

Audit and Risk Management Committee

AGENDA

Notice of Meeting:

An ordinary meeting of the Audit and Risk Management Committee will be held on:

Date: Monday 18 June 2018
Time: 8:30am
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Membership

Chair	Ms Sue Sheldon
Deputy Chair	Councillor Raf Manji
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Deputy Mayor Andrew Turner
	Mr Mark Russell
	Mr Michael Rondel

13 June 2018

Principal Advisor

Carol Bellette
General Manager Finance and
Commercial

Mark Saunders
Committee and Hearings Advisor
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Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

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AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

Chair	Sue Sheldon (Independent)
Deputy Chair	Councillor Manji as the Chair of the Finance and Performance Committee
Membership	Mayor Dalziel and Deputy Mayor Turner The Chair of the following committees: <ul style="list-style-type: none">▪ Innovation and Sustainable Development Committee▪ Social and Community Development Committee▪ Infrastructure, Transport and Environment Committee▪ Regulatory Performance Committee 2 External Members
Quorum	Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd.
Meeting Cycle	To be separately considered
Reports To	Council

Purpose

To assist the Council to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of:

- the robustness of the internal control framework;
- the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
- the robustness of risk management systems, process and practices;
- internal and external audit;
- accounting policy and practice;
- compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
- the establishment and maintenance of controls to safeguard the Council's financial and non-financial assets.

The foundations on which this Committee operates, and as reflected in this Terms of Reference, includes: independence; clarity of purpose; competence; open and effective relationships and no surprises approach.

Procedure

In order to give effect to its advice the Committee should make recommendations to the Council and to Management.

The Committee should meet the internal and the external auditors without Management present as a standing agenda item at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.

The external auditors, the internal audit manager and the co-sourced internal audit firm should meet outside of formal meetings as appropriate with the Committee Chair.

The Committee Chair will meet with relevant members of Management before each Committee meeting and at other times as required.

Responsibilities

Internal Control Framework

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security.
- Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- Review the processes or systems in place to capture and effectively investigate fraud or material litigation should it be required.
- Seek confirmation annually and as necessary from internal and external auditors, attending Councillors, and management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

Risk Management

- Review and consider Management's risk management framework in line with Council's risk appetite, which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
- Assist the Council to determine its appetite for risk.
- Review the principal risks that are determined by Council and Management, and consider whether appropriate action is being taken by management to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework.
- Consider emerging significant risks and report these to Council where appropriate.

Internal Audit

- Review and approve the annual internal audit plan, such plan to be based on the Council's risk framework. Monitor performance against the plan at each regular quarterly meeting.
- Monitor all internal audit reports and the adequacy of management's response to internal audit recommendations.
- Review six monthly fraud reporting and confirm fraud issues are disclosed to the external auditor.
- Provide a functional reporting line for internal audit and ensure objectivity of internal audit.
- Oversee and monitor the performance and independence of internal auditors, both internal and co-sourced. Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function.
- Monitor compliance with the delegations policy.

External Reporting and Accountability

- Consider the appropriateness of the Council's existing accounting policies and practices and approve any changes as appropriate.
- Contribute to improve the quality, credibility and objectivity of the accounting processes, including financial reporting.
- Consider and review the draft annual financial statements and any other financial reports that are to be publicly released, make recommendations to Management.
- Consider the underlying quality of the external financial reporting, changes in accounting policy and practice, any significant accounting estimates and judgements, accounting implications of new and significant transactions, management practices and any significant disagreements between Management and the external auditors, the propriety of any related party transactions and compliance with applicable New Zealand and international accounting standards and legislative requirements.
- Consider whether the external reporting is consistent with Committee members' information and knowledge and whether it is adequate for stakeholder needs.
- Recommend to Council the adoption of the Financial Statements and Reports and the Statement of Service Performance and the signing of the Letter of Representation to the Auditors by the Mayor and the Chief Executive.
- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Request visibility of appropriate management signoff on the financial reporting and on the adequacy of the systems of internal control; including certification from the Chief Executive, the Chief Financial Officer and the General Manager Corporate Services that risk management and internal control systems are operating effectively;
- Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.
- Review and consider the Summary Financial Statements for consistency with the Annual Report.

