



AGENDA

Audit and Risk Committee Meeting Monday, 9 September 2024

Date Monday, 9 September 2024

Time 9am

Location Council Chambers
Timaru District Council
King George Place
Timaru

File Reference

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Timaru District Council, King George Place, Timaru, on Monday 9 September 2024, at 9am.

Audit and Risk Committee Members

Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Janice Fredric, Clr Peter Burt, Clr Michelle Pye and Mayor Nigel Bowen

Quorum – no less than 3 members including at least one external member

Local Authorities (Members' Interests) Act 1968

Committee 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.

Nigel Trainor
Chief Executive

Order Of Business

1	Apologies	5
2	Identification of Items of Urgent Business.....	5
3	Identification of Matters of a Minor Nature	5
4	Declaration of Conflicts of Interest	5
5	Confirmation of Minutes	6
5.1	Minutes of the Audit and Risk Committee Meeting held on 17 June 2024.....	6
6	Reports	19
6.1	Audit and Risk Committee Work Programme.....	19
6.2	External Auditors Open Recommendations.....	21
6.3	Risk Management Quarterly Report	30
6.4	Internal Audit Plan Update.....	46
6.5	Legislative Compliance Preparation	48
6.6	Continuous Improvement Update	53
6.7	Annual Report 2023/24 Update	59
6.8	Audit New Zealand Report on the Audit of Timaru District Council's Long Term Plan 2024-34.....	60
7	Consideration of Urgent Business Items.....	77
8	Consideration of Minor Nature Matters.....	77
9	Exclusion of the Public.....	77
10.1	Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 June 2024.....	77
10.2	Issues Watch Register.....	77
10.3	Internal Audit Quarterly Report	77
10.4	Cyber Security Report.....	77
10.5	Health and Safety Performance Report	77
10.6	Insurance Update	77
10.7	Operational Risk Registers.....	77
10.8	Committee and Auditor only time (Agenda Placeholder).....	77
10.9	Committee and Chief Executive only time	77
10	Public Excluded Reports.....	81
11	Readmittance of the Public.....	82

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

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 17 June 2024

Author: Rachel Scarlett, Governance Advisor

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 17 June 2024 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

- 1. Minutes of the Audit and Risk Committee Meeting held on 17 June 2024**



MINUTES

Audit and Risk Committee Meeting Monday, 17 June 2024

Ref:

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chambers, Timaru District Council, King George Place, Timaru
on Monday, 17 June 2024 at 9am**

Present: Bruce Robertson (Chairperson), Scott Shannon (Deputy Chairperson), Mayor Nigel Bowen, Janice Fredric

In Attendance: **Councillors:** Clr Stacey Scott

Officers: Nigel Trainor (Chief Executive), Paul Cooper (Group Manager Environmental Services), Justin Bagust (Chief Information Officer), Beth Stewart (Group Manager Community Services), Stephen Doran (Group Manager Corporate and Communications), Andrea Rankin (Chief Financial Officer), Narayan Swamy (Assurance Officer), Maddison Gourlay (Marketing and Communications Advisor), Rachel Scarlett (Governance Advisor)

Speakers: John Mackey (Audit New Zealand), Rudie Tomlinson (Audit New Zealand)

1 Apologies

1.1 Apologies Received

Resolution 2024/241

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the apology of Clr Michelle Pye and Clr Scott Shannon be received and accepted.

Carried

2 Identification of Items of Urgent Business

No items of urgent business were received.

3 Identification of Matters of a Minor Nature

3.1 Matters of a Minor Nature Items Received

- Finalise Annual Plan
- Interim Management Plan Report Long Term Plan Audit

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

An update on the 'Insurance Programme Update' will be presented at the upcoming Audit and Risk Meeting on 09 September 2024.

Resolution 2024/242

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the Minutes of the Audit and Risk Committee Meeting held on 4 March 2024 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Carried

6 Reports

6.1 Audit and Risk Committee Work Programme

The Assurance Officer presented the report outlining the programme of work for the Audit and Risk Committee (ARC).

The Chair noted that the October 2024 meeting would focus specifically on the 'Annual Report.' It was agreed to maintain the quarterly meeting schedule, with the addition of an extra meeting in October.

Resolution 2024/243

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Carried

6.2 External Auditors Open Recommendations

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

The Chief Executive, Group Manager of Infrastructure, Group Manager of Environmental Services, and Chief Financial Officer gave a high-level overview of the 'Audit NZ Report 2019/2020.'

The Chair expressed satisfaction with the 'High Annual Leave Balances'. Discussions also covered the 'Provision for Closed Landfills,' with the Group Manager of Infrastructure indicating that a report is expected in June 2024. This report will review risk and a prioritisation list. The 'Audit NZ Report 2021/2022' is still a work in progress.

The Development Contributions Policy was discussed. It is currently under review, particularly in relation to Timaru, especially the northern part of the area. The Group Manager of Environment Services indicated that a mixed model for Timaru might be considered and that it remains a work in progress. It was suggested that a letter regarding development contributions could be justified.

The Group Manager of Infrastructure provided an update on the 'Waka Kotahi – Investment Audit Report (August 2021).' Progress is being made, with the Long-Term Plan general ledger numbers now aligning with Waka Kotahi's categories.

An update on the Audit NZ Report 2022/2023 was provided, noting that the Council will transition to a regime where staff costs will be capitalised in the next financial year. It was also noted that Audit NZ will conduct the final clearance of the audit.

Resolution 2024/244

Moved: Clr Scott Shannon

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Carried

6.3 Internal Audit Plan Update

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Committee with an Internal Audit Plan Update.

It was noted that the 'Asset Management' assignment is scheduled for completion in July 2024. Additionally, the 'Sensitive Expenditure – Follow-up Audit' will be presented to the Audit and Risk Committee in July 2024. The Chair expressed support for receiving an annual internal programme update and requested that the three-year plan be presented to the Committee in September 2024.

Resolution 2024/245

Moved: Ms Janice Fredric

Seconded: Clr Scott Shannon

That the Audit and Risk Committee receive the internal audit plan 2023/24 update.

Carried

6.4 Risk Management Quarterly Report

The Assurance Officer and Group Manager Corporate and Communications spoke to this report to provide the Committee with an update of the Risk Management Quarterly Report.

The Group Manager of Corporate and Communications updated the Committee on Stage Two of embedding the Risk Management Policy. The use of Promapp, including its risk module, has been implemented, transitioning risks from Excel spreadsheets into the Promapp system. Future efforts will focus on further embedding the system's use among staff.

Discussion included the hazards associated with AF8 (Alpine Fault magnitude 8) and the application numbers for bringing parks in-house. An automated system for this transition was also noted.

The Chief Executive mentioned that the 'Iwi Engagement' risk assessment rating will be reviewed. The Group Manager of Corporate and Communications explained how risk assessment ratings are prioritised, with particular emphasis on the need for a high-risk rating for Health and Safety risks and the importance of further work to mitigate these high risks.

It was suggested that separating 'natural hazards' items would be beneficial, and this will be investigated further.

The Chair emphasized that once the Long-Term Plan is adopted, a review and revision of strategic risks and their relevance will be necessary. The Chair also requested the inclusion of a diagram in future reports that provides an overview of the Risk Assessment Framework and the Council's position relative to each point. Emphasis should be placed on climate issues, with current climate assessment details to be provided and reflected upon.

Resolution 2024/246

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

That the Audit and Risk Committee:

1. Receives the Quarterly Strategic Risks update
2. Receives and notes the Risk Management Maturity Improvement Plan.

Carried

6.5 Legislative Compliance Quarterly Report

The Group Manager Corporate and Communications presented this report to provide the Committee with an update on legislative compliance.

It is agreed not to renew the ComplyWith system. A Legal Services Manager has been hired to assist with reviewing legal compliance and establishing a framework for reporting.

The importance of engaging all staff in health and safety compliance was discussed, highlighting that this is both a cultural and educational focus for the Timaru District Council.

The Group Manager of Environmental Services and the Chief Executive shared negative experiences with ComplyWith, noting that it does not provide adequate assurance. It was agreed that exploring alternative options for quality assurance would be best practice.

Additionally, it was discussed that the focus for the October 2024 Audit and Risk Committee Meeting will be to recommend a letter of representation to Rudie Tomlinson (Audit NZ) for sign-off.

Resolution 2024/247

Moved: Deputy Chairperson Scott Shannon

Seconded: Ms Janice Fredric

That the Audit and Risk Committee receives and notes the Legislative Compliance report.

Carried

6.6 Sensitive Expenditure Quarterly Report

The Chief Financial Officer spoke to this report to update the Committee on sensitive expenditure for the period 1 January 2024 to 31 March 2024.

Noted was no significance in the March 2024 Quarter.

Resolution 2024/248

Moved: Ms Janice Fredric

Seconded: Mr Bruce Robertson

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Carried

6.7 Business Improvement Update

The Continuous Improvement Business Partner presented this report to provide the Committee with an update on the Business Improvement Work Programme and outline the next steps.

The SmartyGrants platform has been approved. It was noted that future reports should include financial details and timelines for each project.

A close-out report for Attekus Bookable and Assura will be presented at an upcoming Audit & Risk Meeting, though ongoing improvements are expected. Progress on Promapp is continuing.

The Chief Executive mentioned that MagiQ has potential due to its comprehensive finance tool capabilities. Updates on the Business Improvements Programme will be provided in a future Audit & Risk Meeting.

Resolution 2024/249

Moved: Ms Janice Fredric

Seconded: Deputy Chairperson Scott Shannon

That the Audit and Risk Committee receives and notes the Business Improvement Update report.

Carried

6.8 Accounting Policies 2024 Annual Report

The Chief Financial Officer and Senior Accountant spoke to this report to present the draft accounting policies for inclusion in the 2023/24 Annual Report.

The discussion included the need to standardise policies between the Council and its subsidiaries and addressed any issues presented. Audit NZ provided a breakdown of the asset classes and valuations for Timaru District Holdings Limited, Alpine Energy, Timaru District Council, and PrimePort.

It was noted that there have been no substantial changes to accounting policies or significant changes to disclosures for the year. Audit NZ discussed the revaluation policy for assets and sought further clarity in this area.

It was discussed that if the Council's revaluation exceeds 10%, a full revaluation will be done; if it nears 10%, an index valuation will be conducted. Efforts will focus on improving valuations, especially for water and roading assets. Some minor valuations are still pending, but the main priority is on water and roading.

The Chief Executive highlighted that land and building revaluations will need to be a key focus, and further discussions will be required. The Senior Accountant noted that the revaluation of land and buildings is scheduled for next year, emphasising the need for clarity on what should be revalued.

At 10:33 am, Clr Scott Shannon left the meeting.

At 10:35 am, Clr Scott Shannon returned to the meeting.

The Annual Report and the Long-Term Plan 2025 should be aligned with land and building valuations. Audit NZ noted that if the Council adopts a revaluation cycle for land and buildings, it could create issues for some subsidiaries that do not currently revalue these assets. The interim audit is complete with no material issues identified. The final audit will begin on 23 September 2024, with the audit opinion expected to be issued by 31 October 2024. These timelines may change based on the outcome of the Long-Term Plan.

Meeting adjourned 10.48am.

Meeting resumed 10.56am.

The Chief Financial Officer announced that a Draft Annual Report will be presented to the Audit and Risk Committee on 9 September 2024.

The Chair requested additional dates and details on the quality procedures for the Draft Annual Report from the Chief Financial Officer. This information should be provided internally as soon as practicable before the 21 October 2024 meeting.

Audit NZ discussed the Audit Dashboards, noting that minimal staff have been onsite for specific tasks. This has made it challenging to complete offsite work, with issues accessing Council systems. Future access to Esker will be arranged to address these issues.

Resolution 2024/250

Moved: Mr Bruce Robertson

Seconded: Ms Janice Fredric

1. That the Audit and Risk Committee receive and agree to the accounting policies for the 2024 annual report and the 2025 financial year.
2. That the Audit and Risk Committee agree that the accounting policies apply to Timaru District Council and the Council Controlled Organisations and the Council Controlled Trading Organisations that comprise the Timaru District Council Group.
3. That the Audit and Risk Committee receive the 2023/24 Audit Plan.

Carried

Attachments

- 1 Timaru District Council 24J Audit Plan

6.9 Long Term Plan 2024-34 Update

The Group Manager Corporate and Communications spoke to this report to provide a brief update on the Timaru District Council Long Term Plan 2024-34 process.

Discussion included the 01 July 2024 being the projected adoption date of the Long Term Plan.

