



AGENDA

Audit and Risk Committee Meeting Tuesday, 5 October 2021

Date Tuesday, 5 October 2021

Time 09:30am

Location Council Chamber
Timaru District Council
King George Place
Timaru

File Reference 1449565

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chamber, Timaru District Council, King George Place, Timaru, on Tuesday 5 October 2021, at 09:30am.

Audit and Risk Committee Members

Bruce Robertson (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

Former 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 15 June 2021

Author: Jo Doyle, Governance Advisor

Recommendation

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

Attachments

- 1. Minutes of the Audit and Risk Committee Meeting held on 15 June 2021**



MINUTES

Audit and Risk Committee Meeting Tuesday, 15 June 2021

Ref: 1449565

**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, 15 June 2021 at 11am**

Present: Keiran Horne (Chairperson), Cr Peter Burt (Deputy Chairperson), Mayor Nigel Bowen, Cr Stu Piddington, Janice Fredric (via Video Link)

In Attendance: John Mackey – Audit New Zealand Director (via Video Link – until 12.05pm)
Chief Executive (Bede Carran), Acting Group Manager Commercial and Strategy (Ashley Harper), Group Manager Infrastructure (Andrew Dixon), Group Manager Environmental Services (Paul Cooper), Chief Information Officer (Justin Bagust), Chief Financial Officer (Azoora Ali), Risk and Assurance Manager (Ernest Bernard), Manager of Property Services & Client Representative (Nicole Timney), Governance Advisor (Jo Doyle)

1 Apologies

Bruce Robertson (new Chair of Audit and Risk Committee), Symon Leggett, Group Manager People & Digital and Acting Group Manager Community Services

2 Identification of Items of Urgent Business

There were no items of urgent business.

3 Identification of Matters of a Minor Nature

As this was Keiran Horne's last meeting, Mayor Nigel Bowen recognised and thanked the Chair for her commitment and input to the Audit and Risk Committee over the past five years.

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 9 March 2021

Resolution 2021/54

Moved: Ms Keiran Horne
Seconded: Mayor Nigel Bowen

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.

Carried

6 Reports

6.1 Action List

The Committee considered the actions generated from previous Audit and Risk Committee meetings.

It was noted that the Tax Risk Management Framework is planned to go to the Council meeting scheduled for 29 June 2021.

Each action should have the inclusion of an estimated due date.

ACTION POINT

Assign a due date to each action.

Resolution 2021/55

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the actions be received and noted.

Carried

6.2 Timaru Airport CAA Part 139 Recertification.

The Committee considered a report by the Senior Programme Delivery Manager (at the time) and the Airport Operations and Safety Manager advising that the three yearly Civil Aviation Authority (CAA) Part 139 Recertification for the Timaru Aerodrome was achieved before the 23 March 2021 deadline.

The overview of the Timaru Airport is now fully transferred to the Group Manager Infrastructure. The CAA found 2 non major items which were rectified within three days, and full sign off was achieved. The operating certificate lasts for three years.

Resolution 2021/56

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the recertification report be received and noted.

Carried

6.3 Health and Safety Update

The Committee considered a report by the Group Manager People and Digital providing an update on health and safety activity since the last report to the Audit and Risk Committee in March 2021.

The Chief Executive spoke to this report in the absence of the Group Manager People and Digital.

Assura has been implemented with a good uptake of staff using the software. Feedback has been received that Assura is easier to use than the last system, and is available to use on different devices.

It was requested that the reporting show the date range, this will be undertaken for the next report.

Consideration will be given to the Covid-19 vaccination for areas of Council such as wastewater staff. Other Councils will be in the same position of needing to be mindful of these staff.

The health and safety plans of contractors was discussed, contractors have to present their health and safety plans through the tender process and are required to report all incidents including near misses.

The Health and Safety Officer has been on extended medical leave, and the internal cover of this role has been split through different members of the HR department.

The staff wellness and referrals to Mindful Me are reported back to Council, the detail of the issue isn't specified, and it can be hard to determine whether the issue is driven by work or home. Pressure points identified by these issues could be helpful.

The recording of near misses and reporting to the Health and Safety Committee and through to the governing body should be included in the work stream and recorded in the new software system.

ACTION POINTS

- To include the recording of near misses in the Assura software and the regular reporting of these to the Health and Safety Committee and through to Council.
- Ensure the date range is shown on the report from Assura.

Resolution 2021/57

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the Health and Safety report be received and noted.

Carried

6.4 Audit and Risk Committee Work Programme

The Committee considered a report by the Risk and Assurance Manager on the programme of work for the Committee.

The moving of the "Accounting Policy Review" in the work programme from June to October was queried, also the engagement letter from Audit NZ is yet to be received. The review highlights key issues in the financial statements, accounting judgements, changes to the accounting policies, provision or impairments that could cause issue in the year end account preparation. These reports would normally be presented prior to year end. It is expected that this can mirror key areas of focus from audit.

An additional Audit and Risk Committee meeting may need to be held to discuss the engagement letter, key issues, audit plan and key accounting judgements.

ACTION POINTS

- Rename the Accounting Policy Review to Key Accounting Judgement and this should be moved to July.

- Arrange a Zoom Audit and Risk Committee meeting if required once the Audit NZ engagement letter for the 2020/21 Annual Report is received.

Resolution 2021/58

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.5 TDC Strategic Risk Register

The Committee considered a report by the Risk and Assurance Manager providing an update on the Strategic Risk Register.

A workshop was held with the senior leadership team to update the register, there is still work to be done but the framework is built.

The Risk and Assurance Manager was queried about the residual rating for engaged community, which is higher than the untreated risk. The engaged community risk has not been worked on yet and will be discussed in the next risk workshop.

ACTION POINTS

- To enable easier reading, number the risks and include gridlines in the register.
- Assess the emerging risks and lessons learned from the recent flood.

Resolution 2021/59

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the Strategic Risk Register update be received and noted.

Carried

6.6 Probity Report

The Committee considered the probity report.

One incident was reported in this period, and was intercepted by the finance team and shows there are good controls in place.

Resolution 2021/60

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the probity report be received and noted.

Carried

6.7 Internal Audit and Assurance Programme

The Committee considered an update from the Risk and Assurance Manager on the progress with the 20/21 Internal Audit (IA) Programme.

All recommendations from the reports will be included in the audit tracker. Delays are noted and the team has been stretched to achieve dates. Next year's plan should be approved prior to the year starting.

Resolution 2021/61

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the internal audit and assurance programme update be received and noted.

Carried

6.8 Debenture Trust Audit Report

The Committee considered a report by the Chief Financial Officer on the contents of the Audit report prepared pursuant to the requirements of the Debenture Trust Deed.

Advice has been received from Simpson Grierson that a law change at the end of 2020 could mean changes to this area of Council.

This information will be assessed by the Chief Financial Officer and a report will come to the next meeting if necessary.

ACTION POINT

The Chief Executive Office to consider the advice from Simpson Grierson and provide a report to the next ARC meeting if necessary.

Resolution 2021/62

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the Audit and Risk Management Committee:

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

Carried

6.9 Implementation of Legislative Compliance Tool - ComplyWith

The Committee considered an update from the Risk and Assurance Manager on the progress plan and timing of the roll out of TDC's recently acquired legislative compliance tool, ComplyWith.

Good progress has been made, the project plan has been built and there are upcoming workshops with the senior leadership team planned. It is expected that the target date will be met.

Resolution 2021/63

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the report on ComplyWith 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 2021/64

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

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:

The meeting moved earlier into Public Excluded to ensure the Director of Audit NZ could provide relevant updates in the time available.

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 March 2021	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(i) - The withholding of the information is necessary to protect information where the making available of the 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</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>person who supplied or who is the subject of the information</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	
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	To enable commercial activities

	out, without prejudice or disadvantage, 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	<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)(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>Commercial sensitivity</p> <p>To enable commercial activities</p>
10.7 - Committee and Auditor only time (agenda placeholder)	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>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>
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Carried

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

Resolution 2021/65

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

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

Carried

The meeting closed at 1.31pm.

.....

Chairperson

6 Reports

6.1 Health and Safety Update

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendations

1. That the report be received and noted.
2. That this report be provided to Council in acknowledgement of Councils responsibilities under the Health and Safety at Work Act 2015.

Purpose of Report

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

Assessment of Significance

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

Discussion

Coronavirus

- 4 New Zealand went into Alert Level 4 (AL4) lock down on the 18th of August, and a number of staff were identified as essential works. These people were given authority to carry on with their routine duties whilst in AL 4.
- 5 A focus was on lone worker & remote working, restrictions were put in place on the type of work that could be carried out. Examples are working at height or confined space was either deferred to AL 3 or other staff would have to be called in for safety. Call outs to areas of bad cell phone coverage deferred to level 3 or additional resources were deployed to ensure worker safety.
- 6 Customer facing staff have had issues with masks, because they are sitting in one place for long periods of time, they have been suffering from headaches, fatigue, sore throats & dehydration.

It's been recommend every 15 minutes to remove masks where they can, rehydration is vital and people with health issues such as asthma have been working from home. Currently staff are looking at different types of masks as options.

Update on Activity

- 7 With lockdown, Safe Behaviour Observations (SBO) were conducted within business units operating in the field, this was to ensure processes around health & safety we being observed.
- 8 Assura health & safety management system is now up and running, training is ongoing. Health and Safety Advisor and administration staff are to meet with the Assura engineers and programmers to be trained in how to tweak the system as required.
- 9 Currently Health and Safety Advisor is working with business units to complete critical risk documents along with Job Safety Analysis (JSA) and Safe Operating Procedure (SOP) training.
- 10 The below previous work-plan activity largely remains as ‘work in progress’.

Health and Safety Action List:		
Required Action	Completed Date	Result
Introduction of system for identification of risk across all sites	✓ Intellectual Property (IP) Created October 2020 Completed in January 2021	<ul style="list-style-type: none"> • Permit system • JSA Training based on: <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	Ongoing	<ul style="list-style-type: none"> • Investigation • SSPs • Permits - Issuer - Receiver • Auditing
Development of the Safety Committee	Ongoing	<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.

Going Forward:		
To Do	Time Frame and Comments	Proposed Actions
Refinement of Assura	November 21 Work has commenced	Health & Safety Management Data Base <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
Controls for High Risk Work	Ongoing This is being conducted through JSA, SOP and Critical Risk training	<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
Development of Policies & Standards	Ongoing	Health and Safety Policies <ul style="list-style-type: none"> • Drug & Alcohol • Injury Management • Fatigue • Driving Health and Safety Standards <ul style="list-style-type: none"> • PPE • Training
Deconstruction 02 North St Safety Plan	Med – Long Term. Work in progress	<ul style="list-style-type: none"> • Safety Plan • Meetings with TDC / Ecan • Set Up of site
Infrastructure	Ongoing Working closely with approved contractors	<ul style="list-style-type: none"> • Contractor H&S management
Sound Shell - Bleachers	Short- Medium Not Started	<ul style="list-style-type: none"> • Risk Associated with the Deconstruction of sections of the Building
Contractor Risk	Contractors are now using the Contractor application form, going forward there could be potential to use a pre-qualification company to assist in the Approved Contractor Application process	<ul style="list-style-type: none"> • Ongoing engagement with contractors

Critical Risk	Completed in July 2021	<ul style="list-style-type: none"> Assessment of critical risks and review of their controls for TDC
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- 11 This activity highlights the work underway with our contractors and the significant progress made in improving our processes for managing this 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.

Health and Safety Statistics

- 12 The development of Assura was originally set up by the People & Capability EA who went on maternity leave in March 2021 and this work now resides with Risk and Assurance in the Commercial and Strategy Group. We are currently unable to provide the Committee with any statistics due to these changes and will be able to do so in the next Audit and Risk Committee meeting.
- 13 The Assura system is now operating, two of the team that were trained in the working of Assura have now left, we are currently seeking approval to recruit for the new champion for the health & safety management system. Training has been scheduled in October 21 for the Health & Safety Advisor.
- 14 Near misses are now being actively recorded and investigated and meaningful statistics will be available for the next meeting of the Committee.

Wellness

- 15 The Committee has requested information on staff wellness as it relates to the external support offered through a 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. We have received feedback from some staff that they have been unable to access the service provider. We have raised this issue directly with the provider and begun a review of the services, including undertaking a survey with staff to determine what type of service they require. We are working through the results currently and will be able to provide a further update at the next meeting.

Incident Detail

- 16 Thursday 16/09/2021 approximately 11.30a.m a TDC Toyota Rav 4 allocated to the Water Treatment Plant, was involved in a motor vehicle accident on the corner of Pareora River Road and State Highway 1. The TDC vehicle was preparing to make a right turn into Pareora River Road when the TDC vehicle was hit from the rear by a car travelling south bound. The impact pushed the TDC vehicle into the path of an oncoming light utility vehicle. The driver of the car causing the collision was taken to hospital with injuries, the TDC operator sustained minor injuries, as did the driver of the light utility.

An internal investigation is ongoing.

Conclusion

- 17 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

Nil

6.2 Debenture Trust Deed update

Author: Jason Rivett, Acting Chief Financial Officer

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendations

1. That the Audit and Risk Committee receive and note this report.
2. That the Audit and Risk Committee recommend to Council that the Debenture Trust Deed be amended in accordance with this report.

Purpose of Report

- 1 The purpose of this report is to update the Audit and Risk Committee on proposed changes to the Debenture Trust Deed (DTD) following recent legislative changes.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy because it is administrative in nature and there are no financial implications.

Background

- 3 The Trusts Act 2019 (**Act**) came into force on 30 January 2021. The Act codifies the obligations of trustees and the rights of beneficiaries, with the aim of making trustees more accountable and trust law more understandable.
- 4 The Act applies to the trust established under Timaru District Council's DTD.
- 5 While the Council's DTD already benefits from some useful exceptions to the new rules in the Act, further amendments can be made to the DTD to expressly exclude certain sections of the Act from the DTD.
- 6 The Council's trustee is Covenant Trustee Services Limited (**Trustee**), and that they would like to proceed with the proposed changes.
- 7 Timaru District Council has engaged Simpson Grierson to provide further advice on this matter. The proposed scope of work is detailed in sections 8-12 below.

Discussion

Documents and Council Process

- 8 The DTD would be amended by adding a new clause to the DTD that expressly excludes certain sections of the Act from the DTD. In order to incorporate this proposed clause into the DTD, the following actions are required:
 - 8.1 Council would need to enter a simple amendment deed with the Trustee (this deed would need to be signed by two elected members); and
 - 8.2 Chief Executive of the Council would need to sign a section 118 certificate in relation to this amendment deed.

- 9 The Council would also need to pass resolutions approving the form of the documents noted above and delegate authority to any two elected members to sign the amendment deed.

Other party approvals

- 10 The amendments to the DTD would be made with trustee approval only (i.e. not stockholder approval), on the basis that the intention is that the amendments are necessary or desirable in response to a change in applicable law and will not have a material adverse effect on the interests of stockholders.
- 11 However, Simpson Grierson note that they:
- 11.1 Anticipate that LGFA's approval will be separately required (to meet the requirements under LGFA's issuing documentation); and
 - 11.2 Note that existing bank documents could include a requirement that no amendments are made to the DTD without the relevant bank's consent.
- 12 Simpson Grierson have raised the proposed amendments (at a high level) with LGFA's solicitors and will continue to liaise with them on the relevant consent requirements for the amendments going forward should the Council wish to proceed.

Funding implications

- 13 There are no funding implications associated with this report.

Attachments

Nil

6.3 Accounting Policies for 2021 Annual Report

Author: Jason Rivett, Acting Chief Financial Officer

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendation

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

Purpose of Report

- 1 The purpose of this report is to present the draft accounting policies for inclusion in the 2020/21 annual report.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy because it is policy related with no financial implications.

Discussion

- 3 The accounting policies are reviewed on an annual basis as part of preparation of the annual report. It should be noted that the Accounting Policies are also included in the Timaru District Council Draft Annual Report 2020/21 that the Committee is also considering at this meeting.
- 4 This year there are no proposed accounting policy changes from those adopted in the 2021-31 Long Term Plan.
- 5 The Audit New Zealand model accounts include accounting policies with the relevant Accounting Note and it is proposed to adopt this approach in the 2021/22 Annual Report.
- 6 The draft Note 1 which includes accounting policies more closely aligns with Audit New Zealand's model financial statements for local authorities, using the public benefit entity (PBE) Accounting Standards which have been prepared to help guide Councils to prepare financial statements that comply with PBE Accounting Standards, with the aim of reducing compliance costs and contributing to an efficient financial statements audit.
- 7 These policies have been reviewed by our external advisors PWC to ensure consistent application.
- 8 The policies have not yet been reviewed by our auditors but discussion has occurred on these, and there have been no changes to the financial reporting standards that were audited in the 2021-31 Long Term Plan.

Funding implications

- 9 There are no funding implications associated with the accounting policies.

Attachments

1. **Note 1 Accounting Policies**  

1. Statement of Accounting Policies for the year ended 30 June 2021

Reporting entity

Timaru District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Group consists of the ultimate parent, Timaru District Council, and its subsidiaries: Timaru District Holdings Limited (100% owned) and Venture Timaru Limited (100% owned; previously known as Aoraki Development and Promotions Limited). The Council's share in Downlands Water Supply, which has been assessed as a joint arrangement, is consolidated into the Group financial statements based on the Council's 82% share, as is 100% of the council controlled organisation, Aorangi Stadium Trust.

Timaru District Holdings Limited owns associate companies PrimePort Timaru Limited (50% owned) and Alpine Energy Limited (47.5% owned).

All of these entities are domiciled in New Zealand.

The primary objectives of the Council are to provide infrastructure, local public services and regulatory functions to the community for social benefit rather than making a financial return.

The reporting date of the Council, controlled entities and the joint arrangement is 30 June.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purpose of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council and Group are for the year ended 30 June 2021.

The financial statements were authorised for issue by the Council on XXXX 2021.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of Compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and where rounded have been rounded to the nearest thousand dollars (\$000) unless otherwise stated, particularly the related party transactions in Note 31, remuneration disclosures in Note 32 and severance payment disclosures in Note 36 which are rounded to the nearest dollar. Contingencies in Note 30 are as stated in the Note.

Changes in accounting policies and disclosures

There have been no changes in accounting policies.

Standards issued and not yet adopted

Standards and amendments, issued but not yet effective, that have not been early adopted and which are relevant to the Council and Group are:

PBE IPSAS 41 Financial Instruments

In January 2017, the External Reporting Board (XRB) issued PBE IFRS 9 Financial Instruments which replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirement to better reflect the management of risks.

The Council is not planning to apply this standard and instead early adopt PBE IPSAS 41 in preparing its 30 June 2022 financial statements. The Council and Group have not yet assessed the effects of the new standards.

In March 2019, the XRB issued PBE IPSAS 41 Financial Instruments. When applied, this standard supersedes both PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments. The main changes under PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirement to better reflect the management of risks.

