

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

**Date:** **Wednesday 3 June 2020**  
**Time:** **1.30pm**  
**Meeting Room:** **Tasman Council Chamber**  
**Venue:** **189 Queen Street**  
**Richmond or**  
**Via Zoom:** Join Zoom Meeting  
<https://zoom.us/j/91465545096?pwd=TWlyZDR2WkRnZFFEK004N0R0Sk9iUT09>  
Meeting ID: 914 6554 5096  
Password: 252805

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## Audit and Risk Committee

### AGENDA

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#### MEMBERSHIP

(Quorum 3 members)

**Members:**

Cr Ogilvie (Chair)

Cr Greening

Cr Hill

Cr Mackenzie

Cr Walker

Mr G Naylor

**In Attendance:** M Drummond

Corporate & Governance Services

Manager, Matt McGlinchey Finance

Manager, Charlotte Thomas

Financial Accountant, Trudi

Zawodny Operational Governance

Manager, Christina Ewing Executive

Assistant

Contact Telephone: 03 543 8453

Email: [christina.ewing@tasman.govt.nz](mailto:christina.ewing@tasman.govt.nz)

Website: [www.tasman.govt.nz](http://www.tasman.govt.nz)



## **AGENDA**

**1 OPENING, WELCOME**

**2 APOLOGIES AND LEAVE OF ABSENCE**

**Recommendation**

**That apologies be accepted.**

**3 DECLARATIONS OF INTEREST**

**4 CONFIRMATION OF MINUTES**

**That the minutes of the Audit and Risk Committee meeting held on Thursday, 5 December 2019, be confirmed as a true and correct record of the meeting.**

**5 REPORTS OF COMMITTEE**

Nil

**6 PRESENTATIONS**

Nil

**7 REPORTS**

7.1 Internal Audit Update Report.....5

7.2 New Policies.....61

**8 CONFIDENTIAL SESSION**

Nil



## 7 REPORTS

### 7.1 INTERNAL AUDIT UPDATE REPORT

Information Only - No Decision Required

<b>Report To:</b>	Audit and Risk Committee
<b>Meeting Date:</b>	3 June 2020
<b>Report Author:</b>	Charlotte Thomas, Financial Accountant
<b>Report Number:</b>	RFNAU20-06-1

#### 1 Summary

- 1.1 This report covers a range of internal audit and process matters. The purpose of the internal audit function at Tasman District Council is to assist the Council to achieve its objectives by providing independent and objective assurance and consulting services to add value and improve the Council's operations. The Council's internal audit function continues to monitor and respond to emerging risks.
- 1.2 Annual Report and Audit - Audit New Zealand's ('Audit NZ') plan for the 2019/20 Annual Report is attached. The interim audit commenced on 6 April. Finance worked closely with the auditors to deliver a remote audit. The quality of supporting evidence submitted was good and there were significantly fewer sample queries compared to previous audits. The Audit Plan is shown in **Attachment 1**.
- 1.3 Draft Interim Audit Report - the draft Interim Audit Report from Audit NZ is shown in **Attachment 2**.
- 1.4 Significant Accounting Assumptions - these are required to be made for the upcoming Annual Report. Timing and the impact of COVID-19 have meant these are draft considerations at present and will be finalised as soon as we are able. Assumptions include:
  - Impairment;
  - Valuations; and
  - Waimea Dam accounting treatment
- 1.5 COVID-19 - on 22 April 2020, Audit NZ issued advice via a letter to the Chair of this Committee that COVID-19 will be an area of focus in the upcoming audit. They expect us to have completed an impact assessment of COVID-19 on the Council functions. This is underway with the initial results shown as **Attachment 3**.
- 1.6 The Delegations Register - this has been updated via a report to the Council on 30 April 2020. It is subject to ongoing review in a Continuous Improvement Process.
- 1.7 Sensitive Expenditure Policy - a review is underway (in conjunction with the Operational Governance team) to finalise the revised policy and for it to be recommended for adoption to full Council. It was also identified that there needs to be more effective communication regarding Christmas lunches.

- 1.8 Bribery and Corruption - we recommend training is mandatory for all staff and elected members. The training has been approved and will be provided by a webinar produced by the Serious Fraud Office. This addresses one of the recommendations arising from last year's Annual Report Audit. This will also be provided to elected officials in due course.
- 1.9 Financial instruments and other financial statements disclosures - a review is in progress.
- 1.10 Assessment of the current Financial Management Information System - issues and risks remain; appropriate actions are being taken to reduce risk. The future of the system will be reviewed as part of the digital strategy.
- 1.11 Procurement Strategy - this is undergoing further internal review. Procurement has been noted by the Office of the Controller General (OAG) as an area of focus in the upcoming audits.
- 1.12 Taxation - Finance continues to work with PWC and is working through historic matters in relation to Fringe Benefit Tax (FBT). An internal Goods and Services Tax (GST) review has also commenced.
- 1.13 Development Contributions - Internal Audit reviewed a sample of development contributions. A need to improve the audit trail was identified.
- 1.14 Records Management - a new records management system due to go live on 4 May 2020, will now be implemented by a phased approach with completion of roll out by the end of July.
- 1.15 Further detail is provided in section three of this report. The focus for the next quarter will be to conclude Audit NZ's interim audit and prepare for the 2020 Annual Report.

## 2 Draft Resolution

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

## 3 Purpose of the Report

- 3.1 The purpose of this report is to update the Audit and Risk Committee on the current status of internal audit within the Council, and plans going forward. It is also an opportunity for the Committee to provide feedback or suggested focus areas for the Internal Audit Plan 2020/21.

## 4 Background and Discussion

Reference	Progress since the last Committee meeting	Activities planned going forward
1	<b>Annual Report</b>	
1.1	Audit NZ has been appointed by the OAG under the Public Audit Act 2001 for a further term of three years. The Council's request for a change in audit firm was declined. The Corporate and Governance Services Manager has	Continue to work with Audit NZ to monitor and respond to

	<p>written to the OAG requesting a reduced term of one year.</p> <p>Audit NZ’s Audit Plan is shown in <b>Attachment 1</b>. The Finance team has regular communication with Audit NZ and the focus areas identified are in line with the Finance team’s work plan. These include:</p> <ul style="list-style-type: none"> <li>• Revaluation of infrastructure assets – work has commenced. Finance appointed MARSH to perform the valuation for insurance and financial reporting. Audit NZ reviewed the scope, and finance will continue to keep the auditors updated on progress;</li> <li>• New set of accounting standards related to group financial reporting have come into effect. Finance is working with Nelson City Council to assess the implications. The assessment is expected to be finalised by 30 June 2020;</li> <li>• Waimea Water Limited (WWL) accounting treatment. This is being assessed with accounting advice being provided by Crowe (formerly Crowe Horwath);</li> <li>• COVID-19 has recently been added to the focus areas. Our preliminary response is included in <b>Attachment 5</b>.</li> </ul> <p>The audit fee letter has not been received although the OAG has indicated that these will increase by 1.5% this year. The letter is shown in <b>Attachment 4</b>.</p>	<p>potential risks and issues.</p>
<b>2</b>	<b>Interim Audit Report</b>	
2.1	<p>John Mackey our Director from Audit NZ is joining us via zoom to talk about his report (<b>Attachment 2</b>).</p> <p>While there have been delays caused by COVID-19, overall the Interim Audit process ran very smoothly. The staff of both organisations should be commended for their attitude in accomplishing this under trying circumstances.</p>	
<b>3</b>	<b>Annual Report</b> <b>Significant assumptions and judgements</b>	
3.1	<p><b>Infrastructure assets</b> – The Council is obtaining valuations for infrastructure assets, investment property and forestry. Significant assumptions will be assessed by management and disclosed in the Annual Report.</p> <p><b>Forestry</b> – key assumptions will be projected log prices and volume. A peer review is being obtained to assist management in the review of the assumptions.</p> <p><b>Investment property</b> – future rental income will be an area of significant uncertainty. Management will review the</p>	<p>Assessments to be made as at 30 June 2020.</p>

	<p>assumptions and ensure disclosure is adequate in the annual report.</p> <p><b>Impairment</b> – The Council will undertake a review as of 30 June 2020. Due to the fast-moving current climate, this assessment is not available yet. The impact of COVID-19 on assets is considered in the attached.</p> <p><b>Waimea Water Limited</b> – the method used to calculate the Council’s share of its interest in WWL will be a key judgement and disclosed in the financial statements. Due to the complexity and timing of the investment flows, technical accounting advice to assist with the consolidation is being obtained.</p> <p><b>New consolidation standards</b> – there is a new set of accounting consolidation standards. Finance attended training on 14 May to ensure they have a robust understanding. The initial assessment is that these are not expected to have a material impact. This training and assessment were somewhat delayed due to COVID-19.</p>	
4	<b>COVID-19 Impacts</b>	
4.1	<p>The Council agreed a reduction in our general rate increase (excluding growth) from the proposed 2.97% to 0%. The Annual Plan with the reduction will go to Council on June 25. This was a reduction of \$2.265m.</p> <p>The move to working from home was a significant challenge and change for the Council. The efforts by the Information Services team and their staff meant Council staff were able to continue working remotely from home. This was a general success and internet speeds were reasonable. The IT and Financial systems held up and new ways of communicating were quickly established.</p> <p>Our cash position was reviewed to ensure we had the cash flow available and access to funds as and when required. These were modelled at a high level out to 12 months. Further work is occurring when we reforecast the upcoming 2020/21 year. This will be done in conjunction with the drafting of the Long Term Plan Financials.</p> <p>A full review of expenditure lines will be undertaken in June/July.</p> <p>The Risk Register has been updated but not formally been reported back through the Leadership Team. A report is scheduled to come to the next Audit and Risk Committee.</p> <p>Delegations were temporarily changed to give the Chief Executive more delegation. These have now reverted to the normal levels.</p>	



