



# AGENDA

## Audit and Risk Committee Meeting Thursday, 23 June 2022

**Date** Thursday, 23 June 2022

**Time** 9.30am

**Location** Meeting Room 1  
Timaru District Council  
King George Place  
Timaru

**File Reference** 1506217

## **Timaru District Council**

**Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Meeting Room 1, Timaru District Council, King George Place, Timaru, on Thursday 23 June 2022, at 9.30am.**

### **Audit and Risk Committee Members**

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

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.

Bede Carran  
**Chief Executive**

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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 7 March 2022**

**Author:** Andrew Feary, Governance Advisor

#### **Recommendation**

That the Minutes of the Audit and Risk Committee Meeting held on 7 March 2022 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 7 March 2022**



# MINUTES

## Audit and Risk Committee Meeting Monday, 7 March 2022

Ref: 1506217

**Minutes of Timaru District Council  
Audit and Risk Committee Meeting  
Held in the Meeting Room 1, Timaru District Council, King George Place, Timaru  
on Monday, 7 March 2022 at 9.30am**

**Present:** Bruce Robertson (Chairperson – via Zoom), Mayor Nigel Bowen, Janice Fredric (via Zoom), Cr Stu Piddington

**In Attendance:** Bede Carran (Chief Executive), Paul Cooper (Group Manager Environmental Services – via Zoom), Andrew Dixon (Group Manager Infrastructure), Hannah Goddard-Coles (Director Engagement & Culture), Steve McKnight (Group Manager Commercial & Strategy), Azora Ali (Chief Financial Officer – via Zoom), Erik Barnes (Acting Group Manager Recreation & Cultural Services), Justin Bagust (Chief Information Officer)

**1 Apologies**

**Apology**

**Resolution 2022/87**

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

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

**Carried**

**2 Identification of Items of Urgent Business**

There were no items of urgent business to be received.

**3 Identification of Matters of a Minor Nature**

There were no matters of minor nature.

**4 Declaration of Conflicts of Interest**

There were no declarations of conflict of interest.

**5 Confirmation of Minutes**

**5.1 Minutes of the Audit and Risk Committee Meeting held on 26 November 2021**

**Resolution 2022/88**

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the Minutes of the Audit and Risk Committee Meeting held on 26 November 2021 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

**Carried**

## **5.2 Minutes of the Audit and Risk Committee Meeting held on 21 December 2021**

### **Resolution 2022/89**

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Minutes of the Audit and Risk Committee Meeting held on 21 December 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 Public - Action Points**

The Group Manager Commercial & Strategy spoke to this report to provide the Audit and Risk Committee (ARC) an update on the status of the action points that was raised in previous ARC meetings.

### **Resolution 2022/90**

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the actions are received and noted.

**Carried**

### **6.2 Risk and Assurance Report March 2022**

The Group Manager Commercial & Strategy spoke to this report to update the Committee on the Risk and Assurance activities since the last committee meeting on the 26 November 2021.

There was discussion regarding the transition from the Three Waters reform potentially impacting staff retention, the continuing impact of the global coronavirus pandemic, the new Esker software system, and partial compliance to Local Government Official Information & Meetings Act (LGOIMA).

### **Resolution 2022/91**

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the report is received and noted.

Carried

### 6.3 Health and Safety Update March 2022

The Group Manager Commercial & Strategy spoke to the Health & Safety Performance Report to provide the Committee with insight into initiatives and activities and their progress, as part of our organisation's commitment to providing a safe and healthy workplace. The contents and any subsequent discussions arising from this report can support Council officers to meet their due diligence obligations under the Health & Safety at Work Act (HSWA) 2015.

The Council is moving away from “snap-shot” reporting to show & detail trend data with an increasing focus on organisations such as the Council to include wellbeing in their reporting.

#### Resolution 2022/92

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

1. That the report is received and noted.
2. That this report is provided to Council in acknowledgment of the Council's responsibilities under the Health and Safety at Work Act 2015.

Carried

### 6.4 Business Improvement Update Report

The Group Manager Strategy & Commercial spoke to this report to provide the Committee with an update on the Business Improvement Work Programme.

#### Resolution 2022/93

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

That the report is received and noted.

Carried

### 6.5 Credit Rating Review

The Chief Financial Officer spoke to this report to update the Committee on the recent review of Council's credit rating by Fitch Ratings which have affirmed Timaru District Council's AA- rating with a stable outlook.

#### Resolution 2022/94

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Committee receive and note the report.

Carried

## 6.6 Audit and Risk Committee Work Programme

The Group Manager Commercial & Strategy spoke to this report to update and outline the programme of work for the Committee. It is envisaged the next 6 – 8 weeks will have an impact on Council staffing due to the ongoing global coronavirus pandemic.

### Resolution 2022/95

Moved: Mr Bruce Robertson

Seconded: Cr Stu Piddington

That the report be received and noted.

Carried

## 7 Consideration of Urgent Business Items

There were no items of urgent business to be received.

## 8 Consideration of Minor Nature Matters

There were no matters of minor nature.

## 9 Exclusion of the Public

### Resolution 2022/96

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - 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</p>	<p>Due to an obligation of confidence and to protect the public interest</p> <p>To enable commercial activities</p>

	<p>out, without prejudice or disadvantage, commercial activities</p>	
<p><b>10.2 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 26 November 2021</b></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)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</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><b>10.3 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 21 December 2021</b></p>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
<b>10.4 - Risk and Assurance Report - Cash Control Review</b>	<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>
<b>10.5 - Issues Watch Register</b>	<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>
<b>10.6 - Cyber Security Report</b>	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	Due to an obligation of confidence and to protect the public interest
<b>10.7 - Timaru District Council Draft Annual Report 2020/21</b>	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	<p>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><b>10.8 - Committee and Chief Executive only time (agenda placeholder)</b></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>

Carried

- 10 Public Excluded Reports**
- 10.1 Committee and Auditor only time (agenda placeholder)**
- 10.2 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 26 November 2021**
- 10.3 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 21 December 2021**
- 10.4 Risk and Assurance Report - Cash Control Review**
- 10.5 Issues Watch Register**
- 10.6 Cyber Security Report**
- 10.7 Timaru District Council Draft Annual Report 2020/21**
- 10.8 Committee and Chief Executive only time (agenda placeholder)**
- 11 Readmittance of the Public**

**Resolution 2022/97**

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

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

**Carried**

**The meeting closed at 1.20pm.**

.....  
**Mr Bruce Robertson**  
**Chairperson**

Unconfirmed

## 6 Reports

### 6.1 Public - Action Points

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy

#### Recommendation

That the actions are received and noted.

#### Purpose of Report

- 1 The purpose of this report is to provide the Audit and Risk Committee (ARC) an update on the status of the action points that were raised in previous ARC meetings.

#### Assessment of Significance

- 2 Reporting on the above public action points is considered of low significance in terms of the Council's Significance and Engagement Policy as there is no impact on the service provision, no decision to transfer ownership or control of a strategic asset to or from Council and no deviation from the Long Term Plan.

#### Discussion

- 3 **Pecuniary interests/sensitive expenditure:** meeting date 5 October 2021

Action: The Local Government (Register of Pecuniary Interests) Amendment Act 2022 was given Royal Assent on 20 May 2022 and takes effect after the triennial elections to be held on 8 October 2022.

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

Action: Include the Conflicts of Interest Policy in the Audit & Risk work programme.

Action Owner: Policy Analyst

Due Date: 31 December 2022

Status: Officers will now review relevant policy and report back to the Committee and Council prior to the end of 2022 calendar year.

- 4 **Operational risks:** meeting date 7 March 2022

Action: Operational risks to be reviewed in the Audit and Risk workshop.

Action Owner: Risk and Assurance Manager

Due Date: September 2022

Status: The operational risks register is being collated at present. Risk and Assurance have completed initial workshops with the Land Transport Unit, Waste Management, Parks and Recreation. Further workshops have been planned and risks continue to be collated.

- 5 **Credit rating review:** meeting date 7 March 2022

Action: Credit Rating Review

For future reporting, a comparison with other similar organisations could be added.

Action Owner: Chief Financial Officer

Due Date: March 2023

Status: CFO will carry this out for future reporting.

**6 Health and safety performance report:** meeting date 7 March 2022

Action: Health and Safety

Context required around reporting e.g. "Of the 17 accidents resulting in injury only one affected a TDC employee while the remaining 16 were customers" the report does not give context of the circumstance of the 16 other incidents; the majority of which involved incidents / injuries sustained at the CBay Aquatic Centre.

Action Owner: Risk and Assurance Manager

Due Date: 23 June 2022

Status: CBay has provided context around the strategies used to reduce events occurring. This has been included in this quarters Health and Safety Performance Report.

## **Attachments**

**Nil**

## 6.2 Risk and Assurance Report June 2022

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy

### Recommendation

That the report is received and noted.

### Purpose of Report

- 1 The purpose of this report is to provide the Audit and Risk Committee with an update on the Risk and Assurance activities since the last committee meeting on the 7 March 2022.

### Assessment of Significance

- 2 Reporting on the above Risk & Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

### Discussion

- 3 The Risk and Assurance report provides an update on the following Risk and Assurance activities:
  - i. The Risk Management section of the report provides an update on the Strategic Risk Register and risk workshop with Senior Leadership Team (SLT). The strategic risk register has been reviewed and updated with further workshops scheduled to be held.
  - ii. The Internal Audit section of the report provides the Committee with an update of the status of the Internal Audit activities for the current financial year. A draft report has been received from Deloitte for the rates setting, billing, remissions and collections audit. The terms of reference and work programme has been drafted for the capital spend/project management review. A report has been received by SLT from Deloitte for the fraud gap analysis, which is currently being reviewed by SLT and the Risk and Assurance team.
  - iii. The Outstanding Recommendations Register (ORR) section captures all open audit recommendations. We note that two recommendations have been cleared in the last quarter. Further analysis is being completed on the outstanding Audit New Zealand recommendations for inclusion in the next report to the Committee, these had just been finalised with Audit NZ.
  - iv. The Legislative Compliance section provides the Committee with an update and progress on the corrective actions that came out of the legislative compliance exercise which was carried out at the end of the previous financial year. A new ComplyWith exercise has been sent to employees to complete which Risk and Assurance will use to track progress and compare against historical data.

