

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 20 February 2017
Time: 8.30am
Venue: Committee Room 1, Civic Offices
Hereford Street

Membership

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

15 February 2017

Principal Advisor

Carol Bellette
General Manager Finance and
Commercial

Margaret Henderson
Committee Advisor
941 8185

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www.ccc.govt.nz

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

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.

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

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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 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 7 December 2016, be confirmed.

4. Deputations by Appointment

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

5. Presentation of Petitions

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

Audit and Risk Management Committee OPEN MINUTES

Date: Wednesday 7 December 2016
Time: 1pm
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chair Deputy
Chair
Members

Ms Sue Sheldon
Councillor Raf Manji
Mayor Lianne Dalziel
Councillor Vicki Buck
Councillor Jamie Gough
Councillor Jimmy Chen
Councillor David East
Mr Mark Russell
Mr Michael Rondel

2 December 2016

Principal Advisor

Dr Karleen Edwards
Chief Executive
Tel: 941 8554

Margaret Henderson
Committee Advisor

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Audit and Risk Management Committee
07 December 2016



- 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.

The Chairperson welcomed Carol Bellette, General Manager Finance and Commercial to her first Audit and Risk Management Committee meeting.

1. Apologies

Part C

Committee Resolved ARCM/2016/00022

It was resolved on the motion of Chair Sheldon, seconded by Mr Rondel, that the apologies for early departure from Councillor Gough and Mr Russell, be accepted.

Chair Sheldon/Mr Rondel

Carried

2. Declarations of Interest

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes

Part C

There were no minutes to confirm at this meeting.

4. Deputations by Appointment

Part B

There were no deputations by appointment.

5. Presentation of Petitions

Part B

There was no presentation of petitions.

6. 2016 Annual Report - Management Report from Audit New Zealand

The Audit and Risk Management Committee considered the comments made by Audit New Zealand in its Management Report on the 2016 Annual Report.

Staff Recommendations

It is recommended that:

Audit and Risk Management Committee
07 December 2016



1. The Audit and Risk Management Committee consider the comments made by Audit New Zealand in its Management Report on the 2016 Annual Report.
2. After consideration of the Management Report, the Committee recommend to the Council that it receive Audit New Zealand's Management Report on the 2016 Annual Report.

Committee Recommendation ARCM/2016/00023

Part A

The Audit and Risk Management Committee recommended to the Council:

1. That it receive Audit New Zealand's Management Report on the 2016 Annual Report.

Deputy Chairperson Manji/Councillor Gough

Carried

7 Resolution to Exclude the Public
Committee Resolved ARCM/2016/00024

Part C

1. That at 1.31pm the resolution to exclude the public set out on pages 37 to 38 of the agenda be adopted.
2. That Julian Tan and Andrew Timlin from Audit New Zealand, and Steve Wakefield, Lucas Merino and David Seath, from Deloitte remain after the public have been excluded for Item 8 and 10 respectively, of the public excluded agenda as they have knowledge that is relevant to those items and will assist the Committee.

Chair Sheldon/Councillor Chen

Carried

The public were re-admitted to the meeting at 2.37pm.

Meeting concluded at 2.37pm.

CONFIRMED THIS 20TH DAY OF FEBRUARY 2017

SUE SHELDON
CHAIR

6. Audit and Risk Management Committee - Terms of Reference

Reference: 17/39356

Contact: Margaret
Henderson

Margaret.henderson@ccc.govt.nz

941 8185

1. Purpose and Origin of Report

Purpose of Report

- 1.1 The purpose of this report is for the Audit and Risk Management Committee to receive for information the updated Terms of Reference approved at the Council meeting on 9 February 2017. (Attachment A.)

Origin of Report

- 1.2 This report is staff generated to inform members of the Audit and Risk Management Committee (ARMC) of the updated Terms of Reference.

