



Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, 15 Forth Street, Invercargill on Monday, 22 June 2020 at 9am (9am – 10.28am, 10.45am – 12.17pm, 12.47pm – 2.16pm, (PE 12.56pm – 2.16pm)).

PRESENT

Chairperson	Bruce Robertson Mayor Gary Tong
Deputy Chair	Ebel Kremer
Councillors	Don Byars (9.03am – 10.28am, 10.45am – 12.17pm, 12.52pm – 2.16pm) John Douglas Paul Duffy (9.02am – 10.28am, 10.45am – 12.17pm, 12.47pm – 2.16pm) Julie Keast

APOLOGIES

Councillor Byars (for lateness)

IN ATTENDANCE

Chief Financial Officer	Anne Robson
Committee Advisor	Fiona Dunlop

1 Apologies

There were was an apology for lateness from Councillor Byars.

Moved Chairperson Robertson, seconded Cr Douglas **and resolved:**

That the Finance and Assurance Committee accept the apology.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

(Councillor Duffy joined the meeting at 9.02am.)

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

(Councillor Byars joined the meeting at 9.03am.)

6 Confirmation of Minutes

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee confirms the minutes of the meeting held on 30 April 2020 as a true and correct record of that meeting.

Reports

7.1 Finance & Assurance Committee Work plan for the year ended 30 June 2020

Record No: R/20/6/15106

Chief Financial Officer – Anne Robson was in attendance for this item.

Resolution

Moved Chairperson Robertson, seconded Mayor Tong **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Finance & Assurance Committee Work plan for the year ended 30 June 2020” dated 16 June 2020.**
- b) **Notes the changes made to the Finance and Audit Committee Work plan for the year ended 30 June 2020 since the last meeting.**

7.2 Engagement Letter - Limited Independent Assurance Report of the debenture trust deed

Record No: R/20/5/11656

Graduate Accountant – Brie Lepper and Financial Accountant – Sheree Marrah were in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Miss Lepper advised that the purpose of the report was to provide an overview and seek authorisation of Audit New Zealand’s engagement letter for the limited independent assurance report of Council’s debenture trust deed.

The Committee noted that the Audit New Zealand requires Council to confirm the terms of its engagement for the limited independent assurance report of Council’s debenture trust deed, by way of an engagement letter.

Resolution

Moved Cr Keast, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Engagement Letter - Limited Independent Assurance Report of the debenture trust deed” dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not**

require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

- d) Authorises the Mayor to sign the Audit New Zealand engagement letter for the limited independent assurance report of the debenture trust deed on Council's behalf.**

7.3 Audit Engagement Letters

Record No: R/20/5/11659

Financial Accountant – Sheree Marrah was in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Mrs Marrah advised that the purpose of the report was to receive the proposal and audit engagement letters from Audit NZ, to conduct the audit of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years and to consider accepting the fee proposed in regards to the 2020 year and the terms of the audit including Councils responsibilities for the years ended 30 June 2020, 2021 and 2022.

Resolution

Moved Chairperson Robertson, seconded Cr Douglas **and resolved:**

That the Finance and Assurance Committee:

- a) Receives the report titled "Audit Engagement Letters" dated 16 June 2020,**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002,**
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter,**
- d) Receives the proposal from Audit NZ to conduct the audit of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years**
- e) Receives the Audit engagement letter from Audit NZ for the 2020, 2021 and 2022 financial years**
- f) Accepts the proposed 1.5% audit fee increase of \$1,775 for the audit of the annual report for the year ended 30 June 2020, resulting in an overall audit fee of \$120,124 excl GST plus actual disbursements for the year ended 30 June 2020.**
- g) Accepts the terms of the engagement for the audit of the annual report for the 2020, 2021 and 2022 financial years.**

- h) **Agrees to enter into discussions with Audit NZ in relation to the audit of Councils annual report for the years ended 30 June 2021 and 2022**
- i) **Authorises the Mayor to sign the following letters received from Audit NZ,**
 - **proposal to conduct the audit of Southland District Council on behalf of the Auditor General for the 2020, 2021 and 2022 financial years,**
 - **audit engagement letter.**

7.4 Interim Management Report from Audit New Zealand for the year ended 30 June 2020

Record No: R/20/5/11689

Financial Accountant – Sheree Marrah was in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Interim Management Report from Audit New Zealand for the year ended 30 June 2020” dated 16 June 2020.**

7.8 Quarterly risk management report - June 2020

Record No: R/20/5/10858

Policy Analyst – Jane Edwards was in attendance for this item.

Mrs Edwards advised that the purpose of the report was to advise of the June 2020 Quarterly Risk Management Report for consideration by the Committee and for the committee to agree to the report being considered by Council for the adoption of the Council’s revised top strategic risks, to become effective on 1 July 2020.