The Council plans to early adopt this standard in preparing its 30 June 2022 financial statements instead of adopting PBE IFRS 9. The Council and Group have not yet assessed the effects of the new standards.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the Group on a line-by-line basis. All intra-Group balances, transactions, revenues and expenses are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date when the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council has exposure, or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over another entity including the ability to appoint or remove a majority of the entity's governance and management, binding arrangements the Council enters into, group voting rights and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

The Council will recognize goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognized immediately in the surplus or deficit.

Subsidiaries

The Council consolidates in the Group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council's investments in subsidiaries are carried at cost in the Council's parent entity financial statements.

Associates

The Group's associate investments are accounted for in the Group financial statements using the equity method. An associate is an entity over which the Council or Group has

significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognized.

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate. Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the Council's financial statements, as the parent entity.

Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control exists when there is a binding agreement between the parties involved in the arrangement and this agreement requires the relevant activities of the arrangement to be decided by unanimous consent from all parties involved in the arrangement.

For joint arrangements, the Council recognises in its financial statements its assets, liabilities, revenue and expenses relating to its share in the arrangement.

The Council has a joint arrangement with the Waimate District Council and Mackenzie District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Councils jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. The Council's share in the joint arrangement equates to 82%, with Waimate District Council's share being 14% and Mackenzie District Council's 4%.

Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to, the IRD is included as part of receivables or payables in the statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The Budget figures presented in this report are those approved by the Council in its 2020/21 annual plan unless stated otherwise. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Assumptions regarding investments in other financial assets, including subsidiaries and other entities (see Note 15).
- Estimating the fair value of property, plant and equipment (see Note 17).
- Estimating the landfill aftercare provision (see Note 25).
- Estimating the fair values of debt (see Note 26).
- Estimating the fair values of financial instruments (see Note 35).
- Estimating the fair value of forestry assets (see Note 19)
- Estimating the retirement and long service leave obligations (see Note 24)

Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

- Classification of property (see Note 17)
- Valuation methodology for property, plant and equipment (see Note 17).
- Donated or vested land and buildings with use or return conditions (see Note 7)

Revenue Recognition

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

Vested Assets

Certain infrastructural assets have been vested to the Council as part of the subdivision consent process. Such vested assets are recognised as revenue when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined. Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and the current "in the ground" cost of providing the identical services.

Other grants, bequests and assets vested in Council, irrespective of the conditions attached to vesting, are recognised as revenue when control over the assets is obtained.

New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Interest

Interest revenue is recognised using the effective interest method.

Dividends

Dividends are recognised when the shareholders' rights to receive payment have been established.

Agency Revenue

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currency transactions

Transactions in foreign currencies are converted into New Zealand Dollars (the functional currency) using the exchange rate at the date of the transactions. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated at the exchange rate as at 30 June, and exchange variations arising from these transactions are included in the surplus or deficit.

Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted at balance sheet date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is recognised against the surplus or deficit, except when it relates to items charged or credited directly to equity or other comprehensive revenue, in which case the deferred tax is also dealt with in equity or other comprehensive revenue or expense respectively.

Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently assets leased under a finance lease are depreciated as if the assets are owned.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease.

Cash and Cash Equivalents

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.

Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). Council applies the simplified ECL model of recognising lifetime ECL for receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the past days due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loans, including loans to community organisations made by Council at below-market interest rates are initially recognised at the present value of their expected cash flows, discounted at the current market rate of return for a similar asset/ investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest method.

Payables and deferred revenue

Short-term payables are recorded at the amount payable.

Financial instruments

The Council is risk averse, and seeks to minimise exposure arising from its treasury activity.

The Council uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with the Investment Policy and Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the surplus or deficit.

The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

An assessment is made as to which stock held should be included as inventory or expensed immediately based on usage and materiality.

In 2021 stock treated as inventory includes only stock held for sale at CBay. Any other stock previously held as inventory has been expensed in 2021, the cost of which had no material impact on the surplus or deficit.

Investments

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The classification depends on the purpose for which the investments were acquired.

Term Deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investment in Subsidiaries

Investment in Subsidiaries are included in the parent entity at cost less any impairment losses.

Community loans

Community loans at subsidised interest rates are fair valued on initial recognition based on the present value of all future cash receipts discounted using the prevailing market rate for similar instruments. The resulting loss on initial recognition is taken to the surplus or deficit. In subsequent periods this loss is amortised back through the surplus or deficit.

Other Financial Assets

Other investments held by the Council are classified as being available-for-sale and are stated at lower of cost and net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised through the surplus or deficit.

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding, and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE.

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council do not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designates into this category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Expected Credit Loss allowance (ECL)

The Council recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and group's

historical experience and informed credit assessment and including forward-looking information.

The Council considers a financial asset to be in default when the financial asset is more than 90 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Non-Current Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Property, Plant & Equipment – Valuation

Timaru District Council has the following classes of Property, Plant and Equipment:

Operational assets include:

- Land
- Buildings and building Improvements
- Airport Improvements
- Plant and Equipment (including motor vehicles)
- Furniture and office equipment
- Library books
- Art works
- Heritage assets

Operational assets are all assets not included elsewhere, utilised by the Council to deliver services, directly and indirectly.

Infrastructure assets include:

- Sewer, stormwater, water
- Roads, bridges and lighting

- Land under roads

Infrastructure assets are the fixed utility systems, with each including all components required for the network to function.

Restricted assets include:

- Parks and Reserves

Restricted assets cannot be disposed of because of legal or other restrictions.

Unless specifically stated below, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined below which has become the opening cost value for that class.

Revaluations

For asset classes where revaluations are now performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value, and at least every three years with revaluation movements accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset, however where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Additions

Additions are recognised as an asset when it is expected that future economic benefit or service potential will occur beyond one year, otherwise they will be expensed in the financial period in which the cost is incurred or committed or the value derived from the expenditure is initially delivered subject to reliable valuation.

Additions will usually be initially valued at cost, through an exchange transaction, but which may include its estimated fair value at the time of acquisition when acquired through a non- exchange transaction or on the anticipated net present value of future benefits where appropriate.

Subsequent costs relating to an existing asset will be capitalised based on the same assessment of future benefits as the initial acquisition. Costs that do not meet the requisite capitalisation assessment, such as the costs of servicing assets, will be recognised in the surplus and deficit as they are incurred.

Disposals

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying value of the asset and are reported net in the surplus or deficit. When

revalued assets are sold, the amounts included in assets revaluation reserves relating to the assets disposed of are transferred to accumulated funds.

Land

Land, other than airport land, has been stated at cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and building improvements

Buildings and Building Improvements, have been stated at cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport improvements

Airport improvements, including runway, have been stated at cost less depreciation and impairment losses, which is optimised depreciated replacement cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Plant and Equipment

Plant and equipment for parks and pools is stated at cost less depreciation, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Other plant and equipment (including motor vehicles) are at cost less depreciation and impairment losses.

Furniture and office equipment

Furniture and office equipment have been stated at cost less depreciation, which is the assessed fair value at 1 July 2005 based on the 1 July 1993 indemnity value as assessed by Morton & Co Limited, Valuers with acquisitions from 1 July 1993 to 1 July 2005 at cost.

Library books

The Timaru District Library, Temuka Library and Geraldine Library collections have been revalued as at 30 June 2021 at depreciated replacement cost calculated by the District Librarian in accordance with the library collection valuation guidelines prepared by the New Zealand Library Association in May 1992.

The Library collections are revalued on an annual basis.

Art Works

Art works are stated at cost which is the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with acquisitions from 1 April 1992 to 30 June 2021 at cost.

Sewer, Stormwater, Water

Sewer, stormwater and water assets are stated at their fair value using standard unit rates as per the valuation methodology, however acquisitions subsequent to 1 July 2019 are valued at cost, until future revaluations are performed.

Prior to 1 July 2019, Water Infrastructure assets were stated at their cost less depreciation and impairment losses, which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, Valuers.

The assets were revalued on 1 July 2019 by Timaru District Council officers and peer reviewed by B. Smith, CA, of Brian Smith Advisory Services Limited.

Sewerage, stormwater and water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

- The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity. No opportunities for optimisation was identified within the 2019 revaluation.
- Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location.

If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index (based on the March 2019 quarter index with an estimate for June 2019) for civil constructions to convert them to current dollar value at the valuation date.

- Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by the local condition, for example, pipe material or wall thickness.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

Acquisition subsequent to 1 July 2019 are measured at their fair value using standard unit rates.

Land	Nil
Buildings and building improvements	1-30% Straight Line
Airport Improvements	2-50% Straight Line
Plant and equipment: pools and parks	2%-33% Diminishing Value
Plant and equipment: motor vehicles	5-25% Diminishing Value
Plant and equipment: other	10%-50% Diminishing Value
Furniture and office equipment	4-50% Diminishing Value
Library collection: permanent retention	Nil:
Library collection: current	12% Straight Line
Art Works	Nil
Water - plant and facilities	2 - 100 years
Water - reticulation	2 - 100 years
Sewerage - plant and facilities	2 - 100 years
Sewerage - reticulation	2 - 100 years
Stormwater - plant and facilities	2 - 100 years

Roads, Bridges, Footpaths, Street Furniture and Lighting

Roads, bridges, footpaths, street furniture and lighting assets are stated at their fair value using standard unit rates as per the valuation methodology, however acquisitions subsequent to 1 July 2020 are valued at cost, until future revaluations are performed.

Prior to 1 July 2020, roads, bridges, footpaths, street furniture and lighting assets were stated at their cost less depreciation and impairment losses which is optimised depreciated replacement cost, valued as at 1 July 2005 by Maunsell Limited, Valuers, less accumulated depreciation and impairment losses.

Roading assets were revalued as at 30 June 2020 by Mark Gordon MBA, BE (Hons), CPEng, CMEngNZ of IAM Consulting (M Gordon) Limited.

Road pavements, structures, footpaths, drainage, streetlighting and a range of other assets used for delivering roading services are valued using the depreciated replacement cost

method. There are a number of estimates and assumptions made when valuing infrastructural assets using this method, including:

- The unit rates used in estimating the replacement cost value of the asset: these reflect commercial costs for provision of modern equivalent assets by contract and assume realistic quantities of assets within contracts to ensure cost effective allowances and rates. Where appropriate, replacement value also reflects optimisation due to over-design or surplus capacity. No opportunities for optimisation were however identified in the 2020 revaluation.
- Unit rates have been applied to components of the road network based on the type of asset, its size, and material type. Rates are derived from TDC unit rate information for recent contract-based construction and maintenance work and recent valuation information from similar local authority infrastructure, indexed to the valuation date using Statistics New Zealand's Capital Goods Price Indices for Transport Ways. Where detailed asset component information is not available, estimations are made on an aggregate basis.
- Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by local conditions, for example, traffic use or climatic conditions. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Valuation and Depreciation Guidelines, issued by the National Asset Management Steering Group (NAMS) of IPWEA NZ, and have been adjusted for local conditions based on past experience.

Land under Roads

Land under roads has been stated at cost less depreciation and impairment losses at an average of adjacent "undeveloped land value" valued at 1 July 2005 by Maunsell Limited, Valuers.

Heritage buildings are included in the buildings asset class.

Significant statues are stated at cost less depreciation and impairment losses, which is the optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, Valuers.

Other heritage type assets, such as museum exhibits, have not been valued.

Property, Plant & Equipment – Depreciation

Depreciation is provided on a basis that will write off the cost or valuation of the assets, other than land, less their estimated residual values over their estimated useful lives.

Depreciation has been provided at the following rates.

Stormwater - reticulation	2 - 100 years
Roading	1%-50% Straight Line
Bridges	1%-3% Straight Line
Lighting	6%-8% Straight Line
Land under Road	Nil
Heritage assets	1%-7% Straight Line

Capital Work In Progress

Capital work in progress are not depreciated. The total cost of a project is transferred to the relevant asset classes on completion and then depreciated.

Intangible Assets

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. The useful lives and associated amortisation rates of software has been estimated at 3 - 5 years (20% - 33%).

Costs associated with developing or maintaining software programmes are recognised as an expense when incurred.

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Impairment

The carrying amount of the non-current assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

Forestry Assets

Forestry Assets are valued annually as at 30 June at fair value less estimated point of sale costs. Fair value is determined by the estimated worth of the maturing tree stocks in the Council's forests. The valuation method adopted is based on cash flows on a single rotation basis discounted at a market based pre-tax rate. The changes in fair value of the Forestry Assets are included in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit when incurred.

Landfill Assets

Landfill assets being earthworks, plant and machinery and the estimate of site restoration, are stated at cost less any accumulated depreciation and any accumulated impairment losses. The useful life of the land-fill is considered to be the period of time to the expiring of the resource consent in 2030 or the estimated full date.

Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value as determined annually by independent valuers with any gain or loss arising from a change in fair value being recognised in the surplus or deficit.

Loans

Loans are classified as other liabilities and are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between fair value at acquisition and maturity value being recognised in the surplus or deficit over the period of the borrowings on an effective interest basis.

Employee Entitlements

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. Provision is made in respect of the Council's liability for annual leave, long service leave, retirement gratuities and sick leave.

Council accrued retiring gratuities and accrued long service leave are calculated based on an actuarial valuation using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay. Sick leave entitlements are measured as the amount of unused entitlement accumulated at balance sheet date that the Council anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods. Obligations for contributions to Kiwisaver and superannuation schemes are recognised as an expense in the surplus or deficit when incurred. All employer superannuation contributions are made to defined contribution schemes.

Provision for Landfill Post Closure Costs

A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arise.

The provision is measured based on the present value of the future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Equity & Reserves

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classed into a number of reserves to enable clearer identification of the specified uses that the Council makes of its accumulated surpluses. The components of equity are:

- Retained Earnings
- Restricted reserves - special funds
- Separate reserves (funds)

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Restricted reserves (special funds) are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or to a third party.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Separate reserves (separate funds) are maintained for targeted rates charged for a specific purpose or for self-funded activities. A separate account is maintained for each targeted rate of self-funded activity to ensure that the funds are held and used for the specific purpose intended.

Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Overhead Allocation

The Council has derived the net cost of services for each significant activity of the Council using the cost allocation system outlined below. This involves the cost of internal service type activities being allocated to the external service type activities. External activities are those which provide a service to the public and internal activities are those which provide support to the external activities.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for direct and indirect costs

'Direct' costs are those costs directly attributable to a significant activity. 'Indirect' costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect costs

The costs of internal services not directly charged to activities are allocated based on the services provided. This is allocated based on a historical costing analysis which utilised a number of cost drivers, including staff numbers, area and transaction volumes.

Internal Charges

Are eliminated at the Council level.

Statement of Cashflows

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.

Operating activities include cash received from all revenue sources of the Council, and expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities, and any non-current assets.

Financing activities are those activities relating to the changes in equity, and debt structure of the Council.

Going Concern and the impact of COVID-19

During August and September 2020 and February and March 2021, Timaru District moved into Alert Level 2 along with other parts of the country. In all other parts of the year, the District remained in Alert Level 1.

- At Alert Level 2, the Council enforced stronger social distancing practices and noted lowered patronage at community facilities such as the library, swimming pools, and use of community halls.

There were no disruptions to infrastructure servicing. This did not materially affect the amount of user charges collected during the year.

- At Alert Level 1, the Council continued to run business as usual.

For the previous year's revaluation of investment property at 30 June 2020, the Council's external valuer included a statement in their valuation report that the assessed value was subject to "material valuation uncertainty" due to Covid-19. For the 30 June 2021

valuation, the valuer has not noted the impact on property values at 30 June 2021 due to Covid-19.

6.4 Letter of Representation for the Audit of the 2021-31 Long Term Plan**Author:** Jason Rivett, Acting Chief Financial Officer**Authoriser:** Ashley Harper, Former Acting Group Manager Commercial and Strategy**Recommendation**

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

Purpose of Report

- 1 The purpose of this report is to present the letter of representation for the audit of the 2021-31 Long Term Plan (LTP) to the Audit and Risk Committee.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy because it is a business as usual matter that has no financial implications.

Discussion

- 3 The attached representation letter was provided to Audit NZ in connection with the audit, conducted by the Auditor General, to provide a report on Timaru District Council's Long Term Plan for the 10 years commencing 1 July 2021.
- 4 The letter Signed by Mayor Nigel Bowen and Chief Executive Bede Carran, confirms the following general representations:
 - 4.1 The Council accepts that it is responsible for the preparation of the LTP that meets the requirements of the Local Government Act 2002 (the Act).
 - 4.2 In complying with the requirements of the Act in relation to the LTP, we have acted in such a manner and included in the LTP such detail as we consider on reasonable grounds to be appropriate.
 - 4.3 The LTP has been prepared using the best information currently available to the Council and accordingly the forecast information included in the LTP is our best forecast of anticipated events for the 10 years commencing 1 July 2021.
 - 4.4 The LTP has been prepared and is consistent with Council's own policies and strategies and the strategies and policies of other organisations where appropriate.
 - 4.5 We believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the LTP as a whole.
- 5 In addition, the letter of representation confirms (amongst other matters) the following specific representations:
 - 5.1 The forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted.
 - 5.2 The forecast information and proposed performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service.

- 5.3 The Council accepts that it is responsible for establishing and maintaining systems and processes designed to provide reasonable assurance about the integrity and reliability of the forecast information.
- 5.4 The Council accepts that it is responsible for ensuring that all applicable aspects of the Act that affect the LTP have been complied with.
- 5.5 The accounting policies applied to the forecast financial statements comply with generally accepted accounting practice and are those that the Council intends to use in the future for reporting historical financial statements.

Attachments

- 1. Letter of Representation - 2021-31 LTP**



14 July 2021

John Mackey
Director
Audit New Zealand
PO Box 2
Christchurch 8140

Dear John

Letter of representation for the audit of the Long-term Plan

This representation letter is given in connection with your audit, conducted on behalf of the Auditor-General, to provide a report on Timaru District Council (the Council's) Long-term Plan (LTP) for the 10 years commencing 1 July 2021.

This representation letter is provided to you in connection with your responsibility under the Local Government Act 2002 (the Act) to report on:

- whether the LTP gives effect to the purpose set out in section 93(6) of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

We understand that your audit was 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 understand you 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.

We also understand that your audit was (to the extent that you deemed appropriate) for the purposes of expressing an opinion about whether the LTP provides a reasonable basis for long-term integrated decision-making by the Council and for accountability of the Council to the community, and whether the information and assumptions underlying the forecast information in the LTP are reasonable. We understand the audit would not necessarily disclose any or all irregularities should any exist.

We acknowledge that actual results are likely to be different from the forecast information because anticipated events frequently do not occur as expected and the variation may be material, and that you express no opinion about whether the forecasts will be achieved. We also acknowledge that you do not express an opinion on the merits of any policy content of the LTP.