Audit NZ reflected on the challenges encountered with the Long-Term Plan, including issues with time frames and incomplete asset information. They discussed the timelines and processes that should be followed before final adoption. Audit NZ expressed hope that they will be able to provide a clear opinion by 19 June 2024.

Resolution 2024/251

Moved: Mr Bruce Robertson

Seconded: Cllr Scott Shannon

1. That the Audit and Risk Committee receives and notes this update on the 2024-34 Long Term Plan
2. That the Audit & Risk Committee receives the Interim Report to Council.

Carried

Attachments

- 1 Timaru District Council Interim Report

7 Consideration of Urgent Business Items

No items of urgent business were received.

8 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

9 Exclusion of the Public

Resolution 2024/252

Moved: Mr Bruce Robertson

Seconded: Clr Scott Shannon

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 at 11.30am:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
<p>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 4 March 2024</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy, including the privacy of deceased persons</p> <p>To protect commercially sensitive information</p> <p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest.</p> <p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable Council to carry out commercial activities</p> <p>To prevent use of the information for improper gain or advantage</p>

	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	
10.2 - Issues Watch Register	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable Council to carry out commercial activities</p>
10.3 - Internal Audit Quarterly Report	<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)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</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 commercially sensitive information</p> <p>To protect the effective conduct of public affairs</p> <p>To enable Council to carry out commercial activities</p>
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Health and Safety Performance Report	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, including the privacy of deceased 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 commercially sensitive information
10.6 - Committee and Auditor only time (agenda placeholder)	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest.</p> <p>To enable Council to carry out commercial activities</p>
10.7 - Committee and Chief Executive only time (agenda placeholder)	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy, including the privacy of deceased persons</p> <p>To enable Council to carry out commercial activities</p>

Carried

- 10 Public Excluded Reports**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 4 March 2024**
- 10.2 Issues Watch Register**
- 10.3 Internal Audit Quarterly Report**

- 10.4 Cyber Security Report**
- 10.5 Health and Safety Performance Report**
- 10.6 Committee and Auditor only time (agenda placeholder)**
- 10.7 Committee and Chief Executive only time (agenda placeholder)**
- 11 Readmittance of the Public**

Recommendation

That the meeting moves out of Closed Meeting into Open Meeting at 1.54pm.

The meeting closed at 1.54pm.

.....

Bruce Robertson
Chairperson

6 Reports

6.1 Audit and Risk Committee Work Programme

Author: Narayan Swamy, Assurance Officer

Authoriser: Stephen Doran, Group Manager Corporate and Communications

Recommendation

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Purpose of Report

- 1 The purpose of this report is to outline the programme of work for the Audit and Risk Committee (ARC).

Assessment of Significance

- 2 This matter has been assessed as having low significance under the Council’s Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates and no deviation from the Long Term Plan (LTP).

Discussion

- 3 Below is the proposed ARC Work Programme which shows the items scheduled for each quarter. This information aims to provide an indication to the Committee of upcoming items.
- 4 This report has been split into the following areas Standing Agenda Items, Other Agenda Items and Audit and Assurance Agenda Items.

1. Standing Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24*	Dec 24
Minutes and actions from the prior meeting	✓	✓	✓		✓
Risk Management quarterly report	✓	✓	✓		✓
Health and Safety update	✓	✓	✓		✓
Internal audit quarterly report	✓	✓	✓		✓
External auditors open findings	✓	✓	✓		✓
Issues Watch Register	✓	✓	✓		✓
Cyber Security Report	✓	✓	✓		✓
Employee matters (as required)	✓	✓	✓		✓
Probity update (Report will be provided only if any probity matters arise)	✓	✓	✓		✓
Quarterly Sensitive Expenditure report	✓	✓	✓		✓
Auditor only time	✓	✓	✓		✓
CE only time	✓	✓	✓		✓

*October 2024 meeting is for the purposes of “Adoption of the Annual Report 2023/24”.

2. Other Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24	Dec 24
Operational Risk Register – all operational risks		✓			
Update Legislative Compliance report	✓				
Tax Risk Management Framework – 2 yearly (Due October 2024)			✓		
Insurance program update	✓ Renewal		✓ Endorse		
Annual Report to ARC on Conflicts of Interest	✓				
Credit rating review	✓				

3. Audit and Assurance Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24	Dec 24
Audit plan and engagement letters	✓				
LTP update	✓	✓			
Key Accounting Judgement – Accounting Policies		✓ 2023/24			
Adoption annual report				✓ 2023/24	
Adoption audit representation letters				✓ 2023/24	
Audit NZ Interim management report			✓ 2023/24		
Audit NZ Final management report	✓ 2022/23				✓ 2023/24
Debenture Trust audit report	✓ 2022/23				✓ 2023/24
Workshop		✓ Risk review			

Attachments

Nil

6.2 External Auditors Open Recommendations**Author:** Narayan Swamy, Assurance Officer**Authoriser:** Stephen Doran, Group Manager Corporate and Communications**Recommendation**

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Purpose of Report

- 1 The purpose of this report is to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

Assessment of Significance

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

Discussion

- 3 The Risk and Assurance team maintains a record of the recommendations arising from external audits and undertakes regular follow-ups with all business units to ensure recommendations have been actioned.
- 4 There are 18 open recommendations from the external auditors. The full details are in the attached record (attachment 1), which includes management comments.

Attachments

1. **External Auditors Open Recommendations September 2024**

External Auditors recommendations record

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	Audit NZ Report 2019/2020					
1	Independent three way matching of expenditure: Implement an independent three-way matching process for ordering, receipt, and approval of purchases of goods and services.	Community Services	Continuous Improvement Business Partner	31-Dec-22 31-Mar-23 31-Dec-23 31-Mar-24	Necessary	<p>-August 24: The Esker Procure to Pay project has gone live in March 2024. Users have been provided with training. There are ongoing improvements being made to Esker to enhance the overall user experience.</p> <p>- May 24: The Esker Procure to Pay project has gone live in March. User training is currently being provided to all users across the organisation.</p> <p>- Jan 24: The Esker Procure to Pay project is underway with the build work in progress. User Acceptance Testing will commence in February.</p> <p>- Stage 2 set to begin in December 2023 once budget approved and go-live in the first quarter of 2024. This has since been delayed and is reset to be live by July 2024.</p> <p>- Sep 23/Nov 23: Delayed go -live until the third quarter of the financial year as we have a key team member taking extended leave.</p> <p>- Stage 1 of the Procure to Pay project has been implemented with the roll out of the Esker System. This has implemented automation of approval workflows.</p> <p>- Stage 2 will introduce PO's and goods receipting from Esker. Esker has been approved as the preferred supplier to provide the Procure to Pay module. Project will commence in August 2023 and Go-Live will be December 2023.</p> <p>AUDIT NZ updated comment Some progress Council has rolled out the Esker system and plans to resolve the issue by next year.</p> <p>Previous comments Some progress Council plans to implement a procure-to-pay system which will address this issue. This project is currently in the implementation stage</p>
2	Internal recharges: Review and reconcile internal recharges.	Finance	Senior Finance Business Partner	31-Dec-22 31-Mar-23 31-Dec-23	Necessary	<p>-August 24: Work in progress.</p> <p>- May 24: This project is commencing week beginning 20 May 24.</p> <p>- Jan 24: Management notes this as a continuous improvement opportunity and is being closely monitored.</p> <p>- Sep 23/Nov 23: This is a continuous improvement opportunity and is being closely monitored.</p> <p>- For the 2020-21 financial year, changes were made with specific resource codes set up to capture internal overhead debits and credits ensuring that especially all capital internal charges are recognised. In the past internal transactions were not always coded as internal (utilised a general charge code) so only one side was picked up when reconciling and recognising any internal transactions.</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						- Internal recharges for 2022 were reviewed and reconciled to ensure coding has been transparent and amounts are appropriate by applying the same methodology as in the LTP. AUDIT NZ updated comment Some progress The internal charges and recovery GL codes still do not net to nil. There were small transactions coded to "internal charges" category where the contra side to the transaction was coded to a different expense code category. Previous comments No progress There are still GL codes that have yet to be corrected.
3	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	Engagement & Culture	GM Engagement & Culture	31-Dec-22 31-Mar-23 31-Dec-23	Necessary	- Aug24: Leave reporting provided quarterly. Leaders expected to proactively engage with team members to reduce leave balances in excess of 5 weeks. Letters setting expectations being issued where required and guidance given on when to escalate to a managed leave programme. - May 24: Regular leave reporting is provided to people leaders who are actively working to reduce team members leave before 30 June 2024. - Jan 24: Undertaking regular reporting to managers to increase oversight and management of leave balances. The most recent leave report was sent January 2024. - Payroll is undertaking quarterly leave reporting which will be sent to GMs to discuss with affected parties. (Currently running this report). Due to the nature of the system, this is a manual checking process and takes some time. The report will include the employee leave balance, accrued leave, long service and special leave, Christmas leave, and the monetary value based on ordinary earnings. - Sep 23/Nov 23: Planned quarterly reporting to SLT on the annual leave balances. - We continue to monitor this area and work with employees to reduce balances. The impacts of Covid-19 have heightened the issue. Managers receive reporting on employees with high balances and work with individual employees to put plans in place. - Engagement & Culture continue to develop plans on how to address this issue. AUDIT NZ updated comment Some progress However, noted there are still few employees with high annual leave balances. Previous comments No progress No Change in Status from previous report.
4	Annual report preparation: • Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter.	Corporate Communications & Finance	GMCC & CFO	31-Dec-22 31-Mar-23 31-Dec-23	Necessary	- August 24: Interim Audit was completed; team is working to finish Annual Report / Audit on time this year.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	<ul style="list-style-type: none"> Establish a robust quality review process over the financial and non-financial information presented to audit. 					<p>- May 24: Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner.</p> <p>-Dec 23: The Annual Report 2022/23 was approved by Council (Resolution 2023/76) November 2023. Regular communication between Audit NZ and TDC is in place to reduce the number of issues or any delays from either organisation.</p> <p>-Nov 23: The Annual report 2022/23 will be presented to the Council on 14 Nov 2023.</p> <p>- A detailed project plan has been developed to ensure the 2021/22 annual report is complete and ready for Audit. In addition, a Project Steering Group meets weekly and there are regular status updates to the Senior Leadership Team. Microsoft Teams is being used to manage internal information and Audit Dashboard for communication with Audit NZ.</p> <p>- Regular review of both financial and non-financial information is also being undertaken. Further Quality Assurances processes will be in place for the 2022 Annual Report.</p> <p>- The revised timing of the 2021/22 Audit led to pressures of multiple deliverables being required at the same time. A lesson learned session will be held with Audit NZ.</p> <p>AUDIT NZ updated comments Some progress The draft annual report provided to the audit team was not fully complete and due to time constraints, not subject to a full quality review process. The financial and non-financial information presented to audit, still contained misstatements.</p> <p>Previous comments Some progress: However, the draft annual report provided to the audit team was subject to a quality review process. However, financial and non-financial information presented to audit, still contained many misstatements.</p>
5	<p>Timely review of policies Review policies in a timely manner.</p>	Corporate Communication	GMCC		Necessary	<p>-August 24: No Further Updates</p> <p>- May 24: There is a programme of policy reviews underway across the Council and a full list of policies has been prepared with proposed review date. May 24: Policy prioritisation schedule set by SLT to proris high impact and/or high risk policies.</p> <p>- Jan 24: Plan and framework in place.</p> <p>- Sep 23: A reset of the TDC Policy Framework was approved by management in July 2022 – this involved a new strategic framework and approach to policy development. Each Group Manager has reviewed policies across the organisation to determine a three-year policy review programme based on prioritisation.</p> <p>AUDIT NZ updated comments In progress</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						<p>Some policies have been updated. However, the Corporate Management policy was last updated in 2017.</p> <p>There is some progress, although the issue is not fully resolved.</p> <p>Previous comments In Progress There is a programme of policy reviews underway across the Council and a full list of policies has been prepared with proposed review date.</p>
Audit NZ Report 2020/2021						
6	<p>Independent Review of Journal Entries</p> <p>Implement an independent review of manual journal entries.</p>	Finance	CFO	31-Dec-23	Necessary	<p>-August 24: Journal entries are reviewed and approved on a timely basis before posting. New process implemented for 2024-2025.</p> <p>- May 24: Review is in progress.</p> <p>Sample reviewed at month end as part of the reporting process.</p> <p>AUDIT NZ updated comment Some progress However, there is only a high-level month -end review and no formal approval for the manual journals posted.</p>
7	<p>Publication of council-controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.</p>	Corporate Communication	GMCC	<p>31-Dec-22 31-Mar-23 31-Dec-23</p>	Necessary	<p>-August 24: Completed</p> <p>- May 24: To be completed in next quarter.</p> <p>- Dec 23: The Annual Report was adopted 14 November 2023. The Report was loaded on the Council website on 14 December 2023. Following changes in staff, the process for this has been reviewed and compliance is anticipated from 2024.</p> <p>- Sep 23/Nov 23: Management note copies of all CCO information are held on the TDC website. The first three years have an individual page for Venture Timaru, then previous years are available by searching the reports and documents from the agendas when these were presented to Council, or the relevant Committee. For TDHL, information is available on the TDC website from back to 2015/16 financial year. All was added within statutory timeframes and are available to view by the public.</p> <p>- A review of this process has led to CCO information and documents now being published on the Council's website within stipulated timeframes.</p> <p>AUDIT NZ updated comment No progress No change in status from previous report.</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						<p>Previous comments During 2022/23 there were further organisational restructures and changing personnel, the previously centralised function to publish these to Council website within statutory timeframes has again been overlooked.</p>
8	<p>Provision for closed landfills: Complete an assessment to determine the extent of the aftercare provision required for the 40 closed landfills. This will enable the Council to obtain a clearer picture of the potential financial exposure to recognise in its financial statements, and to determine the funding arrangements that are likely to be needed for this expenditure.</p>	Finance & Infrastructure	Senior Finance Business Partner, Waste Manager	Not yet able to be determined - refer to status update.	Necessary	<p>-August 24: Work in progress.</p> <p>- May 24: The inspections and risk assessments are progressing. Of the 36 closed landfills identified 26 are owned by Timaru District Council. The work is on track with the report expected to be received by end of June 2024.</p> <p>- Jan 24: The reports being prepared by PDP are expected to be completed this financial year. - This will be a multi-year project to review the closed sites and completion date to be confirmed. The initial analysis is being undertaken with reports, ideally completed by June 2024.</p> <p>- Nov 23: - Recent information has determined there are 36 closed landfills in the Timaru District. Where possible, an assessment will be performed to determine the environmental risk and extent of any aftercare provision required for closed landfills. Due to the number of closed landfills, not all closed landfills will be assessed prior to the completion of the 2022 Annual Report. - PDP (Environmental Science & Engineering Consultants) have been engaged to complete the assessments and so far have completed seven. They will be providing TDC with a list of all landfills for assessment (including contact details) in the next two months. - Council are responsible for getting in contact with closed landfills to obtain access to the site for PDP. Council will liaise with Arowhenua to get cultural assessments done for each landfill as some could be culturally sensitive. Once the report is back from Arowhenua, PDP will be able to complete these assessments. - PDP will conduct environmental data analysis which will be fed into their GIS. The data will then be shared with Council once all analysis is completed. - As Council do not currently know the condition of the closed landfills, a target date and risk rating has not yet been able to be determined.</p> <p>AUDIT NZ updated comment No progress No change in status from previous report. Previous comments Some progress</p>
	Audit NZ Report 2021/2022					

