



MINUTES

Audit and Risk Committee Meeting Tuesday, 16 June 2020

Ref: 1345904

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Meeting Room 1, Timaru District Council, King George Place, Timaru
on Tuesday, 16 June 2020 at 11am**

Present: Ms Keiran Horne (Chairperson) via Zoom Video Link, Mayor Nigel Bowen, Cr Allan Booth, Cr Stu Piddington, Ms Janice Fredric

In Attendance: Chief Executive (Bede Carran), Group Manager Commercial and Strategy (Donna Cross), Group Manager People and Digital (Symon Leggett), Acting Group Manager Infrastructure (Erik Barnes) via Zoom Video Link, Chief Information Officer (Justin Bagust), Chief Financial Officer (David Codyre), Risk and Assurance Manager (Ernest Bernard), Director Audit New Zealand (John Mackey) via Zoom Video Link, Governance Advisor (Jo Doyle), Executive Assistant Commercial and Strategy (Liz Law)

The Chairperson welcomed Janice to the Committee. Janice introduced herself to the Committee and explained that she grew up in Albury, now lives in Christchurch and is a professional director across many diverse boards.

1 Apologies

Resolution 2020/26

Moved: Cr Allan Booth

Seconded: Cr Stu Piddington

That the apology from Cr Peter Burt be accepted.

Carried

2 Identification of Items of Urgent Business

There were no urgent business items.

3 Identification of Matters of a Minor Nature

There were no minor nature items.

4 Declaration of Conflicts of Interest

There were no declarations of conflicts of interest, however the members interests register will need to be updated for Janice Fredric, but was noted she is no longer Chair of Hurunui Tourism.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 31 March 2020

Resolution 2020/27

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the Minutes of the Audit and Risk Committee Meeting held on 31 March 2020 be confirmed as a true and correct record of that meeting.

Carried

6 Reports

6.1 Work Programme

The Committee was updated with the programme of work for the Committee that will be updated on a 12 month rolling basis and included with every agenda.

New and updated items are highlighted on the report.

Resolution 2020/28

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the report be noted and received.

Carried

6.2 Corporate Risk Register

The Risk and Assurance Manager updated the Committee on the Corporate Risk Register.

A risk workshop is being held with Elected Members, and once completed, the register will be updated and provided at the next Audit and Risk Committee meeting.

It was requested that the areas of development along with tangible actions rather than aspirations be included and that an owner of the risk be included. The progress needs to be monitored to ensure outcomes are achieved.

This register will be a dynamic living document, and relevant triggers and mitigations will be added at each Audit and Risk Committee meeting.

The Covid-19 risks were discussed. The Group Manager Commercial and Strategy advised of some corrections to the Covid-19 attachment.

Lessons learnt from the Covid-19 pandemic should be useful for business continuity plans, these should be documented and the risk register updated via the Group Manager Commercial and Strategy. A project management framework should be developed for major events and projects that provides structure as well as a review post the event to identify what went well.

The Annual Plan has been recast with a proposal for the stimulus fund where Council can support community initiatives that are well advanced and provide funding for projects were they may not be able to go ahead.

The financial landscape from Covid-19 is being reassessed for the annual plan process. The Treasury scenarios along with Infometrics industry information is assisting with assumptions. The annual plan will be adopted 30 June 2020.

ACTION POINTS

- That the areas of development along with tangible actions and owner of the risk be included.
- A project management framework to be developed for major events and projects.

Resolution 2020/29

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.3 Recommendations from Review of Risk Management Framework - Implementation Plan

The Committee was presented with an implementation plan to action the recommendations received from the review carried out on Timaru District Council's (TDC's) Risk Management Framework.

The Committee discussed the recommendations in the report and agreed that the Audit and Risk Committee does not have authority to approve reports but can recommend to Council.

Council receives quarterly updates on the corporate risk register following the Audit and Risk Committee meeting, however it was agreed that the risk register will also be reported to Council with the Minutes.

The Committee would like to see the high or extreme operational risks that could transpire into a strategic risk because of their significance, however other operational risks are to be managed by the Senior Leadership Team and a framework should be produced to ensure this happens. Also, all strategic risks should continue to be reported to the Committee at least annually.