2 King George Place - PO Box 522 Timaru 7940 - Telephone 03 687 7200

We confirm, to the best of our knowledge and belief, the following representations:

General

- 1 The Council accepts that it is responsible for the preparation of the LTP that meets the requirements of the Act.
- 2 In complying with the requirements of the Act in relation to the LTP, we have acted in such a manner and included in the LTP such detail as we consider on reasonable grounds to be appropriate.
- 3 The LTP has been prepared using the best information currently available to the Council and accordingly the forecast information included in the LTP is our best forecast of anticipated events for the 10 years commencing 1 July 2021.
- 4 The LTP has been prepared and is consistent with Council's own policies and strategies and the strategies and policies of other organisations where appropriate.
- 5 We believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the LTP as a whole.

Underlying information and assumptions

- 6 The forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted. The assumptions and information underlying the forecast information are reasonable and supportable in the context of the Council's position and have been based on the best information currently available to the Council. The assumptions are consistent among themselves, consistent with the current strategies and plans of the Council, and have been consistently applied.
- 7 All significant forecasting assumptions have been included in the preparation of the forecast information and have been clearly identified in the LTP. Where significant forecasting assumptions have a high level of uncertainty, that uncertainty has been stated and the potential effects of the uncertainty on the forecast financial information have been provided.
- 8 The LTP includes all the items of operating expenditure and capital projects the Council reasonably expects will be done in the 10 years covered by the plan, based on the best information currently available to the Council.
- 9 The Council has included in the LTP financial forecasts its best estimates of the costs to repair and reinstate assets damaged in the May 2021 floods. At this time there is no further information available that would vary those estimates.
- 10 The forecasts of capital expenditure and operating expenditure are supported by, and consistent with, underlying information such as asset management plans and the infrastructure strategy.

- 11 The records maintained by the Council were adequate for the preparation of the Council's LTP.
- 12 We have made available to you all supporting documentation on the information and assumptions underlying the forecast information used to prepare the LTP.
- 13 All minutes of meetings of the Council and its sub-committees held to date have been made available to you for inspection, including summaries of recent meetings for which minutes have not yet been prepared or approved.

Performance framework

- 14 The forecast information and proposed performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service. The performance measures reflect the intended levels of service for those activities the Council has chosen to carry out in response to community consultation and legislative requirements. Proposed performance targets are based on the equivalent basis of reasonable and supportable assumptions and underlying information.

Systems and processes

- 15 The Council accepts that it is responsible for establishing and maintaining systems and processes designed to provide reasonable assurance about the integrity and reliability of the forecast information. The Council has maintained effective systems and processes, and they have operated to generate accurate and reliable forecast information.

Legislative compliance

- 16 The Council accepts that it is responsible for ensuring that all applicable aspects of the Act that affect the LTP have been complied with. To the best of its knowledge, the Council has complied with all legislative requirements in the preparation of the LTP.
- 17 The Council has followed the decision-making provisions of Part 6 of the Act in making decisions about the content considered for inclusion and exclusion from the LTP.
- 18 The Council followed the special consultative procedures outlined in the Act in relation to the consultation document. All changes to the underlying information resulting from consultation have been appropriately reflected in the LTP.
- 19 We have a significance and engagement policy that outlines the Council's approach to determining the significance of proposals and decisions in accordance with section 76AA of the Act.
- 20 The Council has considered the balanced budget requirements outlined in section 100 of the Act, and is managing its revenue, expenses, assets, liabilities, and general financial dealings prudently as required by sections 101 and 101A of the Act. We have made adequate provision to meet the expenditure needs of the Council identified in the LTP.

- 21 The Council has adopted and applied the following policies in the development of the LTP:¹
- A revenue and financing policy that complies with section 103 of the Act and has been prepared after consideration of the matters outlined in section 101(3) of the Act.
 - A liability management policy that complies with section 104 of the Act.
 - An investment policy that complies with section 105 of the Act.
 - A policy on development contributions or financial contributions that complies with section 106 of the Act.
 - A policy on remission and postponement of rates on Māori freehold land that complies with section 108 of the Act.
 - A rates postponement policy adopted under section 110 or rates remission policy adopted under section 109 of the Act.

These policies have formed the basis for the financial parameters used in the preparation of the LTP.

- 22 All the information required by Part 1 of Schedule 10 of the Act has been included in the LTP.
- 23 All the information required by the Local Government (Financial Reporting and Prudence) Regulations 2014 has been included in the LTP.

Generally accepted accounting practice

- 24 The accounting policies applied to the forecast financial statements comply with generally accepted accounting practice and are those that the Council intends to use in the future for reporting historical financial statements. Any change in accounting policy from policies previously applied and reported in historical financial statements has been disclosed in the LTP.
- 25 The estimated effect of the revaluation of service delivery assets has been incorporated into the LTP.
- 26 The forecast financial information has been prepared and presented in accordance with PBE FRS 42 Prospective Financial Statements.
- 27 The forecast financial information has been prepared in accordance with the accounting policies.

¹ Adjust the titles for each policy in this section to reflect the titles that are used by the Council – for example, they may have a combined liability and investment policy or may not have a financial contributions policy. If these are not used, adjust accordingly.

- 28 The Council's assumption about future price changes on the forecast financial information is based on the best information currently available to the Council and is reasonable and supportable.

Publication of the LTP and related audit report on the Council's website

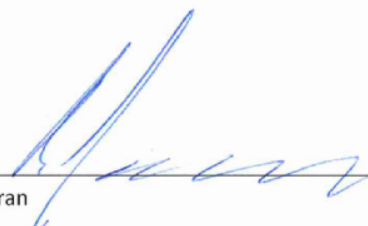
- 29 The Council accepts that it is responsible for the electronic presentation of the audited LTP.
- 30 The electronic version of the audited LTP and related audit report presented on the website are the same as the final signed version of the audited LTP and audit report.
- 31 We have clearly differentiated between audited and unaudited information in the preparation of the LTP on the Council's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- 32 We have assessed the security controls over audited forecast information and the related audit report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- 33 Where the audit report on the full LTP is provided on the website, the LTP is also provided in full.

These representations are made at your request, and to supplement information obtained by you from the records of the Council and to confirm information given to you orally.

Yours faithfully



Nigel Bowen
Mayor



Bede Carran
Chief Executive

6.5 Tax Governance Framework 2021

Author: Jason Rivett, Acting Chief Financial Officer

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendations

That the Audit and Risk Committee:

1. Receive and note this report
2. Approve the Tax Governance Framework
3. Endorse that the Tax Governance Framework be sent to Timaru District Holdings Limited (TDHL), Venture Timaru (VT) and Aorangi Stadium Trust (AST) for adoption

Purpose of Report

- 1 The purpose of this report is to seek approval from the Audit and Risk Committee for the Tax Governance Framework.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy because it is substantially administrative in nature.

Background

- 3 This document establishes the tax governance framework for Timaru District Council (Council), Timaru District Holdings Limited (TDHL), Venture Timaru (VT), Aorangi Stadium Trust's (AST), and any other entities controlled by Timaru District Council following the promulgation of this framework, established by the Audit and Risk committee(s) or equivalent bodies.
- 4 PriceWaterhouseCoopers (PWC) have prepared the Tax Governance Framework based on best practice frameworks for local authorities. Their report is attached.

Discussion

- 5 Council and Council Controlled Organisations (CCOs) have a significant public profile and responsibility to provide services to the District and must maintain exemplary governance and compliance with standards.
- 6 These organisations are required to correctly account for corporate income tax, goods and services tax, fringe benefit tax, PAYE and a range of other withholding taxes and other taxes as mandated by central government.
- 7 The aim of this document is to ensure that the framework exists for tax obligations to be complied with efficiently and in a timely fashion.
- 8 Inland Revenue, supported by Audit New Zealand, expects that all large organisations should have tax risk management incorporated within their governance framework, consistent with international best practice and in concert with other tax jurisdictions. The consolidated tax

group (“Tax Group”) includes Council and all CCO’s which are specifically included in the Tax Group.

Options and Preferred Option

- 9 Option 1 – Approve the Tax Governance Framework as presented and endorse that the Tax Governance Framework be sent to Timaru District Holdings Limited (TDHL), Venture Timaru (VT) and Aorangi Stadium Trust’s (AST) for adoption. This is the preferred option.
- 10 Option 2: Amend the Tax Governance Framework. The Committee may wish to recommend material amendments to the framework, which would then be sent to the above entities.

Consultation

- 11 There is no requirement to consult with the entities.

Relevant Legislation, Council Policy and Plans

- 12 Council and its CCO’s have a statutory requirement to comply with tax obligations as required by tax legislation, including but not limited to the:
 - 12.1 Income Tax Act 2007
 - 12.2 Goods and Services Tax Act 1985
 - 12.3 Tax Administration Act 1994
 - 12.4 Kiwisaver Act 2006
- 13 Due to the high profile and public governance nature of Council and the CCO’s it is appropriate to adopt a conservative approach to tax management and compliance and therefore all entities are expected to adopt a “LOW” tax risk profile and to engage in an open and honest working relationship with Inland Revenue or any other tax authorities.

Financial and Funding Implications

- 14 There are no funding implications associated with the adopting of the Tax Governance Framework.

Attachments

1. Tax Governance Framework 2021 [↓](#) 

*Timaru District
Council*

*Timaru District
Holdings Limited*

Venture Timaru

Aorangi Stadium Trust

Tax Risk Governance Framework

For adoption by the Audit and Risk Committee

March 2021



7540137_2

1. Purpose

This document establishes the tax governance framework for Timaru District Council (Council), Timaru District Holdings Limited (TDHL), Venture Timaru (VT), Aorangi Stadium Trust's (AST), and any other entities controlled by Timaru District Council following the promulgation of this framework, established by the Audit and Risk committee(s) or equivalent bodies.

1.1 Background

Council and Council Controlled Organisations (CCOs) have a significant public profile and responsibility to provide services to the District and must maintain exemplary governance and tax compliance standards.

These organisations are required to correctly account for corporate income tax, goods and services tax, fringe benefit tax, PAYE and a range of other withholding taxes and other taxes as mandated by central government.

The aim of this document is to ensure that the framework exists for tax obligations to be complied with efficiently and in a timely fashion.

Inland Revenue, supported by Audit New Zealand, expects that all large organisations should have tax risk management incorporated within their governance framework, consistent with international best practice and in concert with other tax jurisdictions. The consolidated tax group ("Tax Group") includes Council and all CCO's which are specifically included in the tax group.

Council and all CCOs are referred to as 'the Group'.

1.2 Risk management

The Audit and Risk Committee (or equivalent body) is, along with other responsibilities, tasked to:

- Assist management to determine the Group's appetite for risk.
- Review the comprehensive risk management framework and associated procedures for effective identification and management of significant risks.
- Consider whether appropriate action is being taken by management to mitigate significant risks.
- Ensure that management is kept apprised of the governance bodies views on uncontrolled risk.
- Ensure management are keeping the Audit and Risk Committee, or equivalent body, fully apprised of independent sources of assurance, via the risk management framework.

Proactive tax risk management can facilitate mitigation of:

- Operational risk: Reducing the potential for reputational damage as a result of non-compliance, and the possible negative impacts on stakeholders.
- Financial risk: Minimising the financial impact of non-compliance and the associated costs.
- Compliance risk: Ensuring areas of non-compliance are identified to minimise any penalties or interest being imposed by Inland Revenue and reducing the risk of being subject to an Inland Revenue audit.

This tax risk management framework is intended to cover all entities controlled by and including the Timaru District Council and its Council Controlled Organisations. Where there is shared management control of an organisation it is expected that this framework will be applied as much as practicable within that context an any additional risk identified and managed appropriately.

2. Tax risk profile

Council and its CCO's have a statutory requirement to comply with tax obligations as required by tax legislation, including but not limited to the:

- Income Tax Act 2007

- Goods and Services Tax Act 1985
- Tax Administration Act 1994
- KiwiSaver Act 2006

Due to the high profile and public governance nature of Council and the CCO's it is appropriate to adopt a conservative approach to tax management and compliance and therefore they are expected to adopt a "LOW" tax risk profile and to engage in an open and honest working relationship with Inland Revenue or any other tax authorities.

3. Tax risk management strategies

The following strategies will be adopted to ensure the maintenance of a low tax risk profile and management of tax obligations and tax risks.

Management will develop a tax risk management plan to be formally adopted by the Audit and Risk Committee, or equivalent body, which will be reviewed *at least* every three years and will:

- Identify key areas of tax compliance risk.
- Establish the steps required to effectively manage or mitigate each risk area.
- Identify and action significant income tax efficiency planning for Council and the tax group.
- Ensure clear and realistic timeframes for the steps to be completed.
- Reviewing the level of knowledge of tax issues by Council staff responsible for such matters and review of potential training and development requirements.

3.1 Responsibility for tax issues

The Group Manager responsible for financial services, currently the Group Manager Commercial and Strategy, has responsibility for the management of the tax issues of Council and the tax group and may delegate responsibility for tax issues to another appropriately qualified person. IRD requires a designated individual to be Executive Office Holder (EOH) who is responsible for ensuring that appropriate staff are authorised to access requisite sections with "myIR."

The EOH for Council and designated CCO's must be a member of the senior leadership team who is not managing financial service. The EOH is responsible for administering and maintaining staff delegations and permissions of "myIR" login accounts and for ensuring delegations are updated as and when staff leave the organisation.

3.2 Reporting tax risks to Audit and Risk Committee

Any 'significant tax risks' will be reported in the first instance to the Group Manager as soon as they are identified and where appropriate, to the chair of the Audit and Risk Committee within two weeks of being identified.

A 'significant tax risk' to Council and/or the CCOs may be where an incorrect interpretation is made that results in a situation where:

- Penalties and interest may be imposed.
- A consequent tax liability is required to be settled that is in excess of \$20,000.
- Council or a CCO could be subject to prosecution.
- An accusation of tax avoidance could be levied.
- There is risk of negative publicity.

Council and its CCOs will report on all tax risk management matters to the Audit and Risk Committee at least annually, including a summary setting out key issues, which may include the following:

- Key financial information including any outstanding taxes overdue, and any interest or penalties imposed during the year.
- Particulars of any proposed legislative tax changes which could impact Council or the CCOs.
- Details of any significant disputes with Inland Revenue including any disputed outstanding taxes.
- Details of advice sought and future matters to consider.
- A table of tax tools and services used and whether each aligns with the Group's 'LOW' risk tax profile; i.e. Strategy vs Achievement.

3.3 Efficient tax planning

Council and the CCOs are separate legal entities however for tax planning purposes there is a consolidated tax group ('the Tax Group'). Where legally allowed, and where it is appropriate from a tax planning perspective all CCOs should be members of the tax group to facilitate the optimisation of the tax position overall. Proposed changes to the tax group should be presented to the Audit and Risk Committee, or equivalent body, for their review and agreement prior to enacting changes. The tax group will coordinate to ensure that tax requirements are optimised, including:

- Projecting the tax group's income tax efficiency and ensuring available deductions are optimised;
- Considering the timing of revenue and deductible expenditure, including the deductibility of donations; and
- Ensuring tax loss offsets and subvention payments are optimised to mitigate the tax group's overall income tax liability.

As far as possible, CCOs outside of the tax group will also coordinate with members of the tax group to ensure efficient tax planning.

3.4 Tax awareness and training

Relevant staff should be provided with adequate training and resources to effectively identify and manage tax obligations and risks, including staff attending external courses or engaging specialist in-house instruction and support.

3.5 Meetings and correspondence with Inland Revenue

The Group will endeavour to maintain strong working relationships with Inland Revenue, other government bodies, and related third parties. All dealings with external parties will be undertaken in a professional and timely manner.

Apart from routine tax returns, payments or correspondence, all other correspondence, meeting requests or queries from Inland Revenue must be immediately referred to the Group Manager responsible for financial services, who is authorised to correspond or meet with Inland Revenue to discuss tax matters relating to the tax group and any CCOs which do not employ financial services staff directly. An equivalent delegation should be made by any CCO not included in the tax group which does employ financial services staff, except that role may be delegated to the Group Manager responsible for financial services for Council as agreed. Delegation of responsibility for such discussions may be made by the Group Manager to others, including external consultants, as appropriate.

3.6 Tax advice and rulings

Detailed information and computations supporting all tax filing positions will be maintained, including as relevant for each entity and the Tax Group jointly. If there is any uncertainty in respect of a filing position where the amount of tax exceeds \$10,000, the Group will seek written advice from external tax advisors.

Occasionally, the degree of uncertainty over a particular tax issue may warrant seeking a Binding Ruling from Inland Revenue. No approach should be made for a Binding Ruling without the prior approval of the Group Manager responsible for financial services, relating to the tax group and any CCOs where tax management responsibility has been delegated to Council. It is expected that for any other CCOs advice would be sought from the Group Manager responsible for financial services in Council prior to seeking such a ruling. Agreement may be sought from the Committee prior to seeking to a specific ruling.

3.7 Tax returns and payments

The preparation and filing of returns will be transparent, and fully disclose all relevant information supporting a tax position in a tax return. Only tax positions that are highly likely to be correct based on current law should be adopted, however, the most tax efficient position should be adopted.

Authorisation for tax payments exceeding \$20,000 lies with the Group Manager responsible for financial service, however this responsibility may be delegated to an appropriate person.

Tax payments must be supported by detailed tax computations and explanations which are initialed by the preparer and then countersigned by that person's manager prior to payment.

Accounts related to tax, including the creditors' accounts for Inland Revenue, should be reconciled monthly and cleared promptly with any unreconciled items resolved promptly.

3.8 Filing and record keeping

As required by the Tax Administration Act 1994, tax records are to be retained for 7 years. To assist in archiving and the subsequent retrieval of relevant tax records, each tax return and supporting computation and advisory correspondence based on the year of assessment and tax type will be separately and identifiably filed.

A detailed index of the relevant tax files will be maintained to enable their efficient retrieval should they be requested by Inland Revenue. The index should contain details relating to the file reference, relevant tax period, tax type, subject of the document on file and location of the file, and evidence of review by the appropriate manager. This index should be maintained irrespective of whether the information is in electronic or hard copy format.

3.9 Regular reviews

Tax risks potentially increase over time through a combination of personnel and legislative changes. To ensure the tax compliance procedures of the Group are kept up to date and accurate, an independent external review of GST, PAYE/Withholding Taxes and FBT should be undertaken every three years. This review would normally expect to be undertaken in a 'rolling' format, with a different tax type being reviewed each year. The materiality levels outlined in the framework will also be reviewed triennially based on the risk profiles agreed for Council and the CCOs.

3.10 Penalties and voluntary disclosures

Wherever possible the Group should endeavour to minimise any penalties and use of money interest. Accordingly, any tax discrepancies identified should be addressed and disclosed to Inland Revenue as soon as possible. Unless the discrepancy has been identified pursuant to a current or ongoing tax investigation, the Group, jointly or individually dependent on circumstances (in consultation with the Audit and Risk Committee as necessary) should always and preferentially consider making a voluntary disclosure as a means of minimising any potential penalties.

