



AGENDA

Audit and Risk Subcommittee Meeting Tuesday, 18 June 2019

Date Tuesday, 18 June 2019

Time 11am

Location Meeting Room 1
Timaru District Council
King George Place
Timaru

File Reference 1258207

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Subcommittee will be held in the Meeting Room 1, Timaru District Council, King George Place, Timaru, on Tuesday 18 June 2019, at 11am.

Audit and Risk Subcommittee Members

Clrs Peter Burt (Chairperson), Andrea Leslie and Nigel Bowen, the Mayor Damon Odey and Keiran Horne.

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.

Donna Cross

Group Manager Commercial and Strategy

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

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Subcommittee Meeting held on 4 December 2018

Author: Jo Doyle, Executive Assistant, Commercial and Strategy

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the Minutes of the Audit and Risk Subcommittee Meeting held on 4 December 2018 be confirmed as a true and correct record of that meeting (replacing those included in the agenda for 9 April 2019).

Attachments

- 1. Unconfirmed Minutes - Audit and Risk Subcommittee - 04.12.2018 - Public Minutes**

Timaru District Council

Minutes of a meeting of the Audit and Risk Subcommittee held in meeting room 1, Timaru District Council building, King George Place, Timaru on Tuesday 4 December 2018 at 11.00am

Present Clrs Andrea Leslie (Acting Chairperson) and Nigel Bowen, Mayor
Damon Odey and Keiran Horne

In attendance Chief Executive (Bede Carran), Audit NZ Director (Ian Lothian)
People and Capability Manager (Symon Leggett) for items 1-9,
Group Manager Infrastructure (Ashley Harper) for item 17, Chief
Information Officer (Justin Bagust) for item 16, Group Manager
Environmental Services) Tracy Tierney for item 17 and Executive
Assistant Corporate Services (Jo Doyle)

Proposed Clr Nigel Bowen
Seconded the Mayor

Apology "That the apology from Clr Peter Burt be accepted"

Motion Carried

1. Matter of a Minor Nature

The Mayor thanked Clr Andrea Leslie for acting as chairperson for this meeting and the three meetings prior, it was to be noted what a good job has been done.

2. Confirmation of Minutes

There was a query in regards to the Risk Register and it was confirmed that the risk assessment will be done in the next quarter as the risk framework for the organisation is to be introduced.

Proposed the Mayor
Seconded Clr Nigel Bowen

"That the minutes of the Audit and Risk Subcommittee meeting held on 25 September 2018, be confirmed as a true and correct record, subject to a wording change as follows – the wording in the Health & Safety report "people will be coming in for prevention and health, nutrition and wellbeing" to be changed to people will be coming in to provide seminars for prevention, and health initiatives".

Motion Carried

3. **Work Programme**

The Subcommittee considered the work programme for the next 12 months.

The Internal Audit has moved from December to April, due to the resource requirements to complete the Alpine Energy Limited shares consultation, and the Annual Report.

There was discussion around the risk associated with pushing this work out to the next quarter, but the risk of rushing this work was higher than deferring it.

The implementation of an organisational wide framework for the risk register is to be done. This will be reviewed at a SLT level and will become a living document. This document will need to be used so that risk is assessed at every level and be part of the culture.

Proposed Clr Nigel Bowen
Seconded Keiran Horne

“That the report be received and noted.”

Motion Carried

4. **Corporate Risk Register**

The Subcommittee considered a report providing an update on the Corporate Risk Register.

The Work Delegations is being reviewed as it appears when Council is challenged it is done through delegations. The Delegations need to be specific so that all staff know what their delegations are.

With the restructure, the delegated authorities have been rolled over on an interim basis and stay with new positions.

The current non filled positions are being covered with an employee of PWC and a consultant as acting Group Manager who has previously been involved with Audit and Risk matters.

Proposed the Mayor
Seconded Clr Nigel Bowen

“That the report be received and noted.”

Motion Carried

5. **Health and Safety Report**

The Subcommittee considered the report by the People and Capability Manager, providing an update on health and safety activity.

The annual health and safety week was very well supported with basic health checks provided by a visiting health professional.

Also covered was an introduction towards emergency preparedness in regards to AF8, for at work and at home. As Council relies on staff to man the EOC and critical functions, it is important that staff have the home sorted for emergency events so they are able to come to work.

Lost time injuries are now covered in the report and it is acknowledged that behaviour is an integral part and procedures need to be followed to be effective.

Abuse of staff continues to be a theme to regulatory and parking staff, and Libraries and Customer Services are becoming more of a concern.

The People and Capability Manager shared concern about staff confidentiality and requested that this report be included in Public Excluded so it can be discussed more thoroughly. This was supported by the committee with matters regarding privacy or safety of staff.

In regards to the restructure, there is an increased level of emotion and increased work pressures, support is available and is strongly encouraged, as are regular conversations with Unit Managers who are aware of the pressures and the impact as the change is worked through.

A workplace satisfaction survey was completed in November with results due mid December. An action plan is to be looked at after that and it is expected this will provide a good benchmark for following year.

This survey was purposefully done at this time of year knowing there would be some people who are unhappy, but the intention is that this is a good indicator at what team might need. The Committee requested that the survey results and any Health & Safety issues should come to this committee.

Proposed the Mayor
Seconded Cllr Nigel Bowen

“That the report be received and noted.”

Motion Carried

6. Tax Risk Management Report

The Subcommittee considered a report providing an update on Tax Risk Management.

The report states there are 2 staff trained specifically with local government tax issues, only one of these staff members is still at Council, therefore more staff will need to be trained in future.

Proposed the Mayor
Seconded Clr Nigel Bowen

“That the report be received and noted.”

Motion Carried

7. OVG Rating Valuation Report

The Subcommittee considered an audit report received from the Office of the Valuer-General.

Proposed Clr Nigel Bowen
Seconded the Mayor

“That the report be received and noted.”

Motion Carried

8. Accounting Policy for Property Plant and Equipment

The Subcommittee considered a report on the merits of Council changing its policy for measuring Council’s property, plant and equipment.

Accounting policies suggest that the best available information available be used and assets should be re valued either annually or three yearly, as this provides better information about large assets when making strategic decisions.

The Capital works are likely to be less than the current rating, and that is a concern. EY will be asked to review and confirm that is accurate.

Movements are likely to be substantial, and 1 billion expected to be total value of assets.

Timaru District Council is the only council left using this policy.

The Audit NZ Director summarised that depreciation and accounting services need to be up to date and reliable compared to other councils, this should be in place for the LTP and Audit processes. A three year cycle means this information becomes more meaningful for ratepayers, councils and all of NZ.

There is no reason that Timaru District Council should not change to this new model, and overall, Council will be much better informed with up to date comparative reports each year.

This new accounting policy is prudent and the impacts may mean the Council is possibly under insured. It is important that insurance is matched against assets held.

Heritage and Art works are to be kept separate. Where no practical value, use cost in this regard. Social value to the community is taken in to consideration.

Proposed the Mayor
Seconded Clr Nigel Bowen

“That the report be received and noted, with a recommendation to the Policy & Development Committee that Council measure the assets in the following classes on a revaluation basis.

External Resource supported in the first year then once internal framework is in place, this could be done on a yearly basis internally. Assets would be on a staggered yearly rotation basis.

Timeframe can be reassessed, and certain assets could be staggered on a three yearly basis.”

Motion Carried

9. Exclusion of the Public

Proposed the Mayor
Seconded Clr Nigel Bowen

“That the Subcommittee resolves to exclude the public with the exception of Audit New Zealand Director Ian Lothian, on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

Confirmation of Minutes

Legal Update

Cyber Security Report

Drinking Water Standards

Section 7(2)(b)(ii)

The withholding of information is necessary to protect the information that would be likely unreasonably to prejudice the commercial position of the person who supplied the information.

New Structure for Timaru District Council

7(2)(a)

The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons.

10. **Readmittance of the Public**

Proposed	Clr Nigel Bowen
Seconded	The Mayor

“That the report be received and noted.”

Motion Carried

The meeting concluded at 12.45 pm.

Chairperson

5.2 Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019

Author: Jo Doyle, Executive Assistant, Commercial and Strategy

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the Minutes of the Audit and Risk Subcommittee Meeting held on 9 April 2019 be confirmed as a true and correct record of that meeting.