ACTION POINTS

- Group Manager Commercial and Strategy to create a framework for the Senior Leadership Team to manage Operational risks lower than High. An implementation plan with tracking on the recommendations should come to the Audit and Risk Committee in October meeting for further feedback. These recommendations should be included in the Risk and Assurance Managers spreadsheet.
- Include the Risk Register with the Minutes to Council

Resolution 2020/30

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the Committee:

1. Receives and notes the report;
2. Notes the proposed implementation plan attached in relation to the recommendations from the review of Timaru District Council's risk management framework;

3. Recommend the proposal in paragraph 9.1 relating to Council's engagement on risk and how risk is reported to Council; and
4. Notes the proposal in paragraph 9.2 relating to the level of risk to be included in the corporate risk register that is reported to the Committee (but with continued reporting of all strategic risks on an annual basis).

Carried

6.4 Probity Update

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

Through Covid-19 lockdown, payment and payroll processes were assessed as with staff working remotely there was a heightened risk in some areas.

A review will be conducted to provide assurance over these processes, and an external provider is being considered to complete this review.

Resolution 2020/31

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.5 Draft Audit and Risk Committee Charter

The draft Audit and Risk Committee charter was presented to the Committee.

Feedback was sought on the Committee's functions, as the functions were previously established by Council, any alterations will require Council approval. The current one page charter has changed significantly and should now be reassessed with priorities added.

The Committee discussed the Health and Safety Committee and noted the date of the last review. Council have the most diverse health and safety profile and an option is to create a separate committee to overview. Currently the Health and Safety Committee forms part of a report to the People and Performance Subcommittee.

In the terms of reference, the risk of CCO's should be included. The CCO requires autonomy and the letter of expectation should include health and safety.

Another item to add to the terms of reference should be the review of the Chief Executives expenses. This provides assurance and protection for the Chief Executive.

The process is to set a new quorum which will consist of the majority of committee and include one independent member, as well as reviewing the scope of the committee. The charter will be referred to council to revise.

Resolution 2020/32

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

To note and provide feedback on the Draft Audit and Risk Committee Charter that is under development.

Carried

6.6 Health and Safety Update

The Group Manager People and Digital provided an update of the health and safety activity.

Covid-19 has dominated the prior 3-4 months with a strong focus on staff safety, customer safety and compliance with Ministry of Health guidelines and being prepared as the country moved through the levels and opening facilities.

The focus has shifted now with staff working back in buildings and facilities. An increase in engagement has occurred with teams being tighter, and this engagement will be captured from pulse surveys, one was presented during lockdown and the next to occur soon.

A new Health and Safety Advisor has employed and is having a positive impact in his second week on the job.

It was discussed that culture and wellbeing measures such as referrals to EAP, staff turnover, complaints from staff and themes from exit interviews should be reported in the Public Excluded Agenda to this Committee. EAP referrals should also be included in the report to People and Performance Subcommittee.

ACTION POINTS

- Group Manager People and Digital to provide an update of culture and wellbeing measures to the Public Excluded Agenda for the next Audit and Risk Committee meeting.

Resolution 2020/33

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the report be received and noted.

Carried

6.7 Draft Internal Audit Plan

The draft internal audit plan was presented by the Risk and Assurance Manager. Input has been received from external providers, senior leadership team and the office of the auditor general. Conversations have taken place with unit managers and the plan then developed.

It is assumed that the audit will be completed internally, however if the technical skills are not available, they should be outsourced.

A framework to ensure statutory compliance needs to be developed.

The process is to provide a detailed plan and cover the period and time of the audit and the resource required. Once this is produced the Senior Leadership Team will approve and the plan

will be presented at the next Audit and Risk Committee meeting and then a recommendation will be made to Council.

It was noted by the Audit New Zealand Director that internal audits should be independent. Prioritisation may be required once the resourcing is identified.

ACTION POINTS

- The Risk and Assurance Manager to develop a framework to ensure statutory compliance.
- The Risk and Assurance Manager to develop a detailed Audit Plan and cover the period and time of the audit and the resource required. Once this is produced the Senior Leadership Team will approve and the plan will be presented at the next Audit and Risk Committee meeting and then a recommendation will be made to Council.

Resolution 2020/34

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

To note the Draft Internal Audit Plan

Carried

6.8 Water Infrastructure Asset Revaluation Project

An overview of the water infrastructure asset revaluation project was presented to the Committee by the Chief Financial Officer.

This asset revaluation is part of the bigger project to revalue certain classes of Council assets. The change in methodologies is required to be applied from the first day of the financial year for which it applies.

Three Waters have completed the revaluation in their Asset Database and are currently having this peer reviewed. The next step in this process is for finance to take the data from drainage and water and enter into the financial system. Audit will process an interim audit from 22 June to 10 July.