	<p>Audit NZ has issued a focus area related to COVID-19, see <b>Attachment 5</b>.</p> <p>The OAG has also emphasised how important they see the response to COVID-19, see in <b>Attachment 4</b>.</p> <p>Our current assessment is that controls have continued to operate effectively.</p> <p>A draft impact assessment of the COVID-19 pandemic on the financial statements has been provided to Audit NZ. A summarised version of this assessment is shown in <b>Attachment 3</b>. Audit NZ has commented this is a good starting point and that further detailed analysis is required, including calculations to test whether the associates, like Port Nelson Limited (PNL) and Nelson Airport Limited (NAL), are impaired. The impact on performance information is to be provided at a later date.</p> <p>An impact assessment of the COVID-19 pandemic on the service levels is underway.</p> <p>The Council will ensure completeness and accuracy of disclosures in the Annual Report relating to the COVID-19 pandemic.</p>	
6	<b>Previous Audit NZ recommendations</b>	
6.1	<p><b>The Delegations Register</b> has been updated post the Local Body elections. The Delegations Register is now available online for staff as a searchable database. Finance is also reviewing delegations to staff under \$20,000, and considering whether these should be more restricted in future to place more control with budget holders.</p>	<p>Continue to work with the Governance Officer and Finance, for the ongoing improvement and review of delegations.</p>
6.2	<p><b>A Sensitive Expenditure Policy review</b> is in the draft stage. The revised Policy has been designed to be more user friendly and address the Auditor’s recommendations. It needs to be finalised and adopted by the Council. This is overdue and will be progressed, however it is not a top priority as there are no significant changes.</p>	<p>To be progressed.</p>
6.3	<p><b>Training on bribery and corruption.</b> The Serious Fraud Office has produced a training webinar on anti-corruption training, relevant to council staff and elected members. Finance found this to be very beneficial and has recommended to the Leadership Team that this is mandatory for all staff. This has been agreed.</p> <p><b>A Fraud Risk Assessment is underway.</b></p>	<p>Roll out of bribery and corruption training to all staff and elected members by 30 November.</p> <p>Complete fraud risk assessment,</p>

6.4

**Financial instruments and other financial statements disclosures.** The disclosures in the Annual Report (since 2016-17) are not fully compliant with the PBE accounting standards. Audit NZ requires that we actively consider these disclosures. The Finance team has 'actively' considered the assessment provided to the Auditors in 2016-17, and agrees that it remains appropriate. The additional disclosures required are overly complex and likely to be confusing for the readers of the Council's Annual Report.

Therefore, no additional disclosures are proposed for the 2019-20 Annual Report.

Audit NZ has requested a completed disclosure checklist to evidence our assessment. Finance is preparing this.

and ensure it is kept up-to-date.

Disclosure checklist will be provided to Audit NZ.

7	<p><b>Assessment of the current Financial Management Information System - issues and risks</b></p>	
7.1	<p>A report regarding the risks and issues related to the Financial Management Information system, MaqiQ was presented at the March 2019 Committee meeting.</p>	<p>Internal audit will continue to monitor and report against the MagiQ issues and risks.</p>
7.2	<p><b>Update on open recommendations:</b></p> <p><b>Perform a technology options assessment</b></p> <p>Remains under action as part of a broader review of the technology required. This review will likely remain 'work-in-progress' throughout FY20/21 with any proposed upgrade or replacement occurring within the timeframe of the next Long Term Plan cycle.</p>	
7.3	<p><b>Investigate and address current control gaps</b></p> <p>Action has been taken to partially remediate the risks identified in the report:</p> <ul style="list-style-type: none"> <li>• IS have migrated to the latest, most stable, version of MagiQ;</li> <li>• IS have put in place a more rigorous support contract with MagiQ in an effort to improve our ability to respond to systems and security issues;</li> <li>• IS have established a monthly report that details the users' assigned access to MagiQ and the rights and privileges they hold;</li> <li>• The single sign-on process in place for MagiQ means that the processes established for the disabling of accounts at the request of Managers, and the termination of accounts for departing staff guard against unauthorised access. This process provides a quarterly report for validation.</li> </ul> <p>Further work is required and manual processes need to be agreed with relevant business groups, particularly Finance, to fully address the improved controls required. The future of MagiQ will be reviewed as part of the digital strategy.</p>	
8	<p><b>Sensitive Expenditure</b></p>	
8.1	<p><b>Expense reviews (From March 2020 report)</b></p> <p>The Accounts Payable team review all expense claims, with an increased focus on any items which could be sensitive expenditure.</p> <p>Christmas lunches fall within the Sensitive Expenditure Policy. The Chief Executives' instruction to all staff is that team Christmas lunches were a personal expense, not a business one. There was one expense claim which was not compliant</p>	<p>There needs to be more effective in communication regarding Christmas lunches. Finance will work with the Governance</p>

8.2	<p>with the Policy. The matter was escalated to the Chief Executive prior to payment.</p> <p>The Chief Executive has taken appropriate actions regarding communication with the staff responsible.</p> <p><b>Other matters</b></p> <p>Credit card expenditure is reviewed quarterly. There are no matters to report.</p> <p>Finance is testing systems to move expense claims and credit cards online. All other manual payments were moved online as to a response to COVID-19.</p> <p>The Operational Governance Manager is updating the Sensitive Expenditure Policy.</p>	Office and Leadership team.
<b>9</b>	<b>Procurement</b>	
9.1	<p>Audit NZ recommended to the Council in 2016/17 to develop a Council-Wide Procurement Strategy. This work is still underway.</p> <p>OAG has recently announced procurement will be an audit focus area.</p> <p>The Council-wide procurement policy has been reviewed by the Council's Leadership team and as a result has been updated to incorporate more specific information on Health and Safety Management, as well as the introduction of financial thresholds which will govern the type of procurement activity required under each monetary band. A procurement strategy document has also been drafted and is currently receiving further updates to incorporate sufficient emphasis on supporting local suppliers and the economy in light of the recent COVID-19 impacts.</p> <p>A procurement manual is also being drafted with information on 'how to complete procurement' which will be accompanied by a suite of process maps and templates which will be an ongoing piece of work.</p> <p>A new Legal Officer has been appointed. Their role will include contract review, including options for standard templates.</p> <p>The diagram below illustrates various components under review and how they fit together.</p>	Continue to engage with the Operational Governance team and monitor the implementation of the procurement program.

<p>9.2</p>	<p>The Council-wide Procurement Policy has been reviewed by the Council’s Leadership Team and as a result has been updated to incorporate more specific information on Health and Safety Management, as well as the introduction of financial thresholds which will govern the type of procurement activity required under each monetary band. A Procurement Strategy Document has also been drafted and is currently receiving further updates to incorporate sufficient emphasis on supporting local suppliers and the economy in light of the recent COVID-19 impacts.</p> <p>A procurement manual is also being drafted with information ‘on how to complete procurement’ which will be accompanied by a suite of process maps and templates which will be an ongoing piece of work.</p>	
<p><b>10</b></p>	<p><b>Taxation</b></p> <p>10.1 The Council has a low-risk appetite in regards to taxation matters.</p> <p>10.2 <b>Fringe Benefit Tax</b></p> <p>Finance performed an Internal Review in 2018/19 and found two key matters:</p> <ul style="list-style-type: none"> <li>• The shortfall in the amount of Fringe Benefit Tax (FBT) paid on vehicle usage; and</li> </ul>	<p>Taxation is an area of an ongoing review. The finance team continues to receive both training and tax reviews from PWC.</p>

	<ul style="list-style-type: none"> <li>• The requirement to maintain a Benefits Register to ensure IRD thresholds are not breached.</li> </ul> <p>Finance is still working with PWC in relation to a voluntary disclosure on the historic FBT due on vehicles. This is a complex matter and was found through an Internal Audit Review.</p> <p>New processes have been implemented:</p> <ul style="list-style-type: none"> <li>• The process introduced to identify and record vehicle usage which is subject to FBT;</li> <li>• Benefits register is maintained and reviewed on a monthly basis to ensure thresholds are not breached. Noting there is a matter of ambiguity in relation to group thresholds which PWC is seeking clarification from IRD on.</li> </ul> <p>In February 2020, PWC completed a FBT review. No significant new matters were found. Finance has attended webinars regarding any potential implications of COVID-19, such as tax implications of reimbursements.</p>	
<p>10.3</p>	<p><b>GST</b></p> <p>The most recent external review of the Council's GST was in March 2017.</p> <p>An internal review of GST on property transactions commenced in February 2020. It was found there is scope to enhance documentation to support the GST treatment.</p> <p>As a result, Finance has introduced new controls and documentation requirements effective February 2020 to minimise risk in relation to taxation compliance. This process has been agreed with the Property team.</p> <p>The Finance team will continue performing an internal review, including ensuring previous recommendations have been implemented. An external review should be scheduled for the 2020/21 year.</p>	
<p>10.4</p>	<p><b>PAYE</b></p> <p>The most recent external review of PAYE was in 2018. An external review should be scheduled for the 2021/22 year.</p> <p>A large number of entities have been required to pay out extra holiday pay due to incorrect interpretation of the Holidays Act 2003. Employees must be paid whichever is higher of their ordinary weekly pay or their average weekly earnings for the last 12 months as their rate for holidays. This can become complex with increasing numbers of staff on flexible contracts.</p>	

	<p><b>Controls in place:</b></p> <p>The Payroll Officer is a member of the New Zealand Payroll Practitioners Association and attends the annual conference. The Council's Payroll Officer ensures calculations are accurate, with recalculating in a spreadsheet. The current payroll system is not designed to do this. The calculations are reviewed by another team member, and professional advice is sought where necessary.</p>	
<b>11</b>	<b>Internal Audit Charter</b>	
11.1	The draft Charter has been updated to include matters raised at the previous Committee meeting. This was adopted by Full Council on 21 May.	Internal Audit will continue to have open regular meetings with the CE and work on developing an Assurance Register.
11.2	<p><b>Independence</b></p> <p>The Internal Auditor reports to the Finance Manager. At the previous Committee meeting, the matter of independence of Internal Audit was raised. The importance of a direct relationship between Internal Audit and the Chief Executive was emphasised. Internal Audit now meets with the Chief Executive quarterly.</p>	
11.3	<p><b>Risk-based Audit Plan</b></p> <p>Currently, the internal audit work focusses on:</p> <ul style="list-style-type: none"> <li>• Responding and reporting on emerging audit risks associated with the Annual Report;</li> <li>• Review and implementation of previous recommendations;</li> <li>• Taxation; and</li> <li>• Sensitive expenditure.</li> </ul> <p>It was suggested that a risk-assurance mapping exercise is completed. Work has commenced in this area. A register is being created of relevant audit and assurance matters, this will then be mapped to the Risk Register.</p> <p>Once this has been completed a risk-based Audit Plan will be developed.</p>	
<b>12</b>	<b>Development contributions</b>	
12.1	Internal Audit reviewed a sample of development contributions. A need to improve the audit trail was identified. Recommended actions have been agreed with the relevant team.	To review the implementation of recommendations.
<b>13</b>	<b>Records Management</b>	