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
9	Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.	Finance	CFO	31 Dec 25	Necessary	<p>-August24: Still work in progress.</p> <p>- May 24: Still work in progress.</p> <p>- Sep 23/Nov 23: As noted in the Outstanding Risk Register presented to the Audit and Risk Committee on 3 July 2023, this is part of a program of work to prepare for a full valuation. The action has a proposed due date of 31 December 2025.</p> <p>AUDIT NZ updated comment In progress</p>
10	Development contributions policy: Implement a development contributions policy.	Finance	CFO	TBC	Necessary	<p>-August24: Still considering</p> <p>- May 24: Still considering.</p> <p>- Jan 24: This was not progressed within the first three years of the 2021-2031 LTP and Council may consider as part of the 2024-2034 LTP.</p> <p>- Sep 23/Nov 23: The figures above are noted by Management as Financial Contributions. The District Plan has financial contributions provisions which are targeted to particular developments. In the 2024-34 LTP there is no plan to implement a development contributions policy.</p> <p>AUDIT NZ updated comment No progress No change in status from previous report.</p>
Waka Kotahi - Investment Audit Report (Aug 21)						
11	Develop a clear and consistent audit trail to support claims for funding assistance	Infrastructure	Land Transport Manager	30-Jun-24	Medium	<p>-August24: Work in Progress</p> <p>- May 24: Work is ongoing in this area, there are a number of reports and spreadsheets coming from the finance team which are bridging this gap. The budget codes and headers submitted in the Long Term Plan are much more simple to follow which will provide for further transparency over the life of the coming LTP .</p> <p>Work is being undertaken in conjunction with the Finance team to improve the reporting out of the finance system. This will remove the need for a bespoke system/report.</p>
12	Audit NZ Report 2022/2023 Capitalisation dates of additions: Capitalise assets within a month of their completion rather than all on 30 June.	Finance	CFO	1 st July 2024	Necessary	<p>-August24: Quarterly capitalisation procedure will be implemented from 2024-2025 financial year.</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						- May 24: This has made some progress this year with assets being capitalised earlier than year end. Will capitalise more regularly and will use the period close off date
13	Useful lives alignment with accounting policy: Ensure the useful lives are consistent with the accounting policy.	Finance	CFO	1 st July 2024	Necessary	- August24: Reviewed - May 24: Reviewed Yes, we will review for consistency
14	Depreciation rates to be added to CVR asset register: Ensure depreciation rates are entered in CVR asset register for all additions; and revised on revaluation of the assets.	Finance	CFO	1 st July 2024	Necessary	- August24: Reviewed - May 24: Reviewed Yes, we will review on a regular basis.
15	Coding errors in journals: Ensure journals are independently reviewed to help ensure they are correctly coded.	Finance	CFO	1 st July 2024	Necessary	- August 24: Journals are being reviewed on regular basis and corrections made at month end. - May 24: Journals are being reviewed on a regular basis. Closer review of journals will be undertaken.
16	Fair Value Assessment of LGFA Investments: Complete fair value assessments for the LGFA Investments annually.	Finance	CFO	1 st July 2024	Necessary	- August24: Noted. - May 24: Noted Noted and will value at year end.
17	Leaver profiles active on Esker: Implement a user termination process for Esker; and - Conduct regular reviews of users' access to ensure they are still appropriate	Finance	CFO	31 Dec 2024	Necessary	- August 24: June 2024 major clean up on users. Regular process in place to keep this up to date. - May 24: Still work in progress. In discussion with HR to be added to the termination notification process.
18	Completeness of Interest Register: - Include the details of close family members of KMP in the Interest Register.	GMEC	GMEC & EOC	1 st July 2024	Necessary	- August 24 Work in Progress. - May 24: For SLT members completed and in progress for other staffs.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	- Implement a check to confirm that the disclosed interests align with the information on the Companies Register, where relevant. - Periodically confirm that the information is up to date.					Noted and will ensure compliance in the future.

6.3 Risk Management Quarterly Report

Author: Narayan Swamy, Assurance Officer

Authoriser: Stephen Doran, Group Manager Corporate and Communications

Recommendation

That the Audit and Risk Committee receives and notes the Quarterly Strategic Risks update and the Risk Management Maturity Improvement Plan.

Purpose of Report

1. The purpose of this report is to provide the Committee with update on the Council's Strategic Risks and to provide the Committee with the Risk Management Maturity Improvement Plan and the current status of the plan.

Assessment of Significance

2. Reporting on the Risk activities is considered of low significance in terms of the Council's Significance and Engagement Policy, as this matter is operational in nature. There is no impact on levels of service, strategic assets or rates and no decision being sought.

Discussion

The Strategic Risks

3. There are 12 Strategic Risks. The residual rating of these risks is as follows:
 - One - Very high
 - Seven - High
 - Three - Medium
 - One - Low residual risk rating
4. A risk heat map, risk ratings, and detailed table of all strategic risks including mitigations are shown in Attachment 1, including the table of rating definitions used to assess these risks.
5. Due to the nature of strategic risks they are not expected to change between periods, and no changes are noted since the last report.

The Risk Management Maturity Improvement Plan

6. On 30 November 2023 the Senior Leadership Team (SLT) approved the Risk Management Maturity Improvement Plan (the Plan) - as per attachment 2.
7. The benefit of the Plan is to enhance Council's risk management and includes:
 - An updated Risk Management Policy and Framework; and
 - A structured, consistent and defined process for managing risk across all Council activities; and

- The capture of existing risk registers to a risk management system to promote consistency and challenge content; and
- Providing assurance to governance roles and committees over management's ability to identify and manage risks; and
- Providing a solid foundation to ensure Internal Audit activity is risk-based, well prioritised and scheduled in a well-thought-out manner to effectively and efficiently apply scarce Internal Audit resources.

8. The Plan consists of 3 stages:

- Stage 1: Risk Management Policy (December 2023 – March 2024),
- Stage 2: Embedding the Risk Management Policy (April - October 2024),
- Stage 3: Improve Risk Management practices (November 2024 – June 2025).

Attachments

1. Strategic Risk Register

Risk Register



Filter: Portfolio(s): Strategic Risks



RESIDUAL
90.0
EXTREME

INHERENT
90.0

R00189

STRATEGIC RISKS, STRATEGIC RISK

Climate Change

Adaptation and mitigation actions may not be adequate to respond, absorb and/or reduce impacts of climate change

Caused by:

- Lack of a climate change strategy
- No/inadequate climate change risk assessment
- Lack of funds to be able to respond and/or adapt to climate change effects
- Ineffective retreat management
- Climate change effects across the district occur differently and/or at a faster than expected e.g. increased temperatures, stronger winds, sea level rise, coastal inundation, longer dry periods, more intense rainfalls
- Change of direction by Government
- Lack of robust and adequate data and fit for purpose information systems
- Inadequate
 - quality advice to the community and decision makers to ensure effective management and governance oversight
 - design quality of coastal, flooding and other climate resilience projects
 - strategic approach to coastal erosion, sea level rise, flooding and inundation issues
 - resource consenting and Land Information Memorandum (LIM) processes

Result in:

- Physical and built environment of TDC impaired
- Councils activities and service delivery diminished
- Social, environmental and cultural well-being of the community affected
- Reputational damage
- Severe economic impact e.g. primary industry

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:44

LIKELIHOOD Almost certain
CONSEQUENCE Severe
CONTROL EFFECTIVENESS Deficiencies

TREATMENT MC00128

Climate Change strategy.
Climate change implementation plan.
Waste Minimisation Plan.
Active Transport Strategy.
Activity Management Plan.
Infrastructure Strategy.
TREATMENT MC00129

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TDC Coastal Inundation Assessment Report - NIWA July 2020.
Water Supply Resilience Report Jacobs 2021.

SIGNOFF(S): Paul Cooper
Andrew Dixon
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00130

Network Resilience Maintenance, Monitoring and Prioritised Improvement Plan

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00131

Canterbury Regional Climate Change Working Group.
Key partner relationships e.g. Runanga, ECan, NZTA, Kiwi Rail, Transpower, Alpine Energy.
Coastal hazards/inundation working group.
Lobbying on Govt Policy.
Participation in Emissions Trading Scheme.

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

RESIDUAL
67.5
EXTREME

INHERENT
90.0

R00196

STRATEGIC RISKS, STRATEGIC RISK

Community Engagement

Failure to develop and maintain effective communications with the community.

Caused by:

- Misalignment between council and community on objectives, priorities or projects
- Not identifying who needs to be engaged with
- Communication with community not delivering appropriate level of engagement
- Community not wanting to engage

Result in:

- Negative relationship with community
- Unwanted media attention
- Civic protest
- Further disengagement
- Reputational damage
- Loss of trust
- Damage to relationship with key stakeholders and partners

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:50

LIKELIHOOD Almost certain
CONSEQUENCE Severe
CONTROL EFFECTIVENESS Sufficient

TREATMENT MC00132

Principles of consultation (LGA s82,82A,83).
Significance and engagement policy (LGA s76AA).

OVERDUE
SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00133

Councillors available to community groups and the public

OVERDUE
SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00134

International Association of Public Participation (IAP2) principles adopted

OVERDUE
SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00135

Training under the IAP2 framework to all T3's and employees who roles involve customer or community engagement

OVERDUE
SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00136

Communications and engagement staff.
Active and regular updates of social and print media and communication channels.
Project specific communications and engagement plan.

