

## **Audit and Risk Management Committee**

### **AGENDA**

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#### **Notice of Meeting:**

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

**Date:** Monday 3 February 2020  
**Time:** 2pm  
**Venue:** Committee Room 1, Level 2, Civic Offices,  
53 Hereford Street, Christchurch

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#### **Membership**

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel Mr Mark Russell Mr Michael Rondel Councillor Pauline Cotter Deputy Mayor Andrew Turner

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**27 January 2020**

#### **Principal Advisor**

Carol Bellette  
General Manager Finance and  
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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 / NGĀ ĀRAHINA MAHINGA**

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<b>Chair</b>	Kim Wallace (Independent)
<b>Deputy Chair</b>	Councillor MacDonald
<b>Membership</b>	The Mayor Deputy Mayor Turner Councillor Cotter Two External Members: Mark Russell Michael Rondel
<b>Quorum</b>	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.
<b>Meeting Cycle</b>	Quarterly and as required
<b>Reports To</b>	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.

**Audit and Risk Management Committee Forward Work Programme 2020**

2020	Feb – Draft Annual Plan	Mar - Quarterly	Jun - Quarterly	Jun - Annual Plan	Sep – Quarterly Update	Sep - Annual Report	Dec – Quarterly Update
<b>Quarterly Update Reports</b>		<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Internal Audit</li> <li>• Health, Safety &amp; Wellbeing Dashboard</li> <li>• Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Internal Audit</li> <li>• Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Health, Safety &amp; Wellbeing Dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Internal Audit</li> <li>• Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Health, Safety &amp; Wellbeing Dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Internal Audit</li> <li>• Procurement</li> </ul>
<b>Other Reports</b>		<ul style="list-style-type: none"> <li>• Fraud six-month report</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Plan</li> </ul>		<ul style="list-style-type: none"> <li>• Fraud six-month report</li> </ul>		<ul style="list-style-type: none"> <li>• Annual Review of Work Programme</li> </ul>
<b>Annual Report</b>		<ul style="list-style-type: none"> <li>• External Audit Plan for current year</li> <li>• Critical judgments, estimates &amp; assumptions for current year</li> </ul>	<ul style="list-style-type: none"> <li>• Audit NZ Management Letter for current year interim audit</li> </ul>		<ul style="list-style-type: none"> <li>• Update on critical judgments, estimates &amp; assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Statements and Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Debenture trust audit report</li> <li>• Audit NZ Management Letter from prior year’s audit</li> </ul>
<b>Annual Plan</b>	<ul style="list-style-type: none"> <li>• Draft Annual Plan</li> </ul>			<ul style="list-style-type: none"> <li>• Annual Plan</li> </ul>			
<b>Deep Dive Topic</b>			<ul style="list-style-type: none"> <li>• Risk focus TBC</li> </ul>				<ul style="list-style-type: none"> <li>• Risk focus TBC</li> </ul>

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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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## **1. Apologies / Ngā Whakapāha**

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

## **2. Declarations of Interest / Ngā Whakapuaki Aronga**

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 / Te Whakaāe o te hui o mua**

That the minutes of the Audit and Risk Management Committee meeting held on [Wednesday, 27 November 2019](#) be confirmed (refer page 9).

## **4. Public Forum / Te Huinga Whānui**

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 / Ngā Huinga Whakaritenga**

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

## **6. Petitions / Ngā Pākikitanga**

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

## **7. Committee-Only Time with Auditors for Public Excluded Items**

The Committee is reminded that under its Terms of Reference, it should meet with the internal and the external auditors without Management present at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.

Any Committee-only time with the auditors within the proceedings of the meeting will be held as part of the consideration of a public excluded item. The public will be excluded from this time for the reason set out in the below resolution to exclude the public relating to the relevant item.



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## Audit and Risk Management Committee OPEN MINUTES

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**Date:** Wednesday 27 November 2019  
**Time:** 2:06pm  
**Venue:** Committee Room 1, Level 2, Civic Offices,  
53 Hereford Street, Christchurch

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**Present**

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel Deputy Mayor Andrew Turner Councillor Pauline Cotter Mr Mark Russell

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27 November 2019

**Principal Advisor**

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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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The agenda was dealt with in the following order.

**1. Apologies / Ngā Whakapāha**

**Part C**

**Committee Resolved ARCM/2019/00034**

That the apology for absence from Mr Michael Rondel, and apology for early departure from Councillor Pauline Cotter, be accepted.

Ms Wallace/Councillor MacDonald

Carried

**2. Declarations of Interest / Ngā Whakapuaki Aronga**

**Part B**

There were no declarations of interest recorded.