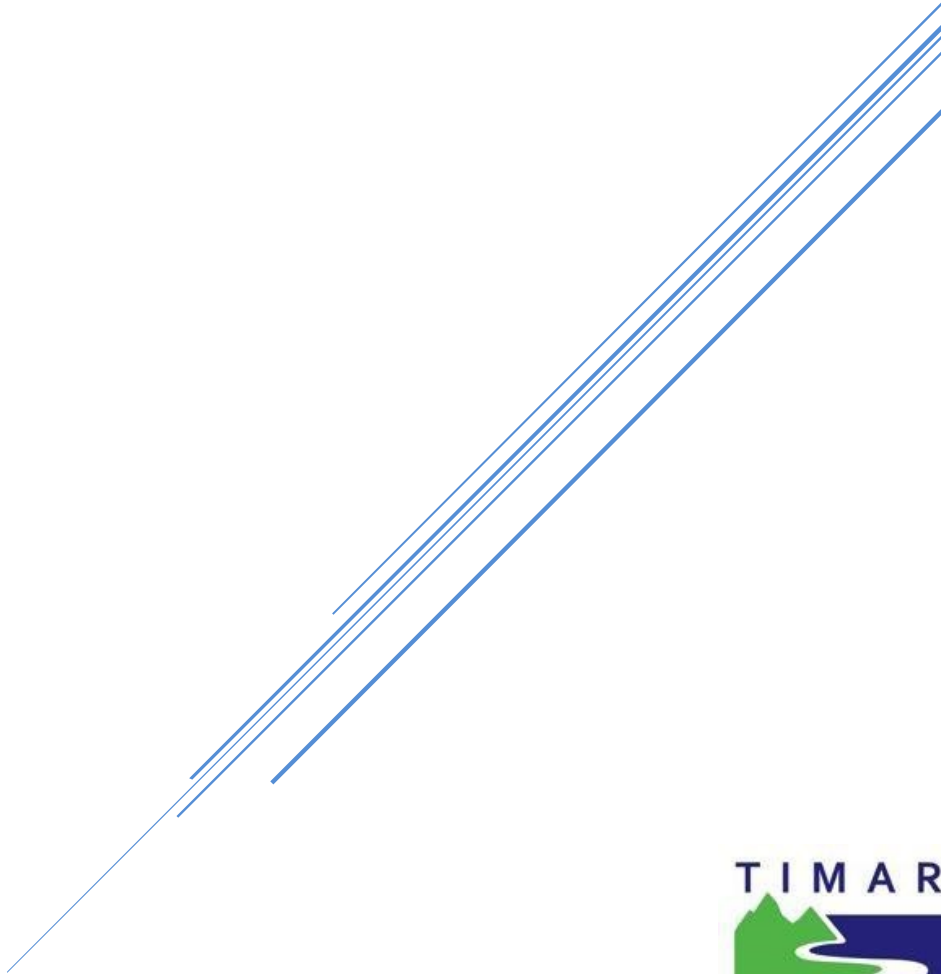
- v. The Business Improvement section provides the Committee with an update on the Business Improvement Work Programme. Esker AP Phase 1 has been implemented. Esker Procure to Pay Phase 2 is in progress.

### Attachments

1. Risk and Assurance Report June 2022 [!\[\]\(5c5b11debe870f1cbeef74d608b25445\_img.jpg\) !\[\]\(5c783dad9c5028ab3a6f282c004f057a\_img.jpg\)](#)

# RISK AND ASSURANCE REPORT

TDC Audit & Risk Committee  
June 2022



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## 1. Risk Management

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### Purpose

1. This report is to provide an update on the Timaru District Council (TDC) Strategic Risk Register.

### Background

2. There are currently 13 strategic risks listed on TDC's Strategic Risk Register. These were identified by the Senior Leadership Team (SLT) in an exercise carried out in May 2022. The SLT exercise was in contemplation of a facilitated risk workshop with elected members, the independent Audit and Risk Committee members and Council planned for the end of May (this has been deferred to 9 August 2022 due to illness).
3. The purpose of the risk workshop is to consider and carry out the inherent and residual risk rating for the 13 strategic risks.
4. Work is currently underway to updating the risk register with the risk owners, risk drivers, risk rating, internal controls, and assigning the appropriate sign-offs by the appropriate Group Manager (GM). This work has commenced within the Infrastructure Group units. Workshops to update the risks and mitigations is ongoing.

**Current Strategic Risk Register**

Reference	Risk Title
Strategic Risk 1	Changes to obligations and our responsibility due to legislative reform
Strategic Risk 2	The impact on delivery of services from Major hazards - earthquake, flooding, tsunami & human disease pandemic
Strategic Risk 3	Personnel : Inability to attract and retain skilled and competent workforce
Strategic Risk 4	Community : Failure to develop and maintain a positive relationship with the community
Strategic Risk 5	Governance : Breakdown in relationship between Management and Governance (Councillors)
Strategic Risk 6	Health and Safety : Failure to maintain a strong culture of H&S and wellbeing
Strategic Risk 7	Failure to meet future needs in creating a sustainable platform for future generations
Strategic Risk 8	Compliance and Liability: Failure to comply with legislative and other requirements that has a direct impact on achieving Council strategic and community wellbeing outcomes. ie. Airport, 139 certification, data and records
Strategic Risk 9	Councils Failure to fund its activities as agreed with community in its LTP.
Strategic Risk 10	Environment: Council delivered activities and services have an adverse impact on the natural and built environment
Strategic Risk 11	Absence of relationship with partner agencies to enable an effective response to a CDEM event
Strategic Risk 12	Governance : Breakdown in relationship between IWI, Council.
Strategic Risk 13	Climate Change - Is the Inability to respond adequately to meet Councils strategic and community wellbeing outcomes

## 2. Internal Audit

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### Purpose

1. To provide the Committee with a progress update on the 2021/22 Internal Audit Plan.

### Background

2. Council maintains a programme of internal audits designed to ensure that internal controls across a wide range of activities are in place and operating effectively. These reviews are also intended to assess the effectiveness and efficiency of operations and compliance with policies and legislative obligations.

### Status of Internal Audit Reviews

3. The internet usage by staff review planned for Q2 has been replaced by the Fraud Gap Analysis Review and is being carried out currently in Q3.

Below is the status of the Internal Audit Plan:

Review Name	Status
Rates setting, billing, remissions & collection	In progress – draft report received from Deloitte, awaiting review by Risk and Assurance.
Purchasing and accounts payable	Delayed due to the implementation of Esker
Payroll processing	In progress – Risk and Assurance is currently drafting the report. Awaiting information from consultant on Holidays Act 2003.
Capital spend/project management	In progress – Terms of Reference and work programme have been drafted.
Probity/sensitive expenditure	Not started due to resource constraints within Risk and Assurance.

Fraud Gap Analysis Review	Deloitte have provided draft – to be reviewed by Risk and Assurance and SLT.
Cash Controls Review	Completed.
Management of Forestry	Has not progressed at this time.

### 3. Outstanding Recommendations Register

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#### Purpose

1. The purpose of this report is to provide the Committee with an update on progress with audit (external and internal) recommendations.

#### Background

2. Council maintains a register of recommendations arising from internal and external audits and undertakes regular follow-up with all business units to ensure the recommendations have been acted upon. Progress with this work is also reported to the Senior Leadership Team (SLT) for information and action.

#### Changes made to the ORR

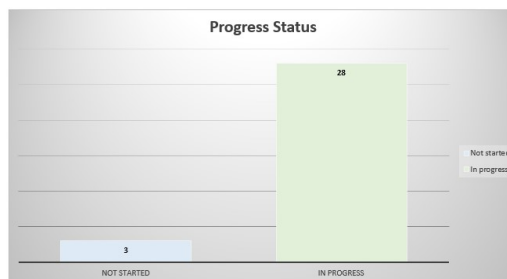
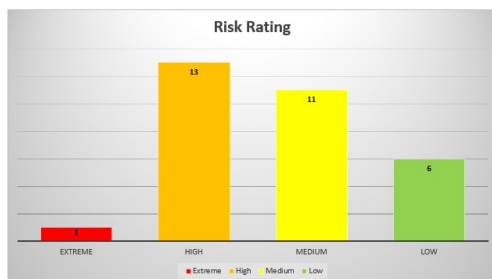
3. Discussions with the Chief Financial Officer subsequent to their review of the Outstanding Recommendations Register (ORR) has led to the following actions to be carried out:
  - a. Compared the most recent Audit NZ 'Report to the Council' to the ORR. The 'Report to the Council' contains new recommendations made and all outstanding recommendations from previous audits performed by Audit NZ
  - b. Determined what historical recommendations had been implemented, collated or removed due to no longer being 'best practice' (and can therefore be removed from the ORR), and what new additional recommendations were required to be added.
4. We note that these new recommendations from Audit NZ are yet to be added to the ORR with analysis on target date, risk rating and priority is yet to be completed by the appropriate responsible officer.
5. A detailed list of recommendations removed and recommendations to be added has been provided in the full version of the ORR below.

A summary of cleared recommendations for each audit report compared to the prior period is as follows:

Audit Report	Recommendations	Cleared	
		Mar-22	Jun-22
Audit NZ Report 2018/19 <i>Note that one recommendation has been removed based on the Audit NZ report comparison process as described in the detailed Outstanding Recommendation Register.</i>	2	0	0
ALGIM IM Audit Report 2020	9	0	0
Crowe - Tax Review: Indirect Taxes and GST	4	1	1
EY Process & Controls Review	3	1	2
Opportune Consulting Ltd - Contract Management Internat	7	0	0
Risk & Assurance - Cash Controls Review	11	6	7
Risk & Assurance - CBay Review	3	1	1
Waka Kotahi - Investment Audit Report	5	2	2
<b>Total</b>	<b>44</b>	<b>11</b>	<b>13</b>

6. The detailed ORR is as follows:

Risk and Assurance note that the ALGIM Information Management Audit Report 2020 and EY Process and Controls Review have risk ratings that do not follow the TDC risk rating matrix (officers are conducting a risk rating against Council’s risk matrix and will speak to this at the meeting).



Audit Report	Recommendation	Group	Responsible Officer	Target Date	Risk Rating	Priority Rating	Status Update
EY Process & Controls Review	Inconsistent Procure to Pay processes - use of purchase orders is optional	Commercial & Strategy	CFO	31/12/2022	Extreme	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Risk & Assurance - CBay Review	1. Ensure that all purchases for goods and services have a purchase requisition and purchase order raised.  2. Segregation of duties be put in place for requisitioning and approving purchase orders.  3. All team leaders at CBay to be set up with access to purchase requisition, purchase orders and a financial delegation.  4. One up approval required for all purchase requisitions.	Commercial & Strategy	CFO	31/12/2022	High	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
ALGIM IM Audit Report 2020	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.	Commercial & Strategy	CIO	31/12/2022	High	Medium	In progress - this hinges on the updated IM policy being approved. The IM team have been working through current processes and procedures but need the policy in place to support this transition. Target date remains at December 2022 due to limited resource and number of projects.
ALGIM IM Audit Report 2020	Review the current business classification scheme to ensure it meets the needs of the	Commercial & Strategy	CIO	30/06/2023	High	Medium	Not started. This is a large piece of work that only one member of the IM team

	business.						has the skills to complete. Target date remains at June 2023 due to limited resource and number of projects.
ALGIM IM Audit Report 2020	Develop processes to monitor, report and audit IRM processes for all business systems that captures and stores information and data.	Commercial & Strategy	CIO	30/06/2023	High	Medium	Not started. This is a Council wide issue that needs to be addressed due to the number of systems and differing levels of access. Currently the level of knowledge throughout Council on IM requirements is not up to the required standard to complete this. IM awareness training provided in 2021 with what business systems were approved to store data and information. Target date remains at June 2023.
ALGIM IM Audit Report 2020	Review the security in Content Manager, develop a security policy and matrix.	Commercial & Strategy	CIO	31/12/2022	High	Medium	In progress - IM have started looking at the security in CM. The security policy and matrix are not yet started. Target date remains at December 2022 due to limited resource and number of projects.
ALGIM IM Audit Report 2020	Develop and implement processes to ensure IRM requirements are formally considered in all projects.	Commercial & Strategy	CIO	30/06/2023	High	Medium	In progress. This is a Council wide issue that needs to be addressed due to the number of systems that can store project info. Currently the level of knowledge throughout Council on IM requirements is not up to the required standard to complete this. IM awareness training provided in 2021 with what business systems

							were approved to store data and information. Target date remains at June 2023.
Risk & Assurance - CBay Review	Recommendation to implement a council wide centre-led purchasing function	Commercial & Strategy	CFO	31/12/2024	High	Medium	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Opportune Consulting Ltd - Contract Management Internal Audit	<p>Implement a contract management policy and procedures, covering the following:</p> <ul style="list-style-type: none"> <li>- Outline the guiding principles for the management of contracts</li> <li>- Roles and responsibilities</li> <li>- The role of the contracts register including the requirement for all contracts to be maintained in the system</li> <li>- Provide guidance on the level of contract required</li> <li>- Contract development</li> <li>- Contract performance</li> <li>- Contract renewal process</li> <li>- Record keeping of contract evaluations, variations, payments and performance</li> </ul>	Commercial & Strategy	CFO	31/07/2022	High	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.

	monitoring activities - Procurement analysis						
Opportune Consulting Ltd - Contract Management Internal Audit	<ol style="list-style-type: none"> <li>1. Implement a policy and process to ensure all contracts have a formal contract owner</li> <li>2. The role responsibilities of the contract owner are documented and communicated to staff</li> <li>3. The contract owner name is recorded in the centralised contract management system</li> <li>4. Consider implementing the same recommendations for the role of contract manager</li> </ol>	Commercial & Strategy	CFO	31/07/2022	High	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Crowe - Tax Review: Indirect Taxes and GST	<ol style="list-style-type: none"> <li>1. Review FBT treatment to ensure they are aligned with FBT rules and no errors exist (including number of days in the calculation)</li> <li>2. Review and update (if required) policies surrounding the use of vehicles</li> <li>3. Review the way in which rules surrounding the use of council vehicles is presented to employees</li> <li>4. Review how data for FBT calculations is collected</li> </ol>	Commercial & Strategy	CFO	31/08/2022	High	High	In progress. Initial discussions have been had with PWC, awaiting scoping document.