OVERDUE
SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00137

Forward planning of organisational work-streams (within Group)

SIGNOFF(S): Beth Stewart
Andrew Dixon
Stephen Doran
Nicole Timney
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

RESIDUAL
67.5
EXTREME

INHERENT
90.0

R00197

STRATEGIC RISKS, STRATEGIC RISK

Iwi Engagement

Breakdown in relationships between Iwi and Council
Caused by:

- Lack of understanding of Treaty of Waitangi obligations
- Poor compliance with respective Acts e.g. RMA
- Inadequate funding to collaborate properly
- No processes in place for local iwi to consult and contribute
- Under resourcing to undertake appropriate engagement
- Discomfort and lack of knowledge in how and who to engage with

Result in:

- Reputational damage
- Unwanted media attention
- Discontent from local iwi
- No collaboration with iwi in all appropriate places and stages of developing and implementing strategy and actions
- Misalignment between council and local iwi
- Unable to deliver or implement on capital works

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:51

LIKELIHOOD Almost certain
CONSEQUENCE Severe
CONTROL EFFECTIVENESS Sufficient

TREATMENT MC00138

Treaty of Waitangi principles (LGA s4 and RMA s8).
Principles of consultation (LGA s82,82A,83).
Principles relating to local authorities (LGA s14).
Requirements in relation to decisions (LGA s77).

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00139

Contributions to decision-making processes by Maori (LGA s81).
Compliance with Mana Whakahono a Rohe: Iwi participation agreement (RMA Subpart 2).

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00140

Key policy and decision-making processes discussed with Mana Whenua mandated representatives.
Significance and Engagement policy.

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00141

Aoraki Environmental Consultancy Ltd Service Level Agreement.
Signed MoU with local iwi

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00142

Rūnanga representative on council committees

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00143

Treaty of Waitangi training

OVERDUE

SIGNOFF(S): Stephen Doran
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00144

SLT availability to meet with Ngā Rūnanga representatives.
Individual relationships with iwi representatives.

SIGNOFF(S):

Beth Stewart
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

RESIDUAL
67.5
EXTREME

INHERENT
90.0

R00192

STRATEGIC RISKS, STRATEGIC RISK

Personnel

Inability to attract and retain a skilled and competent workforce

Caused by:

- Insufficient resource availability in market
- Timaru not seen as a place of interest to live w.r.t. to where one is at in their personal and/or professional life
- Salary/wages cannot compete with private sector
- Council not seen as an employer of choice

Result in:

- Council unable to deliver key services to required levels
- Increased workload on council employees
- Work programme negatively impacted
- Ratepayer dissatisfaction
- Wellbeing of employees affected

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:47

LIKELIHOOD Almost certain
CONSEQUENCE Severe
CONTROL EFFECTIVENESS Sufficient

TREATMENT MC00145

Alternative resourcing avenues

OVERDUE

SIGNOFF(S): Hannah Goddard-Coles
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00146

Engagement and culture strategy.
Recruitment strategy.

OVERDUE

SIGNOFF(S): Hannah Goddard-Coles
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00147

Pay scale review

OVERDUE

SIGNOFF(S): Hannah Goddard-Coles
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00148

Employee incentives

OVERDUE

SIGNOFF(S): Hannah Goddard-Coles
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00149

eNPS survey

OVERDUE

SIGNOFF(S): Hannah Goddard-Coles
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

<p>RESIDUAL 67.5 EXTREME</p> <p>INHERENT 90.0</p> <p>R00199</p>	<p>STRATEGIC RISKS, STRATEGIC RISK</p> <p>Sustainable platform Inadequate funding for horizontal and vertical infrastructure Caused by:</p> <ul style="list-style-type: none"> • Inadequate sustainable programme • Competing priorities • Reduction in income from investments • Interest rate increases • Unsustainability EM expectations • Debt funding caps • Poor asset management planning • Borrowing capacity • Asset valuation and depreciation increases <p>Result in:</p> <ul style="list-style-type: none"> • Significant community rate increases • Capital programme is not affordable • Credit rating drops • Limited borrowing capacity • Negative effect on growth • Negative impact on levels of service <p>OWNER Nigel Trainor CREATED 17/04/2024 14:28:54</p> <p>LIKELIHOOD Almost certain CONSEQUENCE Severe CONTROL EFFECTIVENESS Sufficient</p>	<p>TREATMENT MC00150 Financial strategy. Infrastructure strategy</p> <p>TREATMENT MC00151 Interest rate hedging. Rates smoothing</p> <p>TREATMENT MC00152 Asset Management Plans. Asset Valuation reviews.</p> <p>TREATMENT MC00153 Compliance with Delivery of services reviews (LGA s17A)</p>	<p>OVERDUE SIGNOFF(S): Andrew Dixon DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p> <p>OVERDUE SIGNOFF(S): Andrew Dixon DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p> <p>OVERDUE SIGNOFF(S): Andrew Dixon DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p> <p>OVERDUE SIGNOFF(S): Andrew Dixon DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p>
--	---	---	---

<p>RESIDUAL 45.0 EXTREME</p> <p>INHERENT 90.0</p> <p>R00193</p>	<p>STRATEGIC RISKS, STRATEGIC RISK</p> <p>Compliance and Liability Failure to perform a regulatory or compliance function Caused by:</p> <ul style="list-style-type: none"> • Staff error • Incorrect assessment of legislative requirements • Lack of resources • Insufficient training • Unrealistic and/or competing work demands • Lack of support from senior management to maintain high standards of service delivery • Legacy decisions • Lack of reliable and timely information on the performance and position of council to Councillors • Equipment failure e.g. water quality monitoring • Contamination e.g. manganese from silage • Shock loading e.g. waste water • Weather <p>Result in:</p> <ul style="list-style-type: none"> • Not achieving Council strategic and community wellbeing outcomes • Erosion of public trust and confidence in council • Negative publicity • Reputational damage • Legal challenge and costs • Non-compliance breach • Regulatory fines or court ordered compensation • Public health issues <p>OWNER Nigel Trainor CREATED 17/04/2024 14:28:48</p> <p>LIKELIHOOD Almost certain CONSEQUENCE Severe CONTROL EFFECTIVENESS Adequate</p>	<p>TREATMENT MC00154 Legal advice and support. Keeping abreast with legislative change.</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>
	<p>TREATMENT MC00155 QA processes</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00156 Identified training needs</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00157 Management oversight and support. Regular monitoring of network inputs</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00158 SoP and Emergency Response Plans</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00159 Regular reporting to Council by SLT on council performance and position</p>	<p>SIGNOFF(S): Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>	

<p>RESIDUAL 45.0 EXTREME</p> <p>INHERENT 90.0</p> <p>R00190</p>	<p>STRATEGIC RISKS, STRATEGIC RISK</p> <p>Health, Safety and Wellbeing</p> <p>Not ensuring the safety, health and wellbeing of workers and the community</p> <p>Caused by:</p> <ul style="list-style-type: none"> ● Lack of or inadequate H&S framework and management systems ● Lack of knowledge and inconsistent application of policies and procedures, and demonstrating expected behaviours. ● Inadequate assessment and management of H&S risks across all areas of Council delivery ● Poor safety culture and maturity ● Lack of support from CE and SLT ● Officers duties not understood ● Effects of mental wellbeing not recognised ● Ineffective Health and Safety training and awareness (competence) ● Inadequate sharing of lessons learned ● Insufficient resources and/or capability of staff ● Poor supportive work environment (workloads, bullying) ● Safety-in-design is not implemented consistently by third parties <p>Result in:</p> <ul style="list-style-type: none"> ● FAC through to fatality ● Breach of statutory obligations ● Lost productivity ● High staff turnover ● Low staff morale ● Regulatory intervention ● Financial penalty ● Imprisonment <p>Loss of public trust and confidence in council</p> <p>OWNER Nigel Trainor CREATED 17/04/2024 14:28:45</p> <p>LIKELIHOOD Almost certain CONSEQUENCE Severe CONTROL EFFECTIVENESS Adequate</p>	<p>TREATMENT MC00160</p> <p>Health and Safety Statement Policy. Health and Safety Management System Policy. H&S strategy. Wellbeing Strategy.</p>	<p>OVERDUE</p> <p>SIGNOFF(S): Hannah Goddard-Coles</p> <p>DUE DATE: 01 Jul 2024</p> <p>FREQUENCY: 1st day of every 12 months</p>
	<p>TREATMENT MC00161</p> <p>Quarterly ARC H&S performance reports. Monthly H&S Committee meetings. Critical Safety Risk Group</p>	<p>OVERDUE</p> <p>SIGNOFF(S): Hannah Goddard-Coles</p> <p>DUE DATE: 01 Jul 2024</p> <p>FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00162</p> <p>Weekly/monthly SLT H&S performance snapshot</p>	<p>OVERDUE</p> <p>SIGNOFF(S): Hannah Goddard-Coles</p> <p>DUE DATE: 01 Jul 2024</p> <p>FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00163</p> <p>Internal Pulse survey</p>	<p>OVERDUE</p> <p>SIGNOFF(S): Hannah Goddard-Coles</p> <p>DUE DATE: 01 Jul 2024</p> <p>FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00164</p> <p>H&S awareness training. H&S compliance training. Health, Safety and Wellbeing induction.</p>	<p>OVERDUE</p> <p>SIGNOFF(S): Hannah Goddard-Coles</p> <p>DUE DATE: 01 Jul 2024</p> <p>FREQUENCY: 1st day of every 12 months</p>	

<p>RESIDUAL 45.0 EXTREME</p> <p>INHERENT 90.0</p> <p>R00191</p>	<p>STRATEGIC RISKS, STRATEGIC RISK</p> <p>Legislative Reform TDC does not adjust to new or additional legislation Caused by:</p> <ul style="list-style-type: none"> • Poor implementation of new or additional legislation • Unrealised impacts of legislation • Insufficient planning internally within Council • No centralised implementation function <p>Result in:</p> <ul style="list-style-type: none"> • Public receive a lower standard of community services • Negative/unintended consequences to the community • Increasing legislative and regulatory compliance requirements • Delivery on certain activities over the period of the LTP affected • Increased costs to ratepayers • Nature and scope of one or more Council activities altered • Legal challenge due to incorrect application of legislative requirements <p>OWNER Nigel Trainor CREATED 17/04/2024 14:28:46</p> <p>LIKELIHOOD Almost certain CONSEQUENCE Severe CONTROL EFFECTIVENESS Adequate</p>	<p>TREATMENT MC00165</p> <p>Monitoring legislative environment. Legislative owner to understand and assess impacts to TDC</p>	<p>OVERDUE SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p>
	<p>TREATMENT MC00166</p> <p>Updates from Government departments and agencies. LGNZ membership, advice and guidance. Taituara advice and guidance. Canterbury Mayoral forum.</p>	<p>OVERDUE SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00167</p> <p>Action Plan implementation</p>	<p>OVERDUE SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p>	
	<p>TREATMENT MC00168</p> <p>Consultant advice on interpretation and impacts on new or additional legislative requirements. Legal advice on interpretation and impacts on new or additional legislative requirements</p>	<p>OVERDUE SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: 1st day of every 12 months</p>	

<p>RESIDUAL 37.5 HIGH</p> <p>INHERENT 50.0</p> <p>R00198</p>	<p>STRATEGIC RISKS, STRATEGIC RISK</p> <p>Natural and Built Environment Council does not enable and/or attract growth Caused by:</p> <ul style="list-style-type: none"> ● Legislative restrictions ● Competing priorities ● Reactive approach to growth ● Inadequate growth funding ● Lack of scale development ● Fragmented land ownership ● Old housing stock ● Limiting topography ● National Policy Statement on highly productive soils ● Lack of industrial land and infrastructure <p>Result in:</p> <ul style="list-style-type: none"> ● Timaru not seen as a place to live and/or work ● Lack of housing/industrial choice ● Slow population and economic growth ● Increasing costs on ratepayers ● Loss of key community structures e.g. hospital, primary, secondary and tertiary education, primary health services, sporting and service clubs <p>OWNER Nigel Trainor CREATED 17/04/2024 14:28:52</p> <p>LIKELIHOOD Likely CONSEQUENCE Severe CONTROL EFFECTIVENESS Sufficient</p>	<p>TREATMENT MC00169 Infrastructure Strategy. Growth Strategy.</p>	<p>SIGNOFF(S): Andrew Dixon Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>
		<p>TREATMENT MC00170 District Plan</p>	<p>SIGNOFF(S): Andrew Dixon Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>
		<p>TREATMENT MC00171 Financial Contributions Policy. Bid Policy (City Town Strategy)</p>	<p>SIGNOFF(S): Andrew Dixon Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>
		<p>TREATMENT MC00172 Land use control (Highly Productive Land NPS)</p>	<p>SIGNOFF(S): Andrew Dixon Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>
		<p>TREATMENT MC00173 TDHL Venture Timaru</p>	<p>SIGNOFF(S): Andrew Dixon Paul Cooper DUE DATE: 01 Jul 2025 FREQUENCY: 1st day of every 12 months</p>

RESIDUAL
37.5
HIGH

INHERENT
50.0

R00188

STRATEGIC RISKS, STRATEGIC RISK

Significant Natural Hazard

Damage to public infrastructure and buildings Caused by:

- Extreme weather events e.g. heavy rains, strong winds
- Black Swan events (unknown large scale, large impact events)
- Earthquake/Tsunami
- Absence of relationship with partner agencies to enable an effective response to a CDEM event
- Incomplete flood modelling and flood risk assessment
- Landslides
- Rising groundwater
- Wildfire
- Flooding

Result in:

- Community unable to receive core services (e.g. roading, water, access to council public buildings)
- Loss of human life
- Deterioration of health conditions e.g. waterborne diseases, community wellbeing
- Loss of land value
- Unbudgeted costs
- Community flight (internal and external to and from region)

OWNER Nigel Trainor

CREATED 17/04/2024 14:28:43

LIKELIHOOD Likely

CONSEQUENCE Severe

CONTROL EFFECTIVENESS Sufficient

TREATMENT MC00174

Asset Management System
Activity Management Plans
Flood Plain Management Plan.
Infrastructure maintenance contracts.

