report be received and noted

Purpose of Report

- 1 This report is to note that there have been no incidents of wrong doing brought to the attention of the Chief Executive or other senior executives in Council.

Assessment of Significance

- 2 Ensuring sound probity across Council's activities is an important matter, it is considered to have low significance in terms of Council's Significance and Engagement Policy. It is an operational matter relating to robust systems and processes and an engaged culture.

Discussion

- 3 This report is part of providing assurance to the public that Council staff, contractors and consultants are adhering to high ethical standards and that there are policies, systems, processes and controls in place to prevent fraud, corruption and serious wrongdoing by Council officers, its contractors and consultants. In line with Council's commitment to provide development and learning opportunities to all team members, we have carried out training sessions across Council in building and sustaining a strong ethical culture at Timaru District Council.
- 4 We are conducting a second round of ethical and fraud workshops on the 16th and 17th of June 21 with the aim of increasing ethical and fraud awareness. The workshops are highly interactive giving employees a chance to explore issues regarding fraud and ethics rather than being told about them.
- 5 An external party posing as one of Council's supplier attempted to fraudulently process a progress payment through one of Council's business units by purporting to represent a change in bank account details. Council has a number of processes that need to be followed as part of changing a supplier's bank account. These processes were activated and followed. The putative fraud was identified and frustrated.

Attachments

Nil

6.7 Internal Audit and Assurance Programme**Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Ashley Harper, Acting Group Manager Commercial and Strategy**Recommendation**

That this report be received and noted

Purpose of Report

- 1 To provide the Committee with an update on the progress with the 20/21 Internal Audit (IA) Programme.

Background

- 2 The Council maintains a programme of internal audits designed to provide assurance that internal controls across a wide range of activities are in place and operating effectively. These reviews are also designed to assess the effectiveness and efficiency of operations and compliance with policies and legislative obligations. The Internal Audit Plan has been approved by Council.

Discussion**3 The following is an update of the Internal Audit Plan 20/21:-**

Review Name	Area	Risk Category	Status
<i>GST, PAYE and FBT tax compliance review</i>	Commercial & Strategy	Legislation/Regulatory	A draft report has been issued. The finalised report will be issued to SLT on the 25 th of June 21. This report will be provided to the Audit and Risk Committee in the next meeting.
<i>Contract Management</i>	All Business Groups	Operations	In Progress – June 21 completion date.
<i>Animal control-billing, issuing & enforcement</i>	Environmental Services	Animal Control	In Progress – June 21 completion date.
<i>Accounts Payable, banking and</i>	Commercial & Strategy	Financial	After having discussions with the

<p><i>transactions controls</i></p>			<p>CFO it would be more beneficial to carry out this review after the current improvement programme which is underway. This covers the Procurement Framework, procure to pay and AP automation process.</p> <p>Audit to be carried forward to 21/22 financial year.</p>
<p><i>Payroll</i></p>	<p>People and Digital</p>	<p>Human Resources</p>	<p>Payroll</p> <p>There has been significant delay in getting approval on moving ahead with some audits due to workloads that Risk and Assurance was requested to prioritise and resourcing issues.</p> <p>Audit to be carried forward to 21/22 financial year.</p>

Audit reports outside the Internal Audit Plan 20/21:

Credit Card Review.

Report attached. The final report was sent to SLT on the 26th of May 2021.

CBay Review

CBay report is in draft and awaiting management comments. The report then will be sent to SLT and reported in the next Audit and Risk Committee meeting.

- 4 TDC’s Internal Audit (IA) Plan 21/22 is currently being drafted and will be submitted to SLT for initial approval on the 28th of June 2021. The IA plan 21/22 will be provided to the Audit and Risk Committee in the next meeting.

Attachments

- 1. Credit Card Review**

Timaru District Council

Credit Card Review

Final report released on 14 May 2021

Author: Andrew Douglas, Managing Director, Opportune Consulting Ltd



Credit Card Review

Opportune

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Credit Card Review

Opportune

1. Background

Timaru District Council (TDC) has nine credit cards which are assigned to senior staff and the Mayor for use on certain expenditure types. TDC requested us to perform an independent assessment of the appropriateness of expenditure and the process for the use of the credit cards.

There are nine BNZ credit cards assigned to the following people (each credit card is in the name of that person):

- Mayor
- Chief Executive
- Executive Assistant to the Chief Executive
- GM Commercial & Strategy
- GM Infrastructure
- GM Environment
- GM, People & Digital
- Manager, Libraries
- Manager, Cbay

2. Scope

The scope of the engagement is:

- To review the use of the nine credit cards for probity of spend. This involved assessing the expenditure against both:
 - Timaru District Council policy for credit card use and sensitive expenditure. The key policy extracts are shown in Appendix A.
 - Local Government best practice for credit card use and sensitive expenditure. The key guideline extracts are shown in Appendix B.
- To review the process for credit card expenditure submission, review and approval.
 - This included assessing the review and approval of credit card transactions by a 'one-up' level of management.

The scope of the credit card transactions reviewed was over the period 1 July 2020 to 31 December 2020. Our assessment was performed in the week of 22 February 2021.

The scope did not include assessment of the processes for bank payments or finance system accounting entries.

3. Approach

Our approach to this assignment was to:

- Review the hard copy (paper form) credit card statements for the period in scope (including supporting documentation).
- Speak with key staff involved in the use and processing of credit card transactions (credit card holders and finance staff).
- Deliver a written report of our findings and recommendations.

4. Findings Rating

The findings in this report have been rated using the risk definitions in the table below. The definition of 'negative impact to Council' encompasses financial, reputational, regulatory and compliance risk.

Risk Rating	Definition
High	A significant negative impact to the Council if this risk eventuated.
Medium	A moderate negative impact to the Council if this risk eventuated.
Low	A low negative impact to the Council if this risk eventuated.

Credit Card Review

Opportune

5. Executive Summary

Credit Cards provide an effective means of paying for purchases where it is impractical to use other purchasing methods of orders and service requests. As stated in TDC's Credit Card Policy, this should generally only be for overseas purchases to mitigate the cost of foreign exchange drafts and purchases when out of town on Council business.

Our review of the credit card transactions at TDC over the preceding six-month period did not identify any items of expenditure that were inappropriate when assessed against both TDC Policy and Local Government guidance.