	5. Clearly define who is responsible for FBT compliance						
Opportune Consulting Ltd - Contract Management Internal Audit	<p>Implement a policy and procedure to ensure, Council-wide, there is:</p> <ul style="list-style-type: none"> <li>- Monitoring of contractor service delivery, including recording the outcomes</li> <li>- Management level meetings are held with the contractor at time intervals appropriate to the significance and risk of the contract</li> </ul>	Commercial & Strategy	CFO	31/07/2022	High	Medium	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Audit NZ Report 2018/19	Sensitive expenditure policies: Review sensitive expenditure policies and align with best practice.	Commercial & Strategy	Strategy & Corporate Planning Manager	28/02/2022	High	High	A working group is to be established to progress policy reviews to ensure consistency. This policy is to be considered by the working group.
Audit NZ Report 2018/19	Approval of sensitive expenditure transactions: Ensure that elected member and Chief Executive expenditure is approved on a one-up basis.	Commercial & Strategy	Strategy & Corporate Planning Manager	28/02/2022	High	High	A working group is to be established to progress policy reviews to ensure consistency. This policy is to be considered by the working group.
ALGIM IM Audit Report 2020	Defining the Corporate Record	Commercial & Strategy	CIO	31/12/2022	Medium	Medium	In progress - this is an ongoing piece of work that includes getting people to understand what a corporate record is which is a complete culture shift within Council. Target date remains at December 2022 to allow for the continuing education and implementation.

ALGIM IM Audit Report 2020	Review and update the IM Policy.	Commercial & Strategy	CIO	1/03/2022	Medium	Medium	A working group is to be established to progress policy reviews to ensure consistency. This policy is to be considered by the working group.
ALGIM IM Audit Report 2020	Develop and implement an IM Strategy/Framework.	Commercial & Strategy	CIO	30/06/2022	Medium	High	In progress - approximately 50% complete. Target date remains at June 2022 due to limited resource and number of projects.
ALGIM IM Audit Report 2020	Review and update the Disaster Recovery Plan for records.	Commercial & Strategy	CIO	31/12/2022	Medium	High	In progress - one IM team member has received training last year on salvaging records. Meetings have been held with the Library and Museum to discuss their plans. Target date remains at December 2022 due to limited resource and number of projects.
Opportune Consulting Ltd - Contract Management Internal Audit	Implement a process for regular (i.e. monthly) reporting of contracts due to expire (showing those within at least the next eight weeks), which is sent to the Contract Owner and responsible GM	Commercial & Strategy	CFO	31/07/2022	Medium	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Opportune Consulting Ltd - Contract Management Internal Audit	Implement guidance for staff on:  - When to engage legal review of contracts  - Terms of contract which need to be considered and entered into	Commercial & Strategy	CFO	31/07/2022	Medium	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.

Opportune Consulting Ltd - Contract Management Internal Audit	<p>Consider implementing procedures for:</p> <ul style="list-style-type: none"> <li>- Monitoring third party contract financials through an accruals process (not cash process)</li> <li>- Where third-party invoices are received from supplier, these are to be emailed directly to the Accounts Payable inbox; and all invoices contain a Purchase Order number (implement a policy of "no purchase order, no pay")</li> <li>- Ensuring Purchase Orders are raised prior to commencing services with a third party where appropriate.</li> </ul>	Commercial & Strategy Infrastructure	CFO	31/07/2022	Medium	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Opportune Consulting Ltd - Contract Management Internal Audit	Perform a review of the Procurement Policy to ensure it aligns with current Government Procurement Guidelines and existing practices within the Council.	Commercial & Strategy	CFO	31/07/2022	Medium	High	This is covered by the ArcBlue Proposal for which procurement work and scoping is currently underway.
Crowe - Tax Review: Indirect Taxes and GST	Contractor arrangements to be reviewed regularly to determine whether they are contractors and not employees	Commercial & Strategy	CFO, Director Engagement & Culture	31/07/2022	Medium	Medium	<p>Scoping on track as part of the Arc Blue review to understand scope (to cover contract management and procurement framework).</p> <p>Guidelines will be formulated to be sent to individual Unit Managers on how to complete this review in the</p>

							current state due to the absence of a contract management tool.
Waka Kotahi - Investment Audit Report	Develop a clear and consistent audit trail to support claims for funding assistance	Infrastructure	GM Infrastructure	29/06/2024	Medium	Medium	Working closely with programme delivery and finance to redevelop analysis coding in financial system to enable better and more transparent reporting
Waka Kotahi - Investment Audit Report	Update the Contract Administration Manual to reflect Waka Kotahi Procurement Procedure requirements	Infrastructure	GM Infrastructure	29/06/2023	Medium	Medium	Transport Procurement Advisor is updating this document in conjunction with the Projects Officer. Likely draft completion by September 2022.
Crowe - Tax Review: Indirect Taxes and GST	<p>1. Report should be produced listing any bank account changes which are verified to source documentation by a second employee</p> <p>2. Exception report be produced to check for duplicate bank accounts</p> <p>3. Exception report be produced for any ex staff accounts being reactivated</p> <p>4. Undertake review of allowances and whether they are treated as taxable or non-taxable</p> <p>5. Undertake annual review of staff paying for accommodation provided by Council to confirm and document the market rate</p>	Commercial & Strategy, Engagement & Culture	CFO, Property Services Manager, Director Engagement & Culture	31/05/2022	Low	High	1, 2 3 and 5 complete. 4 (allowances review) not started due to workload. This is expected to be completed in August 2022.

Waka Kotahi - Investment Audit Report	Document process for managing funding claims	Infrastructure	GM Infrastructure	29/06/2022	Low	Low	The basics have been documented however this will change as the more transparent reporting mentioned above is implemented. Once the process has finished being improved, the Transportation Strategy Engineer will add this to Promapp.
Risk & Assurance - Cash Controls Review	The Museum Director to seek assistance from Finance and work to obtain a template to allow them to perform sales margin analysis for their retail sale items.	Recreation & Cultural Services	Museum Director	31/03/2022	Low	Medium	The Museum Director has made contact with Finance to obtain a template to perform this analysis. The recommendation is expected to be implemented by July 2022.
Risk & Assurance - Cash Controls Review	A standardised cash handling policy to be issued that covers all Council sites.	Commercial & Strategy	Strategy & Corporate Planning Manager	30/06/2022	Low	Medium	Not started.
Risk & Assurance - Cash Controls Review	Safe combinations to be updated when a staff member resigns or leaves Cbay.	Recreation & Cultural Services	Recreation Facilities Manager	20/03/2022	Low	Medium	CBay have an open job with Allied Alarms to replace the safe key pad as the numbers have faded/worn off. There are currently issues with locating the replacement part. When this is replaced, Allied Alarms will also assist with resetting the combination. This is expected to be resolved by 30 June 2022.
Risk & Assurance - Cash Controls Review	Museum to fill in conflict of interest forms and a formal management plan is put in place to ensure appropriate safeguards.	Recreation & Cultural Services	Museum Director	28/02/2022	Low	High	The Museum Director has received a copy of the Conflict of Interest Form. Impacted staff members have begun filling in these forms prior to being signed off by the respective GM.

							Due to current workload, the recommendation is expected to be implemented by June 2022.
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Finance has provided Risk & Assurance the most recent Report to the Council produced by Audit New Zealand. This report highlights all recommendations raised from the most recent financial statement audit, and also collates recommendations from previous audits made that have not yet been implemented.

Risk & Assurance has therefore compared this most recent report received to the previous recommendations recorded in the Outstanding Recommendations Register under Audit NZ.

From this, we determined what historical recommendations have been implemented or collated (and can therefore be removed from the ORR), and what new additional recommendations were required to be added.

We also note that some historical recommendations may have been removed from the list by Audit NZ as they no longer represent best practice, with new recommendations potentially taking their place.

Risk & Assurance noted the following recommendations to be added to the ORR based on Audit New Zealand’s audit report and management report to Council based for the attest audit of the Annual Report 2020/21:

Audit NZ Report	Recommendation	Management Response	Priority (per Audit NZ assessment)
2020/2021	The Council’s financial statements were previously incorrectly prepared applying inconsistent accounting policies. The prior periods were restated however there was still a historical net difference of \$1.4 million: <ul style="list-style-type: none"> <li>• Investigate the \$1.4 million historical net difference between the amounts recorded and the amounts we expect should be recorded based on TDHL’s financial statements, adjusted for accounting policy differences, and make any further required adjustment;</li> <li>• Establish a robust process for associates and TDHL to submit their financial information for the preparation of the Council’s consolidated financial statements including adjustments where they apply different accounting policies</li> </ul>	As part of the 2022 Annual Report planning, we will engage with TDHL early to ensure that Group accounts are consistently applied and where these are not, that adjustments as a result of different accounting policies are understood and reported. As part of this, TDC will be clear as to what information in addition to the audited financial statements is required from TDHL and its associates. Whilst TDHL and Associates accounts had been fully audited in prior years, we will continue to investigate the historical net difference of \$1.4 million and make any further adjustment if and as required. In relation to revaluation of Land and Buildings, as there is no policy for TDC to revalue these asset classes, we will not be undertaking a revaluation during the 2021/22 financial year. This will be completed the following year.	Necessary