Attachments

- 1. Unconfirmed Minutes - Audit and Risk Subcommittee - 09.04.2019 - Public Minutes**

Timaru District Council

Minutes of a meeting of the Audit and Risk Subcommittee held in meeting room 1, Timaru District Council building, King George Place, Timaru on Tuesday 9 April 2019 at 11.00am

Present Clrs Peter Burt (Chairperson), Andrea Leslie and Nigel Bowen and Keiran Horne

In attendance Chief Executive (Bede Carran), Audit NZ Officers (John Mackey (Director) and Andrew Timlin (Manager)) Group Manager Commercial and Strategy (Donna Cross), previously interim Acting Group Manager Commercial and Strategy (Stephen Halliwell), People and Capability Manager (Symon Leggett), Chief Financial Officer (David Codyre), Chief Information Officer (Justin Bagust), Executive Assistant Commercial and Strategy (Jo Doyle)

Apologies Proposed Clr Bowen
Seconded Keiran Horne

“That the apology from the Mayor be accepted”

Motion Carried

1. **Welcome**

The Chief Executive welcomed new Group Manager Commercial and Strategy, Donna Cross to the meeting. It was noted Donna’s name appears on reports as she has now started in the Group Manager role. However she had not authored those reports, which were prepared by Stephen Halliwell who has been Acting Group Manager Commercial and Strategy.

2. **Identification of Items of Urgent Business**

No items of urgent business were raised.

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

No items of a minor nature were raised.

4. **Declaration of Conflicts of Interest**

Members present confirmed there were no conflicts of interest to be declared.

5. **Confirmation of Minutes**

Management advised that the minutes of the previous meeting that are contained in the agenda have been amended, with the amendments having been circulated to all attendees prior to the current meeting.

Management noted that no recommendations or resolutions had changed from the minutes in the agenda, and discussed the nature of the changes made. During this discussion it was noted that the Delegations Manual is being reviewed in its entirety by Anderson Lloyd and that EY are advising on the fair value asset accounting policy change.

Proposed Keiran Horne

Seconded Clr Leslie

“That the minutes of the Audit and Risk Subcommittee meeting held on 4 December 2019 be approved subject to the changes as tabled, with the amended minutes to be included in the report for the 18 June 2019 meeting to be confirmed as a true and correct record.”

Motion Carried

6. **Work Programme**

The report on the work programme contained a formatting error, affecting the dates for certain tasks. A corrected work programme will be reported at the next meeting.

The Chief Financial Officer advised that the Interim Management Audit Report scheduled for the April meeting has moved as Audit New Zealand have not undertaken the interim audit for Annual Report 2018/19

Proposed Keiran Horne

Seconded Clr Bowen

“That the report be received and noted.”

Motion Carried

7. **Corporate Risk Report and Register**

Capital projects:

In presenting the risk register the Chief Executive highlighted that a new risk out of the Long Term Plan, relating to the delivery of the capital works programme, had been included. The Long Term Plan resulted in a significant uplift of the Capital works programme. Interim reporting at months 4 and 8 shows Council delivery of this programme is behind expectations.

The Subcommittee queried whether management has identified the reasons for the delay to capex underperformance, and why the residual risk (critical) had not changed given the changes (mitigations) that are being implemented.

Management noted that a number of reasons for the delays had been identified; the difficulty is with considering how to weigh these to better understand impact.

To mitigate this risk, and as an outcome of the recent organisational changes, a new Programme Delivery role is being introduced to give greater visibility across all projects.

Until mitigations are proven effective (with 4 monthly performance reporting to the Council), management considers the risk should remain classified as critical.

With a Risk and Assurance Manager role also being introduced, it was noted by a member of the Subcommittee that this presents an opportunity to review the Council's risk framework and reporting to enhance how those tools are integrated and used within the organisation, and to support decision making.

Cyber:

A Subcommittee member noted the absence of cyber risk on the register, and asked management to consider whether this should be included.

Seismic risk:

The risk in relation to potentially earthquake prone buildings was discussed [Council buildings deemed to be unusable], with the residual risk queried. Initial seismic assessments have been carried out for key Council owned buildings with potential seismic risk, and from this a number of premises will need a detailed assessment. Management is to check the status and outcomes of seismic assessments on Council owned buildings and report back to the governing body.

Council Controlled Organisations (CCOs):

Managing CCO risk was discussed given CCO activities can impact on the Council, noting they are often seen as one in the same. Management was asked to look at developing a process to enable key risk reporting by CCO's to be incorporated into the report to the Council's Audit and Risk Subcommittee.

Proposed Keiran Horne
Seconded Clr Bowen

"That a review of the Council's risk management framework be carried out by management to enhance how it is used within the organisation; and

"That the report be received and noted."

Motion Carried

8. Health and Safety Update

Group Manager People and Digital Symon Leggett spoke to the report highlighting:

- The number of incidents reported is increasing across the organisation. This is seen as a positive as it indicates an increased staff awareness of incident

reporting and the need for incident management. Training has been provided with a strong emphasis on dealing with our high risk activities.

- Vehicles and verbal abuse remain as a high risk and training is focused on mitigating these issues. Recent training has included rehearsing lock down procedures of the main building and will be considered for other sites.
- The findings from the LUCAS audit report were discussed and remedial activity has been built into ongoing maintenance plans for each site.
- The establishment of a large Health & Safety Committee has ensured a good representation across the business. The Committee capitalised on the energy at the start with the new group and several working groups were established. This may have been too ambitious and is now narrowed down to 2 resource groups focusing on SOP on high risks areas of people and driving, before moving on to next areas.
- The new Worksafe tool “SafePlus” is not easily suited to a local government environment and investigation of other self-assessment tools are underway with the Canterbury Health and Safety Advisory Group.

In response to a question from the Subcommittee on cyber bullying, it was noted there is no cyber bullying policy in place. However there are mechanisms to keep staff safe from bullying from social media. The risk from cyber bullying will be assessed to determine the appropriate level of support required.

Proposed Cllr Leslie
Seconded Cllr Bowen

“That the report be received and noted.”

Motion Carried

9. Audit New Zealand Management Report for the Year Ended 30 June 2018

Audit New Zealand Audit Manager Andrew Timlin advised that there were no findings of an urgent or significant nature in the audit report.

Stephen Halliwell provided an overview of the report. The focus has been on clearing audit items so that the Subcommittee is satisfied and that view can be expressed to auditors. [The after hours service request has at this stage not been looked into further].

Management confirmed that Council have resolved to implement the Accounting Asset Revaluation programme and that this will be implemented from 1 July 2019. A project plan will be developed, and in addition to the asset management advice already received from Waugh Infrastructure advice is being sought from EY on the implementation of the accounting policy change.

Proposed Clr Bowen
Seconded Keiran Horne

“That the report be received and noted; and

That the Subcommittee receive updates each meeting on progress toward clearing outstanding matters raised by audit.”

Motion Carried

10. **Audit Plan 2018/19**

Audit New Zealand Audit Director John Mackey spoke to the Audit Plan. He noted the plan is still in draft, with timing to be confirmed on the interim audit and the timing of the adoption of annual report.

Several areas of investigation by Audit NZ across all of Local Government are expected this year:

- Rates - ensuring they comply legally with all Acts.
- Prudent expenditure decisions of Mayor and Chief Executives.
- Bribery and corruption, depending on area worked in, a standard questionnaire will be issued and policies need to be place.

The timing of adoption of the 2018/19 Annual Report is yet to be resolved. There was a preference at the meeting that best endeavours should be made for this to be adopted prior to the current Council finishing its term. Management advised an independent report into last year's late Annual Report is currently being finalised and is expected in the next few weeks.

The final Audit Plan with timetable for the Annual Report to be finalised is to be reported back to the next Audit and Risk Subcommittee meeting on 18 June.

Proposed Clr Bowan
Seconded Clr Leslie

“That the report be received and the Subcommittee approve the Audit Plan 2018/19 subject to confirmation of the timetable.”

Motion Carried

11. **Internal Audit Programme**

Former Acting Group Manager Stephen Halliwell provided an overview of the report, noting that the GST review had not been undertaken and that an extended external tax review is proposed for the coming year.

Chief Information Officer Justin Bagust spoke to the records management and network reviews undertaken. The records management team is now structured within the IT team, and are working on a reclassification structure, changing how data is filed. A digital back scan project using this new structure is under way and will make it easier to classify documents.

IT network review is constant as this sector is always changing as new technology is discovered especially with security and physical access to our network. Lockable cabinets have recently been installed in Timaru District Council service centres.

Border Gateway Protocol, includes multiple redundant connections so that the business should not be isolated in the event of primary connection failure.

Disaster recovery centre at Southern Trust Events Centre has had a fibre connection installed.

Extra steps are in place with payroll bank account and changes must be confirmed with verbal acceptance. Ongoing staff training with the monitoring of staff emails in sites such as LinkedIn and phishing emails are used to educate staff.