We noted that narrations explaining the purchase, and receipts, had been provided with the majority of transactions, enabling the reviewer to understand the nature of the purchase. Where sensitive expenditure items had occurred, we noted these were explained and within policy, such as accommodation at reasonable rates, meals at reasonable value with no alcohol included, food and beverage items purchased for Council dignitaries at reasonable value (such as cheese, crackers and soft drinks).

This shows that staff have understood the need for prudent use of Council funds (within the scope of expenditure assessed in this review).

We noted the following key features of the credit cards and process at TDC:

- The cards have credit limits set on them (set at either \$3,000 or \$5,000).
- The cards are not linked to the BNZ Everyday Reward loyalty scheme.
- The cards are locked from allowing cash-out.
- The card balance is paid in full automatically each month, therefore no interest is charged.

Summary of the type of credit card expenditure

The type of expenditure on the credit cards is consistent across the 6-month period we reviewed. For your information, the expenditure encompassed the following areas:

- Library purchases commonly for overseas suppliers of ebooks and publications.
- Supplies for invited guests and dignitaries for formal Council events (run at the CEO/ Mayor level); purchases such as cheese, crackers and soft drinks; no high-value or inappropriate items noted.
- Out-of-town accommodation charges appropriate; no alcohol identified; meals reasonable cost.
- Webinars for staff education/ training (overseas providers); not a high volume of these; not high cost.
- Staff food and beverages (soft drinks, no alcohol) for Christmas end of year function (of \$197).
- Gifts from Mayor for international students (40 x \$3 items).
- Long service gift; this matched to Council policy allowing \$10 per year over 5 years.
- Bereavement basket gift for staff members.
- Road safety advertising (Facebook and google).
- Security software (overseas supplier).

We identified one finding of Moderate risk priority and five findings of Low risk priority. The details are provided in the following table.

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Credit Card Review

Opportune

A summary of the findings are:

1. Responsibility for the use of credit cards: there is currently a risk of non-compliance with the bank rules on credit card use.
 - a. Credit cards are in the name of individual staff but are used as group department purchase cards.
 - b. A credit card in the name of an employee that has left the organisation is still in use.
2. Policy improvement: guidance is required for staff on purchases related to entertainment and hospitality with external parties (e.g. coffee meetings).
3. Sign-off of Mayor’s credit card statement has been performed by the CEO instead of the Chair of Audit & Risk Committee as per the TDC Policy requirement.
4. There is the opportunity for process improvement to move away from the current manual paper trail of credit card statements and receipts.
5. Improvement is required by staff on narration which explains the nature of the credit card transactions.
6. There have been instances of staff purchases without including a valid GST invoice (GST tax impact only).

6. Detailed Findings

The table below contains the findings and recommendations.

Ref	Findings
1	<p>Responsibility for use of credit cards</p> <p>Risk Priority: Moderate</p> <p>A. Credit Cards are used as group department purchase cards</p> <p>Within each Service the credit card is often held by the General Managers’ Personal Assistant (PA) and then used as needed by staff for relevant purchases, however the credit card is issued by the bank in the personal name of the General Manager. There is a risk that TDC (and also individual GM’s) are non-compliant with the banks rules on credit cards use, as it is standard practice for credit card rules to only allow use by the named holder of the card.</p> <p>This scenario also includes Tier 3 managers use of the credit card. Staff are aware that purchases made on the credit card should be limited to certain services (such as overseas suppliers online), and the testing we conducted showed their adherence to this.</p> <p>Recommendation</p> <p>We recommend investigating alternative options with the bank which will lower the bank compliance risk associated with another staff member holding (and using) the credit card.</p> <p>Management Response</p> <p>We agree with the feedback and associated risks. An initial meeting has been held with BNZ on 13th March to explore options offered for flexi purchase and costings.</p> <p>Further meetings and investigations will carry on to understand options available in the market currently that can assist with compliance to bank rules. The Business Improvement Team have</p>

Credit Card Review

Opportune

	<p>been engaged to assist with analysing options. The expected date of consolidating findings on this is 15th June 2021.</p> <p>B. Credit Card in the name of an employee that has left the organisation</p> <p>In addition, the credit card held within Environmental Services is in the name of the previous GM who has left the organisation. The card is still actively used by the team.</p> <p>The ex-GM would have signed an agreement to use the card responsibly, taking ownership for the use of the card.</p> <p>A bank compliance risk exists that the card is used by someone other than the person whose name is on the card.</p> <p>Recommendation</p> <p>TDC needs to determine an appropriate resolution for this. This may involve immediately terminating the card upon a staff member leaving the organisation or to investigate with the Bank if credit cards can be held in group names.</p> <p>Management Response</p> <p>Completed: The credit card with Environmental Services has been received and destroyed by finance.</p>
<p>2</p>	<p>Policy Improvements</p> <p>Risk Priority: Low</p> <p>The TDC Corporate Management Policies do not contain clear guidance for staff on purchases related to entertainment and hospitality with external parties. This is defined as business expenditure usually for the purposes of:</p> <ul style="list-style-type: none"> i. building relationships ii. representation of the organisation, or iii. reciprocity of hospitality <p>In the context of TDC, this expenditure can cover coffees or lunch with external parties (“coffee meetings”).</p> <p>There are other sections of the Policy that contain some guidance for staff, such as the Council principles of integrity and acting in good faith, however a specific section on this area will provide guidance to staff.</p> <p>From our review of credit card transactions, we noted approximately three occasions where coffee/ lunch meetings had been held by staff with external parties. The dollar value spend was deemed reasonable.</p> <p>We note the Council had appropriate policies in place for other key areas of sensitive expenditure such as farewell gifts, alcohol, Koha and travel costs.</p> <p>Recommendation</p> <p>Include in the Corporate Policy a section on entertainment and hospitality with external parties. The principles of a justified business purpose, and moderate and conservative expenditure are particularly relevant. The guidelines pertaining to alcohol should apply and be referenced.</p> <p>Management Response</p> <p>The Finance Team is currently reviewing this policy and will incorporate the required amendments in the next update to the policy. The expected completion date for the document drafts to be available is 30th June 2021.</p>