	<p>to the Council;</p> <ul style="list-style-type: none"> <li>• Seek professional advice on accounting, in its consolidated financial statements, for its first-time revaluation of land and buildings in the 2021/22 financial year.</li> <li>• Ensure that its associates and TDHL, provide the required information.</li> </ul>		
2020/2021	<p>Recognition of vested assets: Ensure vested or donated assets are recognised at their fair value by appropriately aligning costs provided by developers with the Council's recent contracts, or the latest valuation.</p>	<p>As part of the process to recognise vested assets in the financial statements, we will complete a fair value assessment against recent contracts and/or latest valuations. If the differences are material, vested assets will be recognised at fair value.</p>	Necessary
2020/2021	<p>Asset renewals and disposals: Ensure disposals are recorded when assets are replaced.</p>	<p>Where assets are revalued any assets which have been renewed or replaced will be eliminated as part of the valuation process, however significant individual assets will be capitalised individually, however, that is not practical for those assets which are not individually significant but included as assets, e.g. road lighting - it is not practical to derecognise existing individual assets of those types.</p>	Necessary
2020/2021	<p>Long outstanding Capital WIP items: Review and assess items in Capital work in progress (WIP) to determine whether they are still work in progress or whether they should be capitalised or impaired.</p>	<p>As part of the 2022 Annual Report, a review will be undertaken of historical capital work in progress to determine whether they should remain as work in progress, capitalised or impaired/written off.</p>	Necessary
2020/2021	<p>Local Authorities (Members Interests) Act 1968:  <ul style="list-style-type: none"> <li>• Ensure that Councillors are aware of their responsibilities under Local Authorities (Members Interests) Act 1968 especially with entities that they are interested in, which transact business with the Council.</li> <li>• Ensure that processes are in place so procurement staff are aware of Councillors' declared interests to help ensure any</li> </ul> </p>	<p>Elected members undertook training of these requirements at the start of the term and will be reminded of their responsibilities under the Local Authorities (Members Interests) Act 1968 in relation to entities that they have an interest in that transact business with the Council. As part of this, procurement guidelines will be reviewed to ensure any Elected Members interests are considered before contracts are entered into.</p>	Necessary

	necessary approvals are obtained before contracts are entered into.		
2020/2021	Indices used for fair value assessment: <ul style="list-style-type: none"> <li>• Ensure that recent contract rates are used to determine the fair value movements for revalued assets in a non-revaluation year.</li> <li>• In the absence of recent contract rates, use the latest applicable indices data.</li> </ul>	The BERL indices are widely accepted and we believe were not substantially out of date. As part of the fair value assessment of Rooding and three water assets in the 2022 Annual Report, we will also benchmark these against the most recent changes in rates to ensure the fair value assessments are reasonable and whether any revaluation is required to be undertaken.	Necessary
2020/2021	Provision for closed landfills: Complete an assessment to determine the extent of the aftercare provision required for the 40 closed landfills. This will enable the Council to obtain a clearer picture of the potential financial exposure to recognise in its financial statements, and to determine the funding arrangements that are likely to be needed for this expenditure.	Recent information has determined there are 36 closed landfills in the Timaru District. Where possible, Council will complete an assessment to determine the environmental risk and extent of any aftercare provision required for closed landfills. Due to the number of closed landfills, not all closed landfills will be assessed prior to the completion of the 2022 Annual Report.	Necessary
2020/2021	Reconciliation of the Funding impact statement (FIS) to the Statement of Revenue and Expenses: Prepare, at least annually, a reconciliation of the Whole of Council FIS to the statement of comprehensive income.	A reconciliation of the Whole of Council FIS to the Statement of Comprehensive income was completed as part of the Annual Report. As part of the 2022 Annual Report, staff will ensure this reconciliation is prepared early and shared with Audit NZ.	Necessary
2020/2021	Reconciliation of suspense accounts: Ensure suspense accounts are reconciled on a monthly basis.	The suspense accounts will be reconciled as part of the 2022 Annual Report and will then be reconciled and approved on a monthly basis following that.	Necessary
2020/2021	Implementation of Crowe Horwath's tax review recommendations: <ul style="list-style-type: none"> <li>• Implement Crowe Horwath's recommendations; prioritised based on risk of consequences of non-compliance and potential unrecorded liability for tax, use of money interest (UOMI) and penalties.</li> <li>• Review the tax treatment for the supply of laptops and telephones at subsidised values.</li> </ul>	Recommendations on changes in indirect tax processes are being enacted, with advice from our tax advisers, including the treatment of subsidies applied to low value tools retained on departure from the organisation.	Necessary

2020/2021	Unsigned employment contracts: Ensure employment agreements are signed by both employee and responsible management.	Noted - all employment agreements will be signed by both the employee and responsible management.	Necessary
2020/2021	Review of Debt write-off summary: Ensure that the appropriate staff member reviews and approves the debt write-off summary report.	Noted - the Chief Financial Officer will review and approve the debt write-off summary report.	Necessary
2020/2021	Publication of council controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.	Noted - CCO information and documents will be published on the Council's website within stipulated timeframes.	Necessary
2019/2020	Valuation of PPE – areas for improvement: <ul style="list-style-type: none"> <li>• Ensure that all assets in the three waters asset class are assessed as part of the valuation exercise.</li> <li>• Ensure that up-to-date unit rates are used for the valuation.</li> <li>• Implement the recommendations for improvement, detailed in the three waters asset class valuation report, ahead of the next valuation.</li> </ul>	We reviewed the Three Waters Infrastructure Assets Valuation Report, noting the difficulties of valuation of land forms. The Roading revaluation for 2020/21 captured process improvements. A full reconciliation was prepared by an external contractor and roading network assets in the CVR disposed of with 11 new roading assets set up at the roading valuation asset type level within CVR. The above will also be considered as part of any future revaluation exercise.	Necessary
2019/2020	Depreciation rates – consistency with the sector: Complete a review of the depreciation rates and methods used, including a comparison to other Councils, to ensure that the rates and methods used continue to be appropriate and in line with generally accepted accounting practice.	We have not benchmarked our rates against rates in the sector however we are conducting a comprehensive review of assets including ensuring that all rates are moved to a Straight Line basis and the appropriateness of individual depreciation rates applied to assets and asset classes. Current rates are based on an individual assessment of the useful life of an assessment and with increasing standardisation of rates.	Necessary
2019/2020	Internal recharges: Review and reconcile internal recharges.	For the 2020-21 financial year, changes were made with specific resource codes set up to capture internal overhead debits and credits ensuring that especially all capital internal charges are recognised. In the past internal transactions were not always coded	Necessary

		as internal (utilised a general charge code) so only one side was picked up when reconciling and recognising any internal transactions.	
2019/2020	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	Noted – we continue to monitor this area and work with staff to reduce balances. The impacts of Covid-19 has heightened the issue.	Necessary
2019/2020	Conflict of interests: Formally document and provide to members of Council and senior management, appropriate guidance to appropriately manage potential conflicts of interest.	A draft policy has been prepared but has yet to be finally approved by SLT, with changes needing consideration before final approval. The draft policy utilising published guidance from OAG. This includes procurement practices and policies.	Necessary
2019/2020	Dry weather overflows – performance measure reporting: Perform a review of all overflows for the year against actual rainfall data to ensure they are correctly classified based on the DIA requirements.	The DIA requirements and the Council process of collating and recording data will be further reviewed with the relevant staff. The definitions and processes used will be documented within Council's performance measurement system.	Necessary
2019/2020	Annual report preparation: <ul style="list-style-type: none"> <li>• Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter.</li> <li>• Establish a robust quality review process over the financial and non-financial information presented to audit.</li> </ul>	A detailed project plan has been developed to ensure the 2021/22 annual report is complete and ready for Audit. In addition a Project Steering Group meets weekly and there are regular status updates to the Senior Leadership Team. Microsoft Teams is being used to manage internal information and Audit Dashboard for communication with Audit NZ. Regular review of both financial and non-financial information is also being undertaken. Further Quality Assurances processes will be in place for the 2022 Annual Report.	Necessary
2019/2020	Independent three way matching of expenditure: Implement an independent three-way matching process for ordering, receipt and approval of purchases of goods and services.	Stage 1 (Phase 1) of the Procure to Pay project has been implemented with the roll out of the Esker System. This has implemented OCR and automation of approval workflows. The next stages of the roll out for Stage 2 will introduce PO's and good receipting from Esker. Currently this is being scoped.	Necessary

2019/2020	Implement an independent review of suspense account reconciliations.	The suspense accounts will be reconciled as part of the 2022 Annual Report and will then be reconciled and approved on a monthly basis following that.	Necessary
2019/2020	Review policies in a timely manner.	Resourcing and workload challenges have meant that some policies have been delayed for review. Currently a reset of this is being undertaken with a new programme and approach in design. Legislatively required policies continue to be reviewed as required.	Necessary
2018/2019	Completeness of vested assets: Develop a process to ensure that all vested assets are transferred to the FMIS.	Noted.	Necessary
2017/2018	Procurement and contract management: Council engaged consultants to review its current procurement and contract management processes as well as the setup of new supplier information within Council's vendor system. The most significant recommendations include: <ul style="list-style-type: none"> <li>• lack of verification checks in place for new suppliers;</li> <li>• no council wide contract management policy or register; and</li> <li>• improvement areas for the existing procurement policy and reporting to Council.</li> </ul>	Arc Blue have been engaged by TDC to scope and provide steps to be taken to further TDC's procurement process maturity. This includes the above points specifically focused on an end to end framework for improvement. An expected handover date by July 2022 to TDC is on track. Once this is handed over with the scope and project plan, TDC will implement the findings and milestones in a controlled manner using best practice for procurement policy and contract management.	Necessary

Risk & Assurance noted the following recommendations that have been removed from the ORR due to being historical Audit NZ recommendations that have been implemented or collated into the above:

Inconsistent Procure to pay processes. Formal procurement training needed and Improve guidance for staff purchasing low value goods and services.
Implement an effective record keeping audit process for contract documentation.
Formalise the risk management framework for the procurement and contract management process. No council wide contract management policy and register.
To consider the risk of Fraud, Bribery and Corruption in the Procurement Policy.
To incorporate a fully functional contract management systems into a Contract Register.
To provide formal procurement reporting processes to Management.

Give clear guidance on 1. Confidentiality Obligations 2. When to seek Legal Advice or Assistance 3. Conflicts of Interest
Centralising procurement responsibility rather than individual departments. Establish a specific role for this.
Use of Credit Cards - policies state that internet purchases using credit cards, need to reflect good security practice.
Develop an organisational wide contract management policy, specifically addressing Management of Contracts.
To ensure all contracts are approved and recorded on the Contracts Register.
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.
Policies and procedures outline the use of taxis or equivalent. For example, use of Uber, to be moderate, conservative and cost effective.
That all conflict of interest forms be stored on a Contract Register.
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.
Include how to identify and manage a conflict.
Council to provide training and updates on the LAMIA on an annual basis.
Implement a contract management system that stores key milestones such as business review dates and key performance indicators.
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.
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.

## 4. Legislative Compliance Update

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### Purpose

1. To provide the Committee with an update on legislative compliance.

### Background

2. Timaru District Council (TDC) uses ComplyWith Legal Compliance to run our legal compliance program. As reported previously, TDC’s legislative compliance exercise identified 60 non-compliances. This was 3% of all compliance tests undertaken.
3. All unresolved non-compliances are tracked through ComplyWith’s corrective actions module. Survey participants have been prompted to update the status of their corrective actions until they are resolved.
4. Risk and Assurance carried out a follow-up exercise on all the corrective actions to ensure that the responsible officers progress on the corrective action plans. A summary of the issues identified is below.
5. The Group Managers are currently reviewing their respective divisions to:
  - a) Consider identified partially and non-compliant matters,
  - b) Consider whether the corrective actions indicated are appropriate, and
  - c) Review the completion dates for corrective actions.