The Committee noted that risk management is about identifying events that may occur in the future that will have an impact on Council’s objectives. Council’s approach to risk management involves four key steps:

- a) identifying the risk
- b) evaluating the severity of any identified risks
- c) applying possible solutions to those risks
- d) monitoring and analysing the effectiveness of any subsequent steps taken.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Duffy **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Quarterly risk management report - June 2020” dated 16 June 2020.**

- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Considers and gives feedback on the revised priority weightings**
- e) **Notes that the addition of an emergent risk and elevation of a previously lower ranked risk to the top ten strategic risks displaces the two lowest ranking risks on the current register**
- f) **Recommends that Council adopt the revised top strategic risks as follows to become effective 1 July 2020:**
 - 1. **Inaccurate data leads to bad decisions/asset failure**
 - 2. **Underinvestment in infrastructure**
 - 3. **Infrastructure not fit for purpose to withstand climate change**
 - 4. **Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District**
 - 5. **Natural or biosecurity event impacts the wellbeing of the District**
 - 6. **Health and safety controls fail to protect staff and contractor safety**
 - 7. **Financial conservatism constrains progress towards strategic objectives**
 - 8. **Difficulty retaining or recruiting staff affects service levels**
 - 9. **Over-commitment leads to inability to deliver agreed work programme**
 - 10. **Growth and demand dependent model makes it hard to fund new infrastructure.**

(The meeting adjourned for morning tea at 10.28am and reconvened at 10.45am.)

(Bruce Robertson (Chair), Mayor Tong and Committee members were all present when the meeting reconvened.)

7.5 Draft Annual Plan 2020/2021

Record No: R/20/5/11773

Corporate Performance Lead – Jason Domigan and Financial Accountant – Sheree Marrah were in attendance for this item.

Mr Domigan advised that the purpose of the report is for the Finance and Assurance committee to review the final draft of the Annual Plan 2020/2021 and recommend to Council its adoption.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Douglas **recommendations a to c, d with changes (identified with ~~strikethrough~~ and underline) and e to l and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Annual Plan 2020/2021” dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Confirms in accordance with Section 100 of the Local Government Act 2002 that the Annual Plan 2020/2021 has been prepared based on reasonable judgement and assumptions and that it the Committee considers the projected financial results, including the projected operating deficit for 2020/2021, to be financially prudent given its Councils financial position.**
- e) **Confirms the reduction of the Te Anau Airport Manapouri rate from \$128.00 (incl GST) to \$67.69 (incl GST). Noting this reduction is being done by extending the airport loan by one year and deferring the 2020/2021 airport loan repayment and by funding the interest charge by adding it to the airport loan balance to be repaid over the life of the loan.**
- f) **Acknowledges that resolution (e) above, is inconsistent with Council’s Revenue and Financing policy as it is funding an operational cost from a loan. Accordingly Council recognise that this as an inconsistent decision made in accordance with section 80 of the Local Government Act 2002.**
- g) **Notes that resolution e above is in response to the potential financial impact of Covid-19 on affordability of rates, particularly in the Fiordland rating area. A review of the Revenue and Financing policy will be undertaken as part of Council’s 2021-2031 Long Term Plan, but at this stage there are no plans to alter the policy to generally allow the funding of operational costs from loans.**
- h) **Recommends to Council the adoption of the Annual Plan 2020/2021, including the Funding Impact Statement (Rates section) for the 2020/2021 financial year.**
- i) **Recommends to Council that a copy of the finalised fees and charges booklet be made available on Council’s website and be distributed to relevant stakeholders, Hall Committees and Community Boards for their information.**

7.6 Annual Report 2019/2020 - Key dates

Record No: R/20/5/11775

Corporate Performance Lead – Jason Domigan and Financial Accountant – Sheree Marrah were in attendance for this item.

Mr Domigan advised that the purpose of the report was provide the committee with the key dates for the Annual Report 2019/2020.

Resolution

Moved Chairperson Robertson, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Annual Report 2019/2020 - Key dates” dated 16 June 2020.**
- b) **Notes the Annual Report 2019/2020 - key dates as per attachment A, being:**

Key Tasks	Department leading	Due Date
JUNE		
Approval of timetable by Finance and Assurance committee	Project team	Mon 22 June
AUG		
ELT Subcommittee meeting to review year end business unit reports. Budget managers may attend this meeting to discuss their business unit's financial results.	Project team	Mon 17 August
ELT subcommittee meeting for feedback on draft annual report.	Project team	Mon 31 August
SEPT		
Reports to Finance and Assurance due	Project team	Wed 2 September
Finance and Assurance Committee meeting to review draft unaudited Annual Report (word version) and approve release of the draft to Audit NZ (Table revised version)	Project team	Fri 11 September
Audit NZ onsite for audit (3 weeks onsite)	Finance	Mon 14 September
OCT		
Audit NZ complete audit	Finance	Fri 9 October
Verbal clearance provided to Council from Audit NZ	Audit NZ	Mon 12 October
Report to Finance and Assurance due	Project team	Thu 8 October
Report to Council due	Project team	Tue 13 October
Finance and Assurance committee - recommend the final Annual Report for adoption by Council	Project team	Fri 16 October
Adoption of full Annual Report summary document and Audit opinion(s)	Project team	Wed 21 October
Annual Report and summary document online versions on website	Communications	Fri 23 October
Public Notice of full and summary document availability.	Communications	Sat 24 October