Credit Card Review

Opportune

3	<p>Sign-off of Mayor’s statement by CEO (instead of Chair of Audit & Risk Committee)</p> <p>Risk Priority: Low</p> <p>The TDC Corporate Management Policy states <i>The Chair of the Audit and Risk subcommittee will authorise the Mayor’s credit card statement</i> (page 22, See Appendix A, para (A) for details).</p> <p>We note for the six-month period we reviewed, the Mayor’s credit card statement was reviewed and approved by the CEO (on each of the four occasions).</p> <p>Recommendation</p> <p>Either update the policy to reflect the CEO’s review or have the statements reviewed by the Chair of the Audit & Risk Committee.</p> <p>Management Response</p> <p>Commencing July 2021 onwards, Management will commence review by the Chair of the Audit & Risk Committee</p>
4	<p>Manual processes: opportunity for process improvement</p> <p>Risk Rating: Low</p> <p>The current process to purchase, code transactions, attached receipts and submit credit card statements is very manual (paper forms and statements).</p> <p>The process requires numerous follow-ups to occur, driven by the finance team, to ensure statements and receipts are obtained timely.</p> <p>There are alternative methods available, including through your bank BNZ, with the use of Purchase Cards (P-Cards) that allow all documentation to occur online through the bank’s P-Card system. This allows all transactions to be coded online, staff to add their narration, and approval to occur.</p> <p>Recommendation</p> <p>We recommend TDC consider investigating the use of an online alternative for processing of credit card purchases.</p> <p>Management Response</p> <p>An initial meeting has been held with BNZ to understand options offered to migrate to an online alternative. Further to this we are also exploring accounts payable to be automated and three supplier demonstrations have been held, all of which would support an online alternative of processing credit card details and sign off process to be automated. A business case to SLT is due to be delivered by the second week of May 2021 to obtain approval to progress the AP automation project with various phases including credit card management.</p> <p>A new template for recording credit card details will be trailed for the April 2021 statement in the interim, rolled out in May. This will be an interim transition until such time we have a permanent software solution. This will enable the digitisation of the current hand written notes received in an adhoc manner across each division.</p>

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5	<p>Narration of transactions requires improvement</p> <p>Risk Rating: Low</p> <p>We noted two instances of credit card statements where the narrations either did not exist or did not provide sufficient information to the reviewer to allow them to understand the nature of the transaction.</p> <p>We noted one scenario where the transactions within Cbay were queries by the CEO because they lacked relevant information to understand the context of the purchase. After follow-up had occurred, the transactions were deemed appropriate. This scenario was a good example of a reviewer performing their role well to follow-up on areas where a lack of information was provided.</p> <p>Recommendation</p> <p>Remind staff to always provide sufficient detail in the narration for the reviewer to understand the context of the purchase.</p> <p>Management Response</p> <p>The CFO will send out a reminder to credit card holders to improve the narrative of transactions being coded. A new template including a section for narrative will be provided for the April 2021 statement, rolled out in May along with item 4 above.</p>
6	<p>Staff purchases without including a valid GST invoice</p> <p>Risk Rating: Low</p> <p>We note there are instances where purchases do not include a valid GST invoice (however these purchases do include a receipt stub or similar). The impact is the Council is unable to claim the GST on the expenditure without a valid GST invoice.</p> <p>Recommendation</p> <p>Remind staff of the importance to obtain a valid GST invoice for all purchases (note: overseas purchases only require an invoice but will not have NZ GST included).</p> <p>Management Response</p> <p>The CFO will send out a reminder to credit card holders to ensure GST invoices are included. This will be included with the April 2021 statement, rolled out in May along with item 4 & 5 above.</p>

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7. Appendix A – TDC Financial Delegations and Corporate Policies

The relevant key sections of the TDC Financial Delegations (version January 2020) and Corporate Management Policies have been extracted and shown below. The rules and guidance within these were used to perform this assessment.

A. Credit Cards: Corporate Policies

- *Credit cards are issued at the Chief Executive's discretion.*
- *The credit cards are only to be used for Council purchases where it is impractical to use other purchasing methods of orders and service requests. This would generally only be for overseas purchases to mitigate the cost of foreign exchange drafts and purchases when out of town on Council business.*
- *All receipts, tax invoices and information associated with credit card purchases are to be forwarded to the Accounts Payable Officer at the time the expense is incurred*
- *Credit Card verification is as follows:*
 - *The Mayor will verify the Chief Executive's credit card statement*
 - *The Chief Executive will verify the Group Managers' credit card statements*
 - *Group Managers will verify their staffs' credit card statements*
 - *The Chair of the Audit and Risk subcommittee will authorise the Mayor's credit card statement.*
- *For the avoidance of doubt, no personal or private expenditure is to be charged to the Council credit cards. No cash withdrawals will be made with the Council credit cards. Alcohol Purchases*

B. Credit Cards: Delegations Manual (January 2020)

7.9.2. *The following positions are delegated authority to use Council credit cards to the specified monthly limit:*

<i>Position</i>	<i>Credit Limit</i>
<i>Mayor</i>	<i>\$1,500</i>
<i>Chief Executive</i>	<i>\$10,000</i>
<i>Group Manager Commercial and Strategy</i>	<i>\$3,000</i>
<i>Group Manager Infrastructure</i>	<i>\$5,000</i>
<i>Group Manager Community Services</i>	<i>\$3,000</i>
<i>Group Manager Environmental Services</i>	<i>\$3,000</i>
<i>Libraries Manager</i>	<i>\$4,000</i>
<i>Executive Assistant to the Chief Executive</i>	<i>\$5,000</i>

The Chief Executive can authorise an increase in the limit to the Mayor up to \$10,000 when overseas travel is being undertaken for Council business.

7.9.3. *The Chief Executive may approve the issue of additional credit cards to staff (other than those listed in 7.9.2) where appropriate, subject to:*

- a) *The Chief Executive must be satisfied that the credit card is necessary to cover regular travel or administrative efficiencies such as payment of properly authorised purchases from overseas, and;*
- b) *a credit limit of up to \$5,000.*

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TDC Corporate Management Policies**C. Alcohol**

- *Page 4: Generally no alcohol should be purchased by staff at the Council's cost. Alcohol can only be provided at events where members of the public, guests, elected members or dignitaries are attending. All alcohol purchases are to have the prior approval of the Chief Executive, Executive Secretary or Group Manager.*

D. Conference Attendance

- *Page 12: A Unit or Group Manager may approve the attendance of a staff member at a conference which will benefit the Group. Any associated costs will be part of the appropriate Unit training budget.*

E. Expense Claims

- Policy stated for staff travel costs, meals, private vehicle use.