### The areas of partial compliance and non-compliance were:

Legislation	Partially-compliant	Non-compliant
Building Act 2004	2	
Employment Relations Act 2000	2	
Equal Pay Act 1972	1	
Human Rights Act 1993	1	
Protected Disclosures Act 2000	2	
Health and Safety at Work Act 2015, General Risk Regulations 2016 & Worker Engagement Regulations 2016	2	
Health and Safety at Work (Hazardous Substances) Regulations 2017 - General obligations	1	

Health and Safety in Employment (Pressure Equipment, Cranes, and Passengers Ropeways) Regs 1999	1	
Local Government Official Information and Meetings Act 1987 Part 7 - Meetings	1	
General Legal Compliance	3	
Local Government Official Information and Meetings Act 1987 Parts 1 to 6	17	
Privacy Act 2020 and Privacy Regulations 2020	3	
Public Records Act 2005	4	1
Health Act 1956	1	
Radiocommunications Act 1989 and Radiocommunications Regulations 2001	1	1
Resource Management Act 1991	1	
Search and Surveillance Act 2012	1	
Amusement Devices Regulations 1978 (for territorial authorities)	1	
Building Act 2004 (for local authorities and building consent authorities)	2	
Local Government Act 1974 (for local authorities)	1	1
Local Government Act 2002 & Financial Reporting and Prudence Regs 2014 (for local authorities)	4	
Reserves Act 1977 (for local authorities)	2	
Resource Management Act 1991 (for local authorities)	1	2
<b>Total</b>	<b>55</b>	<b>5</b>

6. Recently a new ComplyWith exercise has been sent out for the period 1 July 2021 to 31 May 2022, this will close mid-June. Once completed, an update on the progress of the corrective actions will be reported to the Committee.

## 5. Business Improvement Update

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### Purpose

1. The purpose of this report is to provide the Committee with an update on the Business Improvement Work Programme.

### Discussion

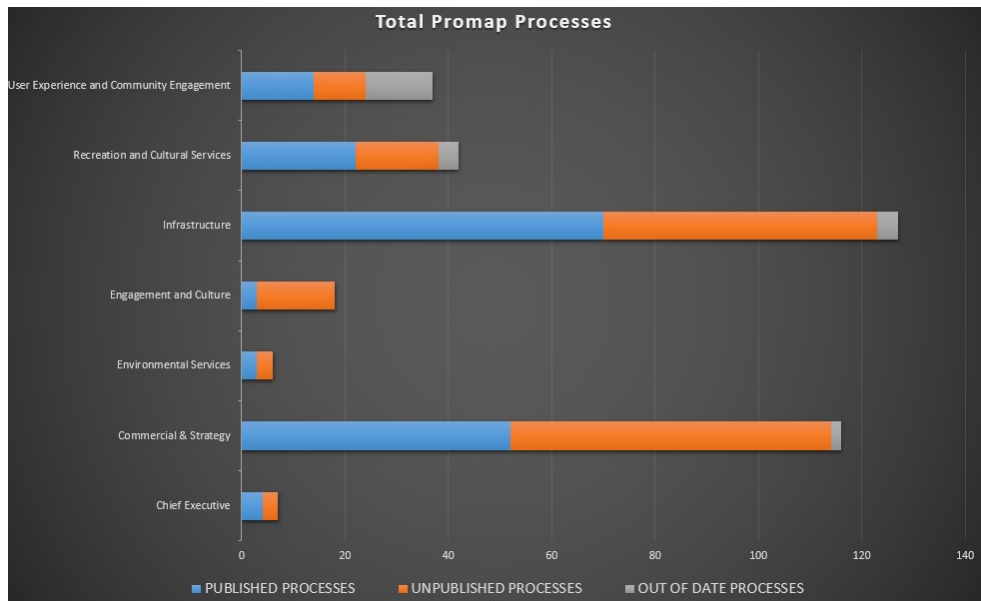
#### 2. Timaru District Council Processes

Since its inception to date, Council has documented 381 processes in Promapp. Promapp is a Business Process Management software that helps us build, improve and share process knowledge from a central online repository.

What are we trying to achieve by doing this?

- a. Process automation – using our documented process to automate workflows and build digital forms;
- b. Gain clarity about what we do and how we do it;
- c. With legislation changing frequently it is easily maintained in the relevant process;
- d. Encourage process visibility and well-defined processes which are critical components of local government;
- e. Time efficiencies;
- f. Increased collaboration and communication between different departments
- g. Easy for staff to identify and follow the correct process;
- h. Reduction in the number of out-to-date processes by easily updating your process in an easy-to-use system; and
- i. Readily available training material.

Converting Unpublished to Published processes in Promapp has been made a priority and a focus area for the next quarter. This will enable any new Team members that join the organisation to be able to go into Promapp, search for processes and follow accordingly.



Published (Final approved version) – can be viewed by all  
 Unpublished (In draft form waiting for peer review) – can only be viewed by the process owner, process expert, and added stakeholders.

	PUBLISHED PROCESSES	UNPUBLISHED PROCESSES	OUT OF DATE PROCESSES	SUGGESTIONS / FEEDBACK
Chief Executive	4	3	0	3
Commercial & Strategy	52	62	2	1
Environmental Services	6	16	0	3
Engagement and Culture	3	15	0	0
Infrastructure	70	53	4	17
Recreation and Cultural Services	22	16	3	17
User Experience and Community Engagement	14	10	13	15

### 3. **Esker Procure-To-Pay Module**

The procurement module is included in the Procure to pay application. This will ensure total visibility for the entire purchase to pay process, budget control and provides mobile access.

The procurement module will also allow for one up delegation so that the person raising the Purchase Order will not be able to release it and this will ensure segregation of duties. There is a drive towards increasing the percentage of Purchase Order-based buying and utilising the efficiency that Esker will bring to this process so that it will be all done in one system. Esker's cloud-based automation solution optimises indirect spend requests and goods or services ordering by eliminating paper and manual processing steps.

#### **Key benefits:**

- a. Easy to use web based purchase requisitions
- b. Supplier catalogue management
- c. Automatic requisition authorisation workflow
- d. Automatic invoice matching
- e. Complete process audit trail and KPI management
- f. Real-time budget controls and alerts
- g. Better supplier management

#### **Our current state**

Currently, Timaru District Council processes approximately 2000 invoices per month, with a mix of PO's and non-PO based. All goods receipting is being done in Authority and then it flows through to Esker to enable the invoice to be paid. This creates a lot of time-consuming data keying and double handling.

#### **Project phases**

- a. Scoping and gathering of business requirements for Esker Procure to Pay module
- b. Prepare Test Cases
- c. User acceptance training and training material
- d. Post implementation assessment of issues from Phase 1(AP Module) to ensure smooth rollout of Procurement module
- e. Credit Card Management
- f. Automated Delegations

#### **Projects Status**

Scoping and gathering information for Procure to Pay module

Please note: Dates have not been finalised due to scoping and gathering of information to ensure a successful roll out.

As with the rollout of any system there have been teething issues identified and controls continue to be assessed and improved.

**6.3 Health and Safety Performance Report June 2022**

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy

<p><b>Recommendation</b></p> <p>1. That the report is received and noted.</p>
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**Purpose of Report**

- 1 The purpose of the Health and Safety Performance Report is to provide the Timaru District Council (Council) with insight into initiatives and activities and their progress, as part of our Council's commitment to providing a safe and healthy workplace.

**Assessment of Significance**

- 2 This matter is of low significance when assessed against the Councils Significance and Engagement Policy because it deals with officers delivering services and activities across the Council and does not affect strategic assets, levels of service or rates.

**Discussion**

- 3 The contents and any subsequent discussions arising from this report can support the Council officers to meet their due diligence obligations under the Health and Safety at Work Act 2015 (HSWA).
- 4 The Health and Safety Manual is currently under review, with a view to align with the ISO45001 international standard. The Council’s Health and Safety Consultant is in the process of completing the review which is due in June 2022.
- 5 Event reporting in Assura has been a strategic priority for the Health and Safety Unit. For the 2021 year, a total of 276 events were logged into Assura. From January 2022 to April 2022, 120 events have been logged into Assura.
- 6 The Council is making progress on identifying corrective actions from events, with a focus to associate at least one corrective action with all events logged. The Health and Safety Unit is working with Unit Managers to ensure events are reviewed, investigated, and closed within seven days unless agreed otherwise.

*Strategic Progress*

- 7 The Health and Safety Unit is working through an agreed work plan to support the delivery of key initiatives within the Council. The below table outlines the Health and Safety work plan objective and a progress update for the last quarter.

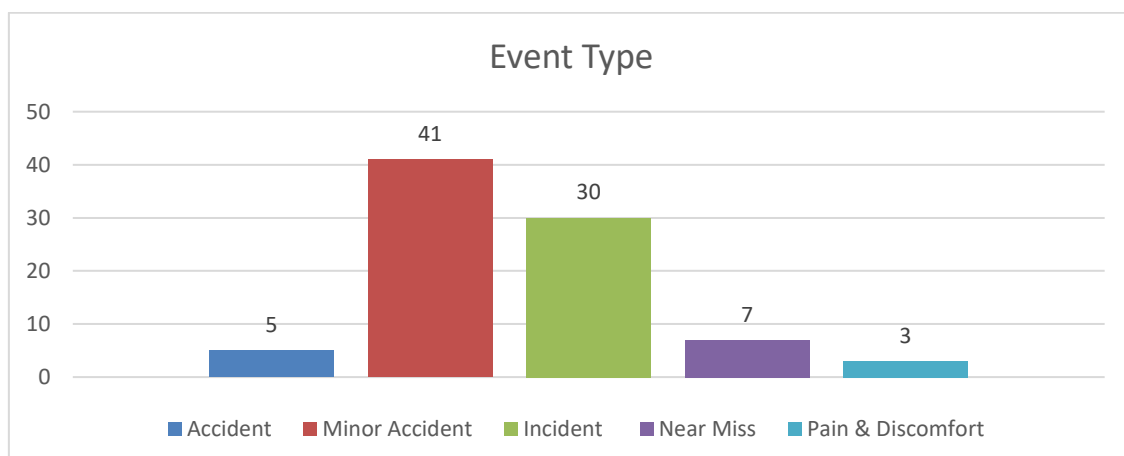
<b>Objective</b>	<b>Progress Update</b>
Achieve consistent application of our health and safety system across all Council sites and facilities.	The first quarterly representative audit has been completed. All events logged in Assura, are assigned to the Unit Manager/Team Leader to identify and proceed with corrective actions. Training will continue to enable the

	<p>Unit Manager/Team Leader to identify and implement corrective actions.</p> <p>The Health and Safety Manual review is in progress and is due to be completed late June 2022.</p>
<p>Build health and safety capability across all leadership levels and Health and Safety Representatives with the Health and Safety Committee.</p>	<p>The Senior Leadership Team receive monthly updates from the Chair of the Health and Safety Committee.</p> <p>A number of Health and Safety Representatives have been identified to undertake investigation training through an accredited trainer such as Incident, Cause, Analysis Method Training (ICAM). The identified Health and Safety Representatives may assist in investigating workplace events that are deemed appropriate for them to do so.</p>
<p>Identify and manage all organisational critical risks.</p>	<p>Council officers continue to update (from the March 2021) critical organisational risks, along with risk owners who will monitor and manage the risks going forward.</p>
<p>Achieve increased internal engagement, buy-in, and participation in health and safety across all levels of the Council.</p>	<p>The Health and Safety Committee is in the process of reviewing how to improve engagement between the Health and Safety Representatives and the wider Council.</p> <p>The Health and Safety Advisor has attended Unit Health and Safety Toolbox meetings with the Land Transport Unit, the Parks and Recreation, and the Water Treatment team.</p>

<p>To reduce injury incidents, including Lost Time Injury, Medical Treatment Injury, and First Aid Treatment Injury.</p> <p>To increase the accuracy of our accidents/incidents and near-misses through increased reporting and timely investigations.</p>	<p>Assura training is ongoing across all levels of the Council, and is expected to increase reporting over the coming months.</p> <p>Near-Miss Reporting Guidelines have been developed and published on the Council intranet to enable reporting, and provide more opportunities to review our systems and processes, and reduce the potential for injury in the future.</p> <p>The Council is considering an upgrade to the Assura system to improve the reporting functionality. The Health and Safety Unit is awaiting financial costings before proceeding.</p>
<p>Direct, shape, and standardise health and safety training and induction.</p>	<p>Work on the health and safety training and induction will begin in the third quarter of 2022.</p>
<p>Review and improve the Council’s Contractor health and safety management, processes, and procedures.</p>	<p>The Health and Safety Unit is undertaking a review of the approved contractor list.</p>
<p>Assisting in the ongoing management of COVID-19 in the workplace including vaccination considerations.</p>	<p>The Health and Safety Advisor attends at least two of the scheduled Committee meetings a month and provides ongoing advice relating to COVID-19 matters as and when required, and provides input and support with any changes.</p>

*Risks and Incidents*

- 8 A total of 86 events have been logged in Assura during the reporting period from February to May 2022.
- 9 The chart below details all events reported to the Council from the last quarter, in summary there were five accidents, 41 minor accidents, 30 incidents, seven near misses and three reports of pain and discomfort.