3.11 Tax policies

To assist staff with the day to day tax treatment of issues specific to the Group and to ensure a consistent tax treatment of items across the organisation, the Group subscribes to PwC's Online Tax Policies. PwC maintains PAYE, GST, FBT, and KiwiSaver tax policies, which are regularly updated for legislative changes. These tax policies will provide an outline of common tax issues arising and how they should be treated in the various tax returns of the Group.

4. Tax governance framework – adoption

Tax Governance Framework – version 1.1	
Approved:	
.....
Name:	Name:
Position:	Position:
Date:	Date:
<i>Next review due:</i>	

6.6 Conflicts of Interest Policy Review

Author: Fabia Fox, Policy Analyst
Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendations

That the Audit and Risk Committee:

1. Note the advice from the Office of the Auditor General regarding managing conflicts of interest in the public sector.
2. Recommends to Council the adoption of the revised Conflicts of Interest Policy, with, or without amendments.
3. Recommends to Council that the Elected Members Interest Register be amended and updated to include how conflicts of interest are to be managed, and declarations of non-pecuniary conflicts of interest.
4. Recommends to Council that the outstanding recommendation from Audit New Zealand regarding the inclusion of how conflicts of interest are to be managed in the Employee, and Elected Member Interest Registers, be closed out.
5. Provide officers with feedback regarding the potential format of the publication of Elected Members' Interest Register.

Purpose of Report

- 1 The purpose of this report is to present the Audit and Risk Committee with a revised version of Council's Conflicts of Interest Policy and provide an opportunity for the Committee to provide feedback on the Policy.
- 2 The report also provides the Committee an opportunity to assess the proposed reporting and disclosure framework for Elected Members, independent members of Council committees and employees.

Assessment of Significance

- 3 The revised policy is consistent with Council's current policy (attached Attachment 1). The proposed amendments serve to clarify and strengthen Council's approach to disclosing and managing conflicts of interest. It is not envisaged that these amendments will have a significant impact on the community's wellbeing, the levels of service Council provides, or on Council's finances.
- 4 The review and approval of the draft Conflicts of Interest Policy by this Committee has been assessed as being of low significance in accordance with Council's Significance and Engagement Policy. The public will be informed by publication of this meeting's agenda on Council's website.

Background

- 5 As stated by the Office of the Auditor General (OAG):

“Conflicts of interest can arise in all walks of life, including the private sector. However, there are higher expectations about conflicts of interest in the public sector because it is public money being spent, and public powers being exercised.

Where activities are paid for out of public funds, or decisions are made exercising public powers, members of the public rightly expect the people making those decisions to act impartially, without any possibility that they could be influenced by favouritism or improper personal motives, or that the public resources could be misused for private benefit.”¹

- 6 OAG sets out the important aspects of managing conflicts of interest effectively:
- Public organisations and employees and office holders need to understand what a “conflict of interest” is, and be aware of the different ways in which one can arise;
 - Employees and office holders should identify and disclose a conflict of interest as soon as it arises;
 - In every instance, the public organisation needs to consider what action (if any) is necessary to manage the conflict of interest. This might include publically disclosing significant conflicts of interest in the interest of public transparency;
 - Public organisations should establish policies and procedures to help them and their employees to identify and deal with conflicts of interest; and
 - Public organisations need to understand the main legal and ethical considerations that are likely to apply to managing conflicts of interest and the possible consequences of breaching the applicable rules.
- 7 The review of the Conflict of Interest Policy is one aspect of a broader programme of work including monitoring and reporting on the efficiency of the Policy and associated processes, and ongoing organisation-wide training and communication relating to identifying and managing conflicts of interest. This programme of work will help ensure Council meets the standards set by OAG, and the expectation of transparency from the community.
- 8 The Audit and Risk Committee, and Council have not been presented the Conflicts of Interest Policy previously as it has sat within the Corporate Management Policy Manual, approved by the Chief Executive. This current process recognises that the Policy is largely focussed on internal staff management and operations.
- 9 However, in 2020/21, OAG elevated public sector ethics to a central focus of their work programme. This has included performance audits of some councils and updating guidance to support public sector leaders and governors to actively promote and manage integrity in their organisations.² Further, OAG’s work programme has resulted in an increased focus on conflicts of interest and sensitive expenditure policies and process during annual report audits.³
- 10 It is the view of OAG that governors have a role to play helping to ensure that there is appropriate assurance the systems supporting conflict of interest management are fit for purpose.⁴

¹ “Managing Conflicts of Interest: A Guide for the Public Sector”, Office of the Auditor General, 2020, p.8.

² <https://oag.parliament.nz/2020/conflicts>. Also see Appendix

³ “Getting it Right. Managing Conflicts of Interest Involving Council Employees”, Office of the Auditor General, 2020. Appendix 4 details the findings of a performance audit undertaken by OAG in 2020/21 into how conflicts of interest of council employees are managed across four councils.

⁴ Ibid

- 11 As a result, and acknowledging the recognised risk to Council’s reputation due to actual or perceived conflicts of interest, officers believe it is appropriate this Committee and Council have oversight and are involved in the policy review.⁵

Policy Review

- 12 As stated above, Council’s current Conflicts of Interest Policy sits within the Corporate Management Policy Manual. This policy largely addresses employee conflicts of interest. Elected Member conflicts of interests are covered by the [Code of Conduct](#).
- 13 It is proposed the Policy be removed from the Corporate Management Policy Manual to become a stand-alone policy of Council.
- 14 The review of the Conflicts of Interest policy has been undertaken to ensure alignment with the most recent advice from OAG, to incorporate recommendations from Audit New Zealand, and to meet sector best-practice.
- 15 Managing conflicts of interest, according to OAG, can never be as simple as creating and enforcing a set of rules. Nevertheless, robust policies and procedures are a useful starting point. Policies and procedures can provide clear rules for simple and predictable situations, and establish a process for dealing with the more difficult ones. They also help reaffirm Council’s commitment to the principles associated with managing conflicts of interest, and encourage organisational transparency.⁶
- 16 The review has also addressed Council’s monitoring and reporting framework for all conflicts of interest, including Elected Members’ interest, and also proposes a number of changes to this framework.
- 17 The material changes, along with key elements of the draft Policy are detailed below.
- 18 **Alignment with OAG advice:** The policy has undergone a comparative analysis to ensure it aligns with the most recent advice from OAG regarding the content of conflicts of interest policies. OAG states that policies and procedures should:
- State principles or values that emphasise the organisation’s commitment to addressing conflicts of interest and the importance of people in the organisation being alert for such situations;
 - Establish rules for the most important and obvious actions that people must or must not take;
 - Establish a mechanism (such as an interests register) for recording those types of ongoing interest that can commonly give rise to a conflict of interest and a procedure for putting this into effect and updating it regularly;
 - Setting out a process for identifying and disclosing instances of conflicts of interest as and when they arise, including a clear explanation of how someone should disclose a conflict and to whom;
 - Set out a process for managing conflicts of interest that arise, including who makes decisions and perhaps detailing the principles, criteria, or options that will be considered;

⁵ “Annual Plan 2020/21”, Office of the Auditor General, 2020, p.41-43.

⁶ “Managing Conflicts of Interest”, p.23.

- Provide avenues for training and advice;
 - Provide mechanisms for handling complaints or breaches of the policy; and
 - Specify the potential consequences of non-compliance.
- 19 The revised Policy addresses all of these matters.
- 20 **Officer Responsibilities:** The Policy has been amended to more clearly articulate the responsibilities of officers, managers, the Risk and Assurance Manager, and Senior Leadership Team.
- 21 Central to the Policy is the ongoing relationship and dialogue between employees and managers, ensuring any conflicts, existing or new, are disclosed as soon as possible, and the appropriate management treatments (if required) are put in place.
- 22 The Policy is designed to balance the practicalities of working in a relatively small district; the privacy of individuals; and the potential risk to Council, without requiring a cumbersome administrative reporting system. It also recognises that some ‘disclosures’ by employees will not meet the definition of a conflict of interest, and direct managers are best placed to assess this, without requiring Group Manager or Chief Executive oversight.
- 23 Managers will work with the Risk and Assurance Manager where any medium to high risk conflicts are identified. The Senior Leadership Team will have oversight over any high risk conflicts and will review the Interest Registers quarterly to ensure they are aware of any ongoing issues and maintain oversight of organisational risks.
- 24 It is proposed that the Risk and Assurance Manager be responsible for the maintenance of the Employee and Elected Members’ Interest Registers and the Gifts Register, undertaking risk assessments for high risk or sensitive conflicts, and reporting to the Senior Leadership Team and the Audit and Risk Committee as appropriate.
- 25 **Disclosure Review and Reporting:** As stated above, the revised Policy assigns responsibility for the reviewing and reporting on disclosed conflicts to the Risk and Assurance Manager. This framework will help ensure that the policy is embedded and applied consistently across the organisation, and that it aligns with Council’s risk and internal audit framework.
- 26 The Senior Leadership Team will review the Employee Interest Register quarterly. This follows advice from OAG:
- “An interest register enables relevant managers to be aware of the most relevant ongoing interests, and acts as a reminder to people of the need to be alert for conflicts. The register, if reviewed and updated regularly, helps people to monitor situations that could give rise to a conflict of interest, and to identify conflicts of interest at an early stage.*
- Placing interests on record is also consistent with the principles of transparency. An interest register can be used to document any agreed mitigations, especially for predictable situations, so that there is a record, if needed later, that both the individual and the organisation have thought through the risks and taken appropriate steps to manage them.”⁷*
- 27 An annual report will be presented to the Audit and Risk Committee. This report will focus on the implementation and effectiveness of the Policy and any high risk or particularly sensitive conflicts. At all times this reporting framework will be cognisant of employees’ rights to privacy.

⁷ “Managing conflicts of interest”, OAG, p.24.

- 28 **Audit New Zealand Recommendations:** Amendments have been made to the disclosure reporting framework to align with recommendations from Audit New Zealand. During the 2019/20 audit, Audit New Zealand found that:
- “The interest register for Council and Senior Management records the interests of members/staff but does not detail how they should be managed. This process is also not clearly detailed in the Conflict of Interest or Procurement Policies.”⁸*
- 29 They recommended that Council:
- “formally document and provide to members of Council and senior management, appropriate guidance to appropriately manage potential conflicts of interest.”⁹*
- 30 The revised Policy requires that all disclosed conflicts be assessed for risk to Council and appropriate treatments put in place to manage the conflict. The Policy details the factors to be considered in the risk assessment, and the types of treatments that may be appropriate to manage a conflict.
- 31 The Policy is supported by a Conflict of Interest Declaration form, to be completed by employees and their manager for every disclosed conflict, including a plan to manage the conflict; and the Employee Interest Register, which will document the details of all employee Conflict of Interest Declarations.
- 32 **Elected Members’ Interest Register:** It is proposed that the Elected Members’ Interests Register be amended and updated to include:
- 32.1 a management plan for all disclosed conflicts of interest;
- 32.2 declarations of non-financial conflicts including personal connections, conflicts of roles, and predetermination; and
- 32.3 that the Register be made publically available.
- 33 These proposals are in line with recommendations from Audit New Zealand, and in anticipation of the passing of the Local Government (Register of Pecuniary Interests) Amendment Bill (the Bill).¹⁰
- 34 As detailed above, Audit New Zealand has recommended that the Elected Members’ Interest Register include details of how recorded conflicts will be managed should they arise. Examples of management plans for conflicts could include:
- 34.1 Withdrawing from discussion and leaving the room if the meeting is in Public Excluded;
- 34.2 Seeking advice (from staff, or OAG) prior to the meeting;
- 34.3 Not being appointed to sub-committees or working groups where a conflict arises.
- 35 Extending the types of conflicts required to be declared to include non-financial conflicts, conflicts of roles and predetermination recognises that while the Local Authorities (Members’

⁸ “Report to the District Council on the Audit of Timaru District Council for the year ended 30 June 2020” Audit New Zealand, p.23.

⁹ Ibid.

¹⁰ [Local Government \(Register of Pecuniary Interests\) Amendment Bill](#).

- Interests) Act 1968 only applies to financial interests, there is larger body of common law, ethics and good practice that regulates bias and conflicts of interest in the public sector.¹¹
- 36 Council's current Code of Conduct provides for this amendment, stating "the declaration must include information on the nature and extent of any interest, including... any other matters which the public might reasonably regard as likely to influence the member's actions during the course of their duties as a member."¹²
- 37 This amendment will align the Register with guidance from OAG, support transparency and best-practice in the management of conflicts, and align both the Elected Members and Employee Interest Registers.¹³
- 38 Publishing interest registers is being undertaken increasingly by council's, will become mandatory if the Local Government (Register of Pecuniary Interests) Amendment Bill (the Bill) is enacted.
- 39 The Bill, which received its first reading in Parliament on 21 September 2021, has a stated purpose to improve transparency and strengthen public trust and confidence in decision-making of local authorities. If enacted, the amendment will *require*:
- 39.1 Local authorities to maintain and publish a register of pecuniary and other specified interest for elected members, such as directorships, business interest, employment or property;
- 39.2 Elected members to disclose gifts and payments received;
- 39.3 Elected members to make pecuniary interest returns annually.
- 40 The Bill also creates an offence for elected members who fail to meet their responsibilities outlined in the Bill.
- 41 Officers will maintain a watching brief on the progress of the Bill and will report to the Committee and Council on any future legislative changes. Some minor amendments may be required to Council's Code of Conduct as a result of the Bill's proposals.
- 42 With the passing of the Bill with only minor amendments anticipated, officers are recommending Council begin publishing the Elected Members Interest Register, and are seeking feedback on possible options regarding the format of this publication. For example, Dunedin City Council publishes both elected member and senior management interest registers in all meeting agendas, and Hamilton City Council and Otago Regional Council publish the Elected Members' Interest Register on their websites. Such processes support the value of maintaining public trust detailed in the Code of Conduct.¹⁴
- 43 Feedback received on the possible format of publication of the Interest Register from the Committee will help inform future discussions with and by Council.

¹¹ Section 3 and Section 6, Local Authority (Members' Interests) Act 1968. The Act states that members cannot benefit from contracts with Council if payments made under that contract are more than \$25,000; and members cannot participate in matters before Council in which they have a financial interest other than an interest in common with the public.

¹² Timaru District Council Code of Conduct, 2020, p.9-10.

¹³ "Local Authorities (Members' Interest) Act 1968: A guide for members of local authorities on managing financial conflicts of interest", OAG, 2020, p.6-7.

¹⁴ Council's Code of Conduct states: "members, in order to foster community confidence and trust in their Council, will work together constructively to uphold the values of honesty, integrity, accountability and transparency."

- 44 **Periodic Declarations of Interests:** The draft Policy presented does not require an annual declaration from employees, instead requiring all conflicts to be disclosed at the earliest possible opportunity. Officers believe that encouraging ongoing dialogue between employees and managers, and across the organisation will be more effective in raising and maintaining awareness of conflicts of interest. Regular internal communications and staff training will encourage and support disclosures and effective management of conflicts of interest.
- 45 The Code of Conduct still requires an annual declaration from all Elected Members (including Community Board Members). Independent members of Committees of Council are also asked to complete an annual declaration. It is proposed that this continue.
- 46 **Staff and Elected Member Training:** OAG emphasises that “policies and procedures also need to be supported by training and ongoing internal communication.”¹⁵ In their view, training is a critical tool in assisting employees to identify and disclose conflicts of interest. It also supports employees to understand what actions might be taken to avoid and resolve them.
- 47 Officers are developing a training programme (in conjunction with the review of the Sensitive Expenditure Policy) for all staff and Elected Members, and will report back to the Committee on how this will be implemented.
- 48 The training programme will also incorporate regular internal communications to maintain the visibility of the policy and to help alleviate concerns that employees could be negatively affected by disclosing a conflict of interest.

Options and Preferred Option

- 49 **Option 1a: Approve the draft Conflicts of Interest Policy as presented and recommend to Council for adoption, including the annual reporting to the Audit and Risk Committee.**
- 50 As discussed above, Council’s current Conflicts of Interest Policy (for employees) has been reviewed and amended to align with advice from OAG, recommendations from Audit New Zealand, and sector best-practice. The draft Policy has been reviewed by the Senior Leadership Team and key officers.
- 51 This option ensures Council has a robust framework to enable employees and managers to disclose and manage conflicts of interest, and to ensure the Senior Leadership Team, and this Committee has appropriate oversight to manage any risk to Council.
- 52 **Option 1b: Approve and recommend to Council the amendments to the Elected Members’ Interest Register.**
- 53 This option to amend the Elected Members’ Interest Register to include management plans for disclosed conflicts, and non-pecuniary conflicts supports recommendations from Audit New Zealand and will align Council’s Register with best-practice for transparency around decision-making processes.
- 54 Any costs arising from these options, particularly with regard to staff and Elected Member training, will be accommodated within approved budgets.
- 55 Option 1a and 1b are the preferred options.

¹⁵ “Managing Conflicts of Interest Involving Council Employees”, p.2.

- 56 **Option 2: Amend the draft Conflicts of Interest Policy.** The Committee may wish to recommend material amendments to the draft Policy or the supporting processes proposed. Amendments could include:
- *The frequency and nature of the proposed reporting to the Audit and Risk Committee.* This reporting requirement could either be increased, or removed from the Policy, and the Committee may wish to recommend specific content to be included the report. Officers believe that the current proposal achieves an appropriate balance to managing risk to Council, transparency, and employees' rights to privacy.
- 57 **Option 3: Maintain current Conflicts of Interest Policy, and do not approve the proposed amendments to the Elected Members' Interests Register.** This option would maintain the status quo with regards to this register, however it would not meet the recommendations of Audit New Zealand or the level of transparency encouraged by OAG.





Relevant Legislation, Council Policy and Plans

- 58 **Corporate Management Policy Manual – Conflicts of Interest:** This manual currently contains the Conflicts of Interest Policy as attached in Attachment 1.
- 59 **Code of Conduct:** The Code sets out the standards of behaviour expected from Elected Members in the exercise of their duties, included expectations and requirements relating to conflicts of interest. The Code requires an annual declaration of conflicts of interest from all Elected Members and that these declarations be recorded in a Register of Interests.
- 60 **Local Authorities (Members' Interests) Act 1968:** This Act prohibits Elected Members from benefiting from contracts with Council if payments made under that contract are more than \$25,000; and prohibits Elected Members from participating in matters before Council in which they have a financial interest other than an interest in common with the public.

Financial and Funding Implications

- 61 The financial implications of the adoption by Council of the draft Policy presented are low, relating largely to any staff and Elected Member training undertaken. This can be accommodated within approved budgets.