Item 7.1

<p>13.1</p>	<p>Currently, the storage of our information and records relies on a combination of storage systems. Our approach has resulted in variability with how we apply the standards for securing, searching for and managing the information we hold. This situation has been identified as a risk for the Council, and one that has been noted by the South Island Regional Archivist and the Ombudsman. As a consequence, replacing our current arrangements for securing, storing and making available our information and records have been identified as a strategic priority.</p> <p>In December 2019 the Leadership Team agreed that a Microsoft SharePoint based Electronic Document Management System (EDRMS) should be implemented. Information Leadership, vendors who have worked with 56 councils to deliver EDRMS systems, were selected to lead the implementation with support from the Council’s Information Systems team. The project to implement a new EDRMS is called ‘Project DORIS’ and has an estimated cost of \$678,000 (excluding internal staff time). The ‘go live’ date for DORIS was planned to be 4 May 2020, with full implementation by 18 May. This is now delayed due to COVID-19 but all staff are expected to be using DORIS by the end of July.</p> <p>Effective use of DORIS will greatly assist the Council to comply with relevant legislation and will modernise the way the Council stores and retrieves information. It will improve collaboration between staff and, ultimately, mean that the information and records we hold are more readily available to residents of the Tasman District.</p> <p>Internal Audit reviewed the Risk Register for Project DORIS and noted the residual risk (risk level after controls) was recorded as high for several risks, including those relating to change management, staff resourcing and impact on ‘business as usual’.</p>	<p>Internal Audit will continue to remain engaged in the DORIS project and provide suggestions and recommendations for improvement.</p>
<p>13.2</p>	<p><b>Risk Management Policy</b> is due for review by November. A final draft is with the Leadership Team for review prior to approval by the Chief Executive.</p>	<p>The final approved version will be brought to ARC</p>
<p>13.3</p>	<p><b>Risk Registers:</b></p> <p>Organisational risks are now being monitored at a functional level with risks rated as ‘Extreme’ or ‘High’ or those that are considered significant, brought to the Leadership Team for a decision on whether they should be included in the Enterprise Risk Register. These will be brought to the Audit and Risk Committee.</p> <p>Functional Area Risk Registers: Each council functional area</p>	<p>The Enterprise Risk Register would normally be reported quarterly to the ARC, however, due to COVID-19, focus</p>



	<p>will manage their risk register (using a standardised template) in which they will record risks specific to their area of responsibility. This will also provide them with a risk profile using the 'heat map' system which will be specific to their area.</p> <p>Existing risks are undergoing a reassessment to ensure they are complete and that an appropriate owner has been assigned, who will take responsibility to monitor the effectiveness of controls.</p> <p>Risk profiles: Heat Maps are being developed which will show whether each risk is within, or exceeds, the risk appetite.</p> <p>Reporting to Audit and Risk will provide a summary of:</p> <ol style="list-style-type: none"> <li>1.1 Enterprise risks aligned to risk appetites</li> <li>1.2 Risk profiles</li> <li>1.3 Emerging risks</li> </ol>	<p>shifted from this to ensure that the Council's Pandemic and Business Continuity Plans were up to date and fit for purpose.</p>
<b>14</b>	<b>Training</b>	
14.1	<p>We are committed to ongoing training and continue to improve on our quality standards. Training in the 2019/20 year included:</p> <ul style="list-style-type: none"> <li>• Chartered Accountants New Zealand and Australia (Regional conference);</li> <li>• Serious Fraud Office anti-corruption training;</li> <li>• PWC Local Government tax update;</li> <li>• PWC Treasury course;</li> <li>• Fraud and ethics training;</li> <li>• Te Reo;</li> <li>• Microsoft Power Business Intelligence;</li> <li>• Mental Health first aid training;</li> <li>• Rates and funding conference; and</li> <li>• IPSAS NZ Consolidation standards (Joint training with Nelson City Council).</li> </ul>	<p>To review the training plan for 2020-21, including junior staff.</p>

**5 Next Steps / Timeline**

5.1 Key priorities for the next quarter are preparing for the Infrastructure Asset Valuation, the Interim Audit and addressing taxation matters.

<b>6</b>	<b>Attachments</b>	
1.	Audit Plan 2019-20	19
2.	TDC Interim Report to Governors	35
3.	Audit NZ additional focus area COVID 19	55
4.	OAG - Audit fees and Covid 19	57
5.	TDC COVID-19 Impact Assessment - Summary	59



## Audit plan

I am pleased to present our audit plan for the audit of the Tasman District Council (the Council) for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Our audit process .....	6
Reporting protocols .....	10
Audit logistics .....	11
Expectations .....	13

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss them with me.

Yours sincerely



John Mackey  
 Appointed Auditor  
 28 February 2020

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by override of controls that otherwise appear to be operating effectively. The risk of management override of controls will vary from entity to entity but the risk is nevertheless present in all entities. Due to the unpredictable way in which this override could occur, it results in a risk of material misstatement due to fraud. Auditing standard, ISA 240 requires us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• review of accounting estimates for indications of bias;</li> <li>• evaluation of any unusual or one-off transactions, including those with related parties;</li> <li>• evaluation of significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the Company and its environment; and</li> <li>• review of any changes in the Council’s accounting policies.</li> </ul>
<b>Revaluation of infrastructure assets</b>	
<p>The Council’s accounting policy is to revalue its infrastructure assets every three years. The Property, Plant and Equipment accounting standard requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The Council has advised us that a valuation of its infrastructure assets will be performed in 2020 and external experts will be engaged.</p> <p>The revaluation process is a significant and complex project. The revaluation represents a risk to the Council because the estimate involves expert judgements, assumptions and is subject to inherent uncertainty.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• obtain copies of the valuation reports prepared by the valuers and discuss the valuation process with them, focusing in particular on the assumptions adopted;</li> <li>• review the valuation methodology to ensure it complies with generally accepted accounting practice;</li> <li>• test the validity of the assumptions adopted and whether they have been applied consistently;</li> <li>• test the integrity of the underlying data used for the valuation; and</li> <li>• ensure that the Council has correctly accounted for the revaluation in the</li> </ul>

Audit risk/issue	Our audit response
<p>For those assets that will not be revalued, we expect that the Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value, as at 30 June 2020, and the carrying value that would trigger the need for the Council to revalue or impair its assets.</p>	<p>financial statements in accordance with the accounting standard.</p> <p>We will also review the Council's assessment of fair value against carrying value, for each asset class not scheduled to be revalued this year.</p>
<p><b>Fixed asset impairment review</b></p>	
<p>The impairment of assets accounting standard requires an entity to assess, at each reporting date, whether there is any indication that an asset may be impaired. If any such indication exists, the entity is to determine the recoverable amount of the asset.</p> <p>The Council should determine whether there are any indicators of impairment in its infrastructure, property, plant and equipment and intangible assets. This should be undertaken well before year-end so any indications of impairment can be identified and accounted for, in the year-end financial statements, in a timely manner.</p>	<p>We will review the Council's impairment assessment to ensure that any impairment is correctly accounted for in compliance with the accounting standards.</p>
<p><b>New set of group accounting standards</b></p>	
<p>The Council has a range of entities that are accounted for in the Council's financial statements. This year is the first year the Council is required to adopt a new set of group accounting standards. The Council needs to determine what impact the new accounting standards will have on the recognition, measurement and disclosure of these entities in the Council's financial statements. This should also include considerations as to whether any entities, not previously recognised as controlled, are required to be assessed as "controlled" and included in the financial statement under the new accounting standards.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review the Council's assessment and discuss with the management the results;</li> <li>• determine whether the Council has accounted for its associates and joint ventures (JVs) in a way that is consistent with the new standard including any restatements on adoption; and</li> <li>• verify that the disclosures have been correctly included in the financial statements.</li> </ul>
<p><b>Waimea Water Limited</b></p>	
<p><b>Consolidation</b></p> <p>In the previous year, Waimea Water Limited (WWL) was recognised as a joint venture and accounted for using the proportionate consolidation method. The proportion was calculated based on the number of voting shares held, although contributed capital was</p>	<p>If the method of consolidation remains the same under new accounting standards, we will review management's assessment and compare it to the agreements, and the projections of contributed equity and shares to be received in the coming years.</p>

Audit risk/issue	Our audit response
<p>proportionally higher than the number of voting shares. Management agreed that more detailed analysis needs to be performed, in future years, as to what is the correct basis for calculation to be used. If, after assessment of new accounting standards as mentioned above, the Council continues to proportionally consolidate WWL, we expect it to prepare an assessment analysis to be supported by extracts from the relevant agreements, and documentation of future changes in voting shares and contributed equity.</p> <p><b>Guarantees</b></p> <p>Agreements, signed by the Council, for the construction of the dam and the establishment of WWL, include a guarantee for possible overruns of construction costs, and a financial guarantee of WWL’s loan facility.</p> <p>The value of the guarantees, at the end of the last financial year, was nil because there was insufficient information to reliably assess the value.</p> <p>The Council needs to assess what is the current value of guarantees, given all known information on changes of construction costs, including changes to the original design, and the ability of WWL to pay off the loan facility.</p>	<p>We will review:</p> <ul style="list-style-type: none"> <li>• the Council’s assessment as to how changes in construction impact on overall costs, and if the assessment of possible overruns is complete and accurate; and</li> <li>• the calculation of financial liabilities for guarantee, and how they have been recognised or disclosed in the financial statement.</li> </ul>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

**Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

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

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

***Our responsibility***

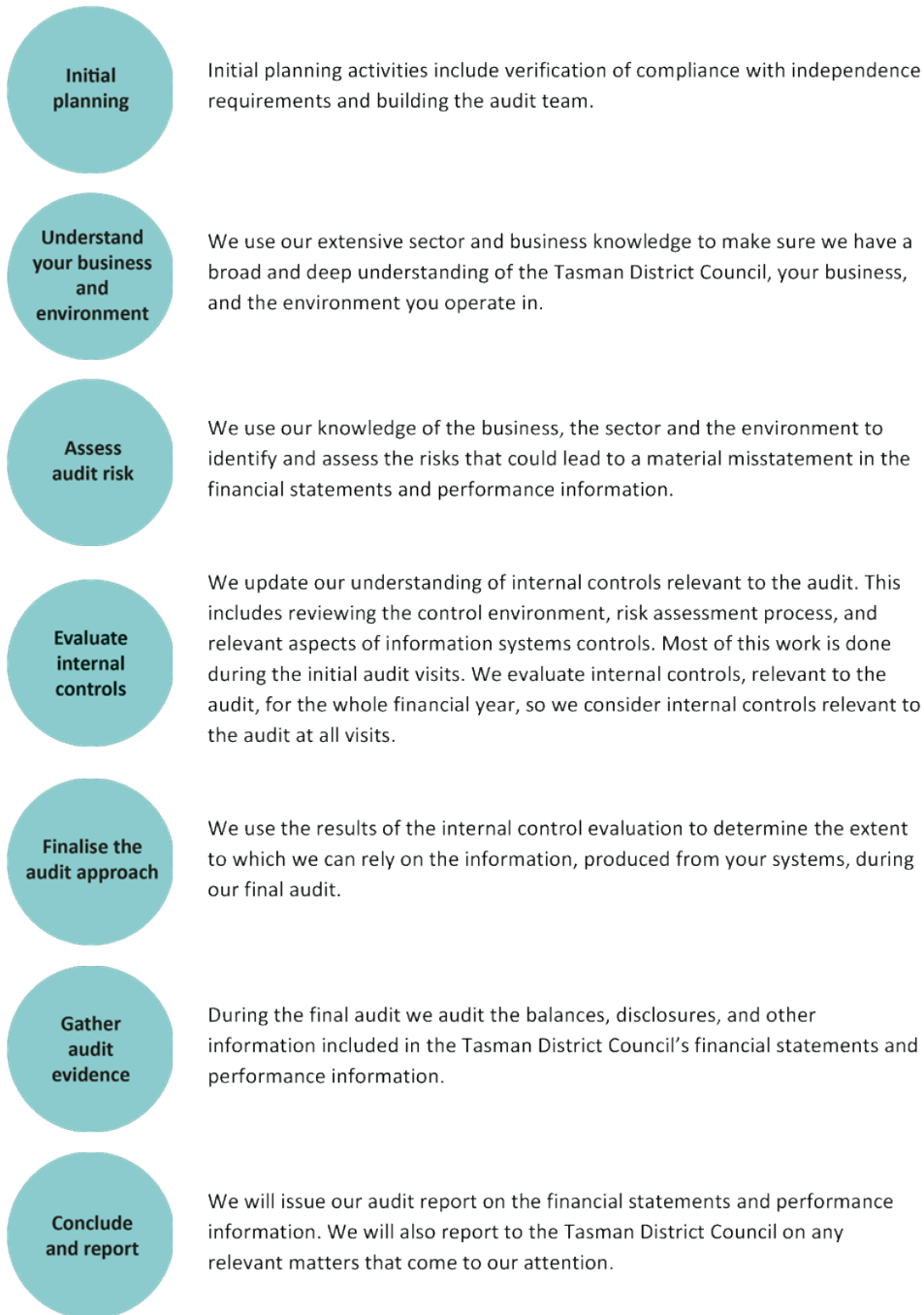
Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

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

The Auditor-General has published useful information on fraud that can be found at [oag.govt.nz/reports/fraud-reports](http://oag.govt.nz/reports/fraud-reports).



## Our audit process



### Enhancing year-end processes

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

### Bringing forward audit procedures

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

This testing will be completed during a pre-final audit. If we can complete this work earlier in the year, we expect this to reduce the pressure, on both the audit team and the finance team, during the onsite final audit visit, as this work will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

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

### Materiality

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

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers' decisions on the stewardship and allocation of resources, or assessment of your performance.

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

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance as to how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

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

### **Misstatements**

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

### **Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions on the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when consider information and form conclusions.

Exercise of professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

### **How we consider compliance with laws and regulations**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach first involves assessment of the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance, on our audit.

### **Wider public sector considerations**

A public sector audit also examines whether:

- the Tasman District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Tasman District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Tasman District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Tasman District Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the council



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

Meeting with	Planned timing
Audit and Risk Committee	<p>March and October 2020</p> <p>Our objective is:</p> <ul style="list-style-type: none"> <li>to discuss the areas of focus for the audit, and approach;</li> <li>to discuss results of interim audit; and</li> <li>to discuss results of final audit.</li> </ul>
Management of the Council	<p>March, September and October 2020</p> <p>Our objective is:</p> <ul style="list-style-type: none"> <li>to discuss key issues, risks and changes, and the areas of focus for the audit, and approach;</li> <li>to discuss preliminary results of interim audit and approach for final audit;</li> <li>to discuss preliminary results of the final audit: and</li> <li>to de-brief on the audit process in the current year to identify areas for improvement.</li> </ul>

### Reports to Council



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

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

## Audit logistics

### Our team



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

Our senior audit team members are:

John Mackey	Appointed Auditor
Anna Herlender	Audit Manager
Dieter Rohm	Information Systems Auditor

### Timetable



Our proposed timetable is:

Pre-final audit begins	30 March 2020
Interim audit begins	6 April 2020
Draft interim report to Council issued	8 May 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures, which has been reviewed by all relevant staff at the Council	4 September 2020
Final audit begins	7 September 2020
Final draft version of service performance which has been reviewed by all relevant staff at the Council	11 September 2020
Annual report available, including any Chair and Chief Executive's overview or reports	18 September 2020
Final financial statements available, incorporating all the amendments agreed to between us	30 September 2020

Verbal audit clearance given	2 October 2020
Draft report to Council issued	2 October 2020
Final report to Council issued	12 October 2020
Audit opinion issued	22 October 2020

## Expectations



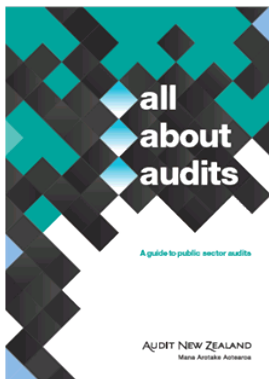
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft annual report, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, including both the financial statements and performance information, will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:





### Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advice of emergency evacuation procedures and how to report any health and safety issues.



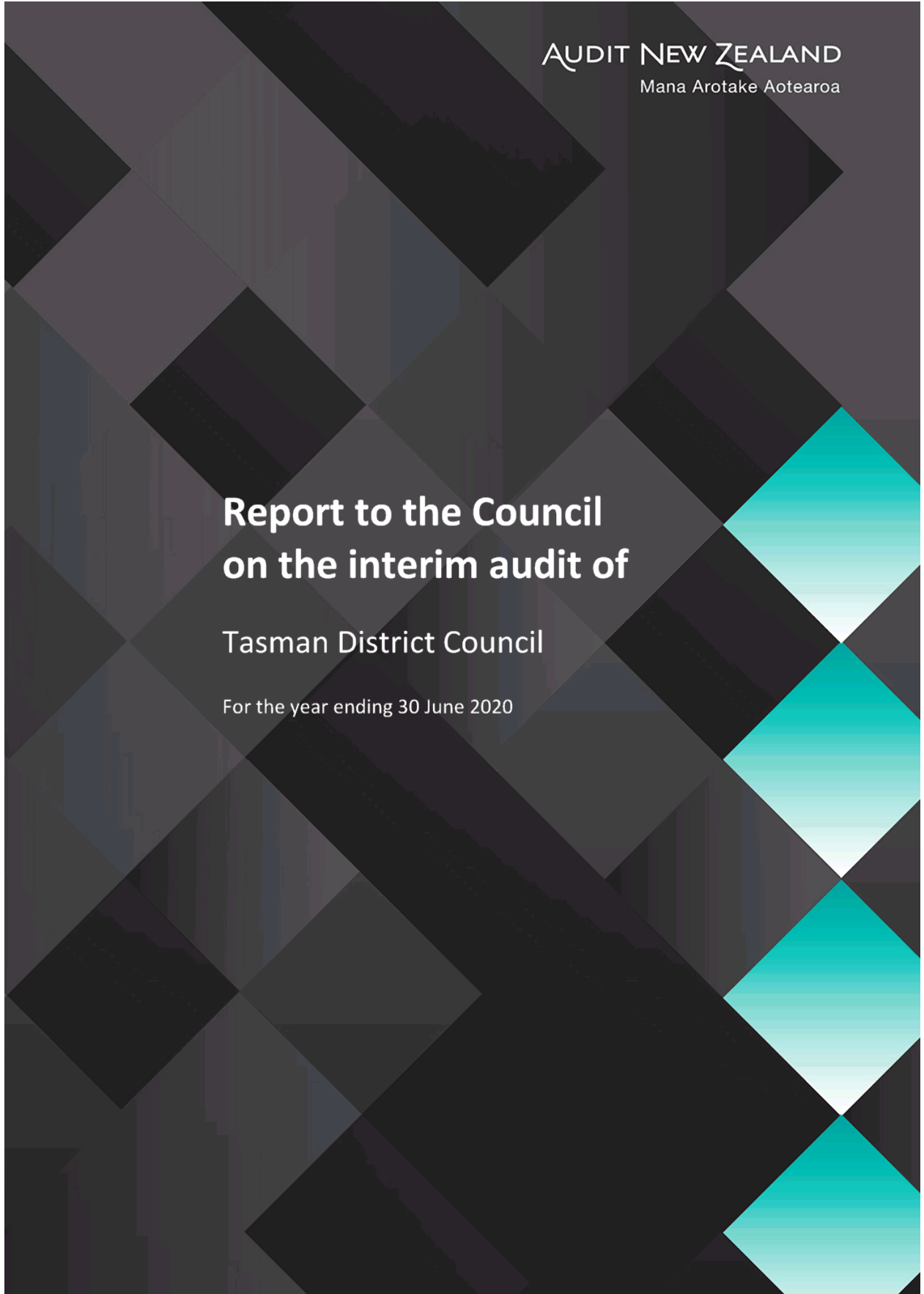
AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Level 3, 335 Lincoln Road  
PO Box 2  
Christchurch 8140

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)





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## Key messages

We have performed our interim audit for the year ending 30 June 2020. This report sets out our findings from the interim audit.

We have also included our initial comment on the areas of audit focus identified in our Audit Plan.

Although our interim audit could not be fully completed, we present the interim report based on the findings identified to date. Our aim is to provide a clear communication on areas that need to be resolved before or during the final audit, the extent of audit work performed at the interim audit against what was planned, and the additional audit work now required to be performed at the final audit.

Staff have been very helpful but the requirement that both parties work remotely has meant that many of the tasks have taken longer to complete with some still to be finished.

### Interim audit

We undertook the interim audit took place from 6 to 9 April 2020 and we performed follow up work in the week commencing 20 April. This was during the period when New Zealand was in lockdown as a result of emergency Alert Level 4. We performed our audit remotely and the Tasman District Council (the Council) employees were working remotely from their homes as well. Some documentation was not available to the audit as it is only held in hard copy form in the Council offices. We agreed with the management that scans of the hardcopy documents will be sent to us at a later date. We estimate that we still need 10 hours to complete the outstanding testing.

