

Notice is given that an ordinary meeting of the Audit and Risk Committee will be held on:

Date: **Wednesday 10 July 2024**
Time: **1:00pm**
Meeting Room: **Tasman Council Chamber**
Venue: **189 Queen Street, Richmond**
Zoom conference link: <https://us02web.zoom.us/j/81037174108?pwd=rC7PKTscpa7YKK25yUbLXBaMUy3Mz1.1>
Meeting ID: 810 3717 4108
Meeting Passcode: 427474

Audit and Risk Committee

Komiti Tatari me te Tuponotanga

AGENDA

MEMBERSHIP

Chairperson Mr G Naylor
Councillors Deputy Mayor S Bryant
Councillor C Butler
Councillor C Mackenzie
Mr G McGlinn
Councillor T Walker
Mayor T King

(Quorum 3 members)

Contact Telephone: 03 543 7619
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AGENDA

1 OPENING, WELCOME, KARAKIA

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 LATE ITEMS

5 CONFIRMATION OF [MINUTES](#)

That the minutes of the Audit and Risk Committee meeting held on Thursday, 21 March 2024, be confirmed as a true and correct record of the meeting.

That the confidential minutes of the Audit and Risk Committee meeting held on Thursday, 21 March 2024, be confirmed as a true and correct record of the meeting.

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8 CLOSING KARAKIA

6 REPORTS

6.1 UPDATE ON ANNUAL REPORT 2023-24

Information Only - No Decision Required

Report To:	Audit and Risk Committee
Meeting Date:	10 July 2024
Report Author:	Charlotte Thomas, Senior Financial Accountant; Brylee Wayman, Senior Community Policy Advisor - Data Analyst; Shashini Weerakoon, Assistant Financial Accountant
Report Authorisers:	Mike Drummond, Chief Financial Officer
Report Number:	RFNAU24-07-1

1. Summary / Te Tuhinga Whakarāpoto

- 1.1 This report provides an update on the Tasman District Council Annual Report 2023/2024 and covers matters relating to the statutory external audit provider, Audit NZ. Audit NZ is responsible for providing an overall audit opinion for the Council on the Annual Report.
- 1.2 The Audit Engagement and Proposal letters are attached (**Attachments 1 & 2**). The Engagement Letter confirms that Audit NZ will be carrying out the annual audit of the Council's financial statements and performance information for the years ending 30 June 2024 and 30 June 2025. The Proposal letter includes details on the proposed audit fee for 2024 which has been agreed at \$282,549. At the completion of the 2024 audit, the fee will be finalised to reflect Audit NZ's actual costs. At this stage, the 2025 fee is indicative and yet to be negotiated.
- 1.3 The Audit Plan for the Annual Report was presented to the Audit and Risk Committee on 21 March 2024 and is also attached to this report. This year's key areas of audit focus and sector focus areas are consistent with the prior year. Audit NZ has made an amendment to the Audit Plan to include five additional performance measures as material measures. Yvonne Yang, the newly Appointed Auditor for the Annual Report, will present at the meeting to highlight key points from the Audit Plan. The draft presentation is attached (**Attachment 5**).
- 1.4 The interim audit took place between 13 and 26 May. Due to the audit team being busy in May/June with Long Term Plan audits, the Interim Audit Management Letter (the Report to Governors) will not be provided this year. However, Yvonne Yang will provide a verbal update on the status of the interim audit. Audit NZ found no significant control deficiencies so far; however the general information technology controls assessment has not yet started.
- 1.1 At the Audit and Risk Committee on 21 March 2024, Council asked for further information on River assets in terms assessing the effectiveness of stop banks, as they may deteriorate over time. Audit NZ have now included Rivers Flood Protection as a material performance measure. There has been significant work done in this space.

2. Recommendation/s / Ngā Tūtohunga

That the Audit and Risk Committee receives the Update on Annual Report 2023-24.

3. Audit Engagement and Fees

- 3.1 The standard Audit Engagement Letter (**Attachment 1**) from Audit NZ is dated 23 May 2024 and was signed by the Mayor on 5 June 2024. The letter states that Audit NZ will be carrying out the annual audit of the Council's financial statements and performance information, on the Auditor-General's behalf, for the years ending 30 June 2024 and 30 June 2025. The Engagement Letter outlines the terms of the audit engagement and the respective responsibilities of the Council and the Appointed Auditor.
- 3.2 The Audit Proposal Letter (**Attachment 2**) from Audit NZ is dated 29 May 2024 and was signed by the Mayor on 5 June 2024. It provides details on the proposed audit fee for 2024 which has been agreed at \$273,579 (2023: \$237,514) excluding disbursements. The fee is set based on the assumptions set out in Section 7 of the Audit Proposal Letter. If the scope changes and/or the amount of work Audit NZ does increases, Audit NZ will discuss this and potentially seek additional fees from Council. We have requested that if this occurs, this is communicated with management at the time the issue occurs. At this stage, the 2025 fee proposed is \$331,896 (excluding disbursements) is indicative and will be reviewed after the 2024 audit.