Attachments

1. **Conflicts of Interest Policy - Corporate Management Policy Manual 2017 (under separate cover)** 
2. **Draft Conflicts of Interest Policy 2021 (under separate cover)** 
3. **Office of the Auditor General - Managing Conflicts of Interest - A Guide for the Public Sector (under separate cover)** 
4. **Office of the Auditor General - Managing Conflicts of Interest Involving Council Employees (under separate cover)** 

6.7 Sensitive Expenditure Policy Review

Author: Fabia Fox, Policy Analyst
Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendations

That the Audit and Risk Committee:

1. Note the advice from the Office of the Auditor General regarding sensitive expenditure, including policies and procedures within the public sector.
2. Recommends to Council the adoption of the revised Sensitive Expenditure Policy with, or without, amendments.
3. Recommends to Council the adoption of the proposed amendments to the Elected Members' Remuneration, Allowances and Expenses Policy to ensure all expenses are approved in accordance with the one-up principle.
4. Recommends to Council that the outstanding recommendations from Audit New Zealand relating to the review of the Sensitive Expenditure Policy, approval of sensitive expenditure, and timely review of policies are closed out.
5. Approves in principle the proposed audit and reporting framework detailed within the Policy and agrees that Sensitive Expenditure be included as a standing item on Audit and Risk Committee Meeting agendas.
6. Notes the revised Sensitive Expenditure Guidelines and Procedures and recommends any amendments to officers.

Purpose of Report

- 1 The purpose of this report is to present the Audit and Risk Committee with a revised version of Council's Sensitive Expenditure Policy for consideration and approval prior to the Policy being adopted by Council. Material changes to Council's current sensitive expenditure policies are discussed within the report.
- 2 The report details the proposed reporting and monitoring framework contained in the revised Policy, including quarterly reporting to the Committee on sensitive expenditure.
- 3 The Sensitive Expenditure Guidelines and Procedures are also presented to inform the Committee of the internal control framework which will support the revised Policy.

Assessment of Significance and Engagement

- 4 While the revised Policy presented is largely consistent with current policies and procedures of Council, the proposed amendments will strengthen Council's financial and probity controls and monitoring, helping to ensure the community maintains a high level of trust and confidence in Council. However, it is not envisaged that these amendments will have a significant impact of the community's wellbeing, the levels of service Council provides, or on Council's financials.

- 5 The review and approval of the revised Sensitive Expenditure Policy by this Committee has been assessed as being of low significance in accordance with Council’s Significance and Engagement Policy. The public will be informed by publication of this meeting’s agenda on Council’s website.

Background

- 6 As stated by the Controller and Auditor General, John Ryan;
- “Trust and confidence in public organisations is driven by competence, reliability, and integrity. Where there is any question about any one of those things, real or perceived, trust and confidence can be eroded. It is important that organisations and their staff are adhering to the highest standards of integrity and are seen to be doing so.”¹⁶
- 7 As a public organisation, Council must ensure that all expenditure meets standards of probity and financial prudence so it can withstand parliamentary and public scrutiny and support trust and confidence in Council, and the public sector more broadly. This is all the more important for ‘sensitive expenditure’ as it risks harming Council’s reputation.
- 8 Sensitive Expenditure is defined by the Office of the Auditor-General (OAG) as:
- “any spending by an organisation that could be seen to be giving private benefit to staff additional to the business benefit to the organisation.”¹⁷
- 9 There is heightened public sensitivity when public sector employees are perceived to benefit – or do benefit – personally from sensitive expenditure incurred during the conduct of a public organisation’s business. Issues concerning sensitive expenditure can arise regardless of how much money is spent. Even a small amount can raise concerns if it appears to be improper.
- 10 Council therefore needs to manage sensitive expenditure deliberately and diligently and, as with all spending, be able to justify it.
- 11 The Audit and Risk Committee, and Council have not been presented the Sensitive Expenditure Policy previously as it has sat within the Corporate Management Policy Manual, approved by the Chief Executive. This current process recognises that the policy is largely focussed on internal staff management and operations.
- 12 However, OAG elevated public sector ethics to a central focus of their work programme in 2020/21 and this has included performance audits of some councils and updating their guidance to support public sector leaders and governors to actively promote and manage integrity in their organisations.¹⁸ This has consequently resulted in an increased focus of conflicts of interest and sensitive expenditure policies and process during annual report audits.
- 13 As a result, and recognising the risk to Council’s reputation due to inappropriate expenditure, officers believe it is appropriate this Committee and Council have oversight and are involved in the policy review.¹⁹

¹⁶ “Controlling Sensitive Expenditure: Guide for Public Organisations”, Office of the Auditor-General, 2020, p4.

¹⁷ “Controlling Sensitive Expenditure: Guide for Public Organisations”, Office of the Auditor-General, 2020, p6. The Public Audit Act 2001 give the Auditor-General authority to examine and report on any act or omission that shows, or appears to show, waste or a lack of probity or financial prudence by a public organisation or one or more of its members, office holders, or employees.

¹⁸ <https://oag.parliament.nz/2020/sensitive-expenditure>

¹⁹ “Annual Plan 2020/21”, Office of the Auditor General, 2020, p.41-43.

Policy Review

- 14 Council's Corporate Management Policy Manual currently contains a number of policies relating to sensitive expenditure. These have been compiled and presented in Appendix Attachment 1.
- 15 As part of the Annual Report audit process, Audit New Zealand assess Council's policies and processes relating to sensitive expenditure, and test a sample of transactions to ensure that expenditure is in line with the public sector's principles and expectations.
- 16 Previous audits have recommended Council review and strengthen its Sensitive Expenditure Policy, aligning it with OAG's guidance, and ensure that all sensitive expenditure transactions meet Council's policy.²⁰
- 17 In line with these recommendations, a full review has been undertaken of Council's current policies and the guidelines and procedures that support the implementation of these policies. While the focus of this review has been on employee sensitive expenditure policies and processes, to ensure consistency and alignment across the whole of Council, the review has also considered Elected Member's sensitive expenditure.
- 18 Elected Members' expenses (included sensitive expenditure) is covered by Council's [Elected Members' Remuneration, Allowances and Expenses Policy](#). Amendments are proposed to this policy to align with OAG's recommendation that all expenses are approved by a person more senior than the person incurring the expenditure.
- 19 The key proposed changes are discussed below.
- 20 **Combining of policies:** In order to provide a clearer framework for staff, all policies currently set out in Council's Corporate Management Policy Manual relating to sensitive expenditure have been combined into the draft Sensitive Expenditure Policy and the complementary Guidelines and Procedures. These are attached in Attachments 2 and 3.
- 21 **Alignment with OAG advice:** Following the recommendation of Audit New Zealand, and to ensure Council is aligned with sector best practice, the Policy has been drafted to reflect the recently updated advice from OAG for public organisations on controlling sensitive expenditure.²¹ This advice is attached in Attachment 4.
- 22 Central to OAG's advice is the implementation of a principles-based approach to making sensitive expenditure decisions. Although a principles-based approach requires careful judgement from staff incurring, and managers approving sensitive expenditure, it is also flexible and more enduring and practical to administer than a large number of rules.²² Expenditure decisions should:
 - **Have a justifiable business purpose** that is consistent with Council's objectives, makes clear sense, and is supported by evidence of the need for the spending, and evidence that a range of options have been considered.

²⁰ "Report to the District Council on the Audit of Timaru District Council for the Year ended 30 June 2019", Audit New Zealand.

²¹ "Controlling Sensitive Expenditure: Guide for Public Organisations", Office of the Auditor-General, 2020

²² Section 16 of the Public Services Act 2020 sets out these principles as the minimum necessary for public servants to maintain the integrity of the public sector.

- **Preserve impartiality.** Impartiality means spending decisions are based on objective criteria, rather than based on any sort of bias, preference, or improper reason. All sensitive expenditure must adhere to Council’s Conflict of Interest Policy.
 - **Be made with integrity** and exercising power in a way that is true to the values, purposes, and duties for which that power is entrusted to Council employees.
 - **Be moderate and conservative** when viewed from the standpoint of the public and given the circumstances of the spending. This includes considering whether the justifiable business purpose could be achieved at a lower cost.
 - **Be made transparently** requiring employees to be open about the spending and willing to explain any spending decisions or have them reviewed; and
 - **Be made with proper authority** and in accordance with Council’s financial delegations and with the Sensitive Expenditure Guidelines and Procedures.²³
- 23 These principles are not included in Council’s current policy framework. The revised Policy has been structured around this principles-based approach.
- 24 The OAG also states that “sensitive expenditure policies need to:
- Make clear what types of expenditure are and are not allowed;
 - Outline clear approval processes that are specific about who approves what (including that expenditure should generally be approved before it is incurred) and any exceptions to that;
 - Set spending limits or boundaries and specify dollar limits and defined boundaries, where practicable. Otherwise, the policies need to be clear about when people are expected to exercise careful judgement as to what is actual and reasonable;
 - Allow a manager discretion to grant an exemption (management override) to a policy or procedure only in exceptional circumstances;
 - Specify the monitoring and reporting regime (including when exemptions to policies have been granted) and, where applicable, controls or checks that may be applied; and
 - Specify the requirements for review of the policies and procedures.”²⁴
- 25 The revised Policy addresses all these requirements.
- 26 OAG also advises that as well as a general sensitive expenditure policy, Council should also have more specific policies for common types of sensitive expenditure, such as travel, hospitality and gifts. The draft Sensitive Expenditure Guidelines and Procedures (Attachment 3) cover these, and other specific types of expenditure. They provide clear direction to staff and approving managers, and align with OAG advice.
- 27 **Audit NZ Recommendations:** A number of specific amendments to Council’s current policies were recommended by Audit New Zealand in previous audits (as detailed in the Outstanding Recommendations Reporting). These are:
- *Sensitive Expenditure policies* – review sensitive expenditure policies and align with best practice.

²³ “Controlling Sensitive Expenditure”, OAG, p9.

²⁴ “Controlling Sensitive Expenditure”, OAG, p13.

- *Approval of sensitive expenditure transactions* – ensure that elected member and Chief Executive expenditure is approved on a one-up basis.
 - *Timely review of policies* – review policies in a timely manner.²⁵
 - *Motor Vehicle policy* – policies and procedures outline the use of taxis or equivalent. For example, use of Uber, to be moderate, conservative and cost effective.
 - *Use of Credit Cards* – policies state that internet purchases using credit cards, need to reflect good security practice.
 - *Entertainment and Hospitality* – policies on entertainment include clear guidance on what constitutes appropriate entertainment expenditure in New Zealand when travelling locally, regionally and internationally, and enforce that entertainment expenditure needs to have a clear business purpose.
 - *Entertainment and Hospitality* – policies provide guidance on the type of meal and cost per head that is appropriate including whether alcohol will be paid for and, if so, the circumstances and limits that apply.
 - Policies to explain what is meant by “reasonable”, when this term is used, and specify dollar limits and defined boundaries, where practicable.
 - Policies specify the process to amend the policies and procedures.²⁶
- 28 All recommendations have been included in the revised Policy, Guidelines and Procedures and should close out these outstanding recommendations with Audit New Zealand.
- 29 Audit New Zealand will undertake a further review of these documents as part of their Annual Report 2020/21 audit. Any recommendations that come out of this review will be reported to the Committee.
- 30 **Monitoring and reporting framework:** OAG states that “the principle of transparency is particularly relevant to the approval of senior personnel expenses. It is worth considering having senior personnel expenses reviewed by an audit and risk committee and/or making the expenses publically available. Publishing clear and detailed disclosures helps build and maintain the public’s trust and confidence.”²⁷
- 31 In line with this advice, an increasing number of Council’s are reporting Elected Member, Chief Executive and Senior Management sensitive expenditure as a standing item to Audit and Risk Committees, and publishing these disclosures on their websites.
- 32 The revised Policy includes provisions for a quarterly audit and reporting framework managed by the Risk and Assurance Manager. Officers are proposing that the quarterly report be presented to the Audit and Risk Committee and include:
- sensitive expenditure disclosures for Elected Members, independent members of Committees of Council, the Chief Executive, Group Managers and Directors;
 - any instances of non-compliance with the Policy;

²⁵ “Report to the District Council on the Audit of Timaru District Council for the year ended 30 June 2020” Audit New Zealand, p.33.

²⁶ “Report to the District Council on the Audit of Timaru District Council for the year ended 30 June 2019” Audit New Zealand, p.18.

²⁷ “Controlling Sensitive Expenditure”, OAG, p14.

- exceptions to the Policy granted by the Chief Executive;
 - any business cases for significant sensitive expenditure approved by the Chief Executive; and
 - any matters or recommendations arising from the Annual Report relating to sensitive expenditure; and
 - any other issues arising from the Policy.
- 33 It is also proposed that sensitive expenditure disclosures (as reported to the Audit and Risk Committee) are published quarterly on Council's website.
- 34 While this audit and reporting framework aligns with OAG's advice, the Committee may wish to consider if the proposed framework provides the appropriate level of assurance and transparency regarding sensitive expenditure for the Committee, Council and the public.
- 35 **Staff training:** OAG states "We also expect that all leaders of public organisations should ensure that staff are trained on those [sensitive expenditure] policies and procedures and on developing awareness and good judgement"²⁸
- 36 As most staff at Council are likely to incur sensitive expenditure of some kind it is essential the Policy is embedded appropriately across the organisation and supported with robust staff induction processes, regular training opportunities and clear internal communications.
- 37 OAG highlights the importance of role modelling from elected members, chief executives and senior management in order to actively promote ethical behaviours within an organisation. Further, as the Policy requires management responsibility for approving all sensitive expenditure it is essential that all managers are well trained in applying the principles the Policy is based on.
- 38 Officers are developing a training programme (in conjunction with the review of the Conflicts of Interest Policy) for all staff and Elected Members and will report back to the Committee on how this will be implemented.
- 39 Those officers charged with monitoring the implementation of the Sensitive Expenditure Guidelines and Procedures, primarily the Finance Unit and Group Executive Assistants, will receive additional training specific to their responsibilities.
- 40 **Sensitive Expenditure Guidelines and Procedures:** These guidelines and procedures align with the principles set out in the draft Policy but are considered operational in nature. For this reason, it is proposed that they are reviewed at least every three years by the Risk and Assurance Manager, with any proposed amendments approved by the Chief Executive, in consultation with the Senior Leadership Team.
- 41 The Committee may wish to recommend changes to Guidelines and Procedures prior to approval by the Chief Executive.
- 42 **Amendments to Elected Members' Remuneration, Allowances and Expenses Policy:** To ensure this Policy aligns with OAG's recommendations regarding all expenses being approved by a more senior person (the one-up principle), amendments to this Policy are proposed.
- 43 Currently this Policy requires that:

²⁸ "Controlling Sensitive Expenditure", OAG, p12.

- All expense claims submitted by elected members are to be approved by the Chief Executive; and
 - All expenditure made on the Mayor's credit card is to be approved by the Chief Executive.
- 44 It is proposed that Policy be amended to require all elected member expenses to be approved by the Mayor, and all mayoral expenses, including credit card statements, to be approved by the Chair of the Audit and Risk Committee.

Options and Preferred Option

- 45 **Option 1:** Approve the draft Sensitive Expenditure Policy as presented and recommend to Council for adoption, including quarterly reporting and organisation-wide training; and approve the proposed amendments to the Elected Members' Remuneration, Allowances and Expenses Policy. This is the preferred option.
- 46 As discussed above, Council's current sensitive expenditure policies have been reviewed and rewritten in order to align with advice from OAG, recommendations from Audit New Zealand, and sector best-practice. The draft Policy and Guidelines and Procedures have been reviewed by the Senior Leadership Team and key officers.
- 47 This option embeds a principles-based approach and ensures Council has robust and transparent processes for ensuring sensitive expenditure incurred meets standards of probity and financial prudence. It also establishes a regular audit and reporting framework and review schedule which will provide assurance to Elected Members and the public that the Policy, Guidelines and Procedures are operating appropriately. This framework will also provide an additional line of defence against inappropriate expenditure being incurred.
- 48 Any costs arising from this option, particularly with regard to staff and Elected Member training, will be accommodated within approved budgets.
- 49 **Option 2:** Amend the draft Sensitive Expenditure Policy. The Committee may wish to recommend material amendments to the draft Policy. There are a number of other options, particularly with regard to the reporting framework proposed that the Committee may wish to consider including:
- *Reporting on sensitive expenditure annually or biannually to the Audit and Risk Committee:* This option would reduce officer and Committee member workloads compared with Option 1, however it would provide a lesser degree of assurance and transparency to the Committee and the public. This option would still align with recommendations from OAG regarding sensitive expenditure reporting and disclosures.
 - *Amending the proposed content of reporting to the Audit and Risk Committee:* For example, the Committee may wish to only receive sensitive expenditure disclosures from the Mayor and Chief Executive, or from all Elected Members and the Chief Executive. This option would reduce officer workloads compared with Option 1. However, officers believe that it aligns less with the recommendation from OAG for the Committee to review "senior personnel expenses", and provides lesser degree of transparency compared with Option 1.²⁹

²⁹ "Controlling Sensitive Expenditure", OAG, p14.

- 50 **Option 3: Status Quo.** This option would see Council retain the current policies relating to sensitive expenditure within the Corporate Management Policy Manual and would not provide an audit or reporting framework. This option is not recommended by officers as the current policies do not align with the most recent guidance from OAG, nor does this option address the outstanding recommendations from Audit NZ.





Relevant Legislation, Council Policy and Plans

- 51 **Corporate Management Policy Manual:** This manual contains a number of policy statements and procedures relating to sensitive expenditure. These policies are attached in Attachment 1.
- 52 **Elected Members' Remuneration, Allowances and Expenses Policy:** This Policy sets out entitlements and requirements relating to remuneration, allowances and expenses for all Elected Members. The Policy is set in accordance with the Remuneration Authority determination and rules. Amendments are proposed to align the expenses policies with OAG recommendations.
- 53 **Local Government Act 2002 (LGA):** Section 101 of the LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The draft Policy presented is designed to ensure Council is managing expenses in a prudent manner in accordance with the LGA.
- 54 **Public Services Act 2020:** Sets out the values and principles necessary of public servants to maintain the integrity of the public sector. The principles-based approach of the draft Sensitive Expenditure Policy is derived from these principles.

Financial and Funding Implications

- 55 The financial implications of the adoption by Council of the draft Policy presented are low, relating largely to any staff and Elected Member training undertaken. This can be accommodated within approved budgets.

Attachments

1. **Sensitive Expenditure Policies from Corporate Management Policy Manual 2017 (under separate cover)** 
2. **Draft Sensitive Expenditure Policy 2021 (under separate cover)** 
3. **Draft Sensitive Expenditure Guidelines and Procedures 2021 (under separate cover)** 
4. **Office of the Auditor General - Controlling Sensitive Expenditure: Guide for Public Organisations (under separate cover)** 

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

Author: Mark Low, Strategy and Corporate Planning Manager
Jason Rivett, Acting Chief Financial Officer

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendation

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

Purpose of Report

- 1 The purpose of this report is advise the Audit and Risk Committee on the Audit NZ plan for the TDC Annual Report 2020/21.

Assessment of Significance

- 2 The Audit Plan is assessed as being of low significance in accordance with Council's Significance and Engagement Policy. The Annual Report is a significant accountability document for Council and is a legislative requirement.