### Area of audit focus

We issued an Audit Plan on 28 February 2020 and a supplementary letter, to cover the impacts of the COVID-19 pandemic, on 20 April 2020. These documents explain areas of audit focus for the 2020 financial year. We outline the progress on these areas in section 3 of this report.

### Thank you

We would like to thank management and staff, especially Charlotte Thomas, for their assistance during the interim.



John Mackey  
Appointed Auditor  
27 May 2020

## 1 Recommendations



Our recommendations for improvement and their priorities are based on our assessment as to how far short current practice is from a standard that is appropriate for the size, nature, and complexity of the Council. We use the following priority ratings for our recommendations.

Explanation	Priority
<p><b>Needs to be addressed <i>urgently</i></b></p> <p>These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason needs to be addressed without delay.</p>	Urgent
<p><b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. They include any control weaknesses that could undermine the system of internal control.</p>	Necessary
<p><b>Address, <i>generally within six to 12 months</i></b></p> <p>These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address them, provided the benefits outweigh the costs.</p>	Beneficial

### 1.1 New recommendations

The following table summarises our recommendations and their priorities.

Recommendation	Reference	Priority
Review bank reconciliations in a timely manner	2.2.1	Necessary
Review access rights to payroll system and remove access for former employees	2.2.2	Beneficial

### 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	–	1	2	3
Implemented or closed recommendations	–	1	–	1

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Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Matters that will be followed up during our final audit visit	–	1	2	3
<b>Total</b>	–	3	4	7

## 2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparation of the financial statements and the service performance information. We review internal controls, relevant to the audit, to design audit procedures that are appropriate in the circumstances. Our findings relate to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

### 2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

### 2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We reviewed the internal controls in place in the following areas:

- Revenue;
- Expenditure;



- Payroll;
- Property, plant and equipment;
- Investments;
- Forestry Assets;
- Journals; and
- Systems in place to support key non-financial performance measures.

We documented the systems and performed tests to confirm if there are suitable and relevant internal controls in place and if they operate effectively.

As the interim audit was performed during the lockdown period, we could not complete all walkthroughs and other planned testing. The main reason was the inability to access hard copy supporting documentation.

We will conclude on the internal systems and controls when we have completed this testing.

We will inform you of any significant deficiencies we identify.

We have only identified a few issues from the testing performed.

We make the following comments:

#### **2.2.1 Timely review of bank reconciliations**

We reviewed the bank reconciliations for August 2019 and February 2020. We noted that the preparer does not include the date of preparation, and the reviewer has not completed the review in a timely manner.

Timely review of bank reconciliations allows the Council to identify and address any errors and discrepancies in a timely manner, to ensure the accuracy of financial reporting and minimise the risk of fraud.

#### **Recommendation**

- Review reconciliations promptly noting within five working days of month end is best practice.
- Evidence timeliness of review by recording date when the review took place.

#### **Management comment**

*Agree.*

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**2.2.2 Review of payroll access rights**

We noted a terminated employee still has an active login access as a Payroll Officer user in the payroll system. Management advised that the system can only be accessed via a VPN (virtual private network) so there is no risk of former employees accessing the system.

**Recommendation**

- Review access to the payroll system regularly to ensure that it is up to date.
- Implement the removal of an employee's system access as part of the termination process.

**Management comment**

*Agree.*

### 3 Matters raised in the audit plan

#### 3.1 Impact of COVID-19

We expect the Council to complete a formal assessment of the impact of the COVID-19 pandemic on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may need to be included.

Our areas of focus are likely to include:

- the Council's investment in Nelson Airport Limited;
- the Council's share of the Waimea Dam;
- the Council's guarantee liabilities for the Waimea Dam;
- investment property valuations;
- infrastructure land valuations;
- the Council's investment in Port Nelson Limited; and
- the assessment of non-revalued assets' carrying values to their fair values.

#### 3.2 Revaluation of infrastructure assets

The Council is currently negotiating terms and conditions with a preferred valuer. The valuation report is expected to be issued on 15 July 2020. This will need to take into account the impacts of COVID-19 pandemic.

#### 3.3 Impairment of property, plant and equipment

The Council needs to determine whether there are any indicators of impairment of its assets with the COVID-19 pandemic likely to have impaired the value of its assets.

We recommend that management prepares the impairment assessment of its assets before the final audit. This will allow sufficient time to follow up on any questions that might arise from our review of the assessment especially noting the challenges that are likely to assess the impacts of the COVID-19 pandemic.

#### 3.4 New PBE accounting standards

Management provided an assessment, prepared last year, on accounting for the Council's interest in Waimea Water Limited (WWL) under the new accounting standards. We consulted with our Technical team on this.

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The Technical opinion substantially aligns with Findex's opinion including that that WWL is "joint operation" for the purposes of the standards.

A key criterion for WWL to be classified as a "joint operation" is "the activities of an arrangement are primarily designed for the provision of output to the parties" and this is met because the various agreements have been written to ensure the shareholders have access to the water made available through the construction of the Dam.

The Technical opinion highlights that there is a difference between proportionate consolidation, and recognition of the Council's share of WWL's assets and liabilities. The Council needs to consider what percentage to use to account for its share of assets, liabilities, revenues and expenses under the relevant agreements.

The opinion notes that the Council's rights to the water output are disproportionate to its shareholding interest, and WWL's costs are not always shared in line with shareholding ownership. It also notes that the International Accounting Standards Boards' (IASB's) interpretation statement on the Joint Arrangement accounting standard which applies to for-profit entities (noting that the PBE equivalent standard the Council is substantially the same), published an agenda decision, in March 2015, on when the ownership and share of output differ. Unfortunately, that decision does not provide a clear answer, in the Council's circumstances, other than noting that understanding why the difference exists, needs to be understood to determine the accounting treatment.

The Council also needs to complete an assessment to determine whether there are any other entities, which were not assessed as "controlled" under the previous accounting standards but meet the control definition under the new standard.

### **3.5 Waimea Water Limited (WWL) guarantees**

The Council needs to calculate the fair value of its guarantee liabilities for WWL and determine the relevant disclosure in the financial statements.

## 4 Pre-final work

We performed additional audit work to reduce the work during the final audit. Using the information provided, we were able to perform testing on the following:

- Revenue including: development contributions, grant and subsidies, fees and charges and other revenue;
- Expenditure; and
- Property, plant and equipment including: infrastructure asset additions, and fixed asset additions.

We thank you for providing the necessary information to us. We were able to complete substantial parts of this testing.

## 5 Further steps

The Audit Supervisor met with the Financial Accountant and her team and discussed the list of outstanding questions/requests from the interim and pre-final audits. The Financial Accountant confirmed that the outstanding questions/requests from the interim and pre-final audits will, where possible, be answered before the final audit.

We plan to issue a final audit requirements listing in June 2020, to allow the Finance team to prepare the required information.

We have agreed, with the Financial Accountant, on the approach to be followed to provide additional time for the Finance team to compile supporting documentation for the samples to be tested.

## 6 Adoption of new accounting standards



Public benefit entities must apply the new “group” accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management is responsible to perform the necessary transition work to successfully implement these new standards. Areas of focus with the transition include:

- Assessment as to whether the revised control definition and guidance result in an entity being assessed as controlled under PBE IPSAS 35 for those entities previously assessed as not controlled under the prior standards. For example, trusts established by Tasman District Council that support Tasman District Council to achieve its objectives.
- Determining whether a joint arrangement is categorised as a “joint venture” or “joint operation”. “Joint ventures” must be accounted for using the equity method.
- Update of the “group” accounting policies and “group” related disclosures in the financial statements. PBE IPSAS 38 generally requires more disclosure on interests in other entities than the previous standards.
- Implementation of changes to systems and processes that may be necessary to support changes in accounting practices.
- Keeping relevant parties informed, including the auditor and Audit Committee.

The transition to these new standards may require significant judgement for some arrangements and may be time consuming for those entities with a large number of potentially controlled entities. It is important that management substantially completes its transition work, on these new standards, well in advance of 30 June 2020.

We recommend that as part of this, management prepare pro-forma financial statements so that revised group-related disclosures can be agreed.

We encourage Tasman District Council to share its transition plan and transition work with us early in the audit process so we can agree issues and adjustments in a timely manner.

## 7 Useful publications



Based on our knowledge of the Council, we have included some publications that the council and management may find useful.

Description	Where to find it
<b>Client updates</b>	
<p>In March and April 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters including changes introduced in response to the COVID-19 pandemic.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Tax Matters</a></p>



Description	Where to find it
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On the OAG's website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Reporting fraud</b>	
<p>The OAG have released data from 2012/18 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG's website under data.</p> <p>Link: <a href="#">Reporting Fraud</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<p><b>Procurement strategy</b></p> <p>Develop a District Council wide procurement strategy.</p>	<p>2016/17 Interim audit</p>	<p><b>In progress</b></p> <p>Audit and Risk Committee reviewed the procurement strategy on 24 September 2019 and raised comments to be followed up by the management.</p> <p>The strategy is still to be reviewed by management. It is planned that the Operational Governance Manager will lead the roll out of the procurement strategy and develop the supporting policies.</p>
<b>Beneficial</b>		
<p><b>Training on bribery and corruption</b></p> <p>Implement a programme of training on management of conflict of interests, and bribery and corruption, for Council staff.</p>	<p>2018/19 Interim audit</p>	<p><b>In progress</b></p> <p>We understand that this has been included in the internal audit and finance work plan for 2019/20.</p>
<p><b>Sensitive expenditure</b></p> <p>Implement the following improvements to the sensitive expenditure policy:</p> <ul style="list-style-type: none"> <li>Update the credit card approval processes.</li> <li>Provide guidance as to what “reasonable” expenditure means, and where possible specify dollar limits and define boundaries.</li> <li>Provide guidance on the type of meal and cost per head that is appropriate.</li> <li>Provide guidance as to what is an acceptable level of expenditure, for seasonal occasions such as Christmas events.</li> </ul>	<p>2018/19 Interim audit</p>	<p><b>In progress</b></p> <p>An updated policy is being drafted and is expected to be presented to the audit committee before the end of the financial year.</p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> <li>Provide guidance on the amounts of koha that can be accepted.</li> </ul>		

#### Matters to be followed up during final audit

Recommendation	First raised	Status
<b>Necessary</b>		
<p><b>Vested assets</b></p> <p>Recognise vested assets on the date the section 224 certificate is issued and keep electronic copies of the section 224 certificates onsite.</p>	2018/19 Final audit	We will confirm the status through our testing during the final audit.
<b>Beneficial</b>		
<p><b>Monitoring resource consents granted by Council</b></p> <p>Review the monitoring processes for consents, where the Council is the consent holder, to ensure that appropriate mitigations are followed to minimise the risk of any bias due to potential self-review issues.</p>	2018/19 Final audit	We will confirm the status through our testing during the final audit.
<p><b>Financial instruments and other financial statements disclosures</b></p> <p>Each year the Council should actively consider its financial statements disclosures, and in particular any PBE IPSAS 30 disclosures that are not included in the previous year.</p>	2016/17 Final audit	We will confirm the status during the final audit.