Proposed Keiran Horne
Seconded Clr Bowen

“That the following internal audit programme for 2019/20 is agreed:

- a. Tax review – An independent review from a tax professional on GST/FBT and PAYE/RWT compliance.
- b. Confirmation of maintenance of financial internal controls and probity during changes in key financial staff from November 2018 to March 2019.”

Motion Carried

12. **Fitch Credit Rating Report**

The Fitch Credit Rating Report was received, noting that Council maintained its current credit rating. Council’s rating is comparable to other NZ councils.

Proposed Clr Burt
Seconded Clr Leslie

“That the report be received and noted.”

Motion Carried

13. **Consideration of Items of Urgent Business**

No items of urgent business were raised.

14. Consideration of Minor Nature Matters

The Subcommittee was updated on the appointment of a second independent Subcommittee member and that one of the independent members is to become the Chair. It was noted that the Policy and Development Committee that had considered this had nominated the effective date to be after the election.

Keiran Horne encouraged elected members to review, when the independent Chair is introduced, the structure of the Audit & Risk Subcommittee (in particular whether the Audit and Risk Subcommittee should report directly to Council), and the Terms of Reference.

15. Exclusion of the Public

Proposed Keiran Horne
Seconded Clr Bowen

“That the Subcommittee resolves to exclude the public with the exception of Audit New Zealand Directors, on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

Confirmation of Minutes**Cyber Security Report****Insurance Review****Legal Update**

The withholding of information is necessary to protect the information that would be likely unreasonably to prejudice the commercial position of the person who supplied the information.

Section 7(2)(b)(ii)

Employee Matters**Update on New Structure for Timaru District Council**

7(2)(a)

The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons.

16. **Readmittance of the Public**

Proposed	Clr Burt
Seconded	Clr Leslie

“That the report be received and noted.”

Motion Carried

The meeting concluded at 1.55 pm.

Chairperson

6 Reports

6.1 Work Programme

Author: David Codyre, Chief Financial Officer

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

- 1 That the report be received and noted.

Purpose of Report

- 1 This report is to update and outline the proposed work programme for the Subcommittee for the next 12 months.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy.

Background

- 3 Attachment 1 outlines the proposed 12 month work programme. This will be updated on a 12 month rolling basis and included with every agenda.

Identification of Relevant Legislation, Council Policy and Plans

- 4 Local Government Act 2002.

Funding Implications

- 5 The internal audit programme has funding of \$25,000.

Attachments

1. **Audit and Risk Subcommittee - Work Programme - 18 June 2019**

Audit and Risk Subcommittee – Work Programme

	June 2019	October 2019	December 2019	April 2020
Regular tasks				
Corporate risk register update (quarterly)	X	X	X	X
Review of top risks (6 monthly)		X		X
Review complete risk register (annually)		[X]		
Health and safety update (quarterly)	X	X	X	X
Draft annual report review (annually)		X		
Review audit representation letters (annually)		X		
Tax risk management report (annually)			X	
Internal audit programme (annually)				X
Audit engagement letters (annually)		X		
Interim audit management report (annually)		X		
Audit management report (annually)			X	
Insurance review (annually)	X			
Accounting policy review (annually)	X			
Legal update (quarterly)	X	X	X	X
LGOIMA requests - previous 12 months (quarterly)	X	X	X	X
Specific tasks				
Credit rating review				X
Internal audit and assurance programme				X
Internal audit shared service process review follow-up		X	X	

6.2 Health and Safety Update

Author: Symon Leggett, Group Manager People and Digital

Authoriser: Symon Leggett, Group Manager People and Digital

Recommendation

That the report be received and noted.

Purpose of Report

- 1 This report is to provide an update on health and safety activity since the last report to the Audit and Risk Subcommittee in April 2019.
- 2 The health and safety of staff, contractors and members of the public who use our facilities is a constant focus for the organisation. Continuous improvement is a key theme to ensure we're always striving for a stronger safety culture.

Assessment of Significance

- 3 Very low

Update on Activity

- 4 April's report to the sub-committee noted the need to refocus our working groups onto the completion of Standard Operating Procedures for critical risks. This has proved invaluable and great progress has been made.
- 5 The focus remains on the assessment of critical risks across the organisation, but there is also a need to continually improve our understanding and awareness of hazards within our work environments.
- 6 The Canterbury Health and Safety Advisory Group continues to provide benefit with the sharing of resources, processes and experiences. The current focus has shifted towards contractor management.
- 7 You'll recall that we recently changed providers for vehicle tracking and that we were working extensively with the supplier to improve the functionality of the product. We're in the process of trialling a competing product to determine its effectiveness and ability to meet all of our varied working environments.
- 8 Previous reports noted the work undertaken to help focus on building resilience and managing workload pressures. Following on from this, webinar sessions are in development for staff and will be available for them in our 'wellness library' which is under development. The 'wellness library' is intended to be a resource for staff to access material on a range of topics; from finding your purpose, to emotional intelligence to leadership.
- 9 A summary of staff training completed within the last three months, includes the following:
 - 9.1 Basic First Aid Training
 - 9.2 Manage Emergency Situations

- 9.3 Fire Warden Training
- 9.4 Advanced Driver Training Level 1
- 9.5 Psychological First Aid Training
- 9.6 Health and Safety inductions for new staff
- 9.7 Flu vaccinations for all staff
- 9.8 Amy Scott - Get Dotted
- 10 Further training for health and safety representatives is scheduled for July. This session is titled H&S2 and will build on the previous training, specifically risk assessment and incident investigation.
- 11 Once the July training is completed our intention is to create a critical incident investigation team, trained specifically to deal with high level incidents.
- 12 In addition we'll be undertaking specialist 'permit to work' training for key staff engaged in working at heights and confined spaces.
- 13 Consideration is being given to the assessment of possible risks associated with social media and cyber bullying. While there haven't been any incidents in this area, we're aware that this is an area that will require consideration.
- 14 The Health and Safety Committee and Elected Members completed a site visit of the CBay aquatic facility at the end of May. The purpose of the visit is to create a greater understanding of the risks in this environment and the unique challenges of providing mitigations and controls.
- 15 Preparation and planning is underway for our annual health and safety week, scheduled for October.

Health and Safety Statistics

- 16 The table below and attached graphs are based on the data for the reporting year, April 2019 to March 2020.
- 17 This reporting period aligns with our pay periods and provides us with actual hours worked in each fortnight, allowing us to create accurate Incident & Injury Frequency Rates.

Incident Type	Year to Date Total (end May)	Change since last report	Full Year 2018/2019	Full Year 2017/2018	Full Year 2016/2017
Incident Only	5	0	59	43	21
First Aid	5	0	27	23	27
Medical Treatment	1	0	0	4	8
Lost Time	1	0	1	0	5