- 10 At the Caroline Bay Trust Aoraki Centre (CBay), there were a total of 38 events in the last quarter. Below provides a high level overview of the events recorded:
- Three wet rescues were undertaken, this is where the lifeguard entered the waters. None of these rescues required medical attention;
  - One pain and discomfort event;
  - One incident involved fainting;
  - Zero LTI's; and
  - A total of 33 minor injuries reported. Minor injuries are defined as bumps, bruises, strains or cuts.
- 11 CBay has implemented the below strategies to help reduce events occurring at the facility:
- Increasing signage advising the users of the pool rules;
  - Ensuring all Council Officers are enforcing the pool rules such as encouraging children to walk around pool side; and
  - Rotating Council Officers every 15 – 30 minutes to reduce fatigue and provide fresh perspective when observing the pool.
- 12 The Council is working to increase the variety of events being logged in Assura, eg COVID 19 cases and contacts (see below) including accidents, and near-miss reporting. Strategies have been developed, including training for all Council Officers ensuring investigations are completed within the required timeframe, developing near-miss reporting guidelines with examples, and sharing information on the Council intranet page.
- 13 There was one notifiable event to WorkSafe during this quarter. This incident is currently being independently investigated and an update will be provided at the September 2022 meeting.
- 14 There was one moderate incident recorded during the last quarter, however, this was not WorkSafe notifiable. On 1 April 2022, a positive Rapid Antigen Test (RAT) was posted through a return box slot at a Council facility. Council Officers put on personal protective equipment, double bagged the test and disposed of the test in the red bin. Any equipment or books that came into contact with the RAT were sanitised.

#### *Relationships*

- 15 Assura training is being delivered by the Health and Safety Unit, with a total of 94 Council Officers having completed the training. The Health and Safety Unit is in the process of reviewing Assura with a view to include Power BI which will improve the reporting functionality.
- 16 A Site Safety Audit Form has been developed in Assura, the next step will be to engage the Water and Drainage Unit to undertake onsite testing. Once user testing is complete, the Site Safety Audit Form will be able to be completed in the Assura mobile app which will enable project managers to perform site safety audits whilst on site. Further advantages to this include creating one source of truth.

*Health and Safety Representative Quarterly Audit*

- 17 We have launched our first Health and Safety Unit Self-Evaluation tool which will be completed by the Health and Safety Representative with the support of their Unit Manager. The purpose of the quarterly audit is to provide information relating to the Unit's health and safety systems, progress and improvements.

*Health, Safety and Wellbeing Newsletter*

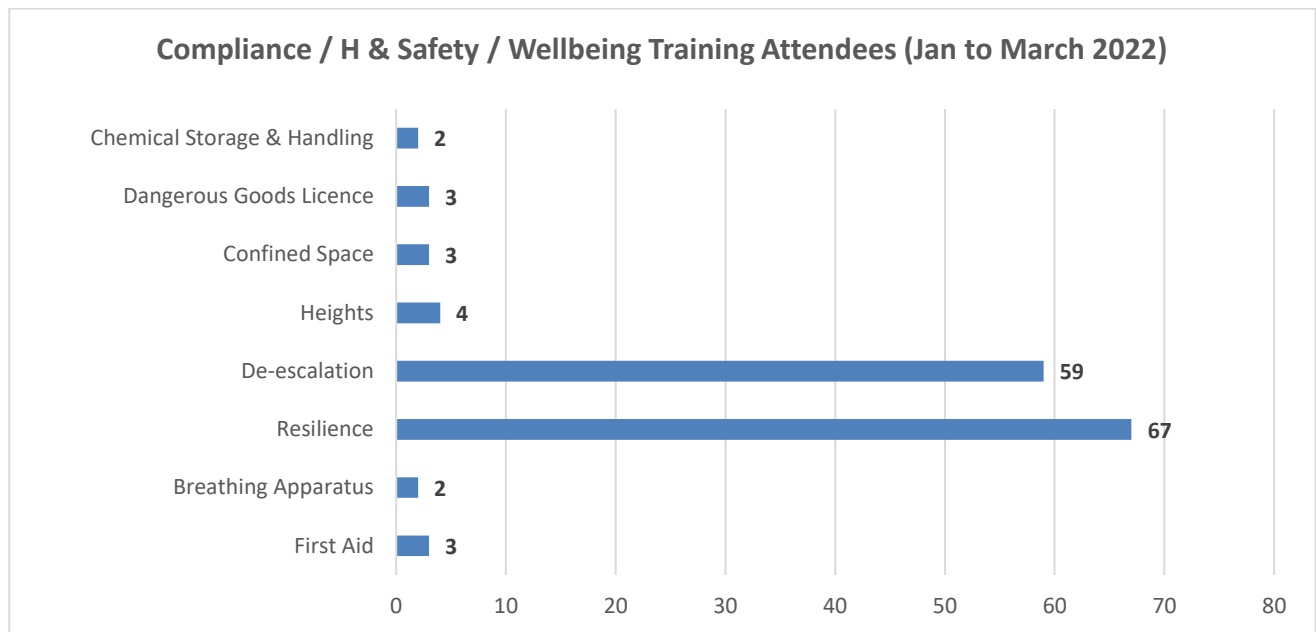
- 18 The first quarterly Health and Safety Newsletter was distributed to all Council Officers in May 2022 and management believe it has been well received.

*COVID-19 update*

- 19 COVID-19 continues to impact Council business continuity, and work is continuing through the COVID-19 response committee to provide the organisation with guidance and clarity based on the information available to us.
- 20 The Government announced vaccination mandate changes on 23 March 2022. Following the announcement, the Council undertook a review of its risk assessment taking into consideration the new guidance available. As a result of the revised risk assessment and Officer consultation, the Senior Leadership Team made the decision to remove the vaccination requirements for all Council Officers. The Vaccination Policy allows for flexible review, and change where and when required.
- 21 In March 2022, the COVID-19 Response Committee implemented a new COVID-19 management tool in Assura. We have delivered two training sessions to Council Officers on how to use this to report if they are a household contact or COVID-19 positive.
- 22 There have been 131 cases reported through the management tool with 73 reporting as COVID-19 positive and 58 as Household contacts. On average, we have seen 1.7 cases reported daily.

*Assurance*

- 23 For the last quarter, a total of 143 Council Officers have attended training and development relating to health, safety, and wellbeing. This training includes both compliance and individual development training. Below is a breakdown of the courses attended and the number of Council Officers in attendance.



*Wellbeing Initiatives*

24 The Council is delivering several well-being initiatives to support both the physical and mental well-being of Council Officers. These include:

- Providing a flu vaccination program, to date, we have had 128 Council Officers take up this opportunity, and anticipating running further clinics in the future.
- Providing COVID-19 vaccination booster clinics at Council facilities.
- Eye health checks are due to begin where Council Officers can receive a free full eye health check at a local optometrist.
- Hearing health checks are taking place in July. Council Officers can attend a hearing health seminar and preliminary hearing checks. If appropriate, a referral to a hearing specialist will be made.
- Social activities to connect our people including team and individual competitions and social events.
- Providing access to the My Everyday Wellbeing Platform to enable Council Officers to have access to information about health wellbeing and lifestyle. From October 2021 to March 2022, the key themes of mental health, healthy habits, and trends, sleep, exercise motivation and movements, and healthy eating were identified.

25 Council acknowledges the importance of all Officer’s well-being. There is a small team that has been working collectively to implement a 12-month wellbeing calendar to ensure there are regular information sessions and activities taking place.

**Attachments**

1. **Health, Safety & Wellbeing Newsletter - Public Excluded (under separate cover)**

**6.4 Audit and Risk Committee Work Programme****Author:** Ernest Bernard, Risk and Assurance Manager**Authoriser:** Jason Rivett, Acting Group Manager Commercial & 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.

**Assessment of Significance**

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy as there is no impact on the service provision and no deviation from the Long Term Plan.

**Discussion**

- 3 Below is the updated Audit and Risk Committee Work Programme which shows the items scheduled for each quarter.

Work Programme				
<i>Public items</i>	Oct	Dec	Mar	Jun
Minutes and actions from the prior meeting	✓	✓	✓	✓
TDC Strategic Risk Register	✓	✓	✓	✓
Risk register – all risks including COVID 19 (annually)			✓	
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if there are any probity matters arise)	✓	✓	✓	✓
Tax risk management report	✓			
Internal audit and assurance programme	✓	✓	✓	✓
Report on Legislative Compliance Survey- ComplyWith		✓		✓
Audit plan and engagement letters (annually)	✓ LTP 3 yearly			✓ Annual Plan
Audit management report (annually)		✓		
Key Accounting Judgement (annually) NOTE: Key accounting Judgement - the Accounting Policies will be presented to the next Audit and Risk Committee meeting as they are currently being updated to be more consistent with Audit NZ's Te Motu model accounts.				✓
Tax Risk Management Framework	✓			

	2 yearly			
<i>Public excluded items</i>				
Minutes and actions from the prior meeting	✓	✓	✓	✓
Health and safety update (quarterly) – if there are any public excluded items to be provided to the Committee	✓	✓	✓	✓
Issues Watch Register (quarterly)	✓	✓	✓	✓
Cyber Security Report	✓	✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
Draft annual report review (annually)	✓			
Review audit representation letters (annually)	✓			
Debenture Trust Audit Report				✓
Audit NZ interim audit report		✓		
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Letter of Assurance to the new Council from the Audit and Risk Committee	✓			
Credit rating review			✓	
Employee matters (as required)	✓	✓	✓	✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

**Attachments**

**Nil**

## 6.5 Debenture Trust Audit Report

**Author:** Azoora Ali, Chief Financial Officer

**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy

### Recommendations

That the Audit and Risk Management Committee:

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

### Purpose of Report

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

### Assessment of Significance

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

### Discussion

- 3 Timaru District Council (Council) is a Principal Shareholder and borrower under the New Zealand Local Government Funding Agency Limited (LGFA) multi-issuer facility. As a shareholder of the LGFA, the Council is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder, and therefore take advantage of the lower interest rate margins LGFA offer.
- 4 A Debenture Trust Deed is a deed between a local authority and a trustee under which a local authority grants a security interest in its rates and rates revenue to the trustee to hold on behalf of holders of "stock" issued under the debenture Trust Deed.
- 5 The local authority can then issue "stock" to creditors which has the benefit of the security granted to the trustee.
- 6 Council also uses the Debenture Trust Deed to provide security for its borrowings from banks.
- 7 Covenant Trustee Services Limited (the Trustee) are the debenture trustee in terms of the facility.
- 8 Debenture Trust Deed between Covenant Trustee Services and Timaru District Council is dated 15 May 1998 and referred to as the "Trust Deed".
- 9 Council is required to provide a certificate and an audit report is required.
- 10 Preparation of the reporting certificate to the Trustee follows on from the adoption of the Timaru District Council Annual Report.