#### Implemented or closed recommendations

Recommendation	First raised	Status
<p><b>Delegation Policy</b></p> <p>Update the delegations policy to reflect current practice for approval of water rates remissions.</p>	2018/19 Interim audit	Delegation policy has been updated.

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements 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>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The council and management are responsible for implementing and maintaining 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 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the Council.</p>
Fees	<p>The audit fee for the year is still to be confirmed.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, 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 to date where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)







**AUDIT NEW ZEALAND**  
 Mana Arotake Aotearoa

22 April 2020

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

David Ogilvie  
 Chair of Audit and Risk Committee  
 Tasman District Council  
 Private Bag 4  
 Richmond 7050

CC. Mike Drummond, Matt McGlinchey, Charlotte Thomas

Dear David

**Audit Plan 2020 – impact of COVID-19 pandemic**

On 28 February 2020 we issued Audit Plan for the audit of the Tasman District Council (the Council) for the year ending 30 June 2020. The Audit Plan outlined audit risks and areas of audit focus. In March 2020, World Health Organisation announced COVID-19 global pandemic. The Government declared New Zealand to be in alert level 4 and the country went into lockdown. These events will have a significant impact on the Council’s operations and financial performance. We decided that consequences of COVID-19 pandemic should be our additional area of audit focus. Below, we explain our audit approach for it.

**New area of audit focus**

Audit risk/issue	Our audit response
<b>COVID-19 pandemic</b>	
<p>On 11 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic. The New Zealand Government has taken steps deal with the spread of COVID-19 which has included significant restrictions on the movement and interaction of people within New Zealand.</p> <p>This has and will have potentially significant effects on individuals, communities, the economy, businesses, the wider public sector and each public sector entity.</p> <p>It is important that the Council considers the impact on the individual aspects of its</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• continue to review with management the impact of the COVID-19 pandemic on the Council and its control environment;</li> <li>• review the Council’s impact assessment of the COVID-19 pandemic on the financial statements and performance information and determine the effect on our audit approach; and</li> <li>• assess the completeness and accuracy of disclosures in the annual report relating to the COVID-19 pandemic.</li> </ul>

A business unit of the Controller and Auditor-General | [www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

Audit risk/issue	Our audit response
<p>operations and the information included in the annual report.</p> <p>We expect the Council to complete an assessment of the impact of the COVID-19 pandemic on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may need to be included.</p> <p>This assessment may also include the effect of the COVID-19 pandemic on matters such as revenue recognition, valuation of assets, the provision for doubtful debts, and the use of the going concern assumptions for the Council and group.</p>	<p>Where we identify new audit risks or issues related to the COVID-19 pandemic are identified we will advise you of these separately.</p>

**Impact on agreed audit timetable**

There is a risk that to the impacts of the COVID-19 pandemic will require changes to the timetable proposed in Audit Plan issued 28 February 2020. If this occurs, we will discuss a revised timetable with management.

Please contact me if you require clarification.



John Mackey  
Appointed Auditor





CONTROLLER AND AUDITOR-GENERAL  
New Zealand | Tumuaki o te Mana Arotake

Level 2, 100 Molesworth Street, Thorndon 6011  
PO Box 3928, Wellington 6140, New Zealand

Email: [john.ryan@oag.parliament.nz](mailto:john.ryan@oag.parliament.nz)  
Telephone: +64 4 917 1500

Website: [www.oag.parliament.nz](http://www.oag.parliament.nz) [www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

23 April 2020

| John Ryan

Kia ora koutou

#### RESPONDING TO COVID-19 AND AUDIT FEES

I realise this is an extremely busy and challenging time for you and your organisation. I wish you, your staff, and your communities the very best in these unprecedented circumstances. The priority for us all is to maintain the health and well-being of our staff while responding to the COVID-19 pandemic and maintaining critical service delivery.

There has been a lot of information and advice distributed as the pandemic has spread. While I don't want to add to this unnecessarily, I did want to highlight a few key matters from my point of view that I hope will be of assistance to you.

The first is about maintaining sound governance practices and controls. While much of this is self-evident, we often see that failure to keep an eye on the basics is where problems occur. Earlier this month, I wrote to the chief executives of government departments and district health boards setting out some key governance and control matters they may wish to consider. This letter is available [on our website](#).

We have also written a blog about how [audit and risk committees](#) can be crucial to helping councils work through issues associated with the response to, and recovery from, the pandemic. Balancing risks and providing advice to councils when hard decisions are required is one of the key functions of an audit and risk committee, and one we strongly recommend you use their expertise for. We have already seen some excellent examples of this working in practice. Your committee will also play an important role in considering the many financial and performance reporting matters resulting from COVID-19.

I also wanted to update you on audit-related matters. I have made it clear publicly that I believe a quality audit is critical at all times, but even more so when there is a high level of uncertainty about the future. We recognise that some councils might be concerned about their ability to complete their statutory financial reporting requirements in the current environment. I am sympathetic to that. When my Office reports on statutory deadline breaches we will ensure that the context for any breach, such as COVID-19, is part of any reporting we do.

My Office is also committed to working with you to minimise any disruption that our audit work might have, while allowing us to deliver essential assurance to Parliament and the public during this time. I have asked my auditors to remain as flexible as they can as they work with you to carry out our audit work. However, it is important to note that in order to carry out an audit, auditors need the information they request and enough time to carry out the quality audit that I expect.

I have also carefully considered the matter of annual audit fees for those of you who do not currently have a contract in place. You might be aware that we have had, for a number of years, a significant and growing under recovery of audit fees across much of the local government sector. This reflects, in large part, the increased requirements on auditors, changes and growth within organisations, and changes in what needs to be audited, as well as the competitive market for audit staff. Because Parliament expects me to fund the cost of audits from audit fees, this is clearly not a sustainable position.

However, this is not the time to increase annual audit fees by the amount that might otherwise be warranted. There are significant pressures on council finances at this time, and while audit fees will need to increase more substantially in the future, I have decided that for the 2019/20 annual audit, audit fees that have not yet been negotiated are to be held at a 1.5% increase. This attempts to balance the very real cost pressures both of us face. In the meantime, I am allowing audit fees for many CCOs to be renegotiated, and some of those renegotiations will already be under way.

As signalled above, I expect that, because of the pandemic, governors and preparers will need to consider a range of potential effects on the financial and non-financial information reported in accountability documents. I expect that some of those matters might require additional audit work, and although I am holding fees for the underlying audit to 1.5% for the 2019/20 annual audit, my auditors will need to discuss recovery of costs for any additional work with you in due course.

I also recognise that we are leading up to the next long-term plan round and I will be in touch with you about that shortly. The need for long-term planning has never been more important than it is now. The recovery from COVID-19 will take a long time. Councils will need to be clear with their communities about their plans, and the implications of these, during this recovery. A long-term plan is an important mechanism for achieving this accountability and transparency.

Finally, there are a large number of uncertainties in all our operating environments at the moment and some way to go before any return to what we may consider a more normal world. If you have questions or matters you would like to raise with my Office at any time, please discuss these with your appointed auditor or your sector manager.

Ngā mihi nui



**John Ryan**  
Controller and Auditor-General

<b>Summary - Impact of COVID 19 on Council Assets for Financial Reporting Purposes 30 June 2020</b>				
<b>Councils assets include:</b>	<b>30 June 2019 balances \$m</b>	<b>Of which from revaluation \$m</b>	<b>Impact</b>	<b>Response</b>
<b>Infrastructure assets</b>	1,226	500	Limited impact on service expected.	Infrastructure assets are being revalued as at 30 June 2020. No additional valuation assessment is required.
<b>Land and buildings</b>	230	139	Significant short term impact due to closure of facilities.	The value of Land and Buildings as at 30 June 2019 was \$223m, of which \$139 relates to historic revaluations. There is no material risk of impairment of land and buildings. While service potential is currently reduced, any movement would pass through the large revaluation reserve balance and would be immaterial.
<b>Work in progress</b>	21		Potential for project cancellation.	A critical review of project balances will be performed.
<b>Forestry assets</b>	44	0	Decrease log prices and volumes	These assets are revalued annually at 30 June. Log price assumption will be significant, peer review as been recommended. A decrease in valuation is probable.
<b>Investment property</b>	5	0	Decrease in rents due to rent free periods or fall in market rents.	These assets are revalued annually at 30 June, this will need to take into account any rent free periods. A decrease in valuation is probable.
<b>Receivables</b>	16	0	Increased provision may be required for doubtful debts.	A critical review of balances will be performed.
<b>Investments in associates</b>	138	83	Significant impact on Nelson Airport due to flight cancellations.	Associates assessments to be reviewed. Consideration of whether material impairment indicators exist at 30 June. if the conclusion is reached that impairment indications exist then a recoverable amount measured as higher of fair value less cost to sell and value in use will need to be calculated and compared to carrying value.



**7.2 NEW POLICIES****Information Only - No Decision Required**

<b>Report To:</b>	Audit and Risk Committee
<b>Meeting Date:</b>	3 June 2020
<b>Report Author:</b>	Trudi Zawodny, Operational Governance Manager
<b>Report Number:</b>	RFNAU20-06-2

**1 Summary**

- 1.1 Two policies have been approved by the Chief Executive and are presented to the Audit and Risk Committee for their information.
- 1.2 The Privacy Policy specifies how the Council will manage the information collected. This will be a publically available policy.
- 1.3 The Council's Regulatory and Service Delivery Conflict of Interest Policy highlights the principles the Council will adhere to, the legislative requirements and what potential conflicts are. It also outlines some specific examples of conflicts which are likely to occur on a more regular basis and how these should be dealt with.

**2 Draft Resolution**

**That the Audit and Risk Committee receives the report New Policies RFNAU20-06-2; and it's attachments:**

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

**3 Purpose of the Report**

- 3.1 To provide the Audit and Risk Committee visibility of policies which have recently been approved.