Incident Detail

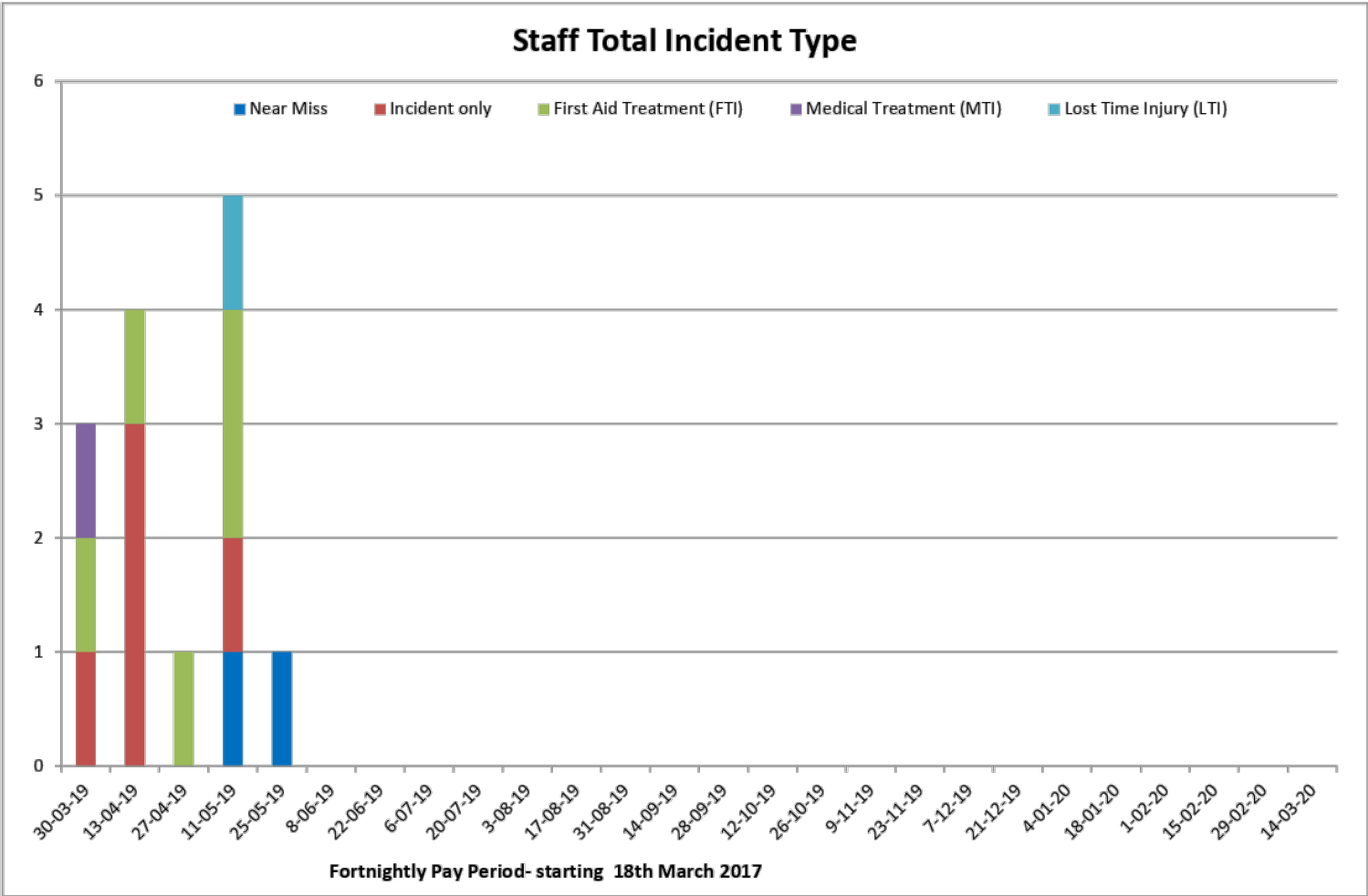
- 18 The Subcommittee has requested extra detail for incidents resulting in 'lost time' and 'medical treatment'.
- 18.1 The first medical treatment incident has been reported since 2017/ 2018. This incident was due to a dog bite sustained by one of our Animal Control Officers.
- 18.2 The first Lost Time incident has been reported since 2017/ 2018. This incident was due to an accident at the water treatment plant and will be elaborated on further.
- 18.3 Notable 'incident only' events include the following:
- 18.3.1 There was a near miss incident where a staff member was stopped as they were about to enter a balance tank at the CBay aquatic facility. The correct confined entry procedures were subsequently used.
- 18.3.2 It was discovered that the entry procedures and protocols for working in and around the clock tower needed to be updated to ensure improved working at height controls were used.
- 18.3.3 A number of incidents have reported issues with manual handling related tasks. This is currently being assessed to ensure effective procedures and training are in place.
- 19 The total recordable injury frequency rate (TRIFR) has dropped to 4.61 against an industry norm of 5.40. The first week of the new reporting year recorded a medical treatment injury which pushed this result above the industry norm.

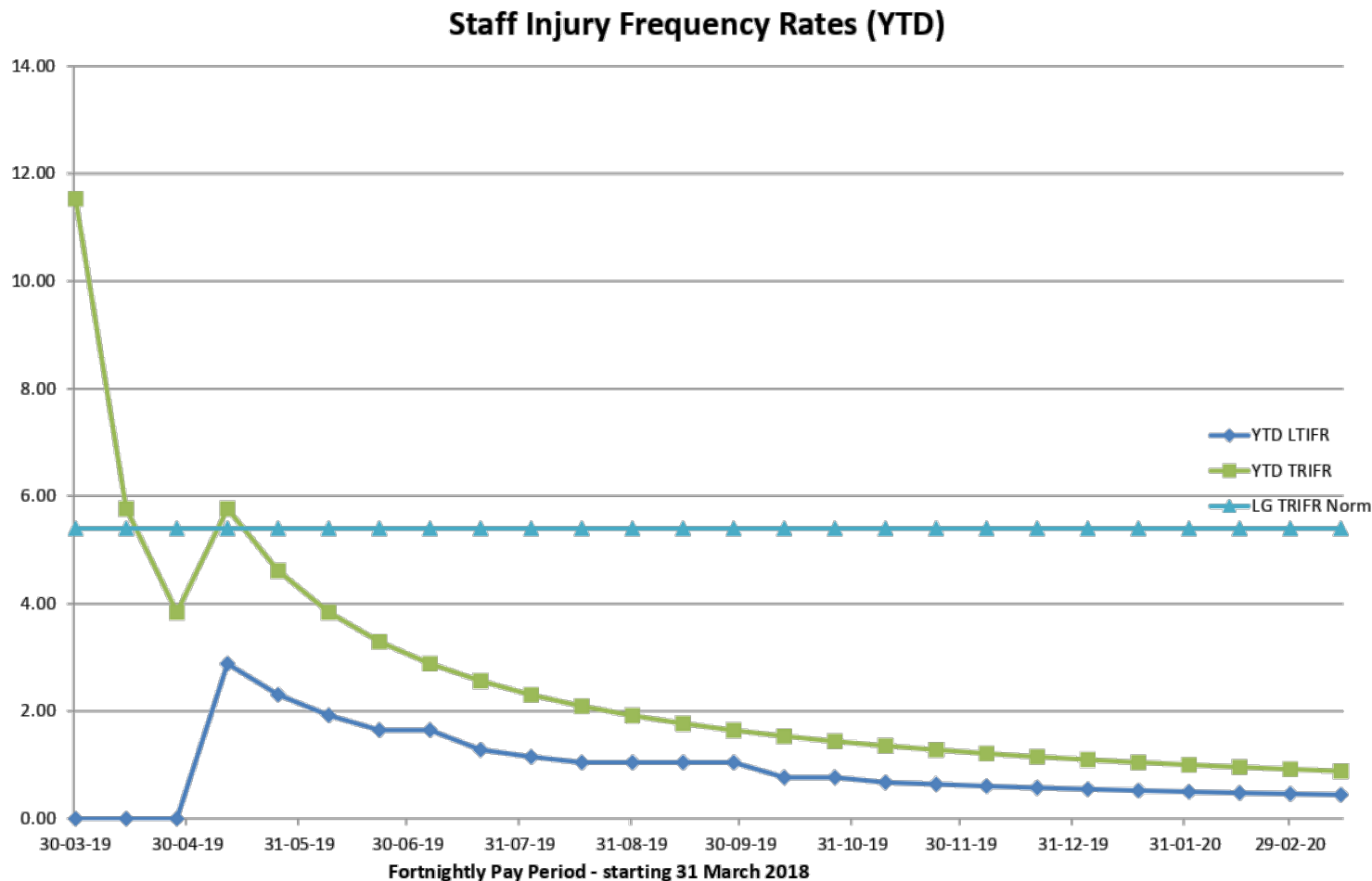
Conclusion

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

Attachments

1. **Staff Incidents and Injury Frequency Rates**





6.3 Accounting Policies for 2019 Annual Report**Author:** David Codyre, Chief Financial Officer**Authoriser:** Donna Cross, Group Manager Commercial and Strategy**Recommendation**

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

Purpose of Report

- 1 The purpose of this report is to present the draft accounting policies for inclusion in the 2019 annual report.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy.

Discussion

- 3 The accounting policies are reviewed on an annual basis as part of preparation of the annual report. This year there are no proposed changes from the 2018 annual report accounting policies.
- 4 The policies have not yet been reviewed by our auditors but discussion has occurred on these and the fact there have been no changes to the financial reporting standards that are affecting the 2019 annual report.
- 5 The accounting policies continue to utilise the 2005 Deemed Cost for Property, Plant and Equipment values. Council has delegated to the Policy & Development Committee the task of overseeing the transition to fair value for certain classes of assets. It is expected that the annual report for the year ended 30 June 2019 will include revaluation of assets for certain classes.

Identification of Relevant Legislation, Council Policy and Plans

- 6 Local Government Act 2002.
- 7 Long Term Plan 2018 – 28.

Funding implications

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

Conclusion

- 9 The accounting policies for the 2019 annual report have been drafted with no policy changes from the 2018 annual report. These will be audited as part of the annual report audit.

