

Audit and Risk Management Committee

AGENDA

Notice of Meeting:

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

Date: **Friday 21 April 2023**
Time: **9.30am**
Venue: **Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch**

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Jake McLellan
Members	Councillor Tyrone Fields Councillor Sam MacDonald Councillor Tim Scandrett Ms Jacqueline Robertson Cheyne Mrs Hilary Walton

18 April 2023

Principal Advisor

Leah Scales
General Manager - Resources / CFO
Tel: 941 8999

Luke Smeele
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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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Developing Resilience in the 21st Century

Strategic Framework

**Whiria ngā whenu o ngā papa,
honoa ki te maurua tāukiuki**
 Bind together the strands of each mat and join together with the seams of respect and reciprocity

Ōtautahi–Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

Principles

Being open, transparent and democratically accountable Promoting equity, valuing diversity and fostering inclusion	Taking an inter-generational approach to sustainable development, prioritising the social, economic and cultural wellbeing of people and communities and the quality of the environment, now and into the future	Building on the relationship with Te Rūnanga o Ngāi Tahu and the Te Hononga–Council Papatipu Rūnanga partnership, reflecting mutual understanding and respect	Actively collaborating and co-operating with other local, regional and national organisations Ensuring the diversity and interests of our communities across the city and the district are reflected in decision-making
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Community Outcomes

Resilient communities Strong sense of community Active participation in civic life Safe and healthy communities Celebration of our identity through arts, culture, heritage, sport and recreation Valuing the voices of all cultures and ages (including children)	Liveable city Vibrant and thriving city centre Sustainable suburban and rural centres A well connected and accessible city promoting active and public transport Sufficient supply of, and access to, a range of housing 21st century garden city we are proud to live in	Healthy environment Healthy water bodies High quality drinking water Unique landscapes and indigenous biodiversity are valued and stewardship exercised Sustainable use of resources and minimising waste	Prosperous economy Great place for people, business and investment An inclusive, equitable economy with broad-based prosperity for all A productive, adaptive and resilient economic base Modern and robust city infrastructure and community facilities
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Strategic Priorities

Enabling active and connected communities to own their future	Meeting the challenge of climate change through every means available	Ensuring a high quality drinking water supply that is safe and sustainable	Accelerating the momentum the city needs	Ensuring rates are affordable and sustainable
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Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes

Engagement with the community and partners	Strategies, Plans and Partnerships	Long Term Plan and Annual Plan	Our service delivery approach	Monitoring and reporting on our progress
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AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE NGĀ ĀRAHINA MAHINGA

Chair	Kim Wallace (Independent)
Deputy Chair	Councillor McLellan
Membership	Councillor Fields Councillor MacDonald Councillor Scandrett External Members: Mr Hilary Walton Ms Jacqueline Robertson Cheyne
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	Quarterly and as required
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.

Audit and Risk Management Committee Forward Work Programme 2023

2023	Feb	Apr	Jun	Sep	Annual Report	Dec
Update Reports	<ul style="list-style-type: none"> Risk and Assurance Procurement 	<ul style="list-style-type: none"> Risk and Assurance Cyber Security Health, Safety & Wellbeing 	<ul style="list-style-type: none"> Risk and Assurance Procurement Health, Safety & Wellbeing 	<ul style="list-style-type: none"> Risk and Assurance Procurement Cyber Security Fraud Health, Safety & Wellbeing 		<ul style="list-style-type: none"> Risk and Assurance Procurement Health, Safety & Wellbeing
Other Reports	<ul style="list-style-type: none"> Holidays Act Remediation Programme Completion Christchurch City Holdings 	<ul style="list-style-type: none"> Te Kaha 	<ul style="list-style-type: none"> CCHL Changes to Procurement Framework Conflict of Interest and Gift Declaration 			
Annual Report		<ul style="list-style-type: none"> External Reporting and Audit Programme for 2022/23 Update 	<ul style="list-style-type: none"> External Reporting and Audit Programme for 2022/23 Update Audit NZ Management Letter for current year interim audit 	<ul style="list-style-type: none"> Update on critical judgments, estimates & assumptions Financial Statements Update - Valuations 	<ul style="list-style-type: none"> Financial Statements and Annual Report 	<ul style="list-style-type: none"> Debenture trust audit report Audit NZ Management Letter from prior year's audit
Annual Plan	<ul style="list-style-type: none"> Draft Annual Plan 		<ul style="list-style-type: none"> Final Annual Plan 			