F. Farewells

- *Page 35: A suitable gift will be purchased based on the guidelines for the Council contribution which is \$10 per year of service after 5 years of service.*

G. Further Education

- *Upon written application the Human Resource Manager may approve the reimbursement of 60% of registration, course, examination fees and course resource material for general scale staff up to step 9 and for all other staff 50% of these costs will be reimbursed, provided that in all cases the activity being undertaken clearly meets one of the criteria set out in the clauses above. Any such approvals must be in writing and placed on the employee's personal file.*

H. Gifts and Acknowledgements: Staff/ Volunteers/ Koha

- *All gifts and benefits, including meals, provided to staff (paid for by the Council), in excess of those in normal employment situations, are to be approved by the appropriate Group Manager and be part of the Group Manager's discretionary allowance. The Group Manager Corporate Services is to be advised of these payments to ensure the correct tax treatment.*
- *All gifts and benefits provided to volunteers are to be approved by the appropriate Group Manager and charged to the operating expenses of the appropriate Unit. The Finance Manager is to be advised of these payments prior to the gift/benefit being provided to ensure the correct tax treatment. This includes petrol and gift vouchers and cash payments.*
- *If a Runanga is providing a commercial service, it is expected that a tax invoice will be received relating to the service. However Koha might be appropriate in various other circumstances.*
- *Koha can be a gift of an object (such as a tree) or in cash and reflects costs incurred such as travel. Koha of up to \$100 can be*

I. Travel Costs

- *Page 61: The Unit Manager should satisfy themselves, prior to granting approval, that:*

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- *The proposed travel and the associated costs are necessary and reasonable*
- *Travel is for business purposes*
- *Travel is consistent with the Policy*
- *That costs can be covered by the available budget.*

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8. Appendix B – OAG Public Sector Guidance

Key components of the OAG Public Sector guidance are shown below. This Guidance was used as the assessment criteria during this engagement.

Office of the Auditor General: Using credit cards and purchasing cards

4.1 Using credit cards and purchasing cards is a common way to pay for sensitive expenditure and is more transparent than using cash. However, specific policies and procedures are needed for using cards to manage the associated risks. These risks include cards being used:

- for inappropriate business-related expenditure (in both the type of expenditure and how much);
- to obtain cash for a business purpose, with subsequent expenditure being poorly documented or justified; and
- for personal benefit, by obtaining cash or paying for personal items.

4.2 Organisations that allow credit cards and purchasing cards should have suitable policies and requirements governing use of the cards. They should also have controls to ensure that those policies and instructions are observed.

4.3 Policies for credit cards and other purchasing cards need to set out:

- who is eligible for a business credit card/purchasing card;
- the person or people responsible for authorising card issue, managing the acquisition of cards, and monitoring and reporting on their use;
- the process for cancelling and destroying cards;
- credit limits (set by the public organisation and not by the card holder). The limit should be the minimum necessary to enable the card holder to carry out their duties for the public organisation;
- that using cards for private expenditure or credit is prohibited;
- the need to have acceptable original documentation to explain and corroborate transactions;
- how credit card and purchasing card transactions are to be reviewed and approved by a person senior to the card holder (the one-up rule); and
- the consequences of unauthorised use.

Credit card cash advances

4.4 Credit cards should not be used to obtain cash advances unless cash is required:

- in an emergency (usually related to travel); or
- for official purposes (in rare circumstances).

4.5 If an organisation would like to allow cash advances, they would need to be specifically provided for in the organisation's policy and should be properly documented and accounted for and reconciled to actual expenses.

Internet purchases using credit cards

4.6 Credit card payments made on the internet need to reflect good security practice, such as purchasing only from reputable companies known to the public organisation. The card holder needs to keep a copy of any online order forms completed when making purchases. The practice also needs to be consistent with the public organisation's normal purchasing controls.

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6.8 Debenture Trust Audit Report

Author: Azoor Ali, Chief Financial Officer

Authoriser: Ashley Harper, Acting Group Manager Commercial and Strategy

Recommendations

That the Audit and Risk Management Committee:

1. Receive the content in the Audit New Zealand Report on the Debenture Trust; and
2. Note that Audit New Zealand have issued an unqualified opinion.

Purpose of Report

- 1 The purpose of this report is for the Audit and Risk Management Committee to be informed of the contents of the Audit report prepared pursuant to the requirements of the Debenture Trust Deed.

Assessment of Significance





- 2 This report is of low significance. The decision does not trigger high on any of the Significance and Engagement Policy criteria and therefore not considered significant under the Significance and Engagement Policy.

Discussion

- 3 The Council is a Principal Shareholder and borrower under the New Zealand Local Government Funding Agency Limited (LGFA) multi-issuer facility. As a shareholder of the LGFA, the Council is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder, and therefore take advantage of the lower interest rate margins LGFA offer.
- 4 Council also uses the Debenture Trust Deed to provide security for its borrowings from banks.
- 5 Covenant Trustee Services Limited (the Trustee) are the debenture trustee in terms of the facility.
- 6 Debenture Trust Deed between Covenant Trustee Services and Timaru District Council is dated 15 May 1998 and referred to as the "Trust Deed".
- 7 Council is required to provide a certificate and an audit report is required.
- 8 Preparation of the reporting certificate to the Trustee follows on from the adoption of the Timaru District Council Annual Report.
- 9 Audit New Zealand is responsible for the preparation of the Audit Report under clause 9.2(a) of the Trust Deed.
- 10 The contents of the Audit Report are prescribed in clause 9.3(a) and 9.3(b) of the Trust Deed.