**4 Background and Discussion**

- 4.1 Privacy Policy
  - 4.1.1 The Council has privacy statements on many documents and websites, however there is no over-arching Privacy Policy which explicitly states what we do with information collected.
  - 4.1.2 This Policy addresses that lack of clarity and transparency.

4.1.3 With the upcoming change to legislation requiring all privacy breaches to be reported to the Privacy Commission, it is timely that we formalise our approach.

4.1.4 The Leadership Team have reviewed and approved the Policy.

#### 4.2 The Council's Regulatory and Service Delivery Conflict of Interest Policy

4.2.1 This Policy is an updated and amended version of the Conflict of Interest Protocol from April 2011, and has been developed in conjunction with the Environment and Planning Manager (Dennis Bush-King).

4.2.2 The Policy has been written in an appropriate format for release to the public, if requested. There is no immediate plan to publish it at this time as it an internal policy.

4.2.3 The Policy highlights the principles the Council will adhere to, the legislative requirements and what potential conflicts are.

4.2.4 It also outlines some specific examples of conflicts which are likely to occur on a more regular basis and how these should be dealt with.

4.2.5 The Staff Code of Conduct will be updated, cross-referencing the Policy

### 5 Next Steps / Timeline

5.1 The Privacy Policy will be published on the Council/About Us/Privacy Statement page: <https://tasman.govt.nz/my-council/about-us/terms-and-conditions/website-terms-of-use/#e1472>

5.2 Council's Regulatory and Service Delivery Conflict of Interest Policy will initially only be made available on the intranet, therefore to staff only.

### 6 Attachments

1.	Privacy Policy	65
2.	Councils Regulatory and Service Delivery Conflict of Interest Policy	73



## Privacy Policy

### ORGANISATIONAL POLICY

POLICY REFERENCES	
• Sponsor:	<b>Corporate and Governance Service Manager</b>
• Effective date:	May 2020
• Internal review due:	May 2023
• Legal compliance:	Privacy Act 1993 Building Act 2004 Local Electoral Act 2001 Local Government (Rating) Act 2002 Local Government Act 2002 Local Government Official Information and Meetings Act 1987 Resource Management Act 2004 Staff Code of Conduct
• Associated Documents/References	Marketing Association's Code of Practice for Direct Marketing in New Zealand n/a
• Policy Number	CS24
• Approved by	Chief Executive

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## 1. Purpose

This policy outlines:

- How the Council will gather, access, use and distribute personal information
- The obligations under law and how the Council will meet these obligations

## 2. Definitions

**Personal information** is any official information held about an identifiable person that could be used to identify the person including name, date of birth, address etc. This does not include information which is required by law to be disclosed such as in LIM reports.

**Third Party** is an organisation or person who is not the Tasman District Council.

## 3. Application

This policy applies to all employees of the Tasman District Council.

## 4. Policy Statement

- 4.1 The Council will only collect information which is necessary to perform its duties and obligations. It will ensure the information is held and kept secure.
- 4.2 The Council will apply the Privacy Principles (refer appendix A) which public sector organisations are required to comply with
- 4.3 Where these principles are in conflict with each other, they will be managed on a case-by-case basis in discussion with the appropriate manager and the Privacy Officer(s).

## 5. Collection of Personal Information

- 5.1 The personal information the Council collects should only be information that specifically relates to Council business and is necessary for Council to undertake its duties and obligations.
- 5.2 This could include: Name, Address, Date of Birth, Contact Information (email and phone numbers), gender etc.
- 5.3 Where information has been collected for email correspondence, the Council will offer easy opt-out options as stated in the Marketing Association's Code of Practice for Direct Marketing in New Zealand.
- 5.4 Where information is going to be collected, the Council will take reasonable steps to inform the person concerned that the information is being collected and the purpose(s) for which the information is being collected.

## 6. Using Personal Information

- 6.1 Personal information collected will only be used to provide the person with the service requested or to assist in the provision of future services.
- 6.2 Personal information may be used to:
  - 6.2.1 Identify a person to avoid inappropriate release of information
  - 6.2.2 In correspondence to the person for which the information is held





- 6.2.3 Process consent, licence, permit or other applications or for applications to use services or facilities
- 6.2.4 In the processing of payments made or received
- 6.2.5 To respond to requested or enquiries
- 6.2.6 Provide information about council events, services or facilities
- 6.2.7 To comply with laws and regulations
- 6.2.8 To carry out council related business and operations
- 6.2.9 For general administration

## 7. Sharing Personal Information

- 7.1 Council may disclose personal information to:
  - 7.1.1 Any Person engaged by the Council to provide products and services where personal information is necessary for the provision of those services.
  - 7.1.2 Council Controlled Organisations – in order to assist with the functions and services they provide.
  - 7.1.3 A third party where required by law or regulations, or in the course of legal proceedings or other investigations. This may include the New Zealand Police, Office of the Auditor General or the Ombudsman.
  - 7.1.4 Any person who has been authorised by the individual concerned to have the information disclosed to.
  - 7.1.5 Any person, if that information is held in a public register such as property files or the rating information database.

## 8. Security and accuracy

- 8.1 The Council will take all reasonable and appropriate steps to ensure all personal information is protected against loss, damage, misuse and unauthorised access.
- 8.2 All personal information will only be accessible to the individuals who need access to the information in order to perform their duties and obligations.
- 8.3 The Council will take all reasonable and appropriate steps to ensure all personal information is accurate, up to date, complete, relevant and not misleading.
- 8.4 Individuals may request confirmation of whether or not the Council holds any personal information about them. Individuals also have the right to request the information be updated if they believe it is incorrect.
- 8.5 Information will only be held for as long as is administratively necessary or required by law and regulations. Protected records will be held indefinitely as required under the Public Records Act 2005.



## 9. Refusal to provide information

- 9.1 Where a person does not provide information which has been requested the Council may not be able to respond to requests or process applications adequately. The Council will explain to the individual concerned the need for the information in order to process the request.
- 9.2 Where the individual refuses to provide the information the Council takes no responsibility in the failure to process the request as a result of lack of information.
- 9.3 There are some circumstances where failure to provide information when requested may be unlawful. Staff will explain this to individuals when required.

## 10. Privacy Officer(s) responsibilities

- 10.1 As required under the Privacy Act s23, the Council will ensure that at least 1 member of staff is appointed as a Privacy Officer.
- 10.2 The Privacy Officer(s) is responsible for encouraging compliance with the information privacy principles, dealing with requests made under the Privacy Act, working with the Privacy Commissioner in relation to their investigations, and ensuring the Council complies with the Privacy Act.
- 10.3 The Officer(s) will give reasonable assistance to an individual who; wishes to make an information privacy request, in making the request has not done so in accordance with the requirements of the Act, or not made their request to the appropriate agency, to ensure they submit the request in accordance with the Act.
- 10.4 Where the request is made to the Privacy Officer(s) and it is believed the request should be transferred they must ensure the transfer the request in accordance with section 39.

## 11. Legislative background and requirements

- 11.1 Various legislation requires Council to collect personal information and also to disclose collected information to third parties. This legislation includes, but is not limited to, the following Acts:

<b>Gathering/accessing information</b>	
<b>Privacy Act 1993</b>	<p>Promotes and protects individual privacy.</p> <p>Established the 12 principles with respect to the collection, use, and disclosure, by public and private sector agencies, of information relating to individuals and access by each individual to information relating to that individual.</p> <p>Establishes a Privacy Commissioner to investigate complaints.</p> <p>Part 4 outlines reasons for refusing access to personal information.</p>

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<b>Building Act 2004</b>	Gives anyone a right of access to building consent information and other building-related information held by councils. This right is subject to the protections in the Local Government Official Information and Meetings Act 1987.
<b>Local Electoral Act 2001</b>	Compilation of electoral rolls.
<b>Local Government (Rating) Act 2002 section 28C</b>	People can ask Council to withhold their name and address from the public records (rating database). Section 28D requires local councils to inform them of this right at least once a year.
<b>Dog Control Act 1996</b>	Council maintains a register. It may not disclose information which: <ul style="list-style-type: none"> <li>▪ Identifies, or will assist any person to identify, the name and address of the registered owner.</li> <li>▪ Or where the dog is ordinarily kept</li> </ul> Unless they are requested under S35(2) where Council will provide names and addresses of registered owners when requested by "constables, DOC, TAs, 'society established for the prevention of cruelty to animals', inspectors, and veterinarians".
<b>Sale and Supply of Alcohol Act 2012</b>	Council maintains a register which includes license information and managers certificates. Any member of the public can ask Council for an extract from the register, which will only include what is displayed on the public certificate.
<b>Reserves Act 1977</b>	The Council maintains a 'record of title' which includes the name of the registered owner of the estate or interest, which is provided to the Registrar-General of Land.
<b>Disclosing information</b>	
<b>Local Government Act 2002 section 178</b>	If an enforcement officer believes on reasonable grounds that a person is committing or has committed an offence under the Act, the officer may direct the person to give: his or her name and address and the name and address and whereabouts of any other person connected in any way with the alleged offence.
<b>Resource Management Act 2004 section 22</b>	Duty to give certain information when an enforcement officer has reasonable grounds to believe that a person is breaching or has breached any obligation under this part of the Act
<b>Local Government Official Information and Meetings Act 1987 Part 6</b>	Land information memorandum supply of information.



<b>Local Government Official Information and Meetings Act 1987</b>	S7 outlines the reasons under which information can be withheld/disclosed.
<b>Dog Control Act 1996</b>	Under S35(2) Council will provide names and addresses of registered owners when requested by "constables, DOC, TAs, 'society established for the prevention of cruelty to animals', inspectors, and veterinarians".

**12. Non Compliance with this Policy**

- 12.1 Staff should be aware that a failure to comply with this policy may lead to disciplinary action being taken in accordance with the Staff Code of Conduct.