The financial impact of the revaluation is 3 Water assets increasing by \$200m. The depreciation changes reflect what has been assessed and calculated through activity management plans for depreciation funding required. The current depreciation figure reported in the financial statements are based on the deemed cost of the assets which is different to the depreciation funding budgeted each year.

This is the first step in the wider revaluation process, and certain classes of assets will be added on an annual basis, the roading assets will be added in 2021 with land and buildings for the following year.

The frequency of valuations was discussed and was expected to be on a 3 yearly basis however an impairment valuation needs to be undertaken each year. The 3 year cycle enables the valuing process to link into the Long Term Plan.

Resolution 2020/35

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the Committee note and receive the report.

Carried

6.9 Accounting Policies for 2019/20 Annual Report

The draft accounting policies for inclusion in the preparation of the 2019/20 Annual Report for Timaru District Council were presented to the Committee.

The updated accounting policy with tracked changes was tabled (attached).

The major change is the asset revaluation and a firm decision is needed for the Downlands scheme. The legal advice is clear but it seems there is a disconnect with EY. The law firm are discussing the subject with EY with a view that Downlands is a joint operation and the 3 entities own the asset in proportionate shares. Unanimous decisions are required on significant matters not clearly delegated to the Committee and clarification is required before the end of June.

The provisions for landfill aftercare will be updated using appropriate discount rates at 30 June 2020. The CFO talked about the assumptions and judgements to be used in the Annual Report.

Debtors and the ability to recover debt after of Covid-19 have been assessed. Majority of debt is rates debt that is rolled over and there are mechanisms to recover this debt.

Clarity was sought on land and building improvements which have not been valued for 15 years.

Resolution 2020/36

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the Committee receive and note the report.

Carried

Attachments

- 1 2019/20 draft Accounting Policies

6.10 Audit NZ Audit Plan 2019/20

The committee was presented the Audit Plan for the 2019/20 Annual Report audit.

John Mackey, Audit New Zealand Director updated the Committee and explained Covid-19 has had major implications for the financial market. The Auditor General will be providing a template for all public entities in the notes to financial statements that covers the impact of Covid-19 on their operations.

The March balance dates have been the focus and the audits are taking a longer period of time to complete. During lockdown, audits were being conducted remotely.

The Auditor General has completed an assessment and it is expected that not all entities will be able to meet statutory deadlines. Audits are to be prioritised as resource may have to be diverted.

Officers will be kept informed of all developments. The Auditor General has been part of discussions from Wellington around the statutory timeframes and whether timeframes can be extended, but no decision has been made yet.

SOLGM, LGNZ and DIA are in discussions about the effect on Long Term Plans for Councils and the possibility of moving dates.

The Committee discussed that a meeting prior to October may need to be set to address this subject.

The Audit engagement letter has been circulated and is a standard engagement letter and will be forwarded to the Mayor for signing.

Resolution 2020/37

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the report be noted and received and that committee recommend to Council that the Mayor sign the Engagement Letter for Council

Carried

1 Consideration of Urgent Business Items

2 Consideration of Minor Nature Matters

3 Exclusion of the Public

Resolution 2020/38

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 31 March 2020	<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</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>Due to an obligation of confidence and to protect the public interest</p>

	<p>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)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable commercial activities</p> <p>To enable commercial or industrial negotiations</p>
<p>10.2 - Cyber Security Report</p>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the</p>	<p>Commercial sensitivity</p>

	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	
10.3 - Outstanding items raised by audits	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To enable commercial activities
10.4 - Legal update	<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)(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>	<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>
10.5 - Insurance renewal	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
10.6 - Employee Matters	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
10.7 - Committee and Auditor only time (agenda placeholder)	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is	Due to an obligation of confidence and to protect the public interest

	<p>subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(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 enable commercial activities</p>
<p>10.8 - Committe and Chief Executive only time (agenda placeholder)</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</p> <p>To enable commercial activities</p>

Carried

Resolution 2020/39

Moved: Ms Keiran Horne
 Seconded: Mayor Nigel Bowen

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

Carried

- 4 Public Excluded Reports**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 31 March 2020**
- 10.2 Cyber Security Report**
- 10.3 Outstanding items raised by audits**
- 10.4 Legal update**
- 10.5 Insurance renewal**
- 10.6 Employee Matters**
- 10.7 Committee and Auditor only time (agenda placeholder)**
- 10.8 Committe and Chief Executive only time (agenda placeholder)**
- 5 Readmittance of the Public**

The meeting closed at 2.13pm.

Minutes confirmed 12 October 2020

**Keiran Horne
Chairperson**