4. Audit Plan and Amendments

- 4.1 The Audit Plan for the Annual Report was presented to the Audit and Risk Committee on 21 March 2024 and is also attached to this report (**Attachment 3**).
- 4.2 Audit NZ has made some changes to the Audit Plan (**Attachment 4**). Firstly, Yvonne Yang is now the Appointed Auditor for Council for the financial year ending 30 June 2024 onwards. Yvonne Yang will present at the meeting to highlight key points from the Audit Plan.
- 4.3 This year's key areas of audit focus and sector focus areas are consistent with the prior year.
- 4.4 There have been changes to the list of material performance measures. Materiality is set by Audit NZ based on what they expect would influence readers' overall understanding of Council's performance. These measures are subject to greater focus during the audit. Two measures have been removed (Wastewater – customer satisfaction and Transportation – fatalities and serious injury crashes) and the following five measures are now also considered to be material:
- Rivers - The major flood protection and control works are maintained, repaired and renewed to the pre-determined standards.
 - Transportation - The percentage of sealed local roads resurfaced each fiscal year.
 - Transportation - The annual growth in the use of passenger transport exceeds specified levels. Measured using annual boarding per capita (Nelson and Tasman).
 - Environment Management - An annual report is prepared and presented to Council or a Council Committee each year showing that all resource consents that are monitored are assigned appropriate performance grades.

- Environment Management - Swimming beaches and rivers are suitable for contact recreation, all or most of the time. This is measured using “all weather” samples from our core sampling sites.

5. Rivers and Flood Protection Assets

- 5.1 The Annual Report will report against the following performance measure for the Rivers' activity:
- 5.1.1 That major flood protection and control works are maintained, repaired and renewed to the following standards, and that there is no failure of flood protection in the existing stopbank system maintained by Council below the specified design levels:
- Riuwaka River = approximately 145 m³/s @ Hickmotts flow gauge, (20% AEP to 10% AEP in 2020) for the area downstream of SH60 bridge
 - Lower Motueka River = 1,854 m³/s @ Woodstock flow gauge, (2% AEP in 2020)
 - Waimea River = 1,346 m³/s @ Irvine Bridge flow gauge, (2% AEP in 2020)
- (where AEP = Annual Exceedance Probability)
- 5.2 The refurbishment that is occurring on the Motueka and Peach Island stopbanks is about bringing the stopbank back to the Level of Service standard recorded in the Rivers AMP for River X areas. For example, for the Motueka stopbanks, that is to withstand a 2% Annual Exceedance Probability flood (a 1-in-50 year event) with 600mm freeboard, specifically a flow of 1,854 m³ /s at Woodstock flow gauge (which corresponds to a 2% AEP in 2020). That takes the design flood into account in the 100 year view, so includes climate change. By default it also takes the river bed level into account.
- 5.3 The 2% AEP event should be considered a “moderate” level of protection. In the ideal world, a 1%, or even 0.2% AEP floods would be retained within a stopbank scheme. However, that is too expensive for the rating base that would have to pay for it. Council will look at other options in the future, including to maintain secondary flow paths to allow bank overtopping to be managed safely.
- 5.4 Most other works in our rivers are primarily about erosion control (River Y and Z areas). Rock is placed, gravel is pushed up or extracted, willows are planted, diversions are cut, and plants are sprayed to allow the river to move around and not impact unduly on private title. Council is moving into an era of allowing the river more room to move around, so the use of rock is likely to be fairly static for the next few years.
- 5.5 To manage river bed level on a specific suite of managed rivers, Council uses frequent LiDAR flights to establish gravel movement in a three-dimensional space and then manages it within an established envelope (maximum and minimum tolerance). Other rivers require professional judgement on the need for gravel extraction to restore or provide for hydraulic capacity in the river.

6. Interim Audit Management Letter

- 6.1 The interim audit took place between 13 and 26 May. Due to the audit team being busy in May/June with Long Term Plan audits, the Interim Audit Management Letter will not be provided. However, Yvonne Yang will provide a presentation and verbal update on the interim audit (**Attachment 5**). We understand there are no new control issues or recommendations, an update on the prior year recommendations will be provided at final

audit. The final Audit Management Letter (Report to Governors) will be shared with Audit and Risk Committee when available.