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00175

CDEM preparedness.
Business Continuity Management - Emergency
Response Plans.
Recovery planning and resourcing.

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00176

Insurance cover
Local Authority Protection Programme Disaster
Fund Trust

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00177

Flood risk certificate (Urban properties).
ECan flood hazard assessment for rural areas

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00178

Financial strategy.
TDC Disaster Relief Fund

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

TREATMENT MC00179

Partner agency relationships.
Collaboration agreements
Canterbury Group CDEM/NEMA support
Canterbury LifeLines Group

SIGNOFF(S): Andrew Dixon
Paul Cooper
DUE DATE: 01 Jul 2025
FREQUENCY: 1st day of every 12 months

RESIDUAL
18.8
HIGH

INHERENT
25.0

R00194

STRATEGIC RISKS, STRATEGIC RISK

Funding

Levels and sources of funding differ from those forecasted

Caused by:

- Negative shock to finances e.g. economic downturn
- Inadequate planning to fund asset replacements
- Reduction in income from investments
- Interest rate increases
- Inadequate planning internally
- Not operating within budget
- Reduced funding from external funding sources e.g. Waka Kotahi

Result in:

- Increased debt payments
- Reduced spend on planned capital projects
- Long term network deterioration
- Projects deferred, redesigned or not completed
- Inadequate delivery of community services

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:49

LIKELIHOOD Likely
CONSEQUENCE Major
CONTROL EFFECTIVENESS Sufficient

TREATMENT MC00180

Financial strategy.
Infrastructure strategy

OVERDUE

SIGNOFF(S): Andrea Rankin
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00181

Revenue and Financing Policy.
Liability Management Policy.
Financial Contributions Policy.
Treasury Management Policy.

OVERDUE

SIGNOFF(S): Andrea Rankin
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00182

Long term plan.
Annual Plan.
Annual report.

OVERDUE

SIGNOFF(S): Andrea Rankin
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00183

Quarterly KPI and non-KPI reporting to Council

OVERDUE

SIGNOFF(S): Andrea Rankin
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00184

Funding Impact Statement

OVERDUE

SIGNOFF(S): Andrea Rankin
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

RESIDUAL
12.5
MEDIUM

INHERENT
50.0

R00195

STRATEGIC RISKS, STRATEGIC RISK

Governance roles and responsibilities

Councillors not following the principles of good governance

Caused by:

- Not understanding what governance means
- Lack of awareness, knowledge and training in good governance practices
- Lack of understanding of the various Acts and statutes that drive council decision making e.g. LGA, RMA
- Poor understanding in how to be an effective elected member
- Ignoring statute
- Lack of reliable and timely information on the performance and position of council

Result in:

- Sub optimal decision making
- Performance of TDC adversely affected
- Loss in confidence from the public of elected members and/or council as a whole
- Confidentiality leaks
- Non-functional Council (unable to make resolutions due to irreconcilable differences)
- Council replaced with Commissioners or Crown Manager appointed by Local Government Minister
- Council's decision judicially challenged
- Council's decisions being investigated and reviewed by the Ombudsman or AG

OWNER Nigel Trainor
CREATED 17/04/2024 14:28:49

LIKELIHOOD Likely
CONSEQUENCE Severe
CONTROL EFFECTIVENESS Strong

TREATMENT MC00185

Councillors induction.
Councillors understand the impact decisions made by them (LGAs76-82).
Governance Principles understood and followed (LGA s39).

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00186

Local Governance Statements signed (LGA s40).
Code of Conduct and Standing orders

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00187

Councillors professional development workshops and webinars e.g. EQUIP EHUB.
In-house training workshops.

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00188

Councillors Pecuniary Interest register.
Conflict of Interest Register.

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00189

Regular reporting to Council by SLT on council performance and position

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

TREATMENT MC00190

External Governance Appointments Policy

OVERDUE
SIGNOFF(S): Nigel Trainor
DUE DATE: 01 Jul 2024
FREQUENCY: 1st day of every 12 months

6.4 Internal Audit Plan Update

Author: Narayan Swamy, Assurance Officer

Authoriser: Stephen Doran, Group Manager Corporate and Communications

Recommendation
 That the Audit and Risk Committee receive the update of completed and upcoming Internal Audit activities.

Purpose of Report¹ To provide the Committee with an update on the Internal Audit (IA) activities since the last meeting on 17th June 2024 and the plan for IA assignments for FY 2024/25.

Assessment of Significance² Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council’s Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

Discussion

3 ARC endorsed the Internal Audit 3-year plan in their meeting 3 July 2023.

4 The planned audits for 2023/24 and their status are as follows:

Assignment	Status
Asset Management	Currently undergoing management review. Report will be presented to next Audit and Risk Committee Meeting.
Employee Recruitment / Retention Strategy Review	In progress using internal resources.
Operational Expenditure and Policy Internal Audit	To be undertaken April 25 by external resources.
Contract Management	To be undertaken 2024/25 year by internal resource.

5 In selecting the upcoming Audits, we have tried to cover a broad range of issues informed by our strategic risks.

6 The rationale behind the audits in question are as follows:

6.1 **Employee Recruitment / Retention Strategy Review:** It was noted by Deloitte that a key risk to TDC is around the inability to attract and retain a skilled and competent workforce. This has been highlighted in conversations with key stakeholders as well as this being documented as having a “very high” residual rating in TDC’s strategic risk register.

6.2 **Operational Expenditure and Policy Internal Audit:** A strong control environment around the recording, collating, monitoring, managing and reporting of financial spending on operational activities by the Council is essential. This is to determine that spending is appropriate, in line with TDC’s LTP and approved budgets. This will be externally provided by Deloitte at an estimated cost of \$35,000. We will be undertaking

this quarter three to measure the effectiveness of the change in delegations introduced this year and the monitoring of spending against budgets.

6.3 **Contract Management:** Assessment of the effectiveness of the controls and processes with respect to contract management.

- 7 While legislative compliance was previously identified by Deloitte, this was prior to the appointment of the Legal Services Manager, who is currently undertaking a similar exercise as part of his role. We have paused this specific assignment to review at a later date.
- 8 The audit plan outlined above is believed to be achievable in a cost-effective manner, making use of internal resources in providing the majority of services, while ensuring best value use of external contractors.

Attachments

Nil

6.5 Legislative Compliance Preparation

Author: Elliot Higbee, Legal Services Manager

Authoriser: Stephen Doran, Group Manager Corporate and Communications

Recommendation

That the Audit and Risk Committee note the proposed legislative compliance process for the upcoming 21 October 2024 meeting, and provide comment as considered appropriate.

Purpose of Report

- 1 To ensure expectation alignment between Council Officers and the Audit and Risk Committee (the Committee) for the provision of legislative compliance assurance at the 21 October 2024 meeting.

Assessment of Significance

- 2 This report is low significance in terms of the Timaru District Council Significance and engagement policy as it is preparatory in nature and little impact on the community.

Discussion

- 3 The Committee has several assurance functions, one is often referred to as “legislative compliance”.
- 4 Typically, the Chief Executive provides assurance of “legislative compliance” to the Committee by providing a written statement that they are satisfied that the Council is compliant with its legal obligations.
- 5 Sitting under the Chief Executive’s statement are similar statements from tier two reporting officers, and then in turn their relevant tier three reporting officers.
- 6 The scope of legislative compliance is important to be clear about, with the following suggested as the range from narrow to broad:
 - 6.1 All statutory requirements in relation to the annual report have been complied with
 - 6.2 All laws and regulations that may have a material effect on the financial statements and performance information have been complied with
 - 6.3 All key statutory requirements are being complied with
 - 6.4 All statutory requirements are being complied with
 - 6.5 All statutory requirements and contractual obligations are being complied with
- 7 Officers are of the view that the appropriate range is set out above at para 6.3, that “all key statutory requirements have been complied with”. As discussed below, Officers have approached the definition of “key statutory requirements” on the basis that these should be what Council says they are, using in the first instance the delegation manual.

- 8 Officers consider that broader assurance is impracticable, lacks utility, and is not obviously within Committee's functions.

Why not provide assurance that all contractual obligations are being complied with?

- 9 The difficulty with providing assurance that all contractual obligations are being complied with are:
- 9.1 Practicability: Council has many contracts with many different conditions, and implementing the assurance system necessary to provide such an encompassing assurance statement would be resource intensive.
- 9.2 Current approach is appropriate: Problems with contracts tend to rise because there is an interested other party, so although not as proactive as an encompassing and proactive assurance process, it is not as though contractual issues will not be picked up. The Council's financial delegations and associated reporting and auditing are better designed for managing contractual risks in any event.
- 9.3 Utility: Contractual non-compliance may be justifiable, occurring either through a process of re-negotiation, or simply realising the economic efficiency of breaking a contract and resolving the relationship through the termination and any damages provisions.
- 10 For these reasons officers do not consider the level of legislative compliance assurance should be at the level set out above at para 6.5.

Why not provide assurance that all statutory requirements are being complied with?

- 11 The Chief Executive is responsible for, amongst other things,
ensuring that all responsibilities, duties, and powers delegated to him or her or to any person employed by the local authority, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised...
- 12 New Zealand has many laws and regulations. There are close to 792 parliamentary Acts alone that refer to "local authority", and many more that will in some way apply to Council.
- 13 Officers are of the view that it is significantly impracticable to undertake a legislative assurance exercise encompassing all statutory requirements that touch upon Council.
- 14 It is similarly considered that there would be limited utility in the exercise, given that statutory compliance is often a question of judgment, evidence or priorities.
- 15 Instead, Officers are of the view that a focus on the Council's key statutory requirements is practicable, and enables the capturing of specific issues of judgment, evidence and priorities to inform assurance processes and any audits.
- 16 The Council itself has identified seventy-two Acts and regulations to delegate to officers in the Council's delegation manual.
- 17 Officers consider that these 72 Acts and regulations constitute the Council's key statutory requirements, given these are the statutory provisions that the Council has identified for specific delegation. Council can also expand or contract this scope through resolution.
- 18 Similarly, there are a suite of financial regulations that are not specifically delegated but apply to Council's financial reporting functions regardless. It is officers view that assurance in respect of these financial functions is achieved through the annual report assurance and therefore would encompass the scope of paras 6.1 and 6.2 above.

- 19 For these reasons officers do not consider the level of legislative compliance assurance should be the level set out above at para 6.4.
- 20 Rather, Officers consider that the Chief Executive providing assurance in respect of these key statutory provisions would properly and usefully encompass the scope set out above at para 6.3.

What is the proposed legislative compliance approach?

- 21 The Chief Executive will instruct the tier two managers to provide the following assurance to inform the report for 21 October 2024 Committee meeting:

That to the best of my knowledge, I am satisfied that the Council is compliant with its key statutory requirements that I am responsible for.
- 22 The delegation manual identifies which tier 3 officers are responsible for the different statutory functions the Council has delegated. These officers will provide similar written assurance to their tier 2 officers.
- 23 This process also allows for the meaningful and targeted identification of risk issues with the Council's statutory functions. Similarly, by using the delegation framework, the exercise will be reinforcing reporting lines and the Council's overall allocation of responsibilities.
- 24 Attached are examples of the delegation manual and the recording register that will allow officers to capture the workings of their assurance statement.