Background

- 3 Audit New Zealand on behalf of the Auditor General are auditors for Timaru District Council. The normal legislative requirement is for an Annual Report to be adopted by 31 October each year.
- 4 The COVID-19 pandemic has meant public sector and local government audits have been facing significant pressures to enable completion by normal legislative dates, largely due to a lack of sufficient resourcing along with extra requirements for audits associated with COVID-19. The Office of the Auditor General released a [media release](#) on this in July.
- 5 As a result, as for the 2019/20 Annual Report process, the government have agreed to extend the adoption deadlines for both the 2020/21 and 2021/22 Annual Reports. The *Annual Reporting and Audit Time Frames Extensions Legislation Act 2021* which commenced on 13 July 2021 extends the timeframes provided in relation to audits of Crown entities with end-of-year balance dates of 30 June and annual reporting requirements of local authorities and council-controlled organisations. The new deadline for both years is now 31 December.
- 6 Audit NZ have now provided their Audit plan for the 2020/21 Annual Report, which is attached. This sets out the timeframes and focus areas for the audit. The Audit is scheduled to start on 15 November 2021, although Audit New Zealand has been asked to consider an earlier start date if the opportunity arises with any openings from other audits being delayed.
- 7 The key areas of focus for the Annual Report audit highlighted are as follows:
 - Revaluation model for Property, Plant & Equipment – Roading
 - Downlands Water Scheme – Joint Standing Committee
 - Property, Plant & Equipment – Impairment
 - Other Assets (Three Waters, Land and Buildings) - Impairment

- Three Waters reforms
- Capital asset additions and Work in Progress
- Rates
- Covid-19 Pandemic
- The risk of management override of internal controls

Relevant Legislation, Council Policy and Plans

8 Local Government Act 2002

9 Annual Reporting and Audit Time Frames Extensions Legislation Act 2021

Financial and Funding Implications

10 There is a budget of \$140,000 excluding GST for the cost of the Audit. The proposed 2021 Audit fee is not yet available.

Other Considerations

11 Work is well advanced on the Annual Report 2020/21. A draft Annual Report is to be provided to the committee in the public excluded section of this agenda.

Attachments

1. **TimaruDC Audit Plan 2020/21 (final)** [↓](#) 

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Timaru District Council

For the year ending 30 June 2021

Audit plan

I am pleased to present our audit plan for the audit of Timaru District Council (the Council) for the year ending 30 June 2021. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	9
Our audit process.....	10
Reporting protocols	16
Audit logistics	17
Expectations.....	19

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss them with me.

Yours sincerely



John Mackey
Appointed Auditor
15 September 2021

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Revaluation model for property, plant and equipment (PPE)	
<p>The Council has historically carried its PPE assets at cost less accumulated depreciation and amortisation. In the 2020/21 year, the Council will change its accounting policy for Transportation assets, to account for them under the fair value model based on their periodic revaluation.</p> <p>There needs to be a high level of confidence in the underlying asset data so that it does not create issues for the valuation. Asset information, contained in both the asset management systems and accounting fixed asset registers, needs to be reviewed and reconciled so there is a consistent source of asset information.</p> <p>We request that the Council keeps us informed of progress with:</p> <ul style="list-style-type: none"> the revaluations; the outcome any advice sort; and the steps being taken to ensure the underlying asset data is accurate, complete and appropriate for valuation purposes. <p>Audit risk:</p> <p>Because the Transportation asset class is a substantial value in the financial statements, this is the first year the assets have been valued and valuations are subject to use of assumptions and judgements, there is high risk in determining the fair value for these assets.</p>	<p>For the asset classes that will be subject to a revaluation, we will:</p> <ul style="list-style-type: none"> assess the management systems and controls in place to ensure the accuracy and completeness of asset data used in the valuation; obtain the valuation report, and review the methodology for reasonableness and consistency with generally accepted accounting and valuation practice; assess the reasonableness of significant assumptions in the valuation and the resulting valuation produced; evaluate the qualifications, competence, independence, objectivity, and expertise of the external experts used to assist with the valuation; and confirm that any fair value movements, arising from the valuation, have been appropriately accounted for in the Council’s financial statements. <p>Change in accounting policy:</p> <ul style="list-style-type: none"> We will review the prospective application of the changed accounting policy in the current year and confirm that the disclosure of these matters meets the requirements of generally accepted accounting practice, especially the accounting standard, PBE IPSAS 3: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.

Audit risk/issue	Our audit response
Downlands Water Scheme – Joint standing committee	
<p>The Council is a member of the Downlands joint standing committee (the committee) with Waimate and Mackenzie District Councils. The committee oversees the operation of the Downlands Water Scheme (the scheme). The scheme was established many years ago to provide access to water across the respective districts.</p> <p>The three councils signed an updated Terms of Reference in 2015. The committee has operated under this agreement since this date. As the largest local authority, and with the majority of the scheme within its jurisdiction, the Council was appointed the Downlands Scheme Manager.</p> <p>The arrangement will need to be reviewed as part of the 2020/21 audit for the following reasons:</p> <ul style="list-style-type: none"> • The 2019 local body elections resulted in new Council members being appointed so a new joint standing committee needed to be established. This was an opportunity for the Council to revisit the existing terms of reference to ensure that they remain appropriate given the Councils’ future plans for the scheme. • The introduction of new accounting standards, for investments in associates and joint ventures, require the respective councils to align their accounting treatments for their interests in the scheme. • Impact of planned capital expenditure on the scheme, including if the committee borrows, and how this is repaid by the committee members. <p>Initial advice received on the scheme, is not conclusive on the accounting treatment of the scheme under the new accounting standard, as the current scheme documentation does not clearly set out respective rights, responsibilities and liabilities, of the individual councils, under the scheme. The three councils will need to formally clarify the new arrangements or enter into a new agreement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the Council’s assessment of the arrangement for the scheme joint standing committee; • review any further legal or accounting advice received on the arrangement; and • evaluate any updated agreement or terms of references to assess the implication on accounting treatment under the new accounting standards for investments in associates and joint ventures. (Please refer below for detail on the recent accounting standards).

Audit risk/issue	Our audit response
<p>Audit risk:</p> <p>Council’s non-compliance with the requirements of the adopted accounting standards resulting in assets and liabilities not appropriately reflected in financial statements.</p>	
Property, plant and equipment (PPE)	
<p>The impairment of assets accounting standards require the Council to assess, at each reporting date, whether there is any indication that an asset may be impaired. If any such indication exists, the Council is to determine the recoverable amount of the asset.</p> <p>The Council should determine whether there are any indicators of impairment in its infrastructure, other PPE and intangible assets. This should be undertaken well before year-end so any indications of impairment can be identified and accounted for, in the year-end financial statements, in a timely manner.</p> <p>Audit risk:</p> <p>The carrying value of PPE disclosed in the financial statements is materially different from the fair value.</p>	<p>We will review the Council’s impairment assessment to ensure that any impairment is correctly accounted for in compliance with the accounting standards including any impact from the flooding at the end of May 2021.</p>
Infrastructure assets’ fair value assessment	
<p>For those assets that will not be revalued (Three waters, Land and buildings, Parks and reserves), we expect the Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value, as at 30 June 2021, and the carrying value that would trigger the need for the Council to revalue or impair its assets.</p> <p>The PPE accounting standard requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Audit risk:</p> <p>The carrying value PPE, disclosed in the financial statements, is materially different from the fair value.</p>	<p>We will review the Council’s assessment of fair value against carrying value, for each asset class not scheduled to be revalued this year.</p>

Audit risk/issue	Our audit response
Three waters reform	
<p>In July 2020, the Government released its three waters reform, a three-year programme to change the way drinking water, sewer and stormwater are delivered, to improve public health, environmental and economic outcomes.</p> <p>At the same time, the Government offered a multi-million-dollar stimulus funding package, to maintain and improve three waters infrastructure across New Zealand. The Council signed a Memorandum of Understanding (MOU) with the Government and received stimulus funding. By signing this MOU, the Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>The Government has announced further decisions and information on the reform. Council needs to consider the implications of those decisions on the annual report. This is likely to be a post balance date event disclosure in the annual report.</p>	<p>We will monitor the information that will be released and discuss the implications with you to help ensure that the Council, as appropriate, correctly accounts for the impacts and/or includes the relevant disclosures.</p>
Capital asset additions and work-in-progress	
<p>Accounting for capital projects, that are either completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements, including:</p> <ul style="list-style-type: none"> • assessment of the nature of costs to either capitalise them as an asset, or recognise them as expenses; • identification of asset components and assignment of appropriate useful lives to these components; and • determination of the appropriate date for capitalisation of the asset, transfer of costs from work in progress to asset additions and the commencement of depreciation of the asset. <p>Audit risk:</p> <p>Incorrect classification of costs between capital and operating expenditure, and incorrect depreciation expense.</p>	<p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • the correct classification of costs as either capital or operating; • appropriate capitalisation point for completed assets, including transfers from work in progress; • assessment of the reasonableness of depreciation rates and useful lives applied to asset components; and • review of the disclosures within the financial statements. <p>We will obtain an update on the Council’s progress with the implementation of our prior year recommendations, to ensure the consistent reporting of PPE in the financial statements with the information captured in the fixed asset register.</p>

Audit risk/issue	Our audit response
Rates	
<p>Rates are the Council’s primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA), for rates setting and collection, is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The Council needs to ensure that it has appropriate processes in place, including seeking legal advice where appropriate, to ensure its rates and rating processes, comply with legislation.</p> <p>Audit risk:</p> <p>The rates setting and collection process does not comply with relevant legislation.</p>	<p>We will again assess the Council’s compliance with those key areas of the LGRA that potentially materially impact on the financial statements. This means we will focus on those aspects of the rates setting process that present the highest risk, namely the consistency and completeness of the resolution, and the Funding Impact Statement (FIS). We will review a sample of differentially set and/or targeted rates to assess whether the matters and factors used, are consistent with the LGRA.</p> <p>Our review of compliance with legislation is completed to express our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council has the ultimate responsibility to ensure that it complies with applicable laws and regulations.</p>
Covid-19 pandemic	
<p>On 11 March 2020, the World Health Organisation declared the outbreak of coronavirus (Covid-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of Covid-19 which has included significant restrictions on the movement and interaction of people within New Zealand. At the time of issuing this plan, New Zealand is again in lockdown.</p> <p>This has had significant impacts on individuals, communities, the economy, businesses, the wider public sector, and each public sector entity.</p> <p>Last year, we requested the Council to prepare assessment of the impact of the Covid-19 pandemic on Council’s operations and any effect this has on the financial and performance. We ask that this is updated for developments since then and, where appropriate, that the Council ensures that the impacts are appropriately accounted for or disclosed.</p> <p>Audit risk:</p> <p>Inadequate disclosures in the notes to the financial statements.</p>	<p>We will review the impact of the Covid-19 pandemic on the financial performance and service performance information of the Council, to ensure that the impacts are appropriately accounted for or appropriate disclosure is made.</p> <p>We will use last year’s work as a base and plan to take a more streamlined approach.</p>

Audit risk/issue	Our audit response
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud from management’s override of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by override of controls that otherwise appear to be operate effectively. Auditing standards require us to treat this as a risk on every audit.</p> <p>Audit risk:</p> <p>Fraud arising from management override of internal controls.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • review of accounting estimates for indications of bias; • evaluation of any unusual or one-off transactions, including those with related parties; • evaluation of significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of Council and its environment; and • review of any changes in Council’s accounting policies.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements from fraudulent reporting, and misstatements from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. We will discuss the following questions with you:

- What role does Council play with fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtain this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls to mitigate the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluation of audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit



Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements.

Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

Significant component	Work to be performed
Timaru District Holdings Limited	<p>This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.</p> <p>The specific audit risks to bring to your attention are the value of its investment properties, and the investments in its associates.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Our audit process

Initial planning

Initial planning activities include verification of compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes review of the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is performed during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine the extent to which we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit, we audit the balances, disclosures, and other information included in the Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council on any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through the earlier performance of audit procedures where this is possible.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers’ overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector, qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluation of any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparation of the financial statements and service performance information, and make their own assessment of materiality from a preparer’s perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance as to how to make materiality judgements from a financial statements preparer’s perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis to own and make judgements on the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall materiality** for the financial statements at \$69,345,000, based on total assets per the 2020/21 Annual Plan. This is subject to change once the actual results for the current year are available. For this audit, we will only apply this overall materiality to the fair value of PPE where the corresponding entry is to other comprehensive revenue or expense.

Overall materiality	\$69,345,000
Specific materiality	\$2,500,000
Clearly trivial threshold	\$125,000

For this audit we have set a lower, **specific materiality** of \$2,500,000 or all items not related to the fair value of PPE, as noted above. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council, other than those that are **clearly trivial**. We consider misstatements of less than \$125,000 to be clearly trivial unless there are qualitative considerations that heighten their significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement, we will seek written representations from management and the Council as to the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements, and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council’s performance. In doing this, we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information, at an individual measure level based on what we expect would influence readers’ overall understanding, decision making, or assessment of the Council’s and Group’s performance. We consider a variety of factors including the level of public interest and potential public risk. Due to the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
<p>Water</p> <p>The extent to which the local authority’s drinking water supply complies with:</p> <p>a Part 4 of the drinking-water standards (bacteria compliance criteria); and</p>	

Material measure	Materiality
<p>b Part 5 of the drinking-water standards (protozoal compliance criteria).</p> <p>Percentage of customers (who receive a service) are satisfied with the water supply. Measured through the annual residents' survey.</p>	<p>0% – the measure is reported as “Yes” (compliant) or “No” (not compliant) for each water supply.</p> <p>8%</p>
<p>Wastewater</p> <p>Percentage of customers (who receive a service) are satisfied with the sewerage system. Measured through the annual residents' survey.</p> <p>The number of dry weather sewerage overflows from the territorial authority's (TAs) sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p> <p>Compliance with the TAs resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcement orders; and • convictions; <p>received by the TA in relation those resource consents.</p>	<p>8%</p> <p>8%</p> <p>8%</p>
<p>Stormwater</p> <p>Percentage of customers (who receive a service) are satisfied with the stormwater services. Measured through the annual residents' survey.</p> <p>For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the TAs stormwater system.)</p>	<p>8%</p> <p>8%</p>
<p>Public health and safety</p> <p>Maintain Building Consent Authority Accreditation.</p>	<p>0% – the measure is reported as “accreditation maintained” or “accreditation not maintained”.</p>
<p>Road safety</p> <p>The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.</p>	<p>5%</p>
<p>Smooth travel exposure</p> <p>The proportion of travel undertaken on the sealed road network meets the specified comfort levels. Known as Smooth Travel Exposure (STE).</p>	<p>8%</p>

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements, which we identify, to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement, we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when we consider information and form conclusions.

Exercise professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach first involves assessment of the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council during the audit. We will maintain proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to Governors



We will provide a draft of all reports, to Council and management, for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide its comments on the draft within ten working days. Once management comments are received, we will finalise the report and provide it to the Council.

We will also follow up on your progress in implementation of our previous recommendations.

As part of our final report to the Council, we set out non-trivial unadjusted misstatements, along with reasons why the adjustments have not been made. As part of our continued focus on improvement of the efficiency of the annual report and audit process, this year we will also report adjusted misstatements in the report to the Council. The adjusted misstatements will be any made to the draft annual report received at the start of the audit.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

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

Timetable



Due to the cumulative impact of issues arising from the Covid-19 pandemic and the Auditor-General’s audit sequencing process, there may be some flow on effects that impact the original time frames agreed. There is the possibility that due to the Covid-19 pandemic, there may be further disruptions that will require changes to the timetable proposed below. If this arises, we will discuss a revised timetable with you.

Our proposed timetable is:

Partial interim audit	14 June 2021
Draft financial statements and performance information available for audit (including notes to the financial statements) with actual year-end figures	12 November 2021
Final audit begins	15 November 2021
Final annual report available, incorporating all the amendments agreed between us	10 December 2021
Audit and Risk Subcommittee meeting	26 November 2021
Audit opinion issued	By 20 December 2021
Draft report to the Council issued	TBC

AuditDashboard

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

During 2021 we are implementing a new online portal called AuditDashboard. AuditDashboard allows for easier collaboration and file sharing between the Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. More information on this new tool can be found at: [Information about AuditDashboard](#).

The benefits of AuditDashboard

Your team will be invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

There will be no change to the information that the audit team asks for. Rather than giving us the information as usual we will request information using AuditDashboard, which your team will then use to upload files.

We intend to start using AuditDashboard at our final audit stage. We have provided the Chief Financial Officer with an overview and an agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy. We need to receive the agreement back prior to implementing AuditDashboard on your audit.

We will work with your team to onboard them to AuditDashboard, answer any questions you might have, and ensure your team understand how to use it.

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements and performance information, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed work paper file supporting the information in the financial statements; and
- the annual report, including both the financial statements and performance information, will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



Health and safety



The Auditor-General and Audit New Zealand 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 management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management 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 advice of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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6.9 Outstanding Items Raised By Various Audits

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendation

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

Purpose of Report

- 1 The purpose of this report is to outline progress against outstanding items from previous audits.

Assessment of Significance

- 2 In terms of Council's Significance and Engagement Policy the assessment of significance is low because there are no policy or finance implications.

Discussion

- 3 Risk and Assurance followed up with the outstanding recommendations and have updated the register on all items that were due for implementation.