**3. Public Forum / Te Huinga Whānui**

**Part B**

There were no public forum presentations.

**4. Deputations by Appointment / Ngā Huinga Whakaritenga**

**Part B**

There were no deputations by appointment.

**5. Presentation of Petitions / Ngā Pākikitanga**

**Part B**

There was no presentation of petitions.

**6. Committee-Only Time with Auditors for Public Excluded Items**

**Part B**

It was noted that under its Terms of Reference, the Committee should meet with the internal and the external auditors without Management present at each meeting where external reporting is approved, and at other meetings if requested by any of the parties. This Committee-only time with the auditors to be part of the consideration of a relevant item on the public excluded agenda and requested during the consideration of the item.

## 7. Audit and Risk Management Committee Work Programme

Committee Resolved ARCM/2019/00035 (Original Staff Recommendations Accepted without Change)

### Part C

That the Audit and Risk Management Committee:

1. Adopt the forward work programme.

Ms Wallace/Deputy Mayor

Carried

## 8. Debenture Trust Audit Report and Letter of Representation

Committee Resolved ARCM/2019/00036 (Original Staff Recommendations Accepted without Change)

### Part C

That the Audit and Risk Management Committee:

1. Receive the information in the Audit New Zealand Report on the Debenture Trust; and
2. Note that Audit New Zealand have issued an unqualified opinion.

Mr Russell/Councillor MacDonald

Carried

## 9. Audit New Zealand Report to Council on the 2018/19 Audit of Christchurch City Council

### Committee Comment

Andrew Timlin of Audit New Zealand joined the table for this item, and in discussion with him it was agreed that the Committee resolve additional recommendations noting that Audit New Zealand will revise the wording in their report "Council provided us with limited range of documentation" to reflect that the Council were only asked to provide a limited range of documentation and all documentation requested was provided, and that their offer to be involved in developing the terms of reference for the independent lessons learned report for the Town Hall project has been accepted.

### Staff Recommendations / Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Receive the information and consider the recommendations made by Audit New Zealand in the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2019 and management's responses to these.

2. Recommend to Council that the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2019 is received.

**Committee Resolved ARCM/2019/00037**

**Part C**

That the Audit and Risk Management Committee:

1. Receive the information and consider the recommendations made by Audit New Zealand in the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2019 and management's responses to these.

Councillor Cotter/Ms Wallace

Carried

**Committee Decided ARCM/2019/00038**

**Part A**

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

1. Receive the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2019.
2. Note that Audit New Zealand will revise the wording "Council provided us with limited range of documentation" to reflect that the Council were only asked to provide a limited range of documentation and all documentation requested was provided.
3. Note that we have accepted Audit New Zealand's offer to be involved in developing the terms of reference for the independent lessons learned report for the Town Hall project.

Councillor Cotter/Ms Wallace

Carried

**10 Resolution to Exclude the Public**

**Committee Resolved ARCM/2019/00039**

**Part C**

That the following persons remain after the public have been excluded for the following items of the public excluded agenda as they have knowledge that is relevant to these items and will assist the Council:

- Lucas Moreno of Deloitte, for:
  - Item 11 Health, Safety and Wellbeing Dashboard;
  - Item 12, Quarterly Procurement Report – Quarter 1 – 2019/20;
  - Item 13, Internal Audit Status Report;
  - Item 14, Risk Management Status Report;

**AND**

That at 2:46pm the resolution to exclude the public set out on pages 68 to 70 of the agenda be adopted.

Ms Wallace/Councillor MacDonald

Carried

The public were re-admitted to the meeting at 4:37pm.

Meeting concluded at 4:38pm.

CONFIRMED THIS 3<sup>rd</sup> DAY OF FEBRUARY 2020

KIM WALLACE  
CHAIRPERSON

Unconfirmed

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## 8. Resolution to Exclude the Public

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*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
9	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 27 NOVEMBER 2019			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
10	CONSIDERATION OF THE COUNCIL'S DRAFT ANNUAL PLAN 2020/21	S7(2)(B)(II), S7(2)(G)	PREJUDICE COMMERCIAL POSITION, MAINTAIN LEGAL PROFESSIONAL PRIVILEGE	THE INFORMATION TO BE USED AS THE BASIS FOR PREPARATION OF THE COUNCIL'S ANNUAL 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. THE COMMITTEE MAY SEEK AT THE MEETING LEGAL ADVICE ON MATTERS RELATING TO THE PREPARATION AND ADOPTION OF THE ANNUAL PLAN.	UPON THE ADOPTION OF THE FINAL ANNUAL PLAN 2020/21