Attachments

1. **Statement of Accounting Policies Draft 2019 Annual Report - Audit and Risk**

Statement of Accounting Policies

REPORTING ENTITY

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

The group consists of the ultimate parent, Timaru District Council, and its subsidiaries Timaru District Holdings Ltd (100% owned), Aoraki Development and Promotions Ltd (100% owned), Aorangi Stadium Trust (100% owned) and Downlands Water Supply (82% owned). Timaru District Holdings Ltd owns associate companies PrimePort Timaru Ltd (50% owned) and Alpine Energy Ltd (47.5% owned). Council also has an interest in Canterbury Economic Development Ltd. All of these entities are incorporated and domiciled in New Zealand.

The primary objective of the Council is to provide infrastructure and public services for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself and the group as public benefit entities for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2018. The financial statements were authorised for issue by the Council on 8 October 2019.

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA: sections 95, 100, 101, 111 and Schedule 10 which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity Accounting (PBE) Standards. These financial statements comply with PBE standards.

PRESENTATIONAL CURRENCY AND ROUNDING

These financial statements are presented in New Zealand dollars and all rounded to the nearest thousand dollars (\$'000). The functional currency of the Council is New Zealand dollars.

BASIS OF CONSOLIDATION

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

Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by

the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

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

Associates

The group's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Council or group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

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

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

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

Joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

For jointly controlled operations, the Council and group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture

REVENUE RECOGNITION

Revenue is measured at fair value.

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

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

Vested Assets

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

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

New Zealand Transport Agency roading subsidies

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

Interest

Interest revenue is recognised using the effective interest method.

Dividends

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

Agency Revenue

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

BORROWING COSTS

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

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

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

INCOME TAX

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

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

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

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

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

LEASES

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

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

CASH AND CASH EQUIVALENTS

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

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

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

FINANCIAL INSTRUMENTS

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

The Council uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with the Investment Policy and Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the surplus or deficit. The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

INVENTORIES

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

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

INVESTMENTS

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

Term Deposits

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

Investments in debt and quoted equity securities

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

Investment in Subsidiaries

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

Community loans

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

Other – Investments (Unquoted equity investments)

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

NON CURRENT ASSETS HELD FOR SALE

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

PROPERTY, PLANT & EQUIPMENT - VALUATION

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

- Operational assets –
 - Council related Land
 - Council Buildings and Building Improvements
 - Airport Improvements
 - Parks and Pools Plant and Equipment
 - Plant and Equipment, including Motor Vehicles
 - Furniture and Office Equipment
 - Library Books
 - Art Works
- Infrastructure assets -
 - Sewer, stormwater, water
 - Roads, bridges and lighting
 - Land under roads

Infrastructure assets are the fixed utility systems owned by the Council.
- Heritage assets
- Restricted assets - Restricted assets are parks and reserves owned by the Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Council Land

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

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

Acquisitions subsequent to 1 July 2005 are at cost.

Council Buildings and Building improvements

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

Acquisitions subsequent to 1 July 2005 are at cost.

Airport improvements

Airport improvements, including runway, have been stated at their deemed cost, which is Optimised Depreciated Replacement Cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Parks and Pools plant and equipment

Parks and Pools plant and equipment assets, are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Plant and Equipment (including motor vehicles)

Plant and Equipment (including motor vehicles) are at cost less provision for depreciation.

Furniture and Office Equipment

Furniture and Office Equipment have been stated at their deemed cost which is the assessed fair value at 1 July 2005 based on the 1 July 1993 indemnity value by Morton & Co Limited, valuers, and acquisitions 1 July 1993 to 1 July 2005 at cost.

Acquisitions subsequent to 1 July 2005 are at cost.

Library books

The Timaru District Library, Temuka Library and Geraldine Library collections have been revalued as at 30 June 2019 at depreciated replacement cost calculated by the District Librarian in accordance with the library collection valuation guidelines prepared by the New Zealand Library Association in May 1992.

The Library collections are revalued on an annual basis.

Art Works

Art Works are stated at their deemed cost which is the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, and acquisitions 1 April 1992 to 1 July 2005 at cost.

Acquisitions subsequent to 1 July 2005 are at cost.

Sewer, Stormwater, Water

Sewer, stormwater and water assets, are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Roads, Bridges and Lighting

Roads, bridges and lighting are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Land under Roads

Land under roads has been stated at their deemed cost which is at an average of adjacent "undeveloped land value" valued as at 1 July 2005 by Maunsell Limited.

Acquisitions subsequent to 1 July 2005 are at cost.

Heritage Assets

Significant statues are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers. Other heritage type assets such as museum exhibits have not been valued.

Acquisitions subsequent to 1 July 2005 are at cost.

PROPERTY, PLANT & EQUIPMENT - DEPRECIATION

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

Depreciation has been provided at the following rates.

Council related Land	Nil
Council Buildings and Building improvements	1-30% Straight Line
Airport Improvements	2-50% Straight Line
Parks and pools plant and equipment	2-33% Diminishing Value
Plant and Equipment	10-50% Diminishing Value
Motor Vehicles	5-25% Diminishing Value
Furniture and Office Equipment	20-50% Diminishing Value
Library Collections	0-12.5% Straight Line (0% permanent retention collection 12.5% current collection)
Art Works	Nil
Water	1-33% Straight Line
Sewerage	1-6% Straight Line
Stormwater	1-4% Straight Line
Roading	1-50% Straight Line
Bridges	1-3% Straight Line
Lighting	6-8% Straight Line
Land under Road	Nil
Heritage assets	1-7% Straight Line

CAPITAL WORK IN PROGRESS

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

INTANGIBLE ASSETS

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

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

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

IMPAIRMENT

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

FORESTRY ASSETS

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

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

LANDFILL ASSETS

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

INVESTMENT PROPERTY

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

LOANS

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

EMPLOYEE ENTITLEMENTS

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

PROVISION FOR LANDFILL POST CLOSURE COSTS

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

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

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

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

EQUITY & RESERVES

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

- Retained Earnings
- Restricted reserves
 - Special funds

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or to a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

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

GOODS & SERVICES TAX

These financial statements have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST paid to, or received from the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

BUDGET FIGURES

The budget figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan and Long Term Plan process. The budget figures have been prepared in accordance with generally accepted account practice and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

OVERHEAD ALLOCATION

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

Cost allocation policy

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

Criteria for direct and indirect costs

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

Cost drivers for allocation of indirect costs

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

Internal Charges

Are eliminated at the Council level.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 25 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Note 17 includes information associated with the valuation of assets and the use of deemed cost.

STATEMENT OF CASHFLOWS

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

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

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

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

6.4 Audit NZ Audit Plan 2018/19

Author: David Codyre, Chief Financial Officer

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the report be received and noted.

Purpose of Report

- 1 To provide the Subcommittee with the updated Audit Plan from Audit NZ.

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy.

Background

- 3 Audit New Zealand on behalf of the Auditor General are auditors for Timaru District Council. The audit of the annual report for the year ended 30 June 2019 is due to be completed by 8 October 2019.
- 4 Council is required to adopt an audited annual report within four months of its balance date.
- 5 The draft audit plan was presented to the Subcommittee at the April meeting. John Mackey, Audit Director, spoke to the plan.
- 6 The main change from the draft previously presented is the confirmation of the audit timetable on page 14 of the plan.
- 7 The focus areas identified for 2018/19 and the audit logistics are consistent with management expectations.

Identification of Relevant Legislation, Council Policy and Plans

- 8 Local Government Act 2002.

Funding Implications

- 9 The fee for the annual report audit, which is the subject of this plan, is \$147,431 GST inclusive, and is budgeted for each year in the annual plan.

Conclusion

- 10 Timaru District Council is required to prepare an audited annual report for the year ended 30 June 2019. The audit plan sets out the focus areas, audit process and logistics to enable the annual report and audit to be completed.