7. Property Plant and Equipment Valuations

- 7.1 At the previous Committee meeting, we shared the fair value index assessments. Audit NZ have confirmed that, subject to indices movement review up to June 2024, they agree with management’s decision not to revalue Land, Buildings, Roading, Bridges, or Ports for FY24 annual report purpose. We are obtaining valuations for the Three Waters, refuse and coastal assets; these are a work in progress.
- 7.2 Audit NZ has also agreed with Council’s decision not to revalue flood protection assets, which are non-depreciable. Valuations will be obtained periodically for insurance purposes only. Council will review the cost/benefit of revaluing Land next year, which is another non depreciable asset class.
- 7.3 Audit NZ has reported that in the Audit Plan the Council’s infrastructure assets, and land and buildings may need to be impaired to reflect either any damage from recent flooding events and the heightened flood risk arising from climate change. We are not expecting any material damage at 30 June 2024, that has not already been repaired or reflected in valuations. The Finance team will also liaise with Community Infrastructure and the Property team to identify potential impairments up to 30 June 2024, including specifically related to any adverse weather events. We will report an update at the next Committee meeting.

8. Attachments / Tuhinga tāpiri

1. ↓	Audit Engagement Letter May 2024	8
2. ↓	Audit Proposal Letter May 2024	24
3. ↓	Audit Plan 2024	34
4. ↓	Changes to the Audit Plan May 2024	56
5. ↓	Audit NZ Presentation	58



23 May 2024

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Addington
PO Box 2, Christchurch 8140

Mayor Tim King
Te Kaunihera o te tai o Aorere
Tasman District Council
Private Bag 4
Richmond 7050

Tēnā koe Tim

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Tasman District Council (the Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Yvonne Yang, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audit of the Council’s financial statements and performance information. We will be carrying out this annual audit on the Auditor-General’s behalf, for the years ending 30 June 2024 and 30 June 2025.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the Council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Council’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

The Council's responsibilities

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Board to be familiar with those responsibilities and, where necessary, have obtained advice about them. Appendix 3 outlines respective responsibilities when using Audit New Zealand’s client portal tool.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards¹.

We are also responsible for forming an independent opinion on whether the performance information of the Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and

¹ Or “Public Benefit Entity Standards Reduced Disclosure Regime” if applicable.

- its actual revenue and expenses as compared with the forecasts included in the long-term plan and Annual Plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

- the funding impact statement of the Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the long-term plan;
- the statement about capital expenditure for each group of activities of the Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the long-term plan; and
- the funding impact statement for each group of activities of the Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the long-term plan.

We are also required to report on whether the Council has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the Council have met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council, including being independent of management personnel and members of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report that will be sent to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to the Council from time to time. We will inform the Council of any other reports we have issued.

6.2 AERODROME ASSESSMENT AUDITS

Information Only - No Decision Required

Report To:	Audit and Risk Committee
Meeting Date:	10 July 2024
Report Author:	Amy Clarke, Risk & Assurance Advisor; Stephen Batt, Senior Enterprise Portfolio Officer
Report Authorisers:	Steve Manners, Chief Operating Officer; Deidre Hemera, Assurance and Improvement Manager
Report Number:	RFNAU24-07-2

1. Summary / Te Tuhinga Whakarāpoto

- 1.1 Audits of the Motueka and Takaka Aerodromes have been undertaken and the outcomes are provided for information.

2. Recommendation/s / Ngā Tūtohunga

That the Audit and Risk Committee

1. receives the Aerodrome Assessment Audits report; and

3. Aerodrome Assessment Audits

- 3.1 Tasman District Council commissioned an independent assessment of both Motueka and Takaka Aerodromes (see attachments). The outcome from the audits were: the aerodromes are in tidy and in good repair. Appropriate committees have been formed to ensure continuous communication occurs and any identified requirements have a channel to follow. Many manuals, processes and procedures do already exist and are also regularly reviewed. There are some minor documentary and physical items that could do with updating but the efficient running of an aerodromes requires constant monitoring and improvements to both. Motueka Aerodrome would benefit from an Aerodrome Manager to handle day to day requirements and responsibilities.
- 3.2 The Enterprise Team are actively working with the operators at Motueka Aerodrome to ensure reported incidents are reported to Council. We hope to see more of these being recorded so that we are aware of and can manage any issues at either aerodrome.

4. Attachments / Tuhinga tāpiri

1. ↓	Takaka Aerodrome Assessment Audit	68
2. ↓	Motueka Aerodrome Assessment Audit	78

7 CONFIDENTIAL SESSION

7.1 Procedural motion to exclude the public

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting. 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 follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

7.2 Risk and Assurance Report

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	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 to damage the public interest. s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

7.3 Cybersecurity Update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of	s48(1)(a) The public conduct of the part of the meeting would be likely to

information for which good reason for withholding exists under section 7.	official information for improper gain or improper advantage. Information about cybersecurity status, maturity levels and projects underway, must be kept confidential so that threat actors may not gain intelligence that could aid them in subverting our systems, putting Council or residents at risk	result in the disclosure of information for which good reason for withholding exists under section 7.
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7.4 Legal and Democracy Services Report

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

7.5 Health and Safety

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.