- 11 The Council has provided the Trustees of the Debenture Trust the following reports:
 - 11.1 A copy of the letter of representation for the audit of the debenture stock is attached for the purpose of meeting the requirements of clause 9.3(a) and 9.3(b) of the Trust Deed. (**Attachment 1**).
 - 11.2 An Audit Report under clause 9.2(a) (**Attachment 2**) which also contains our Reporting Certificate under clause 9.2(d) and a report on the register clause 5.6 undertaken by PWC.
- 12 The contents of the certificate are dependent on the information contained in Council's annual report and in the audit report prepared by Audit New Zealand contained therein.
- 13 The Audit Report from Audit New Zealand is a Limited Independent Assurance Report and is therefore limited in scope and users.
- 14 The limitation on scope is due to the principal assurance review being undertaken by PricewaterhouseCoopers of the ComputerShare register.
- 15 The limitation on users is due to Audit New Zealand only addressing the report to Council and Trustee who can rely upon its contents.

Attachments

1. **Letter of Representation Debenture Trust 2020**  
2. **Timaru District Council 2020 Limited Independent Assurance Report -Debenture Trust Deeds**
 



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

24 February 2021

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Nigel Bowen
Timaru District Council
PO Box 522
Timaru 7940

Carol Cook
Covenant Trustee Services
PO Box 4243 Shortland Street
Auckland 1140

Dear Nigel and Carol

Confirmation of Engagement – Limited Independent Assurance Report in respect of the Timaru District Council’s Debenture Trust Deed

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising from your request to provide a report (the Report) under clause 9.3(a) and 9.3(b) of the Debenture Trust Deed between Covenant Trustee Services and Timaru District Council dated 15 May 1998 (the Trust Deed).

The purpose of this letter is to confirm the terms of our Limited Independent Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

Scope of the engagement

The Auditor-General is the auditor of Timaru District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me John Mackey, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of Timaru District Council.

The objective of the audit of the annual financial statements and performance information, which is the subject of a separate letter of engagement with Timaru District Council dated 24 March 2020 (attached as Appendix 2), is to report our opinion on those annual financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the annual financial statements and performance information, we are not responsible for:

- the preparation of the annual financial statements and performance information of Timaru District Council;
- any Reporting Certificate(s) issued to the Trustee by Timaru District Council;
- Timaru District Council's compliance with the Trust Deed; or
- the obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee's execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Timaru District Council are not designed to assess whether the Timaru District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Timaru District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 9.3(a) and 9.3(b) of the Trust Deed based on information obtained as a by-product of the annual financial statements and performance information of Timaru District Council for the year ending 30 June 2020.

For the purpose of providing our Report, (other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed"), we will not perform any further procedures beyond those required to complete the audit of the annual financial statements and performance information of Timaru District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time Timaru District Council's Reporting Certificate for the year ended 30 June 2020 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 9.3(a) and 9.3(b) of the Trust Deed must be viewed in that context.

Scope of Timaru District Council's responsibilities

Timaru District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Timaru District Council and our audit opinion, to the Trustee under clause 9.2(a) of the Trust Deed.

Timaru District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 9.2(d) of the Trust Deed. Timaru District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Timaru District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 5.6 of the Trust Deed.

Timaru District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Timaru District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Scope of the Trustee's responsibilities

The Trustee monitors the Timaru District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Timaru District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Timaru District Council.

The receipt of the Limited Independent Assurance Report and the audited financial statements and performance information of Timaru District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited annual financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Scope of the Auditor's responsibilities under the Trust Deed

We will conduct our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reporting Certificate for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 9.2(d) of the Trust Deed.

We will report to you on the following specific matters under clause 9.3(b) of the Trust Deed:

- From our perusal of the Reporting Certificate dated 30 June 2020 given on behalf of Timaru District Council pursuant to clause 10.2 (d) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2020 with Computershare Investor Services.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the annual financial statements and performance information.

- As at the end of the financial year, from the audit procedures performed as part of the audit of the annual financial statements and performance information, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

We will report to you on the following matters under clause 9.3(b) of the Trust Deed:

- Whether Timaru District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.
- Timaru District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 5.6.

We will not audit the Register for the year ended 30 June 2020. Our procedures will be limited to asking Timaru District Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2020 :
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock Computershare Investor Services. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Independent Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

Timetable

Our work will be completed at the end of March 2021. We will complete our Report as soon as possible once Timaru District Council has signed the annual financial statements and performance information and provided us with the Reporting Certificate given on behalf of Timaru District Council pursuant to clause 9.2 (a) and 9.2(d) of the Trust Deed.

Restriction on use and distribution of our Report

Our Report will be addressed to Timaru District Council and Covenant Trustee Services for the sole purpose of meeting the requirements of clause 9.3(a) and 9.3(b) of the Trust Deed.

Our Report is not to be used for any other purpose, copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

Fees

The fee will be payable by Timaru District Council for this Limited Independent Assurance Engagement. The total fee is estimated to be \$4,500.

Supporting documentation required

In order to complete this engagement we will need access certain information and documentation that Council should have in its files supporting its reporting certificate. Please refer to Appendix 3 for details of the information and documentation we will need.

Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully



John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Timaru District Council acceptance

Timaru District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

(Signature)


Nigel Bowen

Mayor – Timaru District Council

Trustee acceptance

Covenant Trustee Services as Trustee for Timaru District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Covenant Trustee Services has entered into this letter of engagement in its capacity as Trustee of Timaru District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of Timaru District Council available to it from time to time in that capacity.



(Signature)

Igor Viner

(Name)

Relationship Manager

(Position)

Appendix 1: Indicative Report

Limited Independent Assurance Report

To Timaru District Council and to Covenant Trustee Services Limited in respect of Timaru District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Timaru District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of Timaru District Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Audit New Zealand, as referred to in the Debenture Trust Deed dated 15 May 1998 (the Trust Deed).

Timaru District Council's Responsibilities

Timaru District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Timaru District Council and our audit opinion, to Covenant Trustee Services Limited (the Trustee) under clause 9.2(a) of the Trust Deed.

Timaru District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 9.2(d) of the Trust Deed. Timaru District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Timaru District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 5.6 of the Trust Deed.

Timaru District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Timaru District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors Timaru District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Timaru District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Timaru District Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Timaru District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and

performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"². This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 9.2(d) of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of Timaru District Council are not designed to assess whether Timaru District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Timaru District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 9.3(a) and 9.3(b) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council for the year ended 30 June 2020 (Statutory Audit Engagement).