Attachments

1. Timaru District Council Final Audit Plan 2018/2019

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Timaru District Council and group

For the year ending 30 June 2019

Audit plan

I am pleased to present our audit plan for the audit of Timaru District Council (the District Council) and group for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	7
Our audit process	8
Reporting protocols	12
Audit logistics	13
Expectations	15

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
12 June 2019

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
Valuation of Council's Investment Property and Forestry assets	
<p>The District Council owns investment properties and forestry assets. Investment properties are carried at fair value and are subject to annual valuation. Forestry assets are carried at fair value less estimated point-of-sale costs and are also valued annually.</p> <p>Annual valuations are performed to ensure that the carrying amounts of these assets, included in the financial statements, are reflective of their fair value. Movements in fair value are recorded in the District Council's surplus or deficit for the year.</p> <p>Audit risk:</p> <p>Asset classes subject to valuation and associated fair value movements are misstated in the financial statements.</p>	<p>For the asset classes that are subject to a valuation, we will:</p> <ul style="list-style-type: none"> review the valuation performed to assess whether it complies with the relevant valuation and accounting standards; assess that the controls in place and assumptions applied to the valuation are reasonable and applied consistently; obtain an understanding of the underlying data; evaluate the qualifications, competence and expertise of the external valuer used; confirm that any fair value movements have been accounted for correctly; and verify that all the assets in the class have been valued. <p>We will liaise with management to understand the timing of the valuation work. Ideally, we would like to complete our review of the valuation in advance of the final audit visit commencing in September 2019.</p>
Significant capital projects and work in progress	
<p>Accounting for capital projects, which are either completed during the year or in progress at balance date, requires that assumptions and judgements to be made that can have a significant effect on the financial statements, including:</p> <ul style="list-style-type: none"> assessment of the nature of costs and either capitalisation of these costs as work in progress, or recognition of them as expenses; 	<p>Our audit work on property, plant and equipment will review the status of large capital projects (e.g. completed or in progress at 30 June 2019), how the District Council are tracking against budget for large capital projects, and the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> the correct classification of costs as either capital or operating in nature;

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> • identification of asset components and assigning appropriate useful lives to these components; and • identification of the appropriate date of capitalising capitalisation of the asset, transfer of costs from work in progress to asset additions and the commencement of depreciation of the asset. <p>Audit risk:</p> <p>Incorrect classification of expenditure between capital and operating expenditure.</p>	<ul style="list-style-type: none"> • appropriate capitalisation point for completed assets, including transfers from work in progress; • assessing the reasonableness of depreciation rates and useful lives applied to asset components; and • reviewing the disclosures within the financial statements.
Rates	
<p>Rates are the District Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) with rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The District Council needs to ensure that it has appropriate processes in place, including seeking legal advice where appropriate, to ensure the compliance of its rates and rating processes with legislation.</p> <p>Audit risk:</p> <p>The rates setting and collection process does not comply with relevant legislation.</p>	<p>We will again assess the District Council's compliance with those key areas of the LGRA that potentially materially impact on the financial statements. This means we will focus on those aspects of the rates setting process that present the highest risk, namely the consistency and completeness of the resolution, and the Funding Impact Statement (FIS). We will review a sample of differentially set and/or targeted rates to assess whether the matters and factors used, are consistent with the LGRA.</p> <p>Our review of compliance with legislation is completed to express our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council has the ultimate responsibility to ensure that it complies with applicable laws and regulations.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management 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 operating effectively. Auditing standards require us to treat this as a risk on every audit.</p> <p>Audit risk:</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • review of accounting estimates for indications of bias; • evaluation of significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the entity and its environment; and

Audit risk/issue	Our audit response
The risk of fraud arising from management override of internal controls.	<ul style="list-style-type: none"> review of any changes in the District Council's accounting policies.

Our areas of interest in the local government sector

As well as the risks noted above, there are also areas of interest common to the local government sector. The table below outlines our areas of interest for this year's audit. The left hand column describes each matter and why we are interested in it. In the right hand column, we describe how we plan to address each matter during the audit.

Audit risk/issue	Our audit response
Prudent expenditure decisions (the District Council and group)	
We expect all public entities to apply a number of principles to expenditure decisions, including that the expenditure has a justifiable business purpose, preserves impartiality, is made with integrity, is moderate and conservative in respect of the circumstances and is made transparently.	<p>We will remain alert to public sector concerns, including issues and risks of effectiveness and efficiency, waste, and a lack of probity or financial prudence. This means we look at some transactions or other arrangements in more detail to ensure that expenditure is in line with the public sector principles.</p> <p>As well as specific testing across a sample of sensitive transactions, we will also make specific enquiries of the Council, management, and staff, and maintain awareness of public sector concerns throughout our audit work.</p>
Non-financial performance reporting	
<p>Each year we audit the performance information and report as to whether it fairly reflects the achievements measured against the targets and other measures in the District Council's Long Term Plan (LTP).</p> <p>The 2018/19 annual report is the first year that the District Council will report against the performance targets set out in the 2018-28 LTP.</p>	<p>We will report our findings on the District Council's reporting of non-financial performance in the report to the Council (if warranted). In particular we will focus on:</p> <ul style="list-style-type: none"> the reliability of systems; the operation of controls including policies, procedures and monitoring; the appropriateness of the information reported; and the presentation of the information.
Bribery and corruption	
The Office of Auditor General (OAG)'s work, programme for this financial year, requires us to make enquiries and report our findings on:	<p>We will communicate with you and obtain your responses to a standard bribery and corruption questionnaire.</p> <p>We will then report the findings to the OAG.</p>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> • whether there is an appropriate code of conduct or ethical guidelines that encompasses bribery and corruption; • the visibility of codes of conduct or ethical guidelines, and how the entity ensures that the codes of conduct or ethical guidelines are known about and used. For example, by provision of induction for new employees, training and regular refreshers to all employees; • how the District Council satisfies itself that there are adequate controls in place to mitigate the risks of bribery and corruption; and • the processes for notifying and dealing with breaches of codes of conduct or ethical guidelines, or incidents of bribery and corruption. 	
Compliance with laws and regulations	
<p>To discharge the Auditor General's mandate, we carry out an audit of legislative compliance. We limit this review to obtain assurance that you have complied with significant legislative requirements that may directly affect the financial statements or general accountability.</p> <p>Our review does not cover all of the District Council's legislative compliance requirements.</p>	<p>We will assess the systems and procedures that the District Council has in place to ensure compliance with significant legislation.</p> <p>We will also complete our own checklists to cover the key reporting requirements of this legislation.</p>

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 are free from material misstatement resulting from fraud. Our approach to obtaining 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 resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

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

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

Our responsibility

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

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

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

Group audit



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

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

Significant component	Work to be performed
Timaru District Holdings Limited	<p>This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.</p> <p>There are no specific audit risks to bring to your attention.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

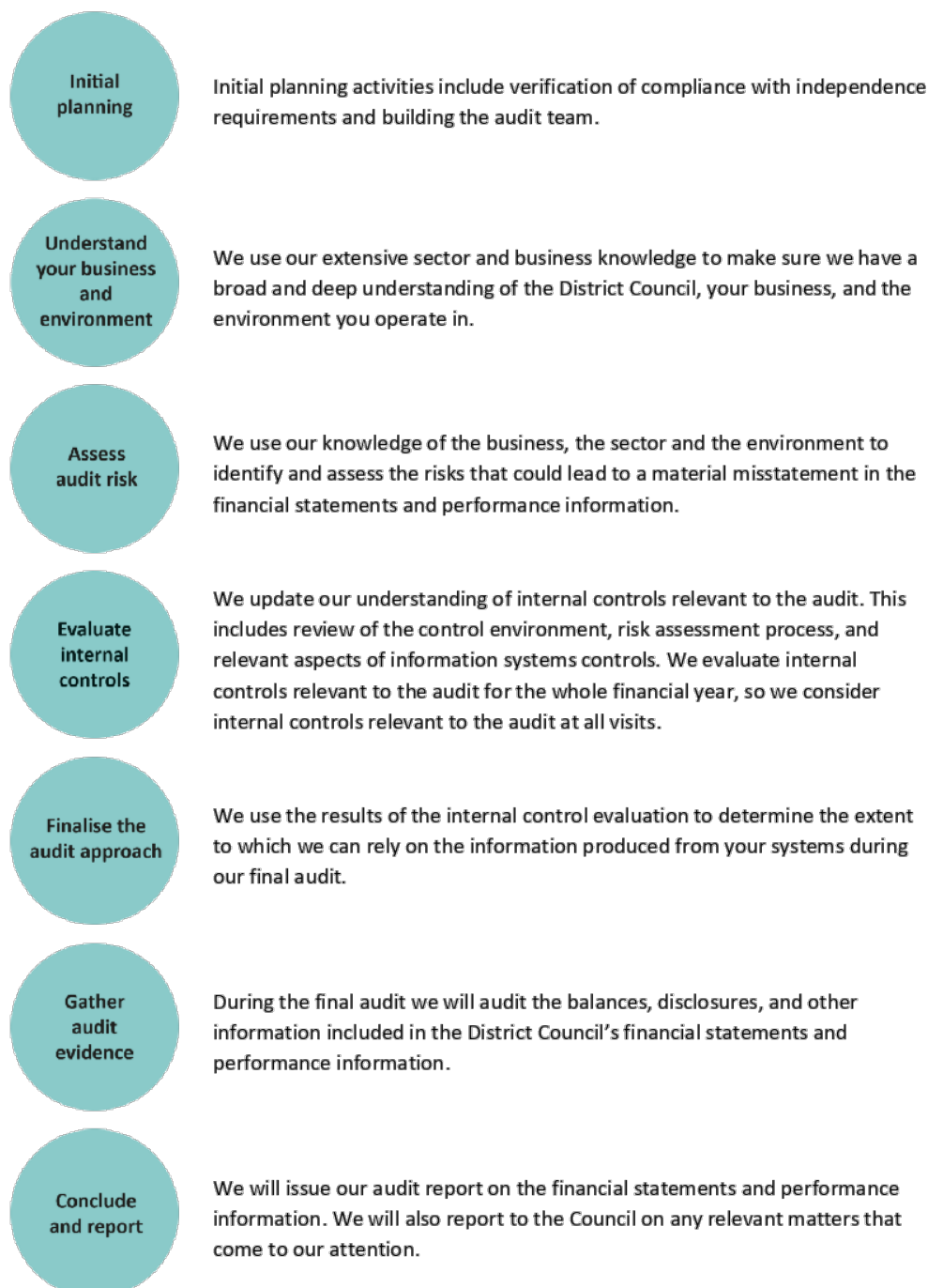
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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