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

## Attachments

1. **Audit New Zealand - Independent Assurance Report** [↓](#) 

## **Independent Assurance Report**

### **To Timaru District Council and to Covenant Trustee Services in respect of Timaru District Council's Debenture Trust Deed for the year ended 30 June 2021**

The Auditor-General is the auditor of Timaru District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clauses 5.6 of the Debenture Trust Deed dated 15 May 1998 (the Trust Deed), for the year ended 30 June 2021.

#### **Councillors Responsibilities**

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

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

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

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

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

#### **Trustee's Responsibilities**

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

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our

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

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

### **Auditor's Responsibilities**

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

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

The scope of this limited assurance engagement is to report on certain matters stated in clause 9.3 (a) and 9.3 (b) of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2021.

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

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2021 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 9.3 (a) and 9.3 (b) of the Trust Deed must be viewed in that context.

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

- From our perusal of the Reporting Certificate dated 27 April 2022 given on behalf of the Council pursuant to clause 9.3 (b) and, as far as matters that we will observe in the

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

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

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 27 April 2022 with Computershare Investor Services and the Local Government Funding Agency.

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

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

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

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

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

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

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

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

- Report as at 30 June 2021:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

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

### **Inherent limitations**

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

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

### **Restricted use**

This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 5.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

### **Limited Assurance Conclusion**

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

- The statements made by the Council in the Reporting Certificate dated 27 April 2022 pursuant to clause 9.2 (d) are materially incorrect (Reporting Certificate dated 27 April 2022 is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on 27 April 2022 and our conclusion is expressed as at that date.

### The Register and Stock

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

Based on the work described in this Report, as at 30 June 2021 the following balances are given:

Total stock of	\$137,560,251
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This is comprised of:

○ Security stock of	\$38,000,000
○ Bearer stock of	\$0
○ Other stock of	\$0
○ Security stock (Local Government Funding Agency stock) of	\$99,560,251

Based on the work described in this Report, as at 30 June 2021 the following balances are given:

Total Principal Money owing and secured under the stock of	\$99,560,251
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This is comprised of:

○ Security stock of	\$0
○ Bearer Stock of	\$0
○ Other stock of	\$0
○ Security stock (Local Government Funding Agency stock) of	\$99,560,251

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

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2021 the Council had 14,420,000,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2021 is as follows:

<b>000s</b>	
14,420,000	units of Security Stock on issue associated with the guarantee
79,610	accrued interest
(1,000,000)	Treasury Stock <sup>2</sup> held by the Local Government Funding Agency

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

110,220	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
13,609,830 <sup>3</sup>	Total borrowings of the Local Government Funding Agency at 30 June 2021

The Reporting Certificate dated 27 April 2022 (attached) requires the Council to report Security Stock (issued with a floating nominal amount) no more than five business days before the date of the Reporting Certificate. The Council has 16,512,792k units of Security Stock on issue associated with the guarantee at that date. This value includes 1,100,000k of Treasury Stock held by the Local Government Funding Agency and excludes accrued interest. The Local Government Funding Agency may have lent an amount of the Treasury Stock to the market via repurchase agreements.

### Independence and quality control

We complied with the Auditor-General's:

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

In addition to this engagement we performed the annual audit of the Council's annual financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.



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

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<sup>3</sup> The NZLGFA issued its shareholders and guarantors with a letter dated 28 July 2021. That letter says that the unaudited total borrowings at 30 June 2021 are \$13,609,830k. The difference between the audited total borrowings of \$13,604,610k and the unaudited total borrowings is \$5,220k. This difference arose because NZLGFA did not report the face value of Treasury stock lent to counterparties under bond repurchase agreements in their letter dated 28 July 2021 for the year ending 30 June 2021. In the unlikely event of a default, we are of the view that it is the face value of the securities plus any accrued interest that would be payable.

## Appendix One

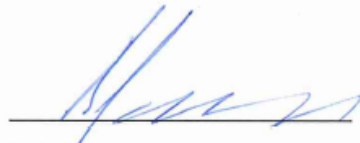
Copy of the reporting certificate dated 27 April 2022

<b>REPORTING CERTIFICATE</b>		
I, Bede Carran the Chief Executive of Timaru District Council (the "Council") hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated 15 May 1998 (the "Trust Deed").		
1. Since the date on which the last Reporting Certificate was given:		
(a)	all interest due on the Stock has been paid;	
(b)	all Stock which has fallen due for repayment has been repaid;	
(c)	No Event of Default has occurred and remains unremedied.	
2. As at 30 June 2021 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:		
(i)	Debenture Stock of comprising:	\$Nil
	First Ranking Debenture Stock of	\$Nil
	and Second Ranking Debenture Stock of	\$Nil
(ii)	Security Stock (issued with a fixed nominal amount) of comprising:	\$38,000,000
	First Ranking Security Stock of	\$38,000,000
	and Second Ranking Security Stock of	\$Nil
	together with:	
(iii)	Security Stock (issued with a floating nominal amount), which as at 26 April 2022 (being no more than 5 business days before the date of this certificate) amount to:	16,512,791,699 (plus accrued interest)
3. The Council has complied with the Act in connection with the Trust Deed, the Register and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by this Deed, except for completing this reporting certificate after the due date.		
4. For the purposes of the Trustee's registration on the Personal Property Securities Register of a financing statement in respect of the security created by the Trust Deed, the following details are correct at the date of this Certificate:		
<b>Council Details:</b>		
Council Name: Timaru District Council		
<b>Contact Address:</b>		
Address: King George Place, PO Box 522		
City/Town: Timaru		
Telephone: 03 687 7200		
Facsimile: 03 687 7205		
E-mail Address: enquiry@timdc.govt.nz		
<b>Person acting on behalf of organisation:</b>		
Full Name: Azoora Ali (Chief Financial Officer)		
Address: PO Box 522		
City/Town: Timaru		
Telephone: 03 687 7200		
Facsimile: 03 687 7205		
E-mail Address: <a href="mailto:azoora.ali@timdc.govt.nz">azoora.ali@timdc.govt.nz</a>		

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

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

**Dated:** 27 April 2022



Bede Carran  
Timaru District Council

## Appendix Two

Copy of the audit report on the Register



### Independent Assurance report

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

### Assurance Report Pursuant to section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014

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#### Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the registers of security holders (the "Register") maintained by the Company with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.

---

#### Basis for Opinion

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

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

---

#### Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that complies with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.
- identification of risks that threaten compliance with the requirements of section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

---

#### Our Independence and Quality Control

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

PricewaterhouseCoopers, PwC Tower, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand  
T: +64 9 355 8000, [www.pwc.co.nz](http://www.pwc.co.nz)



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**Assurance Practitioner's Responsibilities**

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

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

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**Inherent Limitations**

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

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**Restriction on Distribution and Use of our Report**

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

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

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

A handwritten signature in black ink, appearing to read 'Priscilla Coppen', written in a cursive style.

Chartered Accountants  
30 July 2021

Auckland

**6.6 Audit New Zealand Audit Plan 2021/22****Author:** Azoora Ali, Chief Financial Officer**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy**Recommendation**

That the report be noted and received.

**Purpose of Report**

- 1 To provide the committee with the Audit Plan for the 2021/22 Annual Report audit.

**Assessment of Significance**

- 2 This matter is considered to be of low significance when assessed against Council's Significance and Engagement Policy. The audit plan issued by Audit New Zealand (Audit NZ) provides guidance on a range of audit issues connected to the audit of Council's Annual Report 2021/22. The audit plan does not affect Council's direction, governance and management of its strategic assets, levels of service or rates. For these reasons the item is considered to be of low significance.

**Background**

- 3 Audit New Zealand on behalf of the Auditor General are auditors for Timaru District Council.
- 4 The audit of the annual report for the year ended 30 June 2022 is due to be completed by 28 November 2022.
- 5 The Audit opinion is due to be issued by 20 December 2022.
- 6 Council is usually required to adopt an audited annual report within four months of its balance date. However, extension of time limit for 2020/21 and 2021/22 audits have been provided.
- 7 In relation to the financial year ending with 30 June 2022, the audit report referred to in that subsection must be provided by the Auditor-General no later than the close of 31 December 2022.
- 8 The draft audit plan attached covers the requirements above as stated in the proposed audit timetable on page 15.
- 9 The focus areas identified for the audit and the audit logistics are consistent with management expectations.

**Relevant Legislation, Council Policy and Plans**

- 10 Local Government Act 2002

**Financial and Funding Implications**

- 11 There is a budget of \$157,000 excluding GST for the cost of the Audit. The proposed 2022 Audit fee is \$156,247 excluding GST.

**Conclusion**

- 12 Timaru District Council is required to prepare an audited annual report for the year ended 30 June 2022. The audit plan sets out the focus areas, audit process and logistics to enable the annual report and audit to be completed.

**Attachments**

1. **Audit NZ Audit Plan for the year ending 30 June 2022** [!\[\]\(82fee73862c1032ec48052e374e31eaf\_img.jpg\) !\[\]\(6f597b56f225229e33735867d9be2833\_img.jpg\)](#)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

## Timaru District Council

For the year ending 30 June 2022

## 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 2022. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Group audit .....	7
Our audit process.....	8
Reporting protocols .....	14
Audit logistics .....	15
Expectations.....	18

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  
13 June 2022

## 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
<b>Revaluation of property, plant and equipment (PPE)</b>	
<p>Infrastructure assets need to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The relevant accounting standard is PBE IPSAS 17, <i>Property, Plant and Equipment</i>.</p> <p>Management has advised that the infrastructure assets will be revalued as at 30 June 2022.</p> <p>We request that the Council keeps us informed of progress with:</p> <ul style="list-style-type: none"> <li>the revaluations;</li> <li>the outcome any advice sought; and</li> <li>the steps being taken to ensure the underlying asset data is accurate, complete and appropriate for valuation purposes.</li> </ul> <p><b>Audit risk:</b></p> <p>The carrying value of PPE disclosed in the financial statements is materially different from the fair value.</p>	<p>For the asset classes that will be subject to a revaluation, we will:</p> <ul style="list-style-type: none"> <li>assess the management systems and controls in place to ensure the accuracy and completeness of asset data used in the valuation;</li> <li>obtain the valuation report, and review the methodology for reasonableness and consistency with generally accepted accounting and valuation practice;</li> <li>assess the reasonableness of significant assumptions in the valuation and the resulting valuation produced;</li> <li>evaluate the qualifications, competence, independence, objectivity, and expertise of the external experts used to assist with the valuation;</li> <li>confirm that any fair value movements, arising from the valuation, have been appropriately accounted for in the Council's financial statements, and</li> <li>review the Council's assessment of fair value against carrying value, for each asset class not scheduled to be revalued this year.</li> </ul>
<b>Accounting for Council's group entities</b>	
<p>The Council's consolidated financial statements include financial information from its subsidiary and associates.</p> <p>The Council will need to continue to determine and assess the reporting implications that arise from accounting policy differences between the</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>obtain assurance from the audits of the Council's significant components that this financial information is materially correct for group reporting purposes;</li> </ul>