Attachments

1. **Outstanding Items Raised By Various Audits October 21** [↓](#) 

Presented by		Ernest Bernard					
Date		28/09/2021					
<p>Risk Rating</p> <p>Count of Priority</p> <p>Priority</p> <p>Extreme High Mod</p>		<p>Progress Status</p> <p>Count of Comment 2</p> <p>IN PROGRESS NOT STARTED</p> <p>In progress Not started</p>					
Audit report	Portfolio	Recommendation	Group	officer	Target date	Risk Ratin, Status	Update 2
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18, EY Process & Controls Review	Procurement Findings	Implement an effective record keeping audit process for contract documentation	Commercial & Strategy	GM Com & Strat	30-Dec-21	Extreme ●	A systems and processes issue that needs to be considered under a wider programme of work under our continuous improvement programme. Records management system does exist and is well utilised. - In progress
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18, EY Process & Controls Review	Procurement Findings	Formalise the risk management framework for the procurement and contract management process. No council wide contract management policy and register	Commercial & Strategy	GM Com & Strat	29-Dec-21	Extreme ●	Risk management framework specific to contracting to be built into special out of cycle policy review. New project plan template for capital works includes risk assessment.
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18, EY Process & Controls Review	Procurement Findings	To consider the risk of Fraud, Bribery and Corruption in the Procurement Policy	Commercial & Strategy	GM Com & Strat	30-Oct-21	Extreme ●	To be built into special out of cycle policy review
Audit NZ Report 17/18, 2017 Deloitte Shared Services Business Process Review, EY Process & Controls Review	Procurement Findings	To provide formal procurement reporting processes to Management	Commercial & Strategy	GM Com & Strat	30-Dec-21	Extreme ●	Programme of work required under continuous improvement programme - In progress
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18, EY Process & Controls Review	Procurement Findings	Inconsistent Procure to pay processes. Formal procurement training needed and Improve guidance for staff purchasing low value goods and services.	Commercial & Strategy	GM Com & Strat	29-Oct-21	Extreme ●	Occurring in some areas, but formal learning and development programme required. - In progress, currently trialling Prezi card and mapping the to be state
2017 Deloitte Shared Services Business Process Review	Procurement Findings	Give clear guidance on 1. Confidentiality Obligations 2. When to seek Legal Advice or Assistance 3 Conflict of Interest	Commercial & Strategy	GM Com & Strat	30-Oct-21	Extreme ●	To be picked up as part of a special out of cycle policy review - reference policy framework

EY Process & Controls Review	Procurement Findings	Inconsistent Procure to Pay processes	Commercial & Strategy	GM Com & Strat	30-Mar-22	Extreme	●	Our intention is to move to a procure to pay system which will address this issue. The procure to pay project is in the early planning stages. As a priority, we are looking at interim solutions, including to introduce one-up approval, pending the introduction of procure to pay. In progress
Audit NZ Report 17/18, 2017 Deloitte Shared Services Business Process Review, EY Process & Controls Review	Procurement Findings	Centralising procurement responsibility rather than individual departments. Establish a specific role for this.	Commercial & Strategy	GM Com & Strat	29-Jun-22	Extreme	●	At this stage the SLT has not determined to centralise procurement given FTE pressure on other areas of the organisation. Specialist procurement role does exist in Infrastructure. Programme Delivery also providing procurement advice to teams on capital projects procurement.
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	To incorporate a fully functional contract management systems into a Contract Register	Commercial & Strategy	GM Com & Strat	31-Mar-22	Extreme	●	A systems and processes issue that needs to be considered under a wider programme of work under our continuous improvement programme. Formal records management but not contract management system exists. - A contract management review is currently in progress. This review will consider the recommendations of this audit.
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	Develop an organisational wide contract management policy, specifically addressing Management of Contracts.	Commercial & Strategy	GM Com & Strat	31-Mar-22	High	●	Project team to be established to progress during 2021/22. Note various contract and lease management systems within different units - fit for purpose enterprise approach required. A contract management review is currently in progress. This review will consider the recommendations of this audits
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	To ensure all contracts are approved and recorded on the Contracts Register. Implement a contract management system that stores key milestones such as business review dates and key performance indicators.	Commercial & Strategy	GM Com & Strat	31-Mar-22	High	●	Currently in our Records Management system, albeit not a specific contract database. A systems and processes issue that needs to be considered under a wider programme of work under our continuous improvement programme.

2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	Consider how current Project Officer could provide oversight across the Council. Include all contracts to be stored on Contract Register and all Contracts to be Reviewed from Procurement prospective. Also develop regular report of key contracts.	Commercial & Strategy	GM Com & Strat	31-Mar-22	High	●	Commercial and Strategy will likely become the process owner, subject to discussion with Infrastructure and better understanding of their needs. A good level of contract administration and contract management already exists in Infrastructure, and we need to build on that as appropriate. Note that it is not considered that responsibility for this should sit with the Projects Officer, as that is a specific project management role within property. A systems and processes issue that needs to be considered under a wider programme of work under our continuous improvement programme. - A contract management review is currently in progress. This review will consider the recommendations of this audit
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	That all conflict of interest forms be stored on a Contract Register.	Commercial & Strategy	GM Com & Strat	31-Mar-22	High	●	A systems and processes issue that needs to be considered under a wider programme of work under our continuous improvement programme. Requirement to be recorded in RMB pending new contract management system being introduced. - A contract management review is currently in progress. This review will consider the recommendations of this audit.
2017 Deloitte Shared Services Business Process Review, Audit NZ Report 17/18	Contract Management	Implement a contract management system that stores key milestones such as business review dates and key performance indicators.	Commercial & Strategy	GM Com & Strat	31-Mar-22	High	●	Would be part of any new contract management system. - A contract management review is currently in progress. This review will consider the recommendations of this audit.
ALGIM IM Audit Report 2020	Information Management	Defining the Corporate Record	People and Digital	CIO(A) Information Management Team Leader (R)	31-Dec-21	Med	●	In progress
ALGIM IM Audit Report 2020	Information Management	Review and updated the IM Policy.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Oct-21	Med	●	Policy updated, to be sent ot SLT for acceptance

ALGIM IM Audit Report 2020	Information Management	Review the current processes, procedures, and guidelines for managing information throughout the Council to ensure they are standardised, consistent and meet information management best practice.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Dec-21	High		In progress
ALGIM IM Audit Report 2020	Information Management	Review the current business classification scheme to ensure it meets the needs of the business.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Mar-22	High		Not started
ALGIM IM Audit Report 2020	Information Management	Develop and implement an IM Strategy/Framework.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Dec-21	Med		In progress
ALGIM IM Audit Report 2020	Information Management	Develop processes to monitor, report and audit IRM processes for all business systems that captures and stores information and data.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Mar-22	High		Not started
ALGIM IM Audit Report 2020	Information Management	Review the security in RM8, develop a security policy and matrix.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Mar-22	High		Not started
ALGIM IM Audit Report 2020	Information Management	Develop and implement processes to ensure IRM requirements are formally considered in all projects.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Dec-21	High		In progress
ALGIM IM Audit Report 2020	Information Management	Review and update the Disaster Recovery Plan for records.	People and Digital	CIO(A) Information Management Team Leader (R)	31-Mar-22	Med		In progress - added as part of IT's DR strategy, completion due around July. In progress - added as part of IT's DR strategy, completion due around July. In Progress - added as part of IT's DR strategy, completion due around July
2017 Deloitte Shared Services Businessness Process Re	Information Management	Cyber Risk & Fraud Training should be given to staff	People and Digital	CIO(A) Information Management Team Leader (R)	31-Jul-22	High		Cyber training has been completed and is ongoing - Training completed - ongoing activity
Audit NZ	Interim Audit Report Recommendations	Timely review of Masterfile changes - Prepare and review the creditor and payroll Masterfile changes reports within ten working days of month end.	Commercial & Strategy	CFO	31-Mar-22	High		Review of priority underway with reference to original audit recommendation, consultation with the business units, and having regard to existing assurance work programme. To be confirmed June 2021.

Audit NZ	Interim Audit Report Recommendations	Implement an independent review of manual journals	Commercial & Strategy	GM Com & Strat	31-Dec-21	High	●	To be added to internal audit programme. Protocol to be reviewed and established by Risk and Assurance. Introducing monthly Balance sheet recons - In progress
Audit NZ	Interim Audit Report Recommendations	Independent review of suspense account reconciliations - Implement independent review of suspense account reconciliations.	Commercial & Strategy	CFO	30-Jun-21	High	●	
Audit NZ	Interim Audit Report Recommendations	Independent 3 way matching for expenditure - implement an independent 3 way matching process for the ordering, receipt and approval of purchases of goods and services.	Commercial & Strategy	GM Com & Strat	28-Sep-21	Med	●	
Audit NZ Report 18/19, 2016 Deloitte shared Services Business Process Review	Sensitive Expenditure	Use of Credit Cards - policies state that internet purchases using credit cards, need to reflect good security practice.	Commercial & Strategy	GM Com & Strat	31-Dec-21	High	●	
Audit NZ Report 18/19, 2016 Deloitte shared Services Business Process Review	Sensitive Expenditure	Policies and procedures outline the use of taxis or equivalent. For example, use of Uber, to be moderate, conservative	Commercial & Strategy	GM Com & Strat	31-Dec-21	High	●	
Audit NZ Report 18/19, 2016 Deloitte shared Services Business Process Review	Sensitive Expenditure	Policies on entertainment include clear guidance on what constitutes appropriate entertainment expenditure in New Zealand when travelling locally, regionally and internationally, and	Commercial & Strategy	GM Com & Strat	31-Dec-21	High	●	

6.10 Internal Audit and Assurance Programme

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendation
That this report be received and noted

Purpose of Report

- 1 To provide the Audit and Risk Committee with an update on the progress with the 2020/21/22 Internal Audit (IA) Programme.

Assessment of Significance

- 2 In terms of Council’s Significance and Engagement Policy the assessment of significance is low because there are no policy or finance implications.

Background

- 3 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





- 4 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	Completed
<i>Contract Management</i>	All Business Groups	Operations	Completed
<i>Animal control-billing, issuing & enforcement</i>	Environmental Services	Animal Control	Moved to 2022/23
<i>Accounts Payable, banking and transactions controls</i>	Commercial & Strategy	Financial	After having discussions with the CFO it would be more beneficial to carry out this review after the current

			<p>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>
<i>Payroll</i>	People and Digital	Human Resources	<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>

TDC's Internal Audit (IA) Plan 21/22 has been approved by SLT for it to be provided to the Audit and Risk Committee.

Attachments

1. **Final Report CBay Review (under separate cover)** 
2. **Final Report Contract Management (under separate cover)** 
3. **Final Report Indirect Taxes and GST Review (under separate cover)** 
4. **Internal Audit Plan 2021 (under separate cover)** 

6.11 TDC Strategic Risk Register and Covid 19 Specific Risk Register**Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Ashley Harper, Former Acting Group Manager Commercial and Strategy**Recommendation**

That the report be received and noted.

Purpose of Report

- 1 This report is to provide an update on the TDC Strategic Risk Register and the Covid 19 Specific 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.

Discussion

- 3 SLT was to have a risk workshop to update the register using Promapp. The recent lockdown prevented us from carrying that workshop out and we are scheduled to carry this out in October 21
- 4 The Covid 19 Specific Risk Register is attached to this report.

Attachments

1. **TDC Strategic Risk Register**  
2. **Covid 19 Specific Risk Register**  

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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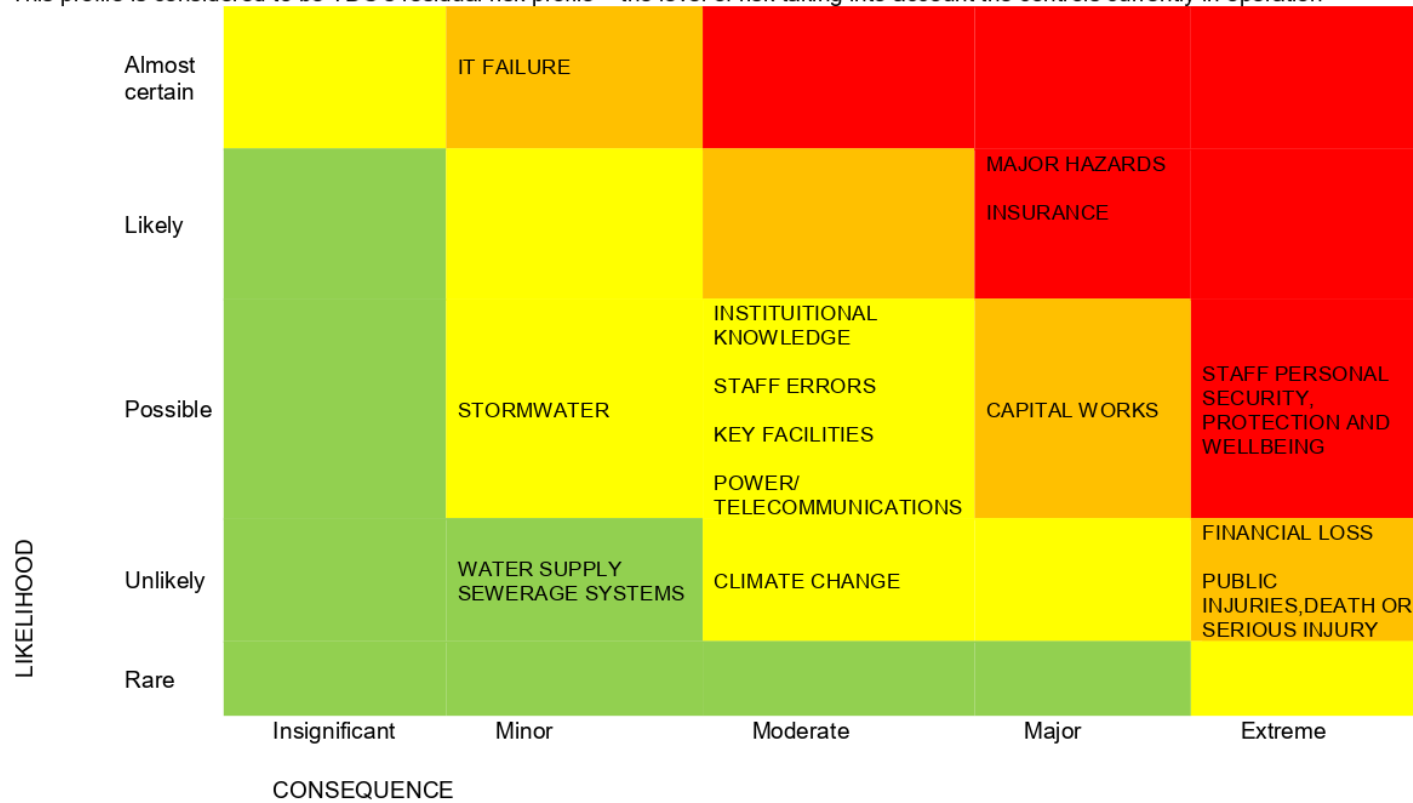
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TDC Strategic risk register

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



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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
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

TDC Strategic risk register

	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
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

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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	Effective	No specific opportunities identified currently. Monitor. 2. Supply Chain	On-going	On track	GM Infrastructure

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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>early to seek their buy-in 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>Isolated incidents of 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>
f) Extended or						

TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress of developments	Responsibility
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 etc	Risk Reduction - Limited Readiness – Limited , due to high number of	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>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>events 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>			

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TDC Strategic risk register

Risk Reference	Existing controls	Assessment of existing controls	Areas for development	Timelin e for compl etion	Progr ess	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

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Monitoring of inundation projections, overland flow paths, network capacity,		Lack of localised evidence based knowledge to inform the planning			SLT and Unit Managers

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	<p>rising sea levels and their impact on coastal settlement. 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>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>			

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			

Monitoring and reporting

TDC Strategic risk register

5. Capital works delivery failure

Risk description

Failure to deliver in a timely manner and deliver adequate infrastructure to meet community expectations by not delivering on the capital works programme in a timely manner.

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

SLT and Unit Managers

Risk drivers, sources and causes

A loss of trust and confidence, community not engaged
 Negative impact to safe, vibrant and growing community, and high-quality infrastructure objectives

TDC Strategic risk register

Risk analysis

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	New Capital Projects Delivery Support Team LTP process Annual Plan process 30-year Infrastructure Plan Activity Management Plans Committees and reporting structures Incorporating					

Monitoring and reporting

TDC Strategic risk register

6. 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

7. 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	High	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 Sstaff 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, eg shields and collapsible counter		are ongoing. Security cameras and updated processes in place at Timaru Library.	Dec-21		

Monitoring and reporting

8. Public injuries

Risk description

Minor Public injuries at Council facilities

Risk evaluation

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

Risk Owner

Group Manager Community Services

Risk drivers, sources and causes

Injury, legal action, financial loss, reputational damage, loss of ACC accreditation

TDC Strategic risk register

Risk analysis

Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
Health and Safety policies and procedures By-laws "Pool Safe" policy Staff and volunteer training Contractor engagement procedures Hazard registers, monitoring Signage External reviews Auditing of facilities Building and facility maintenance programmes Defibrillators Access to specialised services Updated hire agreements		On site H & S team being implemented at CBAY as a higher risk facility.			

Monitoring and reporting

TDC Strategic risk register

9. 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

TDC Strategic risk register

Risk analysis

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

Monitoring and reporting

TDC Strategic risk register

10. 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

11. 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

12. 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				Minor	Almost Certain	High	

Risk Owner

Group Manager People and Digital

Risk drivers, sources and causes

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 External reviews, IT policies, Business Continuity Plan, Discussions with suppliers Regular maintenance of equipment including upgrades Multiple redundancies Latest cyber security suites, Firewalls,		Review business continuity plans. Ongoing maintenance of cyber security measures, including regular updates, patches and training Ongoing awareness of international trends and threats. Ongoing review of	To be carried out annually	Underway – with regular reporting to Audit & Risk Committee	GM People & Digital and CIO

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TDC Strategic risk register

	Existing controls	Assessment of existing controls	Areas for development	Timeline for completion	Progress	Responsibility
	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		internal compliance measures.			

Monitoring and reporting

TDC Strategic risk register

13. 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				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			

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

14. 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	Unlikely	Medium	

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

15. 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				Moderate	Possible	Medium	

Risk Owner

SLT and Unit Managers

Risk drivers, sources and causes

Legal challenge, financial loss, damage to Council reputation

TDC Strategic risk register

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 development Assessment, monitor, review, discuss and develop		Documented procedures in high risk areas. 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.			

Monitoring and reporting

TDC Strategic risk register

16. 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	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 in high risk areas as a priority Managers have implemented succession and retention planning activity as required Completed a Talent Matrix assessment to identify key staff.			

Monitoring and reporting

TDC Strategic risk register

17. 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				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			

Monitoring and reporting

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TDC Strategic risk register

18. 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

19. 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				Minor to Major	Likely to 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 for development	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.			