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by Timaru District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 9.3(a) and 9.3(b) of the Trust Deed must be viewed in that context.

Our responsibility under clause 9.3(b) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated [XXX] given on behalf of Timaru District Council pursuant to clause 9.3(b) and, as far as matters that we will observe in the

² Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated [XXX] with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the annual financial statements and performance information of Timaru District Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Timaru District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

Timaru District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 5.6.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking Timaru District Council for a copy of the audit report about the Register.

- Report as at 30 June 2020:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and

- o the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for Timaru District Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than Timaru District Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our statutory audit report on Timaru District Council's financial statements and performance information. We explain the scope of our statutory audit engagement in our audit report on Timaru District Council's financial statements and performance information for the year ended 30 June 2020.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of Timaru District Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where Timaru District Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by Timaru District Council in the Reporting Certificate dated [XXX] pursuant to clause 9.2(d) are materially incorrect (Reporting Certificate dated [XXX] is given in Appendix 1).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.
- In all material respects, that Timaru District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on [XXX] and our conclusion is expressed as at that date.

The Register and Stock

Timaru District Council has provided us with a copy of an audit report about the Register(s). Please refer to Appendix 2 for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- o Total stock of \$XXX

This is comprised of:

- o Security stock of \$XXX
- o Bearer stock of \$XXX
- o Other stock of \$XXX
- o Security stock (Local Government Funding Agency stock) of \$XXX

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- o Total Principal Money owing and secured under the stock of \$XXX

This is comprised of:

- o Security stock of \$XXX
- o Bearer Stock of \$XXX
- o Other stock of \$XXX
- o Security stock (Local Government Funding Agency stock) of \$XXX

The Total Principal Money owing does not include derivative contracts held by the Timaru District Council that are secured by security stock.

Timaru District Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020 the Timaru District Council had x,xxx,xxxk units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

x,xxx,xxxk	units of Security Stock on issue associated with the guarantee
x,xxxk	accrued interest
(xxx,xxx)k	Treasury Stock ³ held by the Local Government Funding Agency
x,xxx	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
x,xxx,xxxk	Total borrowings of the Local Government Funding Agency at 30 June 2020

³ Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement and our audit of Timaru District Council's annual financial statements and performance information, we have no relationship with or interests in Timaru District Council or any of its subsidiaries or the Trustee.

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



Appendix 2: Engagement Letter – Statutory Audit

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

25 September 2020

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Nigel Bowen
Mayor
Timaru District Council
PO Box 522
Timaru 7940

Ref: EN/LCA/3-0043/C109
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

cc Bede Carran, Chief Executive
Donna Cross, Group Manager Commercial and Strategy

Dear Nigel

Audit engagement letter: audit of the consultation document and Long-term Plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including the Timaru District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and Long-term Plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the Council for preparing the consultation document and the LTP

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;

- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge

of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in "real time" or on an "auditing as you go" basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council's approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should "shadow" that project timetable. The success of this "auditing as you go" approach will depend on the Council's project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 22 October 2020.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council's forecasts

The response to manage the impacts of the Covid-19 pandemic has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The impact to the economy is likely to be negative on the Council, including the Council's revenue assumptions and the level of service the Council provides in the future. In addition, the Council will need to consider the impact on its financial and infrastructure strategies, and key underlying assumptions such as population growth, capital expenditure programme and revenue from investments.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

The Council, in common with the vast majority of councils, could improve its explanations on the effects of changes in land use on its finances.

The Act requires councils to present quantified limits on rates, rate increases, and borrowing. It is important for the Council to explain why it is relevant to use the specific limits set to assess its financial health or prudence.

The Council, in common with the vast majority of councils, could usefully improve its infrastructure strategy in the following ways:

- being clear on the condition of the Council's critical assets and the impact for the management of its infrastructure assets;
- better integration and/or consistency with its financial strategy; and
- clear explanation of the link between assets and the services they support by better description of the levels of service

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions including, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets, and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check that they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with each assumption; and
- for all significant forecasting assumptions, which involve a high level of uncertainty, the uncertainty, and an estimate of the potential effects of the uncertainty, on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will pay more attention to the assumptions that the Council has made on climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using to develop its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

This review will include the council's consideration of future land use, and the management and development of its infrastructure.

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 40% of operational expenditure and 75% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate the recently prepared budgets have been; and
- assess how factors such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify with the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted LTP on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	25 September 2020
Self-assessment returned to audit team for consideration	22 October 2020
First interim visit (initial assessment)	to be confirmed (TBC)
Second interim visit (see project plan for key dates and number of visits)	TBC
Proposed consultation document available	TBC
Audit opinion on consultation document required	TBC
Draft Report to Council on consultation document engagement	TBC
Final Report to Council on consultation document engagement	TBC
Proposed LTP for adoption available	TBC
Audit opinion on adopted LTP required	by 30 June 2021
Draft Report to Council on LTP engagement	by 30 June 2021
Final Report to Council on LTP engagement	TBC

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be performed as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$87,300 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and its controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
November	10,000
March	30,000
June	30,000
July	17,300
Total	\$87,300

8 Personnel

Our personnel involved in the management of the audit are:

John Mackey	Appointed Auditor
Scott Tobin	Engagement Quality Reviewer
Trevor Makanza	Audit Manager

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 19 July 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely

John Mackey
Appointed Auditor

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 19 July 2020.

Signed:  Date: 1/12/2020
Nigel Bowen
Mayor, Timaru District Council

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a Report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The Report to the Council communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted LTP

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 19 July 2020 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:

- responsibilities for compliance with laws and regulations; and
- responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and [name of firm] take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required.

We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

	Total hours
Appointed Auditor	60
Engagement Quality Reviewer	
Sector Specialists	11
Audit Manager	95
Other CA staff	290
Staff not yet CA qualified	130
Other Expert or Specialist Assistance:	
• IS	
• etc.	
Total	586

Fee calculations

	\$
Net fee	87,300
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	87,300
GST	13,095
Audit fee for the LTP for the period commencing 1 July 2021	\$100,395

*No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.