External Audit

- Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. Including the adequacy of the nature and scope of the audit, and the timetable and fees.
- Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
- The external audit reporting should describe: Council's internal control procedures relating to external financial reporting, findings from the most recent external audit and any steps taken to deal with such findings, all relationships between the Council and the external auditor, Critical accounting policies used by Council, alternative treatments of financial information within Generally Accepted Accounting Practice that have been discussed with Management, the ramifications of these treatments and the treatment preferred by the external auditor.
- Ensure that the lead audit engagement and concurring audit directors are rotated in accordance with best practice and NZ Auditing Standards.

Compliance with Legislation, Standards and Best Practice Guidelines

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Best Practice Guidelines.

Appointment of Independent Members

- Identify skills required for Independent Members of the Audit and Risk Management Committee. Appointment panels will include the Mayor or Deputy Mayor, Chair of Finance & Performance Committee and Chair of Audit & Risk Management Committee. Council approval is required for all Independent Member appointments.
- The term of the Independent members should be for three years. (It is recommended that the term for independent members begins on 1 April following the Triennial elections and ends 31 March three years later. Note the term being from April to March provides continuity for the committee over the initial months of a new Council.)
- Independent members are eligible for re-appointment to a maximum of two terms. By exception the Council may approve a third term to ensure continuity of knowledge.

Long Term Plan Activities

1. Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.

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- Part A Matters Requiring a Council Decision
Part B Reports for Information
Part C Decisions Under Delegation
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TABLE OF CONTENTS

C	1.	Apologies.....	7
B	2.	Declarations of Interest.....	7
C	3.	Confirmation of Previous Minutes	7
B	4.	Public Forum	7
B	5.	Deputations by Appointment.....	7
B	6.	Presentation of Petitions	7
C	7.	Resolution to Exclude the Public.....	13

1. Apologies

At the close of the agenda no apologies had been received.

2. Declarations of Interest

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

3. Confirmation of Previous Minutes

That the minutes of the Audit and Risk Management Committee meeting held on [Wednesday, 30 May 2018](#) be confirmed (refer page 8).

4. Public Forum

A period of up to 30 minutes may be available for people to speak for up to five minutes on any issue that is not the subject of a separate hearings process.

5. Deputations by Appointment

There were no deputations by appointment at the time the agenda was prepared.

6. Petitions

There were no petitions received at the time the agenda was prepared.

Audit and Risk Management Committee OPEN MINUTES

Date: Wednesday 30 May 2018
Time: 9:03am
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chair	Ms Sue Sheldon
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Deputy Mayor Andrew Turner
	Mr Mark Russell
	Mr Michael Rondel

30 May 2018

Principal Advisor

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- Part A Matters Requiring a Council Decision
Part B Reports for Information
Part C Decisions Under Delegation
-

The agenda was dealt with in the following order.

1. Apologies

Part C

Committee Resolved ARCM/2018/00004

That the apology from Councillor Manji be accepted.

Chair Sheldon/Mayor

Carried

2. Declarations of Interest

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes

Part C

Committee Resolved ARCM/2018/00005

Committee Decision

That the minutes of the Audit and Risk Management Committee meeting held on Tuesday, 13 February 2018 be confirmed.

Mayor/Mr Rondel

Carried

4. Public Forum

Part B

There were no public forum presentations.

5. Deputations by Appointment

Part B

There were no deputations by appointment.

6. Presentation of Petitions

Part B

There was no presentation of petitions.

7. Audit New Zealand Audit Plan Letter

Committee Comment

The Committee accepted the staff recommendations.

Committee Resolved ARCM/2018/00006

Part C

That the Audit and Risk Management Committee:

1. Receive the Audit Plan for Christchurch City Council and Consolidated Group from Audit New Zealand.

Chair Sheldon/Councillor East

Carried

Committee Decided ARCM/2018/00007

Part A

That the Audit and Risk Management Committee recommends that the Council while receiving the Audit Plan for Christchurch City Council and Consolidated Group from Audit New Zealand:

1. Note that property, plant and equipment will again be a focus for the audit team in 2018;
2. Note that internal controls to prevent fraud and the compliance with continuous disclosure requirements will also be reviewed in-depth as part of the 2018 audit; and
3. Note the timetable for deliverables to ensure the audit proceeds smoothly.
4. Note that critical judgements, estimates and assumptions are made during the preparation of the Annual Report in accordance with accounting and audit standing for public benefit entities and these are disclosed in the Annual Report;
5. Note that the Committee will be further updated on these issues and any other issues that arise at its 31 August 2018 meeting prior to the audit clearance scheduled for 19 September 2018.