Attachments

- 1. Use of delegations manual to provide the CE with assurance of legislative compliance**

Annex to Legislative Compliance Preparation paper for ARC 9 September 2024 showing an example of how the delegations manual will be used to provide the CE with assurance of legislative compliance

The first three legislative provisions in the current delegation manual (approved by Council August 2021, and updated by Council 8 August 2023) are set out below, with the intended additional column on the far right to record Officer’s assurance of legislative compliance.

Because some Acts’ responsibilities are allocated to more than one GM, and multiple officers, the assertion needs to be populated with the title of the most relevant assurance officers.

By adding the ✓ the officer agrees to the following statement:

That to the best of my knowledge, I am satisfied that the Council is compliant with its key statutory requirements that I am responsible for.

Notations can also be captured, for instance in respect of the duty to consult with customers when making charging decisions for the Airport, the Officers could note: “there were no fee changes”.

4.1 [Airport Authorities Act 1966](#)

Section	Description	Delegation:	Legislative Compliance
3	Power (as local authority) to carry on airports and any subsidiary business or undertaking with prior consent of Governor-General.	Chief Executive Airport	✓ GM Infrastructure
4	Power (as airport authority) to improve, maintain, operate, or manage an airport; Power (as airport authority) to enter into and carry out any agreement or arrangement necessary for the exercise of any power or function conferred; Duty (as airport authority) to operate or manage airports as a commercial undertaking.	Group Manager Infrastructure Airport Operations and Safety Manager	✓ GM Infrastructure ✓ Airport Operations and Safety Manager
4A & 4B	Duty (as airport authority) to consult with every substantial customer in respect of any fixing/altering charges in the absence of written consent.	Chief Financial Officer Chief Executive Airport	✓ GM Infrastructure ✓ CFO NB: there were no fee changes

6	Power to grant a lease (for a period not exceeding 5 years or less) of any land, buildings, or installations vested in the airport authority subject to certain conditions; Duty (as airport authority) to consult and have regard to the directions of the Civil Aviation Authority of New Zealand	Chief Executive Airport	✓ GM Infrastructure
9	Duty (as airport authority) to pay unclaimed proceeds of sale of lost property and money into such bank account kept by the authority	Chief Financial Officer Chief Executive Airport	✓ GM Infrastructure

4.2 Amusement Devices Regulations 1978

Section	Description	Delegation:	Legislative Compliance
R11	Power to inspect and issue a permit for amusement devices.	Building and Compliance Enforcement Advisor Building Control Officer Building Compliance Officer Building Compliance Monitoring Officer <i>Designated Building Control Contractor</i> <i>Chartered Engineer</i> Special Projects Engineer	✓ GM Environmental Services ✓ Building Control Manager
R23	Power of entry.	Building Control Officer Building Compliance Officer Building Compliance Monitoring Officer Building Compliance and Enforcement Advisor Special Projects Engineer	✓ GM Environmental Services ✓ Building Control Manager

4.3 Animal Welfare Act 1999

Section	Description	Delegation:	Legislative Compliance
139	Obligation to destroy sick, diseased or injured animals.	Environmental Compliance Manager	✓ GM Environmental Services ✓ Environmental Compliance Manager
173	Power to recover costs from owner or person in charge of animal.	Environmental Compliance Manager	✓ GM Environmental Services ✓ Environmental Compliance Manager

6.6 Continuous Improvement Update

Author: Sam Esterhuyse, Continuous Improvement Business Partner

Authoriser: Beth Stewart, Group Manager Community Services

Recommendation

That the Audit and Risk Committee receives and notes the Continuous Improvement Update report.

Purpose of Report

- 1 The purpose of this report is to provide the Committee with an update on the Continuous Improvement Work Programme and outline the next steps.

Assessment of Significance

- 2 Reporting on Continuous Improvement activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. The matters raised in this report do not affect strategic assets or rates.

Discussion

Attekus Bookable – Stage 1

- 3 The Aorangi Stadium booking model has been built and features a stadium, lounge, and gym. This has gone live in August and is now available for community bookings.

Attekus Events Management system – Stage 2

- 4 The online bookings system (Stage 1) is a fully automated bookings system. Building on this, the Events Management system allows for events registration and management of those registrations. After the integration of all additional requirements has been completed for Bookable (Stage 1), the Events Managements system (Stage 2) will commence February 2025.

Procure-To-Pay Module – Stage 2

- 5 'Esker Procure to Pay' is an automated solution designed to enhance the efficiency of indirect spend requests and the procurement of goods or services. It ensures that each purchase of a good or service undergoes authorisation, and every invoice is systematically matched with the applicable purchase order.
- 6 Further improvements are still being made to the system to enhance the overall customer experience.

Financial Planning, Reporting and Budgeting

- 7 'MagiQ Performance' project is in progress. This software proposes to standardise the finance operating model, while delivering valuable insights to better enable Council Officers to make informed key business decisions.

- 8 Budget planning and monitoring expenses can be effectively managed through the system and it has a comprehensive reporting tool that tracks and analyses financial requirements.
- 9 Templates for monthly management financial reports and Capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.

Assura Upgrade

- 10 'Assura Health, Safety & Wellbeing 2.0' is a comprehensive Health and Safety reporting platform for recording incidents, injuries, safety observations, permits to work and events within TDC. This project has now transitioned to business as usual.
- 11 The 'Training & Competencies' module has been created with some final adjustments still being made.

Community Funding Project

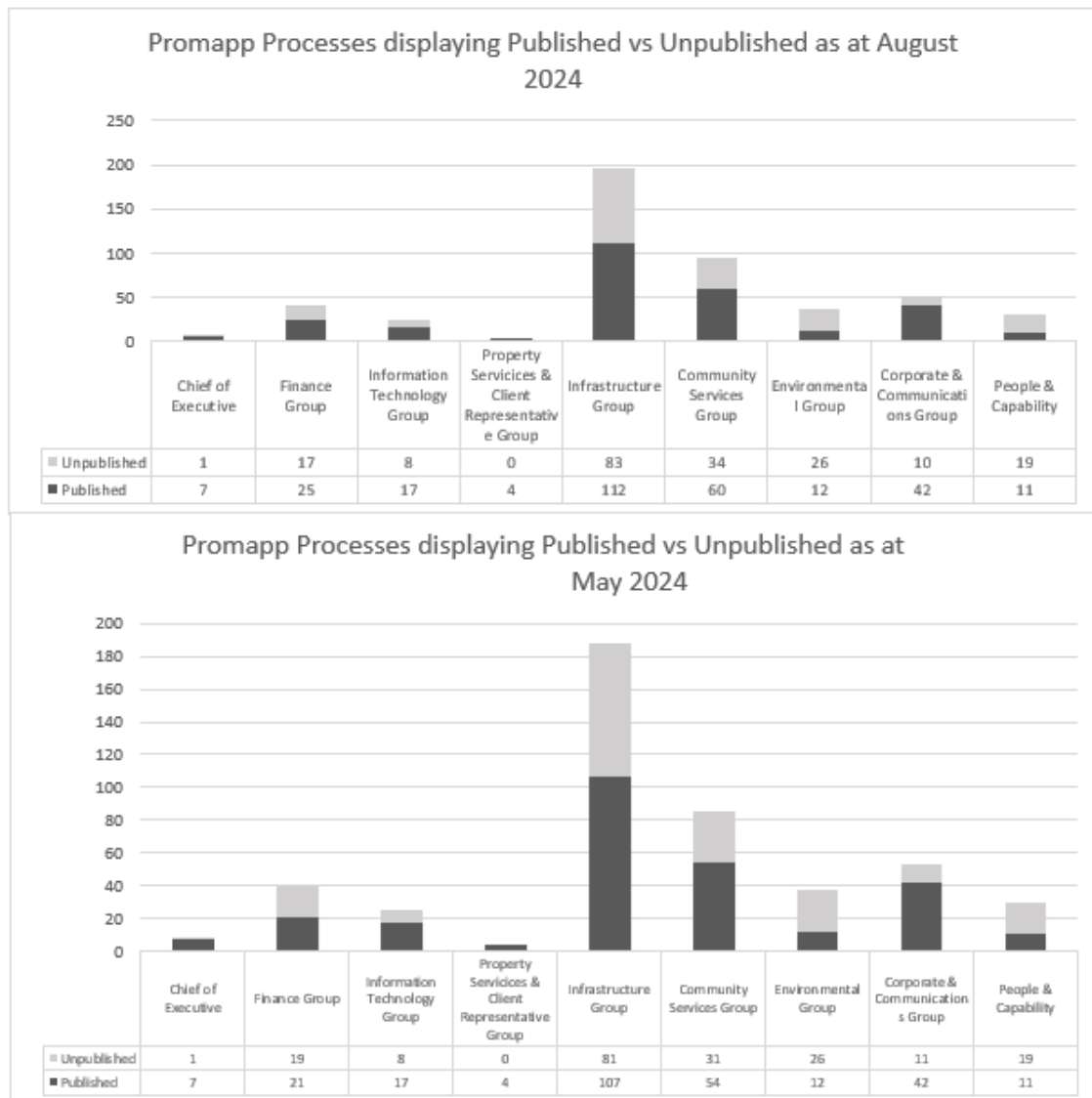
- 12 'Smartygrants' is a web-based platform that enables online application to all TDC community funding grants, which will save substantial costs in terms of administration time. The platform is user friendly, intuitive, and enables users to have visibility of all past, current, and draft applications. The system supports better transparency, accounting, and audit trails for officers. The platform is in progress of being built, and a transition period will follow, during which support, and communication will be provided to all past and potential applicants.

CBay Software Upgrade

- 13 The CBay team currently use 'Links' software for their bookings and Point of Sale (POS). The team has undergone additional training and has reviewed their processes to maximise the utilisation of the current system. Included in this programme is the Learn to Swim, Gym, (POS) for retail and lane bookings. Instead of proceeding with a new system, the Cbay team are enhancing their current system by incorporating 'Active Carrot' as an extended feature of the Links Software.
- 14 The implementation of 'Active Carrot' will enable online bookings and enrolments, significantly reducing administrative workload for the 'Learn to swim' team.

Timaru District Council Processes (Promapp)

- 15 Council has documented a total of 498 processes, with 20 new processes added in the last quarter.
- 16 Promapp process and risk management is in the process of being migrated to a new system called 'Flowingly'.



Flowingly

- 17 Flowingly has a risk module and is designed to easily record, manage and show risks. This system will streamline risk management processes and improve overall efficiency.
- 18 Flowingly is also used as a process management platform designed to help organisations automate, manage, and optimise workflows and processes. It provides tools to create, track, and streamline processes.
- 19 Flowingly features an online library that hosts various Council processes, providing easy access to shared workflows and best practices. The library allows users to view, implement and adapt processes and workflows that have been developed and used by other Councils, enhancing collaboration and consistency.
- 20 A working group will be established comprising members from IT, process champions from various units and continuous Improvement.
- 21 The project is underway, current processes and risks in Promapp are in progress of being transferred over and should be completed before training kicks off at the end of September 2024.

Attachments

- 1. Continuous Improvement - Project Summary - August 2024**

Project Status Summary Report							
Reporting Period: August 2024							
Project	Schedule	Financials	Scope	Resources	Stakeholders	Overall	Overall Commentary
Attekus - Bookable	Green	Green	Green	Green	Green	Green	This project has transitioned into business as usual, with other requirements being added.
Attekus - Events	White	White	White	White	White	White	The Events Managements system will commence once Bookable (Stage 1) has been completed.
Esker Stage 2 - Procure to Pay	Green	Green	Green	Green	Green	Green	This project has gone live.
MagiQ	Yellow	Green	Green	Green	Green	Green	There were some delays with the schedule of the delivery of this project due to extensive user testing being done. Corrections and modifications are being done to the reporting before the software can go live.
Assura upgrade	Green	Green	Green	Green	Green	Green	This project has gone live, there are ongoing improvements being made.
Smartygrants	Green	Green	Green	Green	Green	Green	The project is in progress.
Active Carrot - Cbay	Green	Green	Green	Green	Green	Green	The project is in progress.
Promapp	Green	Green	Green	Green	Green	Green	Promapp will be closed out and replaced with Flowingly.
Flowingly	Green	Green	Green	Green	Green	Green	The project is in progress.
Progress this Period							
Attekus - Bookable	Improvements such as Busking, Banners and Flags bookings have been built and booking for these requests can now be made in 'Bookable'.						
Attekus - Events	Not started.						
Esker Stage 2 - Procure to Pay	Further improvements are still being made to the system to enhance the overall customer experience.						
MagiQ	Templates for monthly management financial reports and Capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.						
Assura upgrade	There are ongoing improvements with the addition of new forms.						
Smartygrants	Templates are in the process of being developed and built.						