Appendix 3: Supporting documentation required

We will need access to the following information and documentation from Council's records supporting the reporting certificate:

- A copy of the Debenture Trust Deed.
- The signed reporting certificate for the Debenture Trust Deed for 30 June 2020.
- The LGFA floating nominal amount confirmation as at 30 June 2020.
- Copies of all security stock certificates, including all security stock recorded on the register as 1 cent/1 unit security stocks.
- A security stock listing, indicating who the holders of each security stock are.
- Debt terms sheets for all debenture stock outstanding.
- Written confirmation that all stock that was due to be repaid during the financial was in fact repaid.
- Written confirmation that any interest due for payment on the stock was in fact paid.

Please note that items requested above may not represent all of the information that we need, and additional requests for information and documentation may follow during the course of the engagement depending on the circumstances.



Limited Independent Assurance Report

To Timaru District Council and to Covenant Trustee Services in respect of Timaru District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Timaru District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, John Mackey using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of Timaru District Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Audit New Zealand, as referred to in the Debenture Trust Deed dated 15 May 1998 (the Trust Deed).

Timaru District Council's Responsibilities

Timaru District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Timaru District Council and our audit opinion, to the (Trustee) under clause 9.2(a) of the Trust Deed.

Timaru District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 9.2(d) of the Trust Deed. Timaru District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Timaru District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 5.6 of the Trust Deed.

Timaru District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Timaru District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors Timaru District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Timaru District Council. We are not a signatory to the Trust Deed, and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Timaru District Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Timaru District Council and any reliance on the audit

opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 9.2(d) of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of Timaru District Council are not designed to assess whether Timaru District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Timaru District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 9.3(a) and 9.3(b) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council for the year ended 30 June 2020.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by Timaru District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 9.3(a) and 9.3(b) of the Trust Deed must be viewed in that context.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our responsibility under clause 9.3(b) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 23 April 2021 given on behalf of Timaru District Council pursuant to clause 9.3(b) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility, we agreed the total amount of all categories of Stock in the Reporting Certificate dated 23 April 2021 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of Timaru District Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Timaru District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

Timaru District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 5.6.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a

separate engagement. Our procedures were limited to asking Timaru District Council for a copy of the audit report about the Register.

- Report as at 30 June 2020:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for Timaru District Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than Timaru District Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly, we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on Timaru District Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on Timaru District Council's financial statements and performance information for the year ended 30 June 2020.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of Timaru District Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where Timaru District Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by Timaru District Council in the Reporting Certificate dated 23 April 2021 pursuant to clause 9.2(d) are materially incorrect (Reporting Certificate dated 23 April 2021 is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;

- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that Timaru District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 23 April 2021 and our conclusion is expressed as at that date.

The Register and Stock

Timaru District Council has provided us with a copy of the audit report about the Register(s). Please refer to appendix two for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

o	Total stock of	\$127,602,124
---	----------------	---------------

This is comprised of:

o	Security stock of	\$38,000,000
o	Bearer stock of	\$0
o	Other stock of	\$0
o	Security stock (Local Government Funding Agency stock) of	\$89,602,124

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

o	Total Principal Money owing and secured under the stock of	\$99,602,124
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This is comprised of:

o	Security stock of	\$10,000,000
o	Bearer Stock of	\$0
o	Other stock of	\$0
o	Security stock (Local Government Funding Agency stock) of	\$89,602,124

The Total Principal Money owing does not include derivative contracts held by Timaru District Council that are secured by Security Stock.

Timaru District Council is a one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020 the Timaru District Council had 12,437,500,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

000s	
12,437,500	Units of Security Stock on issue associated with the guarantee
75,735	Accrued interest
(800,000)	Treasury Stock ² held by the Local Government Funding Agency
194,268	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
11,907,503	Total borrowings of the Local Government Funding Agency at 30 June 2020

The Reporting Certificate dated 23 April 2021 (attached) requires Timaru District Council to report Security Stock (issued with a floating nominal amount) no more than 5 business days before the date of the Reporting Certificate. Timaru District Council has 15,104,560,251 units of Security Stock on issue associated with the guarantee at that date. This value includes 950,000,000 of Treasury Stock held by the Local Government Funding Agency and excludes accrued interest. The Local Government Funding Agency may have lent an amount of the Treasury Stock to the market via repurchase agreements.

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement and our audit of Timaru District Council's annual financial statements and performance information, we have no relationship with or interests in Timaru District Council or any of its subsidiaries or the Trustee.



John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

² Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Appendix 1: Copy of the reporting certificate dated 23 April 2021**REPORTING CERTIFICATE**

I, Bede Carran the Chief Executive of Timaru District Council (the "Council") hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated 15 May 1998 (the "Trust Deed").

1. Since the date on which the last Reporting Certificate was given:
 - (a) all interest due on the Stock has been paid;
 - (b) all Stock which has fallen due for repayment has been repaid;
 - (c) No Event of Default has occurred and remains unremedied.

2. As at 30 June 2020 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:

(i) Debenture Stock of	\$10,000,000
comprising:	
First Ranking Debenture Stock of	\$10,000,000
and Second Ranking Debenture Stock of	\$Nil
(ii) Security Stock (issued with a fixed nominal amount) of	\$38,000,000
comprising:	
First Ranking Security Stock of	\$38,000,000
and Second Ranking Security Stock of	\$Nil
together with:	
(iii) Security Stock (issued with a floating nominal amount), which as at 21 April 2021 (being no more than 5 business days before the date of this certificate) amount to:	\$15,104,560,251 (plus accrued interest)
(iv) Security Stock (Council borrowing through LGFA or private placement) amounted to:	\$89,602,124

3. The Council has complied with the Act in connection with the Trust Deed, the Register and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by this Deed, except for completing this reporting certificate after the due date.