Chair Sheldon/Councillor East

Carried

8. Audit New Zealand report to Council on the audit of the Consultation Document for the 2018-28 Long Term Plan

Committee Comment

The Committee accepted the staff recommendations.

Committee Resolved ARCM/2018/00008

Part C

That the Audit and Risk Management Committee:

1. Receive the information in the Audit New Zealand report to Council on the audit of the Consultation Document of Christchurch City Council for the 2018-28 Long Term Plan.

Chair Sheldon/Mr Rondel

Carried

Committee Decided ARCM/2018/00009

Part A

That the Audit and Risk Management Committee recommends that the Council:

1. Notes that Audit New Zealand issued an unmodified opinion on Christchurch City Council's Consultation Document on 8 March 2018.

Chair Sheldon/Mr Rondel

Carried

9. Audit New Zealand Interim Management Report

Committee Comment

The Committee accepted the staff recommendations.

Committee Resolved ARCM/2018/00010

Part C

That the Audit and Risk Management Committee:

1. Note that Audit New Zealand reviewed the internal controls in place for our key financial and non-financial information systems and concluded that the Council has appropriate systems of internal control over its key financial systems and that they were operating effectively;
2. Note that Audit New Zealand reviewed the Council's information systems and processes and concluded that the Council's IT Governance to be effective;
3. Note that Audit New Zealand reviewed the Council's systems and controls for reporting its service performance information and concluded for the sample selected that the Council has appropriate systems and processes in place to capture and accurately report its achieved results against the performance measures;
4. Note the three recommendations made by Audit New Zealand in Appendix 2 of the Interim Management Report on the audit of the Council and management's response to these.

Deputy Mayor/Mr Russell

Carried

Committee Decided ARCM/2018/00011

Part A

That the Audit and Risk Management Committee recommends that the Council:

1. Receive the Audit New Zealand Interim Management Report on the audit of Christchurch City Council for the year ended 30 June 2018.

Deputy Mayor/Mr Russell

Carried

10 Resolution to Exclude the Public

Committee Resolved ARCM/2018/00012

Part C

That David Seath of Deloitte remain after the public have been excluded for Items 12-17 of the public excluded agenda, as he has knowledge that is relevant to those items and will assist the Committee.

AND

That at 9:18am the resolution to exclude the public set out on pages 65 to 67 of the agenda be adopted.

Councillor Clearwater/Mayor

Carried

The public were re-admitted to the meeting at 12:02pm.

Meeting concluded at 12:03pm.

CONFIRMED THIS 18th DAY OF JUNE 2018

SUE SHELDON
CHAIRPERSON

7. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

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

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

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

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
8	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 30 MAY 2018			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
9	LONG TERM PLAN 2018-28	S7(2)(B)(II), S7(2)(C)(I)	PREJUDICE COMMERCIAL POSITION, PROTECTION OF SOURCE OF INFORMATION	<p>THE INFORMATION TO BE USED AS THE BASIS FOR FINALISATION OF THE COUNCIL'S LONG TERM PLAN REMAINS SUBJECT TO CHANGE. PREMATURE RELEASE OF THIS INFORMATION BEFORE IT IS ADOPTED BY THE COUNCIL COULD PREJUDICE THOSE PEOPLE AND ENTITIES THAT MAY BE AFFECTED BY ANY CHANGES MADE.</p> <p>THE COMMITTEE MAY SEEK AT THE MEETING LEGAL ADVICE ON MATTERS RELATING TO THE FINALISATION AND ADOPTION OF THE LONG TERM PLAN.</p> <p>THE COMMITTEE HAS A RESPONSIBILITY TO CONSIDER AND REVIEW THE LONG TERM PLAN BEFORE ADOPTION BY THE COUNCIL AND TO HOLD IT IN CONFIDENCE BEFORE IT IS FINALISED FOR ADOPTION, AND IT IS IN THE PUBLIC INTEREST THAT THE COMMITTEE CAN REVIEW THE LONG TERM PLAN BEFORE IT IS PUBLICLY AVAILABLE.</p>	<p>THE INFORMATION INCLUDED IN THE STAFF REPORT AND THE ATTACHMENTS ATTACHED TO IT WILL BE AVAILABLE ON THE PUBLIC AGENDA FOR THE 22 JUNE 2018 MEETING OF THE COUNCIL.</p>

Item 7