Monitoring and reporting

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TDC Strategic risk register

20. 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

COVID19 Specific Risk Register

Risk Description	Causes	Consequences	Mitigation Measures Currently In Place	Residual Risk		Rating
				Likelihood	Consequences	
<p>There is a risk that:</p> <ul style="list-style-type: none"> The lockdown is extended or re-introduced by central government, through a cycle back to alert 4; or The criteria for operating under lower alert levels are changed to require more stringent remote working environments for extended timeframes; Loss of revenue (e.g. if facilities required to close or restrict capacity). 	<ul style="list-style-type: none"> Current social/physical distancing measures become unsuccessful (through either social irresponsibility or change in virus facts/evolution such as timeframes. It remains active on surface). Border controls are opened too early to enable tourism or BAU to operate. Leading to reinfection/second wave and increases in COVID-19 cases, with potential staff cases. 	<p>This would impact Council in a number of ways including:</p> <ul style="list-style-type: none"> This risk would heighten/cause risks #2 & 3. I.e. Delays to capital programme, staff/stakeholder wellbeing. Compromised remote working environment through impacts on IT team and supply-chain infrastructure/resourcing. Broad Council objectives/TP are not achieved Reputation and regulatory consequences. 	<ul style="list-style-type: none"> Staffing training programmes, Provision of screens and sanitizers in all Council facilities, Facilitation of working remotely opportunities for staff, Provision of PPE for staff, Displaying QR code at all Council public facing facilities. 	3	3	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> A number of significant and important capital projects are delayed for extended periods. Shovel ready projects funded by central government are delayed or forced to defer. 	<ul style="list-style-type: none"> Risks #1 & 3 cause this risk i.e.: Lockdown extensions/changes and Significant impact on staff/stakeholder wellbeing. We are dependent on external providers, and overseas suppliers and supply chains, that ultimately fail or delay in resource delivery Quality of supply materials suffers due to materials being sourced from countries impacted significantly from COVID, such as US and China (supply QA severely impacted). Council fail to effectively manage capital project restarts and shovel-ready projects 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #4 and 5, i.e. delayed regional recovery and Councils effective recovery. Capital project delays cause: Increased financial costs Council unable to support contractors and contribute to economic reinition Affects capital maintenance programme and levels of service Reputation and environmental consequences. Crown project funding withdrawal 	<ul style="list-style-type: none"> Procuring consulting and construction work as soon as reasonably practicable to ensure consultants and contractors commit to the TDC work programme. Briefing contractors every 3 months on the TDC work programme including details on the forward procurement programme 	4	2	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> Increased adverse impact on staff/stakeholder well being, mental health issues/family hardship and family ill health/poor wellbeing concerns Loss of staff engagement and resignation of competent staff (looking for other jobs) 	<ul style="list-style-type: none"> Risks #1, 4, 5 could cause this risk i.e.: extension of lockdown, delayed/extended economic recovery, Council failing to effectively recover. Perception and/or requirement for significant cost reduction within Council, impacting on staff salaries/numbers. Exacerbation of existing negative economic, social, community and environmental trends (especially on vulnerable/at risk community members - lower income/education success communities/poor health outcomes from pandemic lockdown and lack of community/business/social activity during lockdown period. 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> Increased dependency on central/local government welfare services/support and increased requirement for funding for community development programmes and/or increased funding sought for continuing community wellbeing/welfare initiatives and social organisations/support services Significant reduction on staff engagement & productive/effective Council operations, with consequences extended broadly to Council objectives/TP. 	<ul style="list-style-type: none"> Regular staff briefings (fortnightly) and enhanced staff engagement through regular COVID specific communications, Staff support services being more widely available. 	2	3	Medium
<p>There is a risk that:</p> <ul style="list-style-type: none"> National and regional economic recovery is delayed and extended beyond predictions. 	<ul style="list-style-type: none"> Risks #1 & 5 i.e. extended lockdown and Councils agile/effective recovery (circular relationship) Lack of focus by Central Government on development/coordination of onshore core/essential resources/manufacturing/primary industry jobs, whilst maintaining closed borders for up to 12 months (Treasury Scenario 1) Exacerbation of existing negative economic, social, community and environmental trends (especially on vulnerable/at risk community members - lower income/education success communities/poor health outcomes from pandemic lockdown and lack of community/business/social activity during lockdown period. 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #2, 3 and 5, i.e. Capital programme delay, Significant wellbeing impact & Councils agile/effective recovery. Breakdown in coordination between government departments and Council, leaving gaps in support services and communication/engagement with vulnerable/at-risk community members 	<ul style="list-style-type: none"> Council \$2m COVID Stimulus Fund has been fully allocated which will assist with kick starting the local economy. \$6.86m of the Governments Waters Stimulus package has been activated by signing the Government MoU and submitting a draft Delivery Plan by the 30th September deadline. Receiving \$11.6m approval for the Theatre Royal and Heritage Centre shovel ready application. 	4	2	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> Council fails to effectively and responsibly respond to the pandemic situation, considering its regional leadership role, and longer term consequences. Council decision making fails to adequately consult or seek/inform decisions through planning, strategy and underpinning principles. 	<ul style="list-style-type: none"> Risks #1 & 4 i.e. extended lockdown and delayed economic national/regional recovery. Emphasis on short term cost reduction and broad citizen financial relief, without sufficient broader and longer term considerations, such as factoring availability of central government hardship relief, loan ratio requirements or influence based on incomplete advice. Lack of review/re-assessment/re-alignment of performance measures/goals and KPIs in light of post-COVID19 requirements 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #2 & 3. I.e. Capital programme delay and Significant staff/stakeholder wellbeing impacts. Rushed decisions - uneconomic and/or ineffective decisions which have longer term significant impacts financially economically and socially on Councils operations and Timaru District. 	<ul style="list-style-type: none"> SLT awareness that decision making and approvals must be agile and prompt. Elected Members continued to meet during lockdown and made governance decisions relating to COVID-19. For example, following initial consideration of the Annual Plan 2021/22 on March 25, elected members reviewed the impact of COVID-19 on the Annual Plan and budget and adjusted, including a change to the proposed rate increase. An Emergency Committee was established to enable decision making to occur in the event a normal quorum couldn't be met, and meetings moved to video-conference/ZOOM, per the enabling legislation. 	2	2	Medium
<p>There is a risk that:</p> <ul style="list-style-type: none"> Councils existing work programme is impacted by the redirection of resources to address Covid-19 related responses and that existing significant work streams fall behind in their delivery schedule and dates. 	<ul style="list-style-type: none"> Risks #5: Council fails to be agile and effectively respond/recover Council has insufficient resources in some business units to support the increased work load from recalibrating work stream to address Covid-19 implications 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> Jeopardy of delivery within statutory timeframes of key accountability documents such as the Annual Report and the Long term Plan. 	<ul style="list-style-type: none"> Getting the highly feasible component of the capital expenditure work programme, \$53.5m, locked in as soon as possible. Reporting to the Infrastructure Committee and the Commercial and Strategy Committee every 6 weeks on specific progress on 5 Key Projects, and a summary status report covering all 140 projects. 	3	2	Medium

COVID19 Specific Risk Register

Risk Description	Causes	Consequences	Mitigation Measures Currently In Place	Residual Risk		
				Likelihood	Consequences	Rating
There is a risk that the supply chain in all areas of operations is affected due to the inability to deliver and provide the goods and services expected by TDC	<ul style="list-style-type: none"> Risks #5: Council fails to be agile and effectively respond/recover Council has insufficient resources in some business units to support the increased work load from recalibrating work stream to address Covid-19 implications 	<ul style="list-style-type: none"> Project delays, Possible cost increase; Potential use of inferior products. 	<ul style="list-style-type: none"> Ensuring client supplied items are available before installation commitments are made Being aware of supply chain market conditions through regular liaison with suppliers, allow appropriate lead times for supply chains to respond to operational and contractual requirements. 	4	2	High
There is a risk that: <ul style="list-style-type: none"> Council asset managers become unavailable to manage the assets that provide essential services such as water and sewer networks as a whole Council's essential services operations staff, particularly water and wastewater operators become unavailable. Contractors essential services staff become unavailable to fulfil their contract obligations. 	<ul style="list-style-type: none"> Staff and/or contractors staff catch COVID 19 and become unavailable for work. Staff and/or contractors staff become reluctant to provide essential services because of fear of catching COVID 19. Council and/or contractors have insufficient resources to operate and provide essential services. 	<ul style="list-style-type: none"> Available Council or contractors staff become overwhelmed with subsequent diminishing effectiveness Essential services become less available with the consequence being that the community loses faith in Council being the provider of essential services. Significant reputational risk. 	<ul style="list-style-type: none"> Maintaining infrastructure assets in a safe and stable operating condition. Ensuring adequate staff are available to provide asset management services. Ensuring trained operational staff are available and rostered to provide continuous and reasonable coverage under each COVID level. Ensuring contractors have sufficient trained and available staff to respond to essential services requirements. 	2	4	High
There is a potential risk that Council may not meet its financial obligations.	Extraordinarily high cost of providing essential services combined with a diminishing revenue stream.	Staff, suppliers, and contractors do not get paid, or payments are delayed.	<ul style="list-style-type: none"> No unauthorised expenditure Reduce all discretionary expenditure 	1	3	Low
There is a potential risk that Council may not be aware of legislative changes.	Parliament passes new legislation unbeknown to Local Government.	Potentially legislative non compliance.	<ul style="list-style-type: none"> Membership of Local Government NZ and the Society of Local Government Managers that provide membership services including updates on Parliamentary Activity. 	1	3	Low
There is a potential that stakeholders expectations of Council continue to raise.	<ul style="list-style-type: none"> Economic distress results in the community turning to the local Council for material support Human health is adversely affected resulting in the community turning to the local Council for solutions 	<ul style="list-style-type: none"> Council is expected to provide support to the community via activities that it is not empowered or resourced to provide Council is expected to increase its support in activities that it traditionally provides in order to increase economic activity 	<ul style="list-style-type: none"> Continue to communicate Council's role in the provision of core services Council to be very mindful when considering issues relating to levels of service. 	3	2	Medium
That the community criticises Council for making unacceptable decisions, or for not making a decision on a particular matter	Community expectations of Council are higher than what is provided.	<ul style="list-style-type: none"> Council's energy is diverted to responding to issues that do not provide community benefit. The financial reputation of Council is adversely affected. 	<ul style="list-style-type: none"> Financial delegations register Communications planning 	3	2	Medium
That there are significant changes to the workplace environment and/or key staff resign or retire.	<ul style="list-style-type: none"> Workplace physical working conditions become unbearable Key staff decide to retire 	Potential reduction in levels of service provided to the community		3	2	Medium

6.12 Probity Report**Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Ashley Harper, Former Acting Group Manager Commercial and Strategy**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 engaged the same consultant as we did previously, to carry out 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 The workshop covered the following topics:
 - An exploration of the Timaru District Councils' values and how these were being interpreted.
 - The issue of how we earn trust by playing a game that asked them to identify from a selection of options three key issues that they thought were essential to earning trust.
 - An exercise in exploring stakeholder views and how we might deal with conflicts within these views clash to help participants look at an issue from many stakeholder views.
 - Explored how we make ethical decisions and the decision-making framework that we may unconsciously use. The consultant introduced them to 4 different ethical theories that people could use when making ethical decisions.

- Discussed how to deal with pressure. Especially how pressures that might influence our decision-making and how to talk about these when these arise. It was emphasised that this process should regularly be reviewed with team members so that they understand what they should do when such instances arise, and they can arise at any time.

Attachments**Nil**

6.13 Action Points - Public

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former Acting Group Manager Commercial and Strategy

Recommendation

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. **Action Points - Public**  

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
16 June 2020	<p>Corporate Risk Register</p> <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 March 21
16 June 2020	<p>Recommendations from Review of Risk Management Framework – Implementation Plan</p> <ul style="list-style-type: none"> - To create a framework for SLT to manage operational risks lower than High. An implementation plan with tracking on the recommendations. The recommendations should be included in the Risk and Assurance Mangers spreadsheet. - Include the Risk Register with Minutes to Council. 	Group Manager Commercial and Strategy	6 October 2020	Completed.
16 June 2020	<p>Draft Internal Audit Plan</p> <ul style="list-style-type: none"> - To develop a framework to ensure statutory compliance. - To develop a detailed Audit Plan and cover the period and time of the audit and the resource required. To go to SLT for approval, then to ARC committee and recommendation to Council 	Risk and Assurance Manager	6 October 2020	ComplyWith a legislative compliance tool has been purchased and we will begin using the tool in July 2021. Internal audit plan prepared and approved. Completed

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Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
12 October 2020	5.1 – Minutes The actions schedule, outlining matters arising from each meeting and status, is to be attached to meeting agenda going forward.	Risk and Assurance Manager	December meeting	Completed
12 October 2020	5.1 – Minutes The risk register is to be included in the next Council agenda	Group Manager Commercial and Strategy	October Council Meeting	Completed
12 October 2020	6.2 – Risk Register The Risk Register is to continue to be refined and improved taking into account the suggestions made by the Committee, with clear responsibilities, timeframes and tracking of areas for development.	Risk and Assurance Manager	On-going	A new risk register template developed - TDC Strategic Register. SLT has met twice in updating the risk register. Work is ongoing in updating the risk register. Ongoing
12 October 2020	6.2 – Risk Register The Risk Appetite Statement is to be referred to Council for approval.			Completed
12 October 2020	6.4 – Internal Audit Plan The draft internal audit plan is to be referred to Council for approval, on the recommendation of the Committee.			Completed
12 October 2020	6.5 – AuditNZ LTP Letter of Engagement The Group Manager Commercial and Strategy will arrange for signing of the Letter of Engagement by the Mayor	Group Manager Commercial and Strategy		Completed

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Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
12 October 2020	6.5 – AuditNZ LTP Letter of Engagement The self-assessment document is to be completed and provided to the Chief Executive and Chair to review prior to submission to AuditNZ on 22 October.			Completed.
12 October 2020	6.7 – Health and Safety Update Kevin Rowell, Health and Safety Advisor is to be invited to the next meeting.			Completed Completed
12 October 2020	6.7 – Health and Safety Update A follow up report is to be provided in relation to the assault at Cbay last year with details of where this was recorded/report.			Completed- Verbal update provided by GM People and Digital
12 October 2020	6.7 – Health and Safety Update The next Health and Safety report is to include additional report, including the items identified in the comments.			Completed- Verbal update provided by GM People and Digital
8 December 2020	6.1 – Audit and Risk Committee Work Programme Make the requested changes to the Work Programme: <ul style="list-style-type: none"> Internal Audit and Assurance Programme item be marked as a regular item. Long Term Plan Audit and Engagement letter separated at the bottom of the table as a 3 yearly item. 	Group Manager Commercial and Strategy	March 2021	Completed
8 December 2020	6.2 – Health and Safety Update Present reporting options from the new Incident Reporting software to the March 2021 meeting. Ensure a standard agenda item is produced to report Health and Safety incidents to Council.	Group Manger People and Digital	March 2021	Completed

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Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
8 December 2020	6.4 – Tax Risk Management Framework Ensure a governance framework is formalised for Council that will be included on a work plan and reviewed every four years. Council should ensure formal consultation is held with CCO-s in regard to Tax Risk Management Framework.	Management Accountant		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. Ongoing reviews are being diarised in Finance Team workflows. Completed
8 December 2020	6.5 – Draft Risk Management Framework and Risk Management Policy Make the changes in the Financial Impact to include percentages and review with ARC Chair. Provide a copy of the communication plan within the business continuity plan for the next meeting. 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. Page 30 – review reference to >80%, and reporting lines for extreme incidents to be updated.	Management Accountant Risk and Assurance Manager Risk and Assurance Manager Risk and Assurance Manager		Completed Paper on emergency comms plan included in March 2021 agenda. In Progress – Website area to be confirmed with IT. Completed

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Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
8 December 2020	6.8 – Timaru District Triennial Rating Revaluation Ensure a public release is undertaken by QV for the delay in providing information on properties to owners.	Management Accountant		Public notifications issued advising of timeframes, direct notices to property owners per legislative requirements. Public comms release ahead of notices being sent. Customer Services / Rates staff received approximately ten queries in regards when owners would receive the property valuation notices. Completed
9 March 2021	5.2 – Action List Include “ComplyWith” reporting to the work plan and outstanding items register.	Risk and Assurance Manager	June 2021	Completed
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	Completed

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Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
<ul style="list-style-type: none"> 9 March 2021 	<ul style="list-style-type: none"> 6.5 – Risk Management Framework Communications Plan That a coherent crisis management plan needs to be added to the policy review programme. 	<ul style="list-style-type: none"> Risk and Assurance Manager 	<ul style="list-style-type: none"> June 2021 	<ul style="list-style-type: none"> Completed
<ul style="list-style-type: none"> 15 June 2021 	<ul style="list-style-type: none"> 6.1 – Action List Assign a due date to each action. 	<ul style="list-style-type: none"> Risk and Assurance Manager 	<ul style="list-style-type: none"> Oct 2021 	<ul style="list-style-type: none"> Completed
15 June 2021	6.3 – Health and Safety <ul style="list-style-type: none"> To include the recording of near misses in the Assura software and the regular reporting of these to the Health and Safety Committee and through to Council. Ensure the date range is shown on the report from Assura. 	Health and Safety Advisor	31st Oct -21	Health and Safety Advisor in the Health and Safety Committee meetings has raised the matter and has advised all H&S Reps at TDC to advised staff in their respective areas to record near misses. Reporting has not been generated from Assura to the Health and Safety Committee currently. First set of reports will be produced in the next Health and Safety Committee in October 21 and then through to Council. Completed

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
15 June 2021	6.4 – Audit and Risk Committee Work Programme <ul style="list-style-type: none"> Rename the Accounting Policy Review to Key Accounting Judgement and this should be moved to July. Arrange a Zoom Audit and Risk Committee meeting if required once the Audit NZ engagement letter is received. 	Risk and Assurance Manager	Oct - 21	Completed
15 June 2021	6.5 – TDC Strategic Risk Register <ul style="list-style-type: none"> To enable easier reading, number the risks and include gridlines in the register. Assess the emerging risks and lessons learned from the recent flood. 	Risk and Assurance Manager	Nov-21	All information from the TDC Strategic Risk Register has been transferred into Promapp There will be a new reporting template that will be provided in the next Committee meeting Risk and Assurance have been provided with a risk register from Drainage and Water. We also have planned a meeting with Roading Manager to obtain a better understanding of the risk. Ongoing

#1331022

Audit and Risk Committee Action Points – Public				
Meeting Date	Action	Action Owner	Due Date	Status
15 June 2021	6.8 – Debenture Trust Audit Report The Chief Executive Office to consider the advice from Simpson Grierson and provide a report to the next ARC meeting.	CFO	Oct-21	Debenture Trust Deed update has been provided as part of the ARC papers

#1331022

6.14 Audit and Risk Committee Work Programme

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Ashley Harper, Former 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		✓		
Internal audit and assurance programme	✓	✓	✓	✓
Implementation of Legislative Compliance tool - ComplyWith		✓		✓
Audit plan and engagement letters (annually)	✓ LTP 3 yearly			✓ Annual Plan
Audit management report (annually)		✓		
Key Accounting Judgement (annually)				✓
Tax Risk Management Framework		✓ 2 yearly		
<i>Public excluded items</i>				
Minutes an actions from prior meeting	✓	✓	✓	✓
Health and safety update (quarterly)	✓	✓	✓	✓
Issues Watch Register (quarterly)	✓	✓	✓	✓
Cyber Security Report	✓	✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
Draft annual report review (annually)	✓			
Review audit representation letters (annually)	✓			
Debenture Trust Audit Report				✓
AuditNZ interim audit report		✓		
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Credit rating review			✓	

Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

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 15 June 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 - Timaru District Council Draft Annual Report 2020/21	<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)(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>Commercial sensitivity</p> <p>To enable commercial activities</p>
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 - Public Excluded Action Points	<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>To protect a person's privacy</p>
10.5 - Cyber Security Report	<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</p>	<p>Due to an obligation of confidence and to protect the public interest</p>

	to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	
10.6 - Committee and Auditor only time (agenda placeholder)	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Due to an obligation of confidence and to protect the public interest</p> <p>To enable commercial activities</p>
10.7 - Committee and Chief Executive only time (agenda placeholder)	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</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 15 June 2021

10.2 Timaru District Council Draft Annual Report 2020/21

10.3 Issues Watch Register

10.4 Public Excluded Action Points

10.5 Cyber Security Report

10.6 Committee and Auditor only time (agenda placeholder)

10.7 Committee and Chief Executive only time (agenda placeholder)

11 Readmittance of the Public