



# MINUTES

## Audit and Risk Committee Meeting Monday, 12 October 2020

Ref: 1379999

**Minutes of Timaru District Council  
Audit and Risk Committee Meeting  
Held in the Meeting Room 1, Timaru District Council, King George Place, Timaru  
on Monday, 12 October 2020 at 11am**

**Present:** Keiran Horne (Chairperson), Cr Peter Burt (Deputy Chairperson), Mayor Nigel Bowen, Cr Stu Piddington, Janice Fredric

**In Attendance:** Chief Executive (Bede Carran), Group Manager Commercial and Strategy (Donna Cross), Chief Information Officer (Justin Bagust), Acting Chief Financial Officer (Sandy Hogg), Risk and Assurance Manager (Ernest Bernard), Director Audit New Zealand (John Mackey), Executive Assistant Commercial and Strategy (Liz Law)

The chairperson advised the Committee that the meeting will be recorded for training purposes. Group Manager Commercial and Strategy welcomed Executive Assistant Commercial and Strategy (Liz Law) and Acting Chief Financial Officer (Sandy Hogg) to the meeting.

### **1 Apologies**

Group Manager People and Digital (Symon Leggett) and Group Manager Infrastructure (Andrew Dixon).

### **2 Identification of Items of Urgent Business**

There were no urgent business items.

### **3 Identification of Matters of a Minor Nature**

There were no minor nature items.

### **4 Declaration of Conflicts of Interest**

There were no declarations of conflicts of interest.

### **5 Confirmation of Minutes**

#### **5.1 Minutes of the Audit and Risk Committee Meeting held on 16 June 2020**

There were a few corrections/amendments requested to be made (recorded below in the resolution).

It was noted that the Audit and Risk Committee Charter was approved by Council, but would need to be further updated to reflect the recent changes to the membership of the Committee.

#### **Resolution 2020/26**

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the Minutes of the Audit and Risk Committee Meeting held on 16 June 2020 be confirmed as a true and correct record of that meeting, with the following amendments:

- Section 6.5, last paragraph – replace “independent director” with “independent member”.
- Section 6.10, second paragraph – replace “altercations” with “implications”.

**Carried**

### **ACTION POINTS**

1. The actions schedule, outlining matters arising from each meeting and status, is to be attached to meeting agenda going forward.
2. The risk register is to be included in the next Council agenda.

## **6 Reports**

### **6.1 Audit and Risk Committee Work Programme**

The Committee was updated with the programme of work for the Committee which will be updated on a 12-month rolling basis and included with every agenda.

New and updated items are marked in red on the report.

#### **Resolution 2020/27**

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

**Carried**

### **6.2 Corporate Risk Register Update (All Risks)**

The Risk and Assurance Manager updated the Committee on the Corporate Risk Register.

Two risk workshops (SLT and Council) have been held with similar risks identified – these have been captured in the report. The Risk and Assurance Manager is to work through a ranking process with the Senior Leadership Team. This will be reported at the next meeting.

A discussion was held as to whether the residual risk was the risk after mitigations, or the implementation of areas for development. It was clarified that the residual risk is the risk after mitigations, and that implementation of the areas for development would be expected to further reduce this.

The following comments and questions were raised in relation to specific risks:

- Risk 4 (climate change)
  - Clr Burt advised that the adaptation strategy is key for Council but is unaware of a set timeline.

- The Chief Executive advised that more work is being done through the Senior Leadership Team. This work will be reflected in the Activity Management Plans, which are one of the primary tools to identify issues in relation to climate change.
- In addition, the Office of the Auditor General has made clear that part of Long Term Plans will be “what are councils doing to address climate change and the ramifications and implications that arise”. The Chief Executive advised that extra resource is being put in place to help identify some of those climate change issues and the effects. There is currently no overarching strategy developed yet but it is something that is to be worked on.
- Risk 5 (natural disaster): It was noted this risk needs the areas for development included, and it's expected the Council would be seeking to reduce this risk (currently assessed as extreme).
- Risk 10 (minor injuries): It was noted that minor injuries are not a strategic issue, therefore a question was raised over whether this needs to be included on the strategic risk register.
- Risk 5 (natural or human induced disaster event) and risk 7 (major financial shock): These new items are a little vague and the Committee would like to see these risks updated to capture more specific detail.
- Risk 24 (legislative changes): Needs further development of the mitigations, for example, engagement and stakeholder relationship management etc.

With the following general comments/suggestions for improvements:

- Timelines – ensuring areas for development are time bound with reporting on items completed.
- Mitigations/areas for development: ensuring these are clear and specific, with further clarity of what is being done to mitigate the top risks, who is responsible, when it is expected to be done, and a status register was requested.
- There are a lot of things Council are doing that are not included. It would be good to see the entire list from the risk management framework included.
- Changes since the last report shown in another colour and possibly an up or down arrow on the residual rating to show direction of travel (is the risk severity increasing or decreasing).

### **Resolution 2020/28**

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the report be received and noted.

That a recommendation be made to Council to adopt the Risk Appetite Statement.

**Carried**

### **ACTION POINTS**

- The risk register is to continue to be refined and improved taking into account the suggestions made by the Committee, with clear responsibilities, timeframes and tracking of areas for development.
- The risk appetite statement is to be referred to Council for approval.

### 6.3 Recommendations from Review of Risk Management Framework - Implementation Plan

The Committee was presented with a draft Risk Management Framework and given an update by the Risk and Assurance Manager.

The framework is now more detailed and has been updated using the new 2018 ISO Standard, and services as the supporting framework and guideline to the risk management policy. The Chair acknowledged the work done by the Risk and Assurance Manager.

A member inquired if an external audit was carried out to achieve compliance with the ISO standard. The Risk and Assurance Manager clarified that an audit has not been carried out and Timaru District Council is not accredited as such, rather the ISO standard has been used as a guiding document when developing the risk management framework.

It was pointed out that Quality Assurance and Annual Certification were in the contents but did not appear in the document. The Risk and Assurance Manager will look into whether these are meant to appear or could be removed.

It was asked if the figures under Appendix 3 Financial, had been aligned and checked that they are correct. Further work needs to be done as there appears to be some inconsistencies in the appendices.

There was discussion around if the preparation of risk treatment plan within 30 days was fast enough for an extreme event. It was agreed that the plan to be finalised in 30 days was reasonable as there was immediate notification in an extreme event.

Clarification was sought around who extreme and high risks and incidents were reported to. It was explained that health and safety events come from health and safety department and they report to the Risk and Assurance Manager to report to the Committee, with serious incidents reported to the Chief Executive. Anything that needs to be reported to Worksafe is reported directly to the Chief Executive.

In relation to capital projects, extreme/high risks, and adverse events are reported to the group manager and then a decision is made where to escalate further.

The Group Manager Commercial and Strategy suggested that the Risk and Assurance Manager prepare on a two monthly report with an aggregation of the risks across activity management plans, project plans etc. for the Senior Leadership Team to discuss at their operations meeting and then the agreed high and extreme risks will be reported to the Committee. If an extreme risk event happens outside of this timeline it will be reported separately.

Council subsidiaries are responsible for their own risk registers but it is currently being asked how these risks could affect Council. For Timaru District Holdings Limited, requirements around risk reporting are set out in letters on expectations and statements of intent.

Under the benefits