Active Carrot – Cbay	Planning, scoping and build work is underway.			
Promapp	Promapp is being replaced with a new system called Flowingly.			
Flowingly	Processes and risks that are in Promapp have been migrated and training will commence in September 2024.			
Risks Watch List				
Project	Risk	Status	Description	Action/Mitigation

6.7 Annual Report 2023/24 Update

Author: Steph Forde, Corporate and Strategic Planner
Andrea Rankin, Chief Financial Officer

Authoriser: Stephen Doran, Group Manager Corporate and Communications

Recommendation

That the Audit and Risk Committee receive this report to update progress of the Annual Report 2023/24.

Purpose of Report

- 1 The Group Manager Corporate and Communications and the Chief Financial Officer will provide the Committee with a verbal update on the progress of the Annual Report 2023/24.

Assessment of Significance

- 2 This matter is of low significance under the Council's Significance and Engagement Policy. All Councils are required to report annually on their activities and financial performance under Section 98 of the Local Government Act.

Background

- 3 The purpose of the Annual Report is to:
 - 3.1 The Local Government Act 2002 (*the Act*), requires the Council to prepare and adopt an Annual Report within four months of the end of its financial year. The Council has a June 30 balance date which therefore requires it to adopt its Annual Report by 31 October 2024.
 - 3.2 The Act also requires the Annual Report to be audited. Audit New Zealand will carry out the 2023/24 audit.

Relevant Legislation, Council Policy and Plans

- 4 Local Government Act Section 98
- 5 Annual Plan 2023/24
- 6 Long Term Plan 2021-31

Attachments

Nil

6.8 Audit New Zealand Report on the Audit of Timaru District Council's Long Term Plan 2024-34**Author:** Steph Forde, Corporate and Strategic Planner**Authoriser:** Stephen Doran, Group Manager Corporate and Communications**Recommendation**

That the Audit and Risk Committee receive and note the Audit New Zealand Audit Report on the Timaru District Council's Long Term Plan 2024-34.

Purpose of Report

- 1 The purpose of this report is to present the Audit New Zealand Audit Report on the Timaru District Council's Long Term Plan 2024-34.
- 2 Audit New Zealand Director John Mackey will attend online to present this report.

Attachments

1. Attachment to report 1704738 Audit New Zealand Report to Council on the LTP 2024-34

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Timaru District Council's
long-term plan for the period
1 July 2024 to 30 June 2034

Contents

Key messages	3
1. Our audit opinion	4
2. Preparation and audit process	5
3. Areas of audit emphasis	7
4. Assumptions	12
Appendix 1: Disclosures	15

DRAFT

Key messages

We have completed the audit of Timaru District Council's (the Council's) long-term plan (LTP) for the 10-year period commencing 1 July 2024 to 30 June 2034. This report sets out our findings from the audit.

We have issued an interim report to the Council and this report should be read in conjunction with the interim report.

Audit report

We issued an unmodified audit report on the Council's final LTP dated 1 July 2024. However, we did not issue an audit opinion on the consultation document (CD) due to the Council's belated decision to exercise its legislative option, not to have it audited.

Matters identified during the final audit of the plan

Council's underlying information

We reviewed the Council's underlying information, principally at the CD stage. Overall, we concluded that the underlying information was reasonable. At the final long-term plan (LTP) we reviewed the impacts of the changes that the Council resolved to make from its consultation with its community. We also considered the new information that had become available and confirmed that Council had taken this into account.

We reviewed the consequential changes in the forecast financial statements, infrastructure strategy, financial strategy, key assumptions, and service performance framework. The linkages between the documents are clear and consistent.

Waka Kotahi NZ Transport Agency's (Waka Kotahi) indicative allocations for continuous programmes

Waka Kotahi released its 2024-2027 indicative funding allocation for continuous programmes on 6 June 2024.

Council did not need to make any adjustments to its forecast funding assistance in its LTP as it assessed that the conservative assumptions in the original forecasts, remained appropriate.

Thank you

We thank the Council, management and staff for their assistance received during the audit.



John Mackey
15 August 2024

1. Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the Council's LTP on 30 June 2024 which means:

- the LTP provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the LTP are reasonable; and
- the disclosures on the relevant pages in the LTP represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

1.2 Unadjusted misstatements

The LTP is free from material misstatements, including omissions. However, during the course of the audit, we found misstatements that are individually and collectively not material to the LTP. All these misstatements were adjusted for the final LTP.

2. Preparation and audit process

2.1 Preparation and audit process

The process to develop the LTP is a significant and complex project. Overall, the process to develop the LTP and prepare the underlying information was well managed. We saw positive aspects of project planning and management, clear direction from elected members and senior management, and internal co-ordination. We acknowledge that management was open to audit feedback during the process and there was a good level of dialogue with management on improvements to the LTP.

We fully recognise the pressures that the Council was under with its preparation of the LTP with the late clarification of the future of three waters infrastructure; the Government's significant change in direction with transport, and the challenging fiscal environment. Therefore, it was a significant achievement to adopt the final LTP on 1 July 2024, the statutory deadline, when the unaudited CD was adopted on 9 April 2024.

2.2 Planning and budgeting process

We obtained an understanding of the budgeting process through discussions with the relevant staff members and corroboration to supporting documentation where appropriate.

Overall, we found that the Council had a reasonable process with controls in place which provided an appropriate basis to prepare the underlying information and ultimately both CD and the LTP.

2.3 Preparation and audit of CD and LTP and underlying information

The change of Government, coupled with its signalled intention to reverse the previous Government's planned three waters reforms slowed the progress of the preparation of the LTP as the sector waited for clarification as to the extent three waters infrastructure needed to be incorporated into the LTP. This in turn contributed to asset information not being available for audit as planned, before Christmas 2023. It also contributed to the LTP financial forecasts being provided later than originally planned. These factors adversely impacted on the efficiency of the audit and made the achievement of the statutory deadlines more challenging.

The Councillors also wanted to ensure that the LTP soundly and comprehensively addressed the district's infrastructure issues. Consequently, they took the time required to understand the issues, the options and their costs before committing to the LTP. This added to the delays in delivery of the information to be audited. This ultimately resulted in the Council's decision to change from its plan to have its CD audited, but instead to issue an unaudited CD. This disrupted the audit process as we planned and proceeded with the audit on the basis that we would issue the CD. This meant we continued to audit the changing information to try to ensure an audited CD would be issued as originally planned.

The Council is required to prepare the LTP in compliance with the accounting standard, PBE FRS 42, *Prospective Financial Statements* (PBE FRS 42). A key requirement of PE FRS 42 is that the Council is to "... use the best information that could reasonably be expected to be available at the time prospective financial statements are prepared in determining the assumptions and information used in the preparation of the prospective financial statements". This requires the Council to evaluate whether the CD or LTP needs to be updated for new information that is received.

With the change in Government in November 2023, and the challenging economic environment, the Council needed to evaluate the impact of significant new information that became available during the preparation of both the CD and the final LTP. The audit team needed to review the Council's assessment of this new information and determine its impact and whether the LTP needed to and was appropriately, updated for it. Updates on Waka Kotahi funding are examples of this.

Both the Government's initial announcement on Waka Kotahi's funding assistance priorities, and Waka Kotahi's indicative funding letter in June 2024, were both significant new information that we reviewed, and assessed whether it needed to be taken into account in the preparation of the CD and final LTP, respectively. The level of this work was greater than was originally planned.

There was also additional unplanned work on the CD's wording for the main options, and on the disclosure of the Council's approach to address the impacts of climate change.

We have subsequently analysed our time and sought approval from the Office of the Auditor-General to negotiate an additional fee recovery.

3. Areas of audit emphasis

We reviewed the financial strategy, financial model, infrastructure strategy and significant forecasting assumptions, as well as the major changes in the LTP following the consultation process. The major change was the subsequent decision to cancel the Theatre Royal project for a more extensive project that requires further development.

We determined that the underlying documents were reasonable and supported in the LTP.

Below we comment on matters arising during the audit from the LTP audit:

3.1 Consultation

The Council consulted on four key questions:

1. Do you agree with our plan to set our debt cap at 2.5 over this 10-year plan?
2. How fast should we reduce our deficit and start paying back debt more quickly?
3. Have we got this balance of spending right over our 10-year plan?
4. How should we set our fees over the next 10 years?

As the majority of the submissions were in favour of the Council's preferred option, there have been no significant changes made to the LTP as a result of the consultation process except, as noted above, for the subsequent decision to cancel the Theatre Royal project.

The consultation process ran from 12 April 2024 to 12 May 2024. During this period, the Council received 503 valid, formal submissions. Of those, 132 were pro-forma letters in support of the gymnasium at Aorangi Stadium, which was already included in the consultation document (CD) and had no impact on the LTP.

246 responses did not directly relate to the four key questions. These responses covered a wide range of activities that the Council is involved in. Examples include advocacy for increased funding for climate change and biodiversity, enhanced accessibility for horses and riders on roads and paths, and proposal for a higher targeted rate for Community Boards.

Responses for changes in activity or additional funding were included in the Deliberations Reports that the Council considered during its meeting on 29 June 2024.

3.2 Financial Strategy (FS)

We reviewed the Council's FS and evaluated its compliance with the requirements of sections 100 and 101A of the Act, including the balanced budget requirements.

The key principles that drive the FS have not changed significantly from the prior LTP. The strategy aims to respond to challenges that the Council is facing. The key challenges are ageing infrastructure requiring a large capital renewal programme, increasing operating costs for Council activities, and increasing regulatory requirements and community expectations.

The key elements of the FS are:

- The Council has committed to maintain current service levels, upgrade community facilities, and to address climate change impacts.
- Net debt is forecast to peak at \$413 million or 228% of total revenue in 2030. It is forecast to be \$267 million at 30 June 2025 and be \$394 million at 30 June 2034.
- Debt Limit: Net debt to total revenue will be capped at 250%. Previously this limit was set at 210% (Council has a maximum debt limit of 280% under its borrowing covenants). This is to ensure that Council can fund its large capital works programme. Debt funding ensures that future users, of new and upgraded assets, will appropriately contribute to their cost. It also allows 30% headroom for funding in case of an unexpected event.
- Rates Increase Limit: Average rates increases, for existing ratepayers, are proposed to be 15.1% in 2024/25, 11.5% in 2025/26 and a further 11.5% in 2026/27. From 2027/28 onwards, rate increases are forecast not to exceed 5%.
- It is assumed that Council will achieve 100% of its planned annual capital works programme.
- The Council has an unbalanced budget for years 2 and 3 of the LTP. (This is discussed further below).

Balanced budget under section 100

Under the Local Government Act 2002 (Section 100), Council is required to set a balanced budget with operating revenue at least equal to operating expenditure. Council may only operate an unbalanced budget where it can show this to be financially prudent. Council passed a resolution to operate an unbalanced budget in Years 2 and 3 of the LTP.

The forecast surplus ranges from \$999k in 2027/28 to \$23.0 million in 2033/34.

The FS was expanded to include explanation as to why the Council assesses that its FS is prudent on pages 98 and 99 of the final LTP.

Balanced budget – Prudence regulations

The Council only has balanced budgets, as defined in the Financial Reporting and Prudence Regulations, for the last four years of the LTP.

We assessed the Council's FS against s100 of the Act and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council has budgeted to eliminate the deficits (as defined in s100 of the Act) by Year 7 of the LTP. The forecast deficits in Years 1 to 6 range from \$333,000 to \$10,428,000. Council expects to eliminate the deficits earlier through a full revenue and rates review in years 1 and 2. It also plans to undertake ongoing efficiency and cost reduction reviews.

The most significant driver of the deficit is the decision to fully fund depreciation from Year 6 of the LTP.

Our analysis of the Council's charges for its services in comparison to their full cost, the very competitive state of the contracting and labour markets, and the improvements to cost control since the Chief Executive started in December 2023, provides us with some confidence that sustainable surpluses can be achieved in the remaining four years of the financial forecasts, and beyond.

We are satisfied that the FS is fit for purpose and the supporting underlying information is reasonable. Although the budget is unbalanced for the first six years, the deficits in the last three years of this period are not material, non-capital revenue is very close to covering operating costs.