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

TABLE OF CONTENTS

C	1.	Apologies Ngā Whakapāha	9
B	2.	Declarations of Interest Ngā Whakapuaki Aronga	9
C	3.	Confirmation of Previous Minutes Te Whakaāe o te hui o mua	9
B	4.	Public Forum Te Huinga Whānui	9
B	5.	Deputations by Appointment Ngā Huinga Whakaritenga.....	9
B	6.	Presentation of Petitions Ngā Pākikitanga	9

STAFF REPORTS

C	7.	Audit Plan 2022/23 Timing Update	15
C	8.	Resolution to Exclude the Public.....	17

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 [Monday, 27 February 2023](#) be confirmed (refer page 10).

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.

It is intended that the public forum session will be held at <Approximate Time>

There were no public forum requests received at the time the agenda was prepared

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.

Audit and Risk Management Committee OPEN MINUTES

Date: Monday 27 February 2023
Time: 9.36am
Venue: Committee Room 2, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Jake McLellan
Members	Councillor Sam MacDonald
	Councillor Tim Scandrett
	Ms Jacqueline Robertson Cheyne
	Mrs Hilary Walton

Principal Advisor

Leah Scales
General Manager - Resources / CFO
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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 Ngā Whakapāha

Part C

Committee Recommendation

The apology received from Tyrone Field was accepted.

Ms Wallace/Councillor McLellan

Carried

2. Declarations of Interest Ngā Whakapuaki Aronga

Part B

Councillor Sam McDonald declared an interest in item 11.

3. Confirmation of Previous Minutes Te Whakaāe o te hui o mua

Part C

Committee Resolved ARCM/2023/00001

That the minutes of the Audit and Risk Management Committee meeting held on Tuesday, 22 November 2022 be confirmed.

Councillor McLellan/Mrs Walton

Carried

4. Public Forum Te Huinga Whānui

Part B

There were no public forum presentations.

5. Deputations by Appointment Ngā Huinga Whakaritenga

Part B

There were no deputations by appointment.

6. Presentation of Petitions Ngā Pākikitanga

Part B

There was no presentation of petitions.

7. Consideration of the Council's Draft Annual Plan 2023/24

Committee Comment

1. The Committee discussed the constraints on the deliverability of the draft Annual Plan, noting that there is a capacity issue due to the current shortage in the labour market.
2. The Committee requested that the independent members be invited to the upcoming workshop on the Long Term Plan, organised by Peter Ryan, the date and time are to be confirmed.
3. The Officer Recommendation was accepted without change.

Committee Decided ARCM/2023/00002

Part A

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

1. Notes it has reviewed the general checklists and sign-offs by management, including significant forecasting assumptions, in respect of the information that provides the basis for the Draft Annual Plan 2023/24.
2. Advises the Council that in the Committee's opinion an appropriate process has been followed in the preparation of this information.
 - a. Notes that the Draft Annual Plan 2023/24 will be released when it is published in the Council Agenda for its meeting commencing 28 February 2023.

Ms Wallace/Councillor Scandrett

Carried

8. Procurement and Contracts Unit FY23 Q2 Report

Committee Comment

1. The Committee discussed the benefits of the Change Management System's focus on transparency and accountability, noting that from a tangible perspective staff are having to send significantly less purchase orders back.
2. The Officer Recommendation was accepted without change.

Committee Decided ARCM/2023/00003

Part A

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

1. Receive the information in this Quarterly Procurement Report.

Ms Wallace/Councillor McLellan

Carried

9. Resolution to Exclude the Public

Committee Resolved ARCM/2023/00004

Part C

That Chantelle Gernetzky of Audit New Zealand, remain after the public have been excluded for Items 10-12 of the public excluded agenda as they has knowledge that is relevant to those items and will assist the Council. That Alex Skinner, Mike Rondell and Paul Silk of CCHL, remain after the public

have been excluded for Item 11 of the public excluded agenda as they have knowledge that is relevant to that item and will assist the Council.