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

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

Our audit process



Enhancing year-end processes

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

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on year-to-date transactions for revenue and expenditure and property, plant and equipment testing. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the interim audit. If we can complete this work earlier in the year, we expect this to take some pressure of the final audit. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

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

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

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

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on 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.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

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 the fact 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 considering information and in forming conclusions.

Exercising 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 involves first assessing 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 District 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 by the District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the District 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 District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



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

Reports to Governors



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

We will also follow up on your progress in responding to our previous recommendations.

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

Audit logistics

Our team



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

Our senior audit team members are:

John Mackey	Appointed Auditor
Andrew Timlin	Audit Manager
Anna Jones	Audit Supervisor
Alan Clifford	Information Systems Audit Specialist

Timetable

Our proposed timetable is:

	Date
Interim audit	10 June 2019
Draft report to the Council issued	12 July 2019
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	6 September 2019
Final audit begins	9 September 2019
Final financial statements available, incorporating all the amendments agreed to between us	27 September 2019
Audit and Risk Subcommittee meeting	2 October 2019
Verbal audit clearance given	2 October 2019
Council meeting to adopt the annual report	8 October 2019
Audit opinion issued	8 October 2019
Draft report to the Council issued	8 October 2019

Expectations



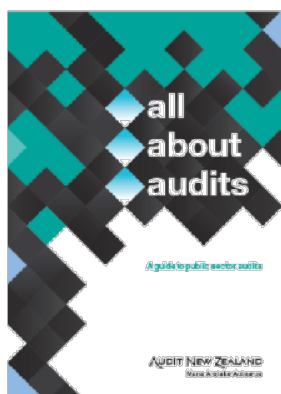
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, 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 explain what to expect from your audit:

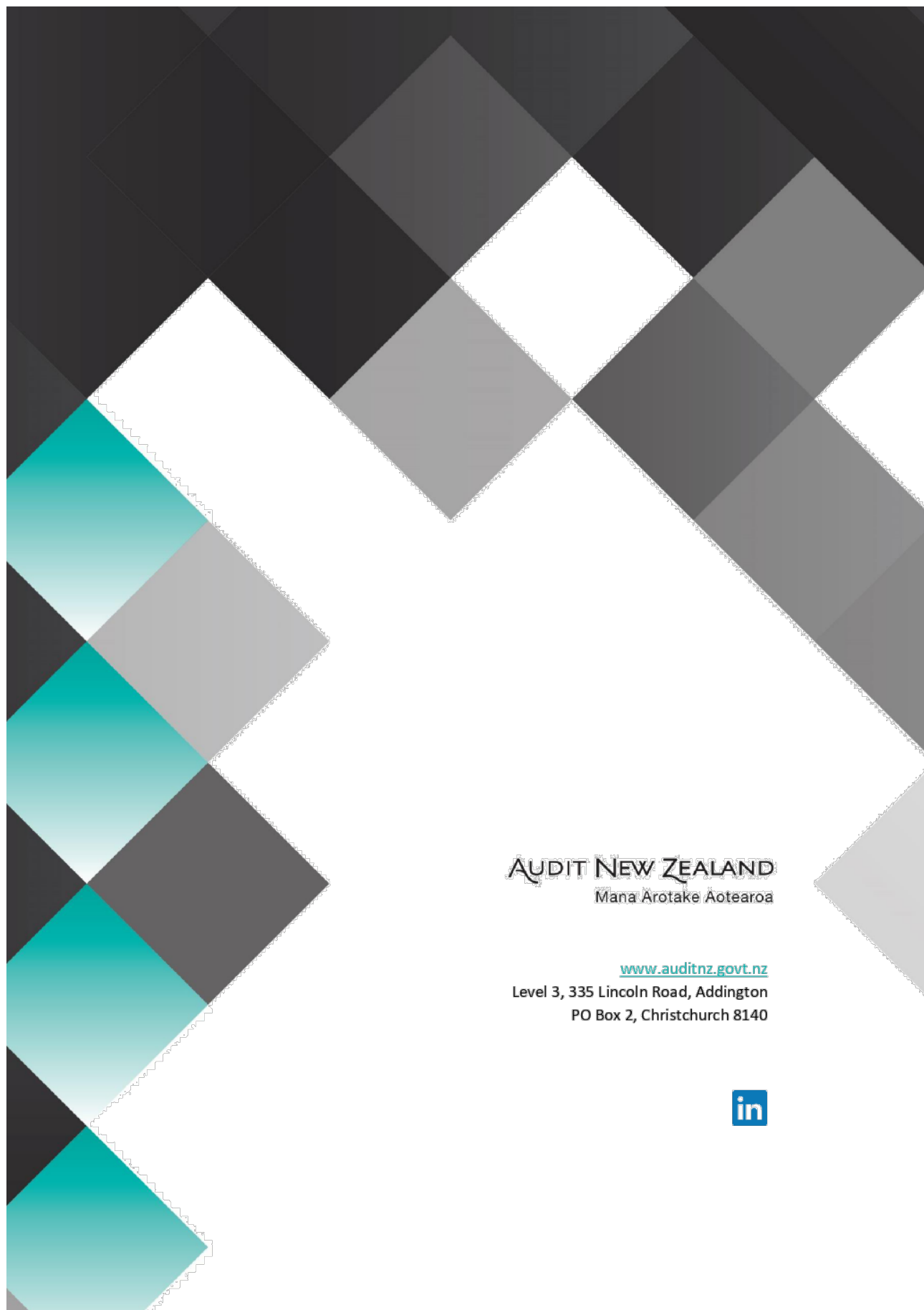


Health and safety

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.



6.5 Corporate Risk Register

Author: Donna Cross, Group Manager Commercial and Strategy

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the report be received and noted.

Purpose of Report

1. This report is to provide an update on the Corporate Risk Register (changes to risk ratings are shown in red font).
2. The Corporate Risk Register has been established and this provides a framework for proposed actions. The aim of this report is to provide an assurance that the risks are being appropriately managed.

Background

3. The Corporate Risk Register has been developed based on the Risk Policy. It is based on risk registers contained within the Activity Management Plans of each activity of Council. Risk treatment plans are established for all “High” and “Critical” risks.
4. A copy of the current Corporate Risk Register (high risk and above) is attached.