3.3 Non-infrastructure Activity Review

We reviewed the Recreation and Leisure activity. We focussed on the three key upgrade projects of the Aigantighe Art Gallery, the South Trust Events Centre (STEC); and the Theatre Royal.

Overall, we concluded that the processes for activity management planning, were reasonable.

Of the four significant projects included in our interim report to the Council dated 15 May 2024, we only have further commentary on the Theatre Royal project.

Theatre Royal – Building upgrade

Review of project cost

We agreed with the estimated \$57 million cost included in the LTP, based on an external quantity surveyor's assessment. However, we highlight that at the time of our audit, the project was still out for tender and no final decisions had been made.

We concluded that the estimate was reasonable and represented the best available information in the absence of the final tender.

In reaching this conclusion, we also considered that the Council had consulted twice on the project in the last three years, conducted extensive site investigations, and sought professional advice during that period. Additionally, the Council remained committed to completing the project within the \$57 million forecast. Further assurance was gained with the Timaru building sector facing reduced demand, and local firms actively seeking work.

We note that we were not advised that a new option had arisen, in the consultation process, to replace the Theatre Royal and Heritage Facility Project in Stafford Street, for a new site. Nor of the proposed extension of the project to incorporate a new library and civic space.

We note that any future decisions may require the Council to follow a LTP amendment consultation process.

Review of project funding

In December 2020, MBIE contracted to provide \$11.6 million funding for the upgrade of the Theatre Royal. However, this funding was conditional. Although the funding was included in the financial forecasts, it was initially not disclosed in the 'Significant Forecasting Assumptions' section, nor was the requirement that the Council needs to meet the agreed conditions.

As updated disclosure was added, to the LTP, to reflect the risk that the funding, previously received, may need to be refunded if the project does not proceed.

3.4 Performance framework

In our interim report to the Council dated 15 May 2024, we concluded that the performance framework was appropriate. Below we comment on areas where there are opportunities to further improve:

Carbon emissions reporting

The Council continues to develop its policies and strategies to address the issues from climate change. An important component of this is how it sets targets for what it plans to achieve, by when, and how it reports its progress to its community.

To significantly address the issues from climate change, generally requires the involvement of multiple agencies. The Council needs to identify where it can most effectively reduce carbon emissions and how it can best report its progress.

It is important that the community understands what is being reported and the limitations with this reporting, so the Council maintains the confidence and trust of its community.

The Office of the Auditor-General has recently issued guidance on this which we have provided to management to assist the Council in the process.

Use of residents' surveys

We note the challenges to prepare robust user satisfaction from the residents' surveys as many residents are not likely to have used the service. Therefore, they are not in a position to provide feedback based on their own experiences.

Recommendations

- Monitor the quality of the residents' survey user responses to determine whether an alternative approach should be followed.
- Set the basis for reporting the Council's carbon emissions based on measures related to what the Council can directly influence, and measure practically with an acceptable level of error.

Management comment

3.5 Basis of Three Waters Capital forecasts

The Audit NZ SAAS specialist sought to confirm the reasonableness of the capital forecasts for the major three waters projects for the next three financial years. The Council initially provided insufficient substantive evidence that the project costs were calculated on a sound basis using the best available information. To gain sufficient assurance, we performed subsequent follow up:

- The Chief Executive clarified that the Geraldine project chosen for review was added late in the LTP process due to an issue, which has since been resolved.
- The engineers who estimated costs have extensive experience in the water space, making external engagement unnecessary.
- Examples of tendered capital jobs show that internal cost estimates align closely with the highest bids, indicating conservative costing.
- Management also confirmed that over the last year, tenders have typically aligned with estimates, but recently two large projects were awarded at 30-40% below estimated costs.

The estimation approach for these projects is based on the knowledge of the Council's engineering staff. This is an acceptable approach, but it does leave the Council at risk as it has had no independent review of the estimates. To mitigate the risks, Council compares actual market quotes to internal estimates near the end of the tender process. However, in our view, independent review of estimates during budgeting process would enhance confidence in the estimates. For transparency we requested management to disclose the significant assumptions:

Forecast costs for the capital programme will be close to those actually incurred noting that the risk of significant variations is heightened by a combination of the size of the proposed programme, the programme including several relatively large projects which the Council has limited recent experience with, and a competitive contracting market. The Council will adjust its capital programme so there is no impact on rates and borrowings.

Given the competitive contracting market, and labour market, we assess that any impact on the levels of service should be minor. Based on the above we were able to conclude that the forecasts in the LTP were reasonable.

4. Assumptions

Below we added specific comments to key assumptions since our interim report to the Council dated 15 May 2024.

4.1 Climate change

Like other councils in New Zealand, the Council is vulnerable to the impacts of climate change. The impacts include erosion, rising sea levels and more frequent extreme weather events such as floods, fires and droughts.

We reviewed Council's assumption for climate change and how this has been incorporated into the LTP. The impact of climate change has been incorporated into the IS and asset management plans, consistent with the forecasting assumption.

4.2 Waka Kotahi funding announcement

Our additional comments, other than those previously noted in section 2.3 on NZ Transport Agency Waka Kotahi (Waka Kotahi) funding, outlined below.

Since our initial review of the assumption the Waka Kotahi Board endorsed the indicative allocations to the Council's continuous programmes as part of the development of the 2024-27 National Land Transport Programme (NLTP). We performed additional work, at the final LTP stage, to assess the impact.

The total endorsed costs over the first three years, in the Waka Kotahi letter, are \$58 million which equates to \$30 million Waka Kotahi funding at the 51% funding assistance rate (FAR). This compares to the \$33 million included in the Council's LTP for the first three years. The additional \$3 million relates to \$1 million a year for footpath and cycleway maintenance, and safety funding which is yet to be approved by Waka Kotahi. As noted in the indicative letter "Funding for footpath and cycleway maintenance and renewals and regional road safety promotion will be confirmed once the Board adopts the NLTP in August". As there is uncertainty over the remaining funding and the letter is silent on local road improvements funding, the Council has used the average percentage of the previous three years Waka Kotahi funding for footpath and cycleway maintenance, and road safety promotion, to estimate Waka Kotahi funding.

We note that no Waka Kotahi funding has been included for the \$6 million of improvements over the three years. They are assumed to be fully funded through debt.

Overall

The rate applied, to calculate the forecast funding assistance in the financial model, is applied to between 30% to 40% of the total expenditure which reflects historical averages. In the graph, the Waka Kotahi funding recognised in the budget, as a percentage of the total requested in the RLTP, is 30% and as a % of total roading capex expenditure, is 37%.

For the outer years, the Council as has applied the same assumptions throughout.

Therefore, based on the OAG guidance, the LTP audit report did not require an EOM paragraph to highlight this to the reader and we accept the risk of “moderate”, is reasonable.

4.3 Capital expenditure “Do-ability”

Council included an assumption, in the LTP, that 100% of the capital programme will be delivered.

Track record of spending

The Council delivered between 74% and 101% of its budgeted capital expenditure over the previous three years, representing an average of 88%. This was a significant improvement from the 52% average calculation in the prior LTP.

Based on the report of capital expenditure budget carry forwards to 2024/25, capital expenditure deliverability is expected to be \$60 million or 74% of the amount budgeted, which averages to 85% of the budgeted capital expenditure over four years including 30 June 2024. Further, if the planned capital expenditure is adjusted for Theatre Royal, the capital expenditure deliverability, for 2023/24, is 83% which averages to 87% over four years. Applying the OAG’s guidance, this suggests that Council’s capital expenditure do-ability assumption is likely to be considered “reasonable”.

The forecast expenditure, for the first three years of the audited draft LTP, showed increases of 156% (Year 1), 139% (Year 2) and 108% (Year 3) on the average actual delivery over the three years (2021-23). The forecast step increase was principally due to the non-infrastructure projects especially the Theatre Royal upgrade (\$57 million). This project was to have been managed by external consultants so was planned to require only minor involvement from Council officers. It has subsequently been suspended while another option is investigated.

Capital do-ability of renewals projects

We also considered whether the Council is able to complete its more critical projects, or projects to ensure that the agreed levels of service provided by the Council, are maintained, i.e. renewals projects.

The budget for renewals projects, in Year 1 of the LTP (2024/25), is more than that budgeted for in the 2023/24 Annual Plan, representing a 40.6% increase.

However, on average of the past three years, capital expenditure for renewals has been 118% of budget. The forecast expenditure for renewals, for Year 1 of the LTP, represents only an increase of 111% on the average actual delivery over the past three years. Therefore, we considered the renewals component to be “do-able” based on the modest increase compared to the prior years.

The Council has assigned the capital expenditure delivery assumption, a risk level of “medium”.

Overall, considering Council's history of reasonable delivery, and the planned increase over the next three years is not materially different than the historical actual performance, we assess the above assumption as reasonable.

Other assumptions

We are satisfied that other material assumptions are reasonable and supportable and have been applied appropriately through the LTP and underlying information.

DRAFT

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the long-term plan and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the long-term plan does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Assurance and auditing standards	<p>We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i> that were consistent with those requirements.</p> <p>Our work cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the Council's consultation document and all legally required external audits, we completed an assurance engagement pursuant to the Council's Debenture Trust Deed. These engagements are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council or its subsidiary.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that, individually or in aggregate, could be significant to the LTP. Management has not sought to influence our views on matters relevant to our audit opinion.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council, or its subsidiary, during or since the audit.</p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

www.auditnz.parliament.nz



- 7 Consideration of Urgent Business Items**
- 8 Consideration of Minor Nature Matters**
- 9 Exclusion of the Public**

Recommendation

That the public be excluded from—

- *(a)the whole of the proceedings of this meeting; or
- *(b)the following parts of the proceedings of this meeting, namely,—

- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 June 2024**
- 10.2 Issues Watch Register**
- 10.3 Internal Audit Quarterly Report**
- 10.4 Cyber Security Report**
- 10.5 Health and Safety Performance Report**
- 10.6 Insurance Update**
- 10.7 Operational Risk Registers**
- 10.8 Committee and Auditor only time (Agenda Placeholder)**
- 10.9 Committee and Chief Executive only time**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
<p>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 June 2024</p> <p>Matters dealt with in these minutes:</p> <p>10.1 - Public Excluded Minutes of the Audit and Risk</p>	<p>Section 48(1) of the Local Government Official Information and Meetings Act 1987.</p>	<p>The public excluded minutes of the meeting held on 17 June 2024 are considered confidential pursuant to the provisions of the LGOIMA Act of 1987.</p> <p>The specific provisions of the Act that relate to these minutes can be found in the open minutes of</p>

<p>Committee Meeting held on 4 March 2024</p> <p>10.2 - Issues Watch Register</p> <p>10.3 - Internal Audit Quarterly Report</p> <p>10.4 - Cyber Security Report</p> <p>10.5 - Health and Safety Performance Report</p> <p>10.6 - Committee and Auditor only time (agenda placeholder)</p> <p>10.7 - Committee and Chief Executive only time (agenda placeholder)</p>		<p>the meeting held on 17 June 2024.</p>
<p>10.2 - Issues Watch Register</p>	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client</p> <p>To enable Council to carry out commercial activities</p>
<p>10.3 - Internal Audit Quarterly Report</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)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</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</p>	<p>To protect commercially sensitive information</p> <p>To protect the effective conduct of public affairs</p> <p>To enable Council to carry out commercial activities</p>

	disadvantage, commercial activities	
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Health and Safety Performance Report	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, including the privacy of deceased persons To protect commercially sensitive information
10.6 - Insurance 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	To protect commercially sensitive information
10.7 - Operational Risk Registers	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)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment	To protect commercially sensitive information To protect the effective conduct of public affairs

<p>10.8 - Committee and Auditor only time (Agenda Placeholder)</p>	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest</p> <p>To enable Council to carry out commercial activities</p>
<p>10.9 - Committee and Chief Executive only time</p>	<p>s7(2)(f)(i) - The withholding of the information is necessary to maintain the effective conduct of public affairs through free and frank expressions of opinion by or between or to members or officers or employees of any local authority in the course of their duty</p>	<p>To maintain the effective conduct of public affairs</p>

*I also move that [\[name of person or persons\]](#) be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of [\[specify\]](#). This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because [\[specify\]](#)

*Delete if inapplicable.

Note

[Section 48\(4\)](#) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
 - (a)shall be available to any member of the public who is present; and
 - (b)shall form part of the minutes of the local authority.”

10 Public Excluded Reports

11 Readmittance of the Public