7.7 Accounting Policies for the year ended 30 June 2020

Record No: R/20/5/11691

Graduate Accountant – Brie Lepper and Financial Accountant – Sheree Marrah were in attendance for this item.

Miss Lepper advised that the purpose of the report was to consider and recommend to Council the adoption of the accounting policies to be used to compile the Council's annual report for the year ended 30 June 2020.

Resolution

Moved Mayor Tong, seconded Cr Duffy **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled "Accounting Policies for the year ended 30 June 2020" dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Recommends to Council that the accounting policies as outlined in Attachment A, including any amendments from this meeting, be adopted for use in preparation of the Council's Annual Report for the year ended 30 June 2020.**

7.9 New Zealand Transport Agency investment audit report for the period 2017/2018 to 2019/2020

Record No: R/20/6/14112

Strategic Manager Transport – Hartley Hare was in attendance for this item.

Mr Hare advised that the purpose of the report was to report to the Committee on the New Zealand Transport Agency investment audit which is required to be undertaken every three years to ensure that the investment in Southland District Council's land transport programme is being well managed and delivering value for money.

Resolution

Moved Cr Douglas, seconded Mayor Tong **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “New Zealand Transport Agency investment audit report for the period 2017/2018 to 2019/2020” dated 16 June 2020.**

7.10 Monthly Financial Report - April 2020

Record No: R/20/6/12832

Project Accountant – Dee Patel was in attendance for this item.

Mrs Patel advised that the purpose of the report was to provide Council with an overview of the financial results to date by the nine activity groups of Council, as well as the financial position, and the statement of cash flows.

The Committee noted that the report summarised the financial results for the ten months to 30 April 2020.

Resolution

Moved Chairperson Robertson, seconded Mayor Tong **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Monthly Financial Report - April 2020” dated 16 June 2020.**

7.11 Health and Safety Update

Record No: R/20/6/13331

People and Capability Manager – Janet Ellis was in attendance for this item.

Mrs Ellis advised that the purpose of the report was to update the Committee on health and safety at Council for the period 1 January to 31 May 2020.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Health and Safety Update” dated 11 June 2020.**

The meeting adjourned for lunch at 12.17pm and reconvened at 12.47pm.)

(Bruce Robertson (Chair), Mayor Tong and Councillors Douglas, Duffy, Keast and Kremer were present when the meeting reconvened.)

7.12 Draft Health and Safety Plan for 2020/21

Record No: R/20/6/13328

People and Capability Manager – Janet Ellis and Health, Safety and Wellbeing Advisor – Teri Black were in attendance for this item.

Mrs Ellis advised that the purpose of the report was to seek approval for the draft Health and Safety Plan 2020/2021 to be presented to Council for formal approval.

(Councillor Byars returned to the meeting at 12.52pm.)

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Health and Safety Plan for 2020/21” dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Recommends to Council that it approves the Health and Safety Plan for 2020/2021.**

Public Excluded

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

Resolution

Moved Cr Douglas, seconded Mayor Tong **and resolved:**

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

C8.1 Annual Insurance Renewal

C8.2 Deloitte Fraud Risk Assessment

C8.3 Operational Risk Report

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual Insurance Renewal	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Deloitte Fraud Risk Assessment	s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Operational Risk Report	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

That the Group Manager - Environmental Services, Group Manager - Services and Assets (via Zoom), Group Manager - Community and Futures, Chief Financial Officer, People and Capability Manager, Group Manager, Customer Delivery, Communications Manager and Committee Advisor be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Annual Insurance Renewal, C8.2 Deloitte Fraud Risk Assessment and C8.3 Operational Risk Report. This knowledge, which will be of assistance in relation to the matters

to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

That Financial Accountant – Sheree Marrah and Rouen van Eck – Regional Manager Marsh NZ and Lisa De Bruin – FinPro Client Liaison Advisor Marsh NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Annual Insurance Renewal. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

That Systems Accountant – Matthew Denton be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the item C8.2 Deloitte Fraud Risk Assessment. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

The public were excluded at 12.56pm.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available unless released here.

The meeting concluded at 2.16pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A MEETING OF THE FINANCE AND ASSURANCE COMMITTEE HELD ON MONDAY 22 JUNE 2020.

DATE:.....

CHAIRPERSON:.....