Janine Dowding Chief Executive

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**Authorised by**

14 May 2020

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**Date of approval:**



## Appendix A

The Privacy Act outlines 12 Privacy Principles which public sector organisations such as the Council are required to comply with these principles which are summarised below:

Information Policy Principles from the Privacy Act 1993
<p><b>Principle One</b></p> <p>Personal information must only be collected when the collection is for a lawful purpose, connected with what the council does, and it is necessary to collect the information for that purpose</p>
<p><b>Principle Two</b></p> <p>Personal information must usually be collected from the person the information is about. But sometimes we may need to collect information from other people instead – for instance when getting it from the person concerned would undermine the purpose of the collection or it's necessary to uphold the law or the person concerned authorises the collection from someone else.</p>
<p><b>Principle Three</b></p> <p>Where the council collects personal information from the person the information is about, we will take reasonable steps to make sure that person knows things like:</p> <ul style="list-style-type: none"> <li>▪ Why it is being collected</li> <li>▪ Who will get the information</li> <li>▪ Whether the person has to give the information or whether this is voluntary</li> <li>▪ What will happen if the information isn't provided</li> </ul>
<p><b>Principle Four</b></p> <p>Personal information must not be collected by unlawful means or by means that are unfair or unreasonably intrusive in the circumstances.</p>
<p><b>Principle Five</b></p> <p>It is impossible to stop all mistakes. But the council must ensure that there are reasonable safeguards in place to prevent loss, misuse or disclosure of personal information.</p>
<p><b>Principle Six</b></p> <p>People usually have a right to ask to access personal information that identifies them. However, sometimes the council can refuse to give access to information, for instance because giving the information would:</p> <ul style="list-style-type: none"> <li>▪ Endanger a person's safety</li> <li>▪ Prevent detection and investigation of criminal offences</li> <li>▪ Involve an unwarranted breach of someone else's privacy</li> </ul>
<p><b>Principle Seven</b></p> <p>People have a right to ask the council to correct information about themselves, if they think it is wrong. If the council does not want to correct the information, it does not usually have to. But people can ask the council to add their views about what the correct information is.</p>
<p><b>Principle Eight</b></p> <p>The council must take reasonable steps to check that information is accurate, complete, relevant, up to date and not misleading before it uses or discloses the information.</p>
<p><b>Principle Nine</b></p> <p>The council must not keep information for longer than is necessary for the purposes for which the information may be lawfully used.</p>

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#### Information Policy Principles from the Privacy Act 1993

##### Principle Ten

The council must use personal information for the same purpose for which it collected that information. Other uses are occasionally permitted (for example because this is necessary to enforce the law, or the use is directly related to the purpose for which the agency got the information).

##### Principle Eleven

The council can only disclose personal information in limited circumstances. One example is where another law requires us to disclose the information. Also, the council can disclose information if it reasonable believes, for example, that the disclosure:

- is one of the purpose for which the council got the information
- is necessary to uphold or enforce the law
- is necessary for court proceedings
- was authorised by the person concerned
- is in a form that does not identify the person concerned with the information that is going to be used

##### Principle Twelve

Some agencies give people a “unique identifier” instead of using their name. Examples are a driver’s licence number or IRD number. An agency cannot use the unique identifier given to a person by another agency. People are not required to disclose their unique identifier unless this is one of the purposes for which the unique identifier was set up (or directly related to those purposes).

#### Public Register Privacy Principles

A public register is a register, list or roll of information, created under a specific piece of law and which is open (whether completely or only partially) to public inspection, copying, distribution or search.

##### Principle One

Personal information shall be made available from a public register only by search references that are consistent with the manner in which the register is indexed or organised.

##### Principle Two

Personal information obtained from a public register shall not be re-sorted, or combined with personal information obtained from any other public register, for the purpose of making available for valuable consideration personal information assembled in a form in which that personal information could not be obtained directly from the register

##### Principle Three

Personal information in a public register shall not be made available by means of electronic transmission, unless the purpose of the transmission is to make the information available to a member of the public who wishes to search the register.

##### Principle Four

Personal information shall be made available from a public register for no charge or for no more than a reasonable charge.



## Councils Regulatory and Service Delivery Conflict of Interest Policy

### ORGANISATIONAL POLICY

POLICY REFERENCES	
• Sponsor:	<b>Corporate and Governance Service Manager</b>
• Effective date:	May 2020
• Internal review due:	May 2023
• Legal compliance:	Local Government Act 2002 Resource Management Act 2004
• Associated Documents/References	Code of Conduct Staff Conflict of Interest policy
• Policy Number	CS23
• Approved by Chief Executive	Chief Executive

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### 1. Purpose

The purpose of this policy is to:

- Outline the principles in relation to conflicts of interest or perceived conflicts when council is conducting business with itself
- Describe the decision making process for common scenarios
- Describe how conflicts are to be managed

### 2. Definitions

**Conflict of Interest** for the purpose of this Policy is where a situation or process arises where the Council has interests and responsibilities as both a regulator and service delivery provider and where staff acting in their respective capacities may hold differing views as to which Council position should prevail. This could lead to a conflict of opinion or tension between different departments. This policy relates to conflicts, both realised and perceived.

### 3. Application

This policy applies to all employees of the Tasman District Council

It applies specifically to Operational Governance, Property, Council Enterprises, Reserves and Facilities, Engineering Services, and Environment and Planning as these operations are most likely to be affected by potential conflicts of interest managed under this Policy.

### 4. Policy statement

The Tasman District Council will ensure all conflicts of interest or perceived conflicts of interest are managed appropriately.

### 5. Principles

- 5.1. The primary consideration should be to use the best process for implementing Councils service delivery and regulatory functions, rather than avoiding conflict.
- 5.2. It is assumed that there is no conflict or substantive disagreement between professional advice from staff and Council Committees on what is best for the Council.
- 5.3. The Council will maintain appropriate separation of responsibilities and processes for regulatory and non-regulatory functions.
- 5.4. Where conflict or perceived conflict exists in a process, information received in one part of the process should not be disclosed in another unless it is appropriate and required by law. It must also be managed in way where each view is able to be understood so as to identify any elements in conflict and how these might be resolved.





Council should be treated no differently to any other individual or organisation			
Consistent	Open and fair	Flexible	Cost-effective
<ul style="list-style-type: none"> <li>Any process in place must be consistent. Whether there is unanimity or differences of opinion, all processes should apply the same operating procedure to similar circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>Justice should be done and seen to be done. All processes should be transparent, except in certain circumstances where confidentiality is required.</li> </ul>	<ul style="list-style-type: none"> <li>We should operate adaptive and responsive processes for dealing with Council operations.</li> </ul>	<ul style="list-style-type: none"> <li>Ideally where there is a conflict between Council's service delivery and regulatory functions this should not come with additional costs.</li> <li>There will likely be additional costs if Council's decisions are challenged by a third-party and independent Commissioners are brought in to report on the application</li> </ul>

5.5. Where these policy principles are in conflict with each other, they will be managed on a case-by-case basis in discussion with the appropriate manager.

**6. Legislative background and requirements**

Local Government Act 2002 section 39	<p>A local authority must act in accordance with the following principles in relation to its governance:</p> <ol style="list-style-type: none"> <li>Expected conduct of elected members is clear and understood by elected members and the community</li> <li>Governance structures and processes are effective, open, and transparent</li> <li>Should ensure that, so far as is practicable, responsibility and process for decision making in relation to regulatory responsibilities is separated from responsibility and processes for decision-making for non-regulatory responsibilities</li> <li>Ensure that the relationship between elected members and management of the local authority is effective and understood</li> </ol>
Local Government Act 2002 section 42	<p>The chief executive is responsible to ensure that the management structure reflects and reinforces the separation of regulatory responsibilities and decision-making processes as far as is practicable, and that it is capable of delivering</p>



	adequate advice to the local authority to facilitate the explicit resolution of conflicting objectives.
Resource Management Act 2004	Enables the Council to establish regulatory policies and rules that define the need to consent activities, including activities undertaken by Council.
Building Act 2004	Allows a building consent authority to issue building consents, inspect building works, issue notices to fix, issue code of compliance certificates and issue compliance schedules, including Council property.
Other legislative impacts	Other Acts such as the Soil Conservation and Rivers Control Act 1941 and the Biosecurity Act 1993 empower the Council to undertake other service functions that may at times require separate resource management or other regulatory approvals.

- 6.1. The Resource Management Act 2001 and the Building Act 2004 are the two principal statutes that generate potential conflicts of interest or perceived conflicts of interest with Council's regulatory responsibilities when undertaking service delivery functions including capital work developments.

#### 7. Separation of regulatory and service delivery functions

- 7.1. The Council's committee structure and departmental structure provides the separation of regulatory and service delivery functions. The Council will maintain appropriate separation of responsibilities and processes.
- 7.2. It is where these operations have the potential to overlap, a conflict, or perceived conflict, of interest may occur.
- 7.3. Where a staff member's role overlaps these functions this must be notified to the appropriate manager and an individualised process developed to manage this based on the specific requirements of the situation. As a guiding principle, information received in one part of the process need not be disclosed in another unless it is required in order to discharge a particular function or duty.

#### 8. Potential conflicts of interest or perceived conflicts

- 8.1. A Conflict of Interest can occur where the Council's decision-making regulatory functions could have an impact on their regulatory responsibilities or provision of services, or vice versa.

Existing scenarios include:



- 8.2. Where the Council has a land-holding interest or may in some other way be considered to be affected by any third party application, the Council, as regulator, will ensure a fair and transparent process is in place to manage Council's interests alongside the aspirations of the third party.

**9. How conflicts are managed**

**9.1. Council is the applicant for a resource or building consent**

Commercial and Semi-commercial activities, Property, Engineering, and Reserves may need resource or building consent from time to time. They would be able to apply the same any other applicant. They are however processed by Council regulatory staff unless the job is outsourced but in all cases the assessment is made objectively to ensure compliance with the Building Code or TRMP.

In the case of a notified consent, we will bring in an external commissioner to hear the case. On a case-by-case basis we may bring in an external planner to assist council as the regulator or applicant.

In the case of a non-notified consent the presumption is that they will be managed through the same process as any other applicant.

**9.2. Where Council's plan development could affect it as a service provider**

Where plan provisions could unreasonably impact on council's ability to deliver a service, council staff will assess the specific situation and put in an appropriate process to ensure the conflict is managed in the public interest.

**9.3. Where Council's trading or service delivery activities are impacted by a third party application for resource or building consent or a third party submission to a plan or development proposal**

Same process as any other application or situation should apply. If an issue arises where the third party application or submission could impact on the council as a



trading or service provider it is reasonable for it to be brought to the attention of the council as a regulator in order to raise the public and other interest issues.

9.4. **Enforcement matters where Council services breach statutory duties**

Should be treated no differently from other similar situations. Council is expected to be compliant as all other individuals and organisations are. If legal action ensues, the offending department will be required to secure legal advice from a provider that is different from the regulatory sections provider.

A handwritten signature in black ink, appearing to be "P. King".

Chief Executive

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**Authorised by**

14 May 2020

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**Date of approval:**