Audit risk/issue	Our audit response
<p>Council’s group financial statements, prepared under Public Benefit Entity (PBE) accounting standards, and its for profit entity subsidiary and associates.</p> <p>They key differences are:</p> <ul style="list-style-type: none"> <li>• Associates have differences in valuation policies for land and buildings;</li> <li>• Associates have differences in impairment policies for land and buildings; and</li> <li>• Subsidiary and associates have differences in policies for accounting for leases.</li> </ul> <p>We note that Timaru District Holdings Limited (TDHL) has a prior period error that is yet to be recognised which could be complicated when the Council changes its accounting policy for recognition of land and buildings. Also, PrimePort Timaru Limited (PPTL) currently only revalues land but not buildings.</p>	<ul style="list-style-type: none"> <li>• meet regularly with senior management to discuss audit progress on the group financial statements and any significant group concerns that could affect the group consolidation or reporting timeframes, and develop an audit response as required; and</li> <li>• review management’s assessment of the mixed group reporting implications and review any consolidation adjustments required to ensure compliance with the relevant accounting standards especially for recognition of the group’s land and buildings assets.</li> </ul>
<b>Property, plant and equipment (PPE)</b>	
<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 than 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><b>Audit risk:</b></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>

Audit risk/issue	Our audit response
<b>Three waters reform</b>	
<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>On 29 April 2022, the Government announced that the three waters reforms will proceed with local councils taking non-financial shareholdings in four new public water entities. There is still considerable information to come as to what these reforms mean for the Council before the remaining issues are clarified.</p>	<p>We will monitor the information that will be released and discuss the implications with you, as appropriate, to ensure that the impacts are appropriately accounted for and/or appropriate disclosures are made.</p> <p>We will also review the Council’s recognition of revenue, deferred from the 2020/21 year, from the Government’s stimulus package, to ensure it has been correctly accounted for.</p>
<b>Compliance with drinking water standards</b>	
<p>The Council is required, along with other territorial authorities, to report on its compliance with the drinking water standards (DWS) to:</p> <p>The extent to which the drinking water supply complies with:</p> <ul style="list-style-type: none"> <li>• Part 4 of the drinking-water standards (bacteria compliance criteria); and</li> <li>• Part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul> <p>We understand that drinking water online database ceased its general access from 30 November 2021 and the drinking water assessor (DWA) role was terminated.</p> <p>We assume that the Council has modified its processes to ensure that it has robust systems in place to accurately capture and report its compliance.</p>	<p>We will review the Council’s systems to assess how we can practically obtain sufficient assurance over the Council’s compliance with the DWS. We will then perform the required testing.</p>

Audit risk/issue	Our audit response
<b>The risk of management override of internal controls</b>	
<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><b>Audit risk:</b></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"> <li>• testing the appropriateness of selected journal entries;</li> <li>• review of accounting estimates for indications of bias;</li> <li>• evaluation of any unusual or one-off transactions, including those with related parties;</li> <li>• 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</li> <li>• review of any changes in Council’s accounting policies.</li> </ul>

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, effectively?
- 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](https://oag.parliament.nz/reports/fraud-reports).

## Group audit



The group comprises:

- Timaru District Council
- Venture Timaru Limited (100% owned)
- Alpine Energy Limited (47.5% owned) accounted for as an associate
- Aorangi Stadium Trust (100% interest)
- Timaru District Holdings Limited (100% owned)
- Downlands Water Supply (82% share) accounted for as a joint operation
- PrimePort Timaru Limited (50% owned) accounted for as an associate

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>

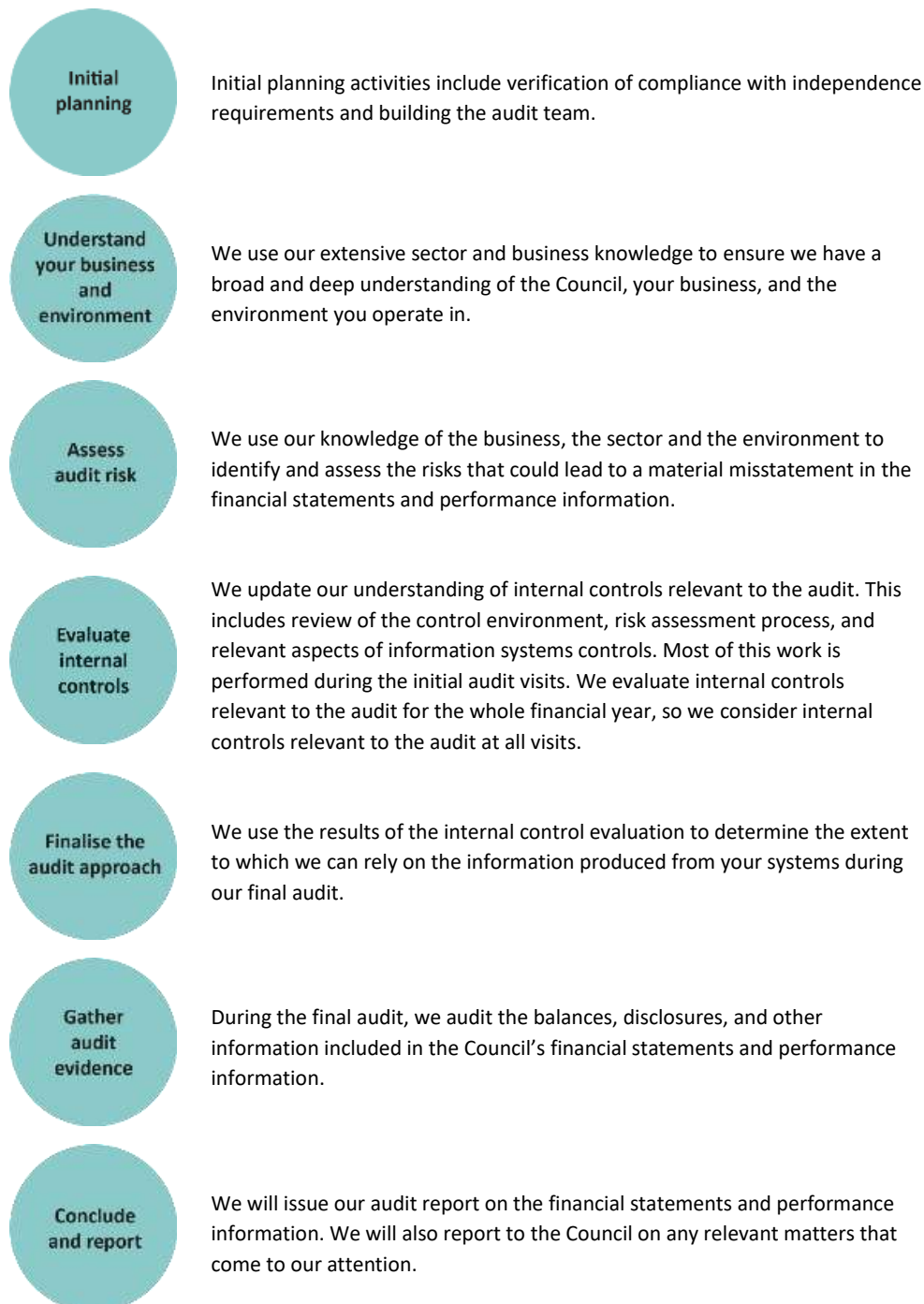
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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 auditors. 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 auditors.

## Our audit process



## 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 on the stewardship and allocation of resources, or assessment of 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 parent and group materiality** for the financial statements at \$124,542,000, based on last year's total property, plant and equipment (PPE). This is subject to change once the actual results for the current year are available. We only apply this overall materiality to the fair value of PPE where the corresponding entry is to other comprehensive revenue or expense.

Overall group and parent materiality	\$124,542,000
Specific group materiality	\$2,702,000
Specific parent materiality	\$2,595,000
Group clearly trivial threshold	\$135,000
Parent clearly trivial threshold	\$130,000

For this audit we have set a lower, **specific group materiality** of \$2,702,000 for all items not related to the fair value of property, plant and equipment as noted above.

We have set a lower, **specific materiality** parent materiality of \$2,595,000 for all items not related to the fair value of property, plant and equipment as noted above.

We also set a lower, specific materiality for some items due to their sensitivity. For example, we apply a lower specific materiality to 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 \$135,000 to be clearly trivial for the **group** financial statements, and misstatements of less than \$130,000 to be clearly trivial for the **parent** financial statements, 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><b>Water</b></p> <p>The extent to which the local authority’s drinking water supply complies with:</p> <ul style="list-style-type: none"> <li>Part 4 of the drinking-water standards (bacteria compliance criteria); and</li> </ul>	<p>Quantitative materiality is not applicable<sup>1</sup></p>

<sup>1</sup> The reported result is to be consistent with supporting qualitative information.

Material measure	Materiality
<ul style="list-style-type: none"> <li>Part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul> <p>Percentage of customers (who receive a service) are satisfied with the water supply. Measured through the annual residents' survey.</p>	<p>Quantitative materiality is not applicable<sup>2</sup></p> <p>8%</p>
<p><b>Wastewater</b></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"> <li>abatement notices;</li> <li>infringement notices;</li> <li>enforcement orders; and</li> <li>convictions;</li> </ul> <p>received by the TA in relation those resource consents.</p>	<p>8%</p> <p>8%</p> <p>8%</p>
<p><b>Stormwater</b></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 Council's stormwater system.)</p> <p>Compliance with the resource consents for discharge from the stormwater system, measured by the number of:</p> <ul style="list-style-type: none"> <li>abatement notices;</li> <li>infringement notices;</li> <li>enforcement orders; and</li> <li>convictions.</li> </ul> <p>received by the territorial authority in relation to those resource consents.</p>	<p>8%</p> <p>8%</p> <p>8%</p>
<p><b>Public health and safety</b></p> <p>Maintain Building Consent Authority Accreditation.</p>	<p>Quantitative materiality is not applicable<sup>3</sup></p>
<p><b>Road safety</b></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>

<sup>2</sup> The reported result is to be consistent with supporting qualitative information.  
<sup>3</sup> The reported result is to be consistent with supporting qualitative information.

Material measure	Materiality
<p><b>Smooth travel exposure</b></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 of 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 we receive management comments, 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 again 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.

However, we note that we are committed to helping ensure that the Council meets its statutory deadline of 31 December 2022.

Our proposed timetable is:

Partial interim audit	TBC
Draft financial statements and performance information available for audit (including notes to the financial statements) with actual year-end figures	28 October 2022
Final audit begins	1 November 2022
Final annual report available, incorporating all the amendments agreed between us	28 November 2022
<b>Audit and Risk Subcommittee meeting</b>	TBC
Audit opinion issued	By 20 December 2022
Draft report to the Council issued	TBC

### **AuditDashboard**

In 2021, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard to transfer information as part of the audit.

More information on this new tool can be found at: [Information about AuditDashboard](#).

### **Working remotely**

Covid-19 restrictions and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic, have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information, and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time instead of having all the information requested, ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To complete audit work off-site and fully obtain the benefits detailed above, you will need to:

- ensure that you, and the audit team, can assess your systems remotely; and
- store supporting documents electronically and be able to easily retrieve them.

During the previous audit, we were able to perform some of our audit work remotely. Based on our experience, we found that the Council has reasonable systems and processes in place to facilitate future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will discuss and agree off-site working expectations, in conjunction with our information requests with you, as part of your 2022 audit. This will include our continued use of AuditDashboard to manage our information requests.

## 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.



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**6.7 Committee and Auditor only time (agenda placeholder)**

**Author:** Ernest Bernard, Risk and Assurance Manager

**Authoriser:** Jason Rivett, Acting Group Manager Commercial & Strategy

**Purpose**

**An opportunity for the Committee to discuss matters of business with the Auditor.**

**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><b>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 7 March 2022</b></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)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</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><b>10.2 - Public Excluded Action Points</b></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)(h) - The withholding of the information is necessary to</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

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

**10 Public Excluded Reports**

**10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 7 March 2022**

**10.2 Public Excluded Action Points**

**10.3 Cyber Security Report**

**10.4 Issues Watch Register**

**10.5 Committee and Chief Executive only time (agenda placeholder)**

**11      Readmittance of the Public**