Identification of Relevant Legislation, Council Policy and Plans

5. Risk Policy.

Funding Implications

6. There are no funding implications with this report.

Attachments

1. Corporate Risk Register

Risk Management

Register of Corporate Risks

Changes from last report are shown in Red Text - Risks not reviewed since September 2018 are highlighted Blue

Risk Categories	Specific Risks Identified	Possible Effects	Mitigation measures currently in place	Likelihood	Consequence	Residual Risk	Areas for development	Risk number
	Ineffective organisation planning processes	Difficulties in maintaining levels of service and deliver work programme, financial loss, loss of reputation, community dissatisfaction, staff morale/turnover	Regular reporting against LTP and Annual Plan, review of capital projects. Monitoring of AMP work improvement plan delivery. "Programme" person included in draft LTP	3	2	High	Deliver capex plan. Project management training and support. Development of improvement programmes yet to be completed	2
	Physical disasters and pandemics	Difficulties in maintaining levels of service, financial loss, injuries/death	Lifelines project, Civil defence and Emergency Management team, staff training, business continuity plans , insurance, physical means (such as fire fighting equipment), specialised and trained technical staff	2	4	High	Business Continuity planning being undertaken (yet to be completed) , CD staffing to be reviewed, CD Recovery Plan (yet to be completed) Not yet in place communication plans/ or a Welfare Plan. STEC as lead welfare centre now well established. Awaiting EPB assessment as priority	5
	Climate change	Change in infrastructure development, economic impacts	Monitoring of inundation projections, overland flow paths, network capacity, rising sea levels and their impact on coastal settlement, communication with Ecan, monitoring zoning	2	4	High	Activity management plans (AMPs) to continue to be developed to identify how to enhance resilience in networked and community infrastructure	7

Risk Categories	Specific Risks Identified	Possible Effects	Mitigation measures currently in place	Likelihood	Consequence	Residual Risk	Areas for development	Risk number
	Insufficient and/or ineffective insurance cover	Financial loss, loss of reputation, possible impacts on ability to provide expected levels of service	Use of insurance broker, valuations for insurance purposes, regular reviews of assets insured, participant in LAPP, Local Government Risk Agency being considered, staff training on obligations to insurer to observe terms of the policy.	2	4	High	Follow up re Local Government Risk Agency	16
	Death or serious injury to public, staff, volunteers, contractors or elected members	Injury, Death, legal action, financial loss, reputational damage, loss of ACC accreditation, major disruption at facilities	Health and Safety policies and procedures, Health and Safety Committee, Health and Safety advisor, external advisors, staff and volunteer training, contractor engagement procedures, hazard registers, internal audits, hard barriers	1	5	High	To review the structure of the current Health and Safety Committee to better align with Act? Done	20
	Physical attacks against staff	Abuse, Injury, death	Physical security measures, staff training, security cameras, panic alarms, office lockdown procedures	3	3	High	Sites outside of TDC main office still need reviews/upgrades. Security camera's and updated processes in place at Timaru Library.	21
	Minor Public injuries at Council facilities	Injury, legal action, financial loss, reputational damage, loss of ACC accreditation	Health and Safety policies and procedures, by-laws, "Pool Safe" policy, staff and volunteer training, contractor engagement procedures, hazard registers, monitoring, signage, external reviews, auditing of facilities, building and facility maintenance programmes, defibrillators, access to specialised services, updated hire agreements	5	2	High	On site H and S team being implemented at CBAY as a higher risk facility.	22
	Failure of water supply systems, including inability to obtain sufficient water	Illnesses, death, loss of reputation, financial loss, difficulties in meeting level of service, Government enquiries	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing programmes, physical security, industry standards, Water Safety Plans, contract specifications, telemetry systems, insurance, public education, monitoring possible water sources, water restrictions, liaison with high water users, Business Continuity Planning, Health and Safety Policy, Bylaws	2	5	High	Formalising Business Continuity Planning	25
	Failure of sewerage systems	Illnesses, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing and monitoring programmes, physical security, industry standards, contract specifications, telemetry systems, insurance, public education, Business Continuity Planning, Health and Safety Policy, Bylaws	1	5	High	Formalising Business Continuity Planning	26

Risk Categories	Specific Risks Identified	Possible Effects	Mitigation measures currently in place	Likelihood	Consequence	Residual Risk	Areas for development	Risk number
	Inadequacy of stormwater systems	Illness, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service, flooding	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing and monitoring programmes, physical security, industry standards, contract specifications, telemetry systems, insurance, public education, Business Continuity Planning	2	4	High	Formalising Business Continuity Planning	27
	Ineffective Emergency Management (Note: Rural Fire ceased to be a Council responsibility from 1 July 2017)	Inability to deal with a major incident, financial loss, death, injury	Qualified and trained staff and volunteers, education programmes, participation in training events, Business Continuity Plans , Health and Safety Policy	3	4	High	Operational Business Continuity Plans need revision. Recommendations from CD Controller training to be implemented. Work within Canterbury Group to be reviewed. Recovery programme reviewed. Welfare Plan - resiliency planning for people and place at TDC.	31
	Sabotage or vandalism at multiple locations or severe in nature	Death, Injury, Financial loss, loss of services, difficulties in maintaining level of service, loss of reputation	Physical security, surveillance cameras in some locations, physical deterrents/locking of some facilities, staff monitoring, zero tolerance approach, insurance	2	4	High	Further security improvements at critical sites.	32
	Power and/or telecommunication failures	Difficulties in maintaining level of service, financial loss	Generators at critical sites, UPS for critical IT equipment, cellphones, landline and wireless networks, engagement with key suppliers	3	3	High	Generator being added at STEC. Generator in place, instructions on use in place, training conducted with staff at STEC and Welfare team. Looking at diesel storage onsite. Strengthening of Civic Building - EOC to IL4.	33
	IT failures (including on line applications used and cyber attacks)	Difficulties in maintaining levels of service, financial loss, loss of data and information, altered or corrupted records, privacy breach, reputational loss	Regular backups and off site storage of backups, passwords, external reviews, IT policies, Business Continuity Plan, discussions with suppliers, regular maintenance of equipment including upgrades, multiple redundancies, latest cyber security suites, firewalls, staff security requirements, staff training and awareness	1	5	High	Review business continuity plans. Ongoing maintenance of cyber security measures, including regular updates, patches and training. Ongoing awareness of international trends and threats. Ongoing review of internal compliance measures.	34

Risk Categories	Specific Risks Identified	Possible Effects	Mitigation measures currently in place	Likelihood	Consequence	Residual Risk	Areas for development	Risk number
	Staff mistakes or staff providing incorrect advice	Legal challenge, financial loss, damage to Council reputation	Staff training, Corporate Policies, Delegations, insurance, legal advice sought where appropriate	3	3	High	Documented procedures in high risk areas. Continuous improvement culture development process at debrief following poor decision making to share learnings and update processes.	37
	Loss of institutional knowledge	Failure to meet statutory obligations or key Council accountabilities as set out in performance measures due to the loss of knowledge and know-how from departure of key staff	Documenting processes and systems, mentoring and training and development for all staff, increased substantially the accountability and capability within the finance team	3	3	High	Documented procedures in high risk areas. Undertaking a Talent Matrix assessment to identify key staff. Culture and engagement improvement plan.	39
	Council buildings deemed to be unusable	Difficulties in meeting levels of service, financial loss, low staff morale	Assessments being undertaken, remediation plans being developed, additional resource engaged, ability to relocate services if needed, remote access availability, budget included within 2018-28 draft LTP for structural work on known Earthquake Prone buildings	3	3	High	End of tenancy at CBAY has resulted in availability of off site office space if required. Civic building all to IL3 EOC to IL4.	42
	Failure to comply with Legislation	Prosecution, financial loss, loss of reputation, modified audit opinions, requirement for rectifying legislation	Legal and other specialist advice sought as required, use of SOLGM Legislative Compliance programme, Tax Policies and procedures, qualified staff, staff and elected member training, external reviews	3	3	High	Reserve Management Plans, Ongoing legislative training, Documentation of critical processes, Use of software such as ComplyWith	48
	Failure to deliver capital works programme set out in the Long Term Plan/Annual Plan	Not meeting service levels, not aligning rates funding with project delivery	Specific accountabilities introduced into Group Manager role and additional resource for new unit manager roles for capital delivery, risk and assurance and business systems improvement to ensure best project management practices are embedded and observed	5	3	Critical		61

- 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
10.1 - Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 4 December 2018	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)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect a person's privacy Commercial sensitivity
10.2 - Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019	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)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect a person's privacy Commercial sensitivity
10.3 - Tax Advisory Services	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 s7(2)(c)(i) - The withholding of the information is necessary to	Commercial sensitivity Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so To enable commercial activities

	<p>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 to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied</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>	
10.4 - Cyber Security Report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
10.5 - Health and Safety Update	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
10.6 - Employee Matters	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
10.7 - Legal update	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>Commercial sensitivity</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 or industrial negotiations</p>

	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	
10.8 - LGOIMA Requests - Previous 12 Months	<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)(i) - 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 to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied</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 ensure the information avenue remains open, when it is in the public interest for it to do so</p> <p>To enable commercial activities</p>

10.9 - Outstanding Matters raised by Audit	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>
10.10 - 2018 Annual Report Timeframe	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p>	<p>To protect a person's privacy</p>

10 Public Excluded Reports

- 10.1 Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 4 December 2018**
- 10.2 Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019**
- 10.3 Tax Advisory Services**
- 10.4 Cyber Security Report**
- 10.5 Health and Safety Update**
- 10.6 Employee Matters**
- 10.7 Legal update**
- 10.8 LGOIMA Requests - Previous 12 Months**
- 10.9 Outstanding Matters raised by Audit**
- 10.10 2018 Annual Report Timeframe**

11 Readmittance of the Public