
MINUTES
of the
AUDIT AND RISK COMMITTEE MEETING
held
1.30pm, Wednesday, 3 June 2020
at
Tasman Council Chamber, 189 Queen Street, Richmond

Present: Cr Ogilvie (Chair), Cr Mackenzie, Cr Walker

Present by Zoom: Cr Hill, Mr G Naylor **Part Attendance by Zoom:** John Mackey Appointed Auditor

In Attendance: M Drummond Corporate & Governance Services Manager, Matt McGlinchey Finance Manager, Charlotte Thomas Financial Accountant, Christina Ewing Executive Assistant,

Part Attendance: Trudi Zawodny, Operational Governance Manager

1 OPENING, WELCOME

Cr Hill opened the meeting with a karakia

2 APOLOGIES AND LEAVE OF ABSENCE

No apologies

3 DECLARATIONS OF INTEREST

Nil

4 CONFIRMATION OF MINUTES

Moved Cr Mackenzie/Cr Walker
FNAU20-06-1

That the minutes of the Audit and Risk Committee meeting held on Thursday, 19 March 2020, be confirmed as a true and correct record of the meeting.

CARRIED

5 REPORTS OF COMMITTEE

Nil

6 PRESENTATIONS

Nil

7 REPORTS

7.1 Internal Audit Update Report

The Financial Accountant took the report as read and opened the floor to questions. Under the Public Audit Act 2001, Audit NZ has been appointed by the OAG for a further term of three years. A member of the Committee raised a question why the Council was looking at changing

from Audit NZ. The CGSM replied that the Council had concerns with performance matters in the past with Audit NZ. We did request that the Council be assigned to a different audit firm by the OAG and this was turned down. We have now requested the OAG appoint for a reduced term of one year if Audit NZ was reappointed.

The conversation then went onto Waimea Water Limited and the accounting treatment. A member of the Committee suggested that the Council would need to be as transparent as possible with the ratepayers and also look at how we manage that communication. The CGSM replied how it was a technical accounting matter how we incorporate their results and do the consolidation. Unfortunately, there is no 'go-to' model to refer to, as nothing like this structure has been used by other Councils.

In response to a question from the Committee regarding the interpretation of the Holidays Act, it was asked if the Council had any hidden liability. The CGSM responded by saying that he believed that as an organisation we were less exposed than others. MagiQ is a high-risk payroll system that cannot complete all calculations, therefore we also supplement with a manual spreadsheet system. We need to upgrade to a more modern payroll system. The spreadsheets are used to recalculate and double-check to ensure the system is working out payment correctly. A review has been done and we are confident we are complying with the Holidays Act and related provisions.

Some questions were asked and answered on the Sensitive Expenditure Policy, Financial Statements Disclosures and the Doris Project. The discussion went onto asking the Internal Auditor if they were having regular contact points with the Chief Executive, the Financial Accountant responded by saying that quarterly meetings had been arranged, with her first one in February and the next one being in June. It was also asked what steps have been taken with the advice from Crowe to ensure the internal audit process is not compromised. The Financial Accountant responded that safeguards have been put in place.

The discussion went to the Audit Plan. The Appointed Auditor from Audit NZ, acknowledged how COVID-19 has presented everyone with challenges, he then discussed the five areas of focus:

- The risk of management override of Internal controls
- Revaluation of infrastructure assets
- A fixed asset impairment review
- A new set of group accounting standards
- Waimea Water Limited

Below was the proposed timetable that Appointed Auditor would like to work to, however because of the pandemic, audits are taking 20-25% longer than they normally do.

Pre-final audit begins.....	30 March 2020
Interim audit begins.....	6 April 2020
Draft interim report to Council issued.....	8 May 2020
Draft Financial Statement available for audit.....	4 September 2020
Final Audit begins.....	7 September 2020
Final draft version of service performance reviewed by all relevant staff.....	11 September 2020
Annual report available, including any Chair and CE' overview.....	18 September 2020
Final financial statements available, incorporating all the amendments.....	30 September 2020

It was asked if the time table was workable from the Tasman District Council point of view. The

Finance Manager said it was workable and that they are working to have the Annual Plan presented by 22 October 2020. The Appointed Auditor suggested that its investment in Nelson Airport will be a valuation challenge for the Council. He asked how much the Airport is now worth and how that compares to the book value. The CGSM responded that the Council will have to evaluate the shares in Nelson Airport Limited. However, both Nelson Airport Limited and Port Nelson Limited reassured their Shareholders that they are strong enough to work their way through the downturn and will not need a Shareholder cash injection.

The Appointed Auditor then responded to the Auditor-Generals letter regarding fees, which they recognise the Council is under pressure due to COVID-19 and is limiting the fee increase to 1.5% this current year. He did want to point out that the additional work done by Audit NZ due to COVID-19 won't be covered by the 1.5% CAP, also any additional work to Waimea Water Limited must go through the cost recovery process. The CGSM asked for a revised estimate as to what COVID-19 and Waimea Water Limited will cost the Council extra. This is so we can advise the Leadership Team. The Auditor responded that they would have an estimate in 6-8 weeks' time.

**Moved Cr Mackenzie/Cr Hill
FNAU20-06-2**

**That the Audit and Risk Committee receives the Internal Audit Update Report.
CARRIED**

7.2 New Policies

**Moved Cr Walker/Cr Mackenzie
FNAU20-06-3**

That the Audit and Risk Committee receives the report New Policies RFNAU20-06-2; and its attachments:

- 1. Privacy Policy (attachment 1)**
- 2. Council's Regulatory and Service Delivery Conflict of Interest Policy (attachment 2)**

CARRIED

The Operational Governance Manager (OGM) took the report as read and explained to the Committee how the Privacy Policy is new. The Privacy legislation is due to change and every new privacy breach needs to be reported to the Privacy Commissioner.

The second Policy was an existing Policy that the Governance team broadened. Moving forward the Operational & Governance Team are writing policies with the mindset that the public will and are wanting to see them. A member of the Committee asked was there an internal process to let staff know these Policies exist.

The OGM responded by saying that the team has a communication plan wrapped around the Policies and also they are recommending Privacy training. This training will be communicated through the Leadership Team & Tier 3 Managers.

The Chair thanked the members of the Committee for their attendance.

8 CONFIDENTIAL SESSION

Cr. Hill closed the meeting with a karakia.

The meeting concluded at 2.50pm

Date Confirmed:
24 August 2020

Chair:
Cr Ogilvie

CONFIRMED