2. Staff Recommendations

That the Audit and Risk Management Committee:


- 2.1 [Receive for information the updated Terms of Reference.](#)

3. Key Points and Background

- 3.1 At its meeting on 15 December 2016 the Council approved its Committee structure for the 2016-19 term and asked that staff work with the Committee Chair's to draft Terms of Reference for the Committees.
- 3.2 The ARMC, which was not dis-established at the end of the previous Council's term, last reviewed their Terms of Reference in May 2016. These Terms of Reference formed the base of the updated Terms of Reference.
- 3.3 Additions to the previous Terms of Reference include: the change of membership; monitoring compliance with the delegations policy and no surprises policy; to oversee privacy and cybersecurity; a new section regarding the appointment of independent members and a section regarding the Long Term Plan Activities.
- 3.4 The updated Terms of Reference were considered and approved by the Council at its meeting on 9 February 2017.

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Attachments

No.	Title	Page
A 	Audit and Risk Management Committee Terms of Reference as at 9 February 2017	13

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).
(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
 - (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.
- (b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Author	Margaret Henderson - Committee Advisor
Approved By	Carol Bellette - General Manager Finance and Commercial (CFO)

As at 9 February 2017

Audit and Risk Management Committee - Terms of Reference

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Deputy Chair	Councillor Manji as the Chair of the Finance and Performance Committee
Membership	<p>Mayor Dalziel and Deputy Mayor Turner</p> <p>The Chair of the following committees:</p> <ul style="list-style-type: none"> ▪ Innovation and Sustainable Development Committee ▪ Social and Community Development Committee ▪ Infrastructure, Transport and Environment Committee ▪ Regulatory Performance Committee <p>2 External Members</p>
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Meeting Cycle	To be separately considered
Reports To	Council

1. Purpose

- 1.1. 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;
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 - 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.
- 1.2. 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.

2. Procedure

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

As at 9 February 2017

- 2.2. 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.
- 2.3. 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.
- 2.4. The Committee Chair will meet with relevant members of Management before each Committee meeting and at other times as required.

3. Responsibilities

3.1. 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.
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- 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.
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- 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.
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- 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

As at 9 February 2017

internal audit function.

- Monitor compliance with the delegations policy.

3.4. 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.
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- Consider whether the external reporting is consistent with Committee members' information and knowledge and whether it is adequate for stakeholder needs.
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- 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;
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- Review and consider the Summary Financial Statements for consistency with the Annual Report.

3.5. 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

As at 9 February 2017

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.

3.6. 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.

3.7. 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.

4. Long Term Plan Activities

- 4.1. 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.

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 - 7 DECEMBER 2016			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
9	AUDIT NEW ZEALAND REPORT TO COUNCIL - UPDATE	S7(2)(H)	COMMERCIAL ACTIVITIES	A COMMERCIAL ARRANGEMENT IS DEALT WITH IN THIS REPORT	Once the activities have been concluded
10	AUDIT NEW ZEALAND REPORT TO COUNCIL	S7(2)(H)	COMMERCIAL ACTIVITIES	A COMMERCIAL ARRANGEMENT IS DISCUSSED IN THE REPORT.	When the details of the arrangement are also released.
11	CONSIDERATION OF THE COUNCIL'S DRAFT ANNUAL PLAN 2017	S7(2)(B)(II)	PREJUDICE COMMERCIAL POSITION	DOCUMENTS ARE STILL DRAFT AND SUBJECT TO CHANGE BY THE COMMITTEE.	Following the Council resolution to approve for consultation
12	QUARTERLY PROCUREMENT REPORT - QUARTER 2 - 2016/17	S7(2)(B)(II), S7(2)(H), S7(2)(I)	PREJUDICE COMMERCIAL POSITION, COMMERCIAL ACTIVITIES, CONDUCT NEGOTIATIONS	THE FOLLOWING INFORMATION MAY PREJUDICE THE COUNCIL'S COMMERCIAL POSITION.	At the expiry of the Agreement.
13	INTERNAL AUDIT STATUS REPORT	S7(2)(E), S7(2)(F)(II), S7(2)(J)	PREVENTION OF MATERIAL LOSS, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT, PREVENTION OF IMPROPER ADVANTAGE	PREVENT THE USE OF INTERNAL AUDIT FINDINGS BEING UTILISED FOR IMPROPER ADVANTAGE.	Consideration of release when reported findings have been closed.

14	RISK MANAGEMENT STATUS REPORT	S7(2)(C)(II), S7(2)(F)(II)	PREVENT DAMAGE TO THE PUBLIC INTEREST, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT	PREVENT THE IMPROPER USE OF INFORMATION.	Consideration of release pending status of risks and management activity.
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