AND

That at 10.34 am 27 February 2023 the resolution to exclude the public set out on pages 244 to 246 of the agenda be adopted.

Ms Wallace/Councillor Scandrett

Carried

The public were re-admitted to the meeting at 12:08pm.

Meeting concluded at 12:08pm.

CONFIRMED THIS 21st DAY OF APRIL 2023

KIM WALLACE
CHAIRPERSON

Unconfirmed

7. Audit Plan 2022/23 Timing Update

Reference / Te Tohutoro: 23/500140

Report of / Te Pou Luke Smeele, Committee and Hearings Advisor

Matua: luke.smeele@ccc.govt.nz

General Manager /
Pouwhakarae: Lynn McClelland, Assistant Chief Executive Strategic Policy and Performance (lynn.mcclelland@ccc.govt.nz)

1. Nature of Information Update and Report Origin

- 1.1 The purpose of this report is to inform the Audit and Risk Management Committee that the audit plan for 2022/2023 from Audit NZ will be completed in the second half of May 2023.
- 1.2 The audit plan for 2022/23 from Audit NZ will not be prepared in time for the Audit and Risk Management Committee to review it at the meeting held on the 21 April 2023.

2. Officer Recommendations Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Receive the information in the Audit Plan Timing Update Report.
2. Note that the Audit plan for 2022/2023 will be completed in May 2023
3. Delegate authority to the Committee Chair to review the audit plan 2022/23 from Audit NZ.

3. Brief Summary

- 3.1 The Audit Plan is issued each year outlining audit issues, audit timetable and audit process.

Attachments Ngā Tāpirihanga

There are no attachments to this report.

In addition to the attached documents, the following background information is available:

Document Name - Location / File Link
Not applicable

Confirmation of Statutory Compliance Te Whakatūturutanga ā-Ture

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 Ngā Kaiwaitohu

Author	Luke Smeele - Committee & Hearings Advisor
Approved By	Luke Smeele - Committee & Hearings Advisor

8. 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
9.	CYBER SECURITY PROGRAMME UPDATE	S7(2)(C)(II)	PREVENT DAMAGE TO THE PUBLIC INTEREST	DISCLOSURE OF OUR APPROACH TO CYBER SECURITY WILL INCREASE THE RISK OF COUNCIL BEING A TARGET, RESULTING IN POTENTIAL SERVICE DISRUPTIONS AND / OR INFORMATION BREACHES THAT WILL NOT BE IN THE PUBLIC INTEREST.	29 MARCH 2024 THE CYBER SECURITY PROGRAMME UPDATE REPORT MAY BE RELEASED IF THE CHIEF EXECUTIVE HAS DETERMINED THAT THERE ARE NO LONGER ANY REASONS UNDER THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETING ACT TO WITHHOLD THE INFORMATION.
10.	RISK AND ASSURANCE UPDATE	S7(2)(E), S7(2)(J)	PREVENTION OF MATERIAL LOSS, PREVENTION OF IMPROPER ADVANTAGE	FINANCIAL AND SECURITY CONTROLS EXAMINED IN THE REPORT ARE DESIGNED TO PREVENT MATERIAL LOSS AND IMPROPER ADVANTAGE AND THEREFORE NEED TO BE PUBLIC EXCLUDED.	WHEN INTERNAL CONTROLS DISCUSSED ARE NO LONGER RELIED UPON.
11.	TE KAHA PROJECT - RISK MANAGEMENT UPDATE	S7(2)(H)	COMMERCIAL ACTIVITIES	TO AVOID RISK TO COMMERCIAL ACTIVITIES.	30 APRIL 2026 OR AT THE COMPLETION OF THE PROJECT

12.	ARMC PAPER - REPORT TO GOVERNORS FY22	S7(2)(C)(I)	PROTECTION OF SOURCE OF INFORMATION	INFORMATION ON CCC SYSTEMS ARE DISCLOSED IN THE AUDIT NZ REPORT.	20 APRIL 2024 ARMC TO SHARE FY23 REPORT TO GOVERNORS
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