4. For the purposes of the Trustee's registration on the Personal Property Securities Register of a financing statement in respect of the security created by the Trust Deed, the following details are correct at the date of this Certificate:

Council Details:

Council Name: Timaru District Council

Contact Address:

Address: King George Place, PO Box 522

City/Town: Timaru

Telephone: 03 687 7200

Facsimile: 03 687 7205

E-mail Address: enquiry@timdc.govt.nz

Person acting on behalf of organisation:

Full Name: Azoora Ali (Chief Financial Officer)

Address: PO Box 522

City/Town: Timaru

Telephone: 03 687 7200

Facsimile: 03 687 7205

E-mail Address: azoora.ali@timdc.govt.nz

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5. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
6. For the purposes of paragraph 5 of this Certificate, I have considered in particular:
 - (a) The liability of the Council under the Security Stock Certificate(s) issued with a floating nominal amount:
 - (b) The likelihood of the liabilities secured by those Security Stock Certificates being called on; and
 - (c) The ability of the Council to recover or recoup from other parties in relation to any payments that the Council would be required to make in respect of those Security Stock Certificates.
7. Since the date on which the last Reporting Certificate containing this certification was given the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

This Certificate is given by me as Chief Executive Officer of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Dated: 23 April 2021



Bede Carran
Timaru District Council

#1281043

Appendix 2: Copy of the audit report about the Register



Independent Assurance report

To the Directors of Computershare Investor Services Limited (the "Company")

Assurance Report Pursuant to Section 218 of the Financial Markets Conduct Act 2013 and Regulations 109 and 110 of the Financial Markets Conduct Regulations 2014

Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the Registers of security holders (the "Registers") maintained by the Company with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.

Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*, issued by the New Zealand Auditing and Assurance Standards Board.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that complies with Section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2020.
- identification of risks that threaten compliance with the requirements of Section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statement and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Company. Other than in our capacity as auditor and independent assurance practitioner, we have no relationship with, or interests in, the Company.

PricewaterhouseCoopers, 15 Customs Street West, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz

**Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on whether, with respect to the registers of security holders maintained for by the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013.

An assurance engagement to report on the Company's compliance with Section 217 of the Financial Markets Conduct Act 2013 involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with Section 217 of the Financial Markets Conduct Act 2013 will continue in the future.

Restriction on Distribution and Use of our Report

This report has been prepared for the Directors, as a body, in accordance with Section 218 of the Financial Markets Conduct Act 2013 and Regulation 110 of the Financial Markets Conduct Regulations 2014 and is provided solely to assist you in establishing that compliance requirements have been met.

Under the terms of our engagement our report may be provided on a confidential basis to the users of the Company's Registry Management services, whether or not they are required to comply with Section 218 of the Act, on the basis that we do not accept or assume any duty of care or other legal responsibility to those users. Notwithstanding the Act or Regulations, we do not accept or assume a duty of care or other legal responsibility.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, or for any purpose other than that for which it was prepared. In addition, we disclaim any responsibility for reliance on this report other than the purpose for which it was prepared.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
31 July 2020

Auckland, New Zealand

6.9 Implementation of Legislative Compliance Tool - ComplyWith

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Acting Group Manager Commercial and Strategy

Recommendation
That the report be received and noted

Purpose of Report

- 1 The purpose of this report is to provide the Committee an update on the progress plan and timing of the roll out of TDC’s recently acquired legislative compliance tool, ComplyWith.

Assessment of Significance

- 2 The assessment of significance is low because the compliance tool is a piece of enablement software.

Discussion

- 3 Timaru District Council as recently signed up to use the ComplyWith Legal Compliance tool. We’ll be using the tool to help us better understand, monitor and report on our legal compliance obligations and risks.

ComplyWith will create tailored surveys of our legal obligations and provide our staff with access to an up-to-date Obligations Register which gives us plain English legal compliance obligations and commentaries, plus easy visibility of what has changed.

The aim of the survey is to improve staff awareness and understanding of the legal framework relating to their roles.

- 4 Below is the project plan overview and timeline for the implementation of ComplyWith:-

Project plan overview & timeline to Timaru District Council

Project Phase	Timeline
Planning	
Agree overall project timeframe.	Completed
TDC provides organisation chart showing as far down the organisation as possible, with position titles and names.	Completed
Planning meeting with TDC (via Zoom). The outcome of this is a schedule of implementation meetings, detailing the required teams and individuals to meet with, and the length of these meetings.	By Friday 4 June

Buy-in	
Kick-off presentation to leadership team. Work with the CE and team to develop key messaging for the communications to support the project. Discuss risk appetite and key risk areas. Finalise meeting schedule for the implementation meetings. Q & A.	8am Wed 16 June
TDC books implementation meetings in calendars of meeting participants and ComplyWith staff. Completed at least one week before meetings take place	TBC
Communications from ComplyWith to managers and staff to promote buy-in and explain the new Legal Compliance tool and implementation process.	TBC
Mapping on site at TDC offices.	
Group presentations and mapping with teams which will be reporting on compliance obligations, (the staff that do not need detailed 1:1 meetings).	By Fri 9 July
1:1 meetings with individuals with specific operations or responsibilities that need to be discussed in detail.	By Fri 9 July
ComplyWith follows up on outstanding questions, and liaising with you about compliance survey setup and communications.	By Fri 16 July
Survey & Report	
Legal compliance survey starts. ComplyWith monitors progress, and deals with any required re-allocations and questions.	9am 12 July to 9am 26 July
Prepare draft reports on survey process and results	6 August
Project review and handover to customer.	

- 5 The annual fee for ComplyWith is \$26,500, initial term 3 years. The Chief Information Officer has incorporated this into the budget and has been approved.
- 6 We will provide our first legislative compliance results to the next Audit and Risk Committee meeting in October 2021.

Attachments

Nil

7 Consideration of Urgent Business Items

8 Consideration of Minor Nature Matters

9 Exclusion of the Public

Recommendation

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
<p>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 March 2021</p>	<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 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</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>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>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>	
10.2 - Public Excluded Action List	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
10.3 - Cyber Security Report	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	Commercial sensitivity
10.4 - Outstanding Items Raised By Various Audits	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 enable commercial activities
10.5 - 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 commercial activities</p>
10.6 - Insurance	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	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	<p>commercial position of the person who supplied or who is the subject of the information</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>10.7 - Committee and Auditor only time (agenda placeholder)</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)(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>Due to an obligation of confidence and to protect the public interest</p> <p>To enable commercial activities</p>
<p>10.8 - Committee and Chief Executive only time (agenda placeholder)</p>	<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>

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 March 2021

10.2 Public Excluded Action List

10.3 Cyber Security Report

10.4 Outstanding Items Raised By Various Audits

10.5 Issues Watch Register

10.6 Insurance

10.7 Committee and Auditor only time (agenda placeholder)

10.8 Committee and Chief Executive only time (agenda placeholder)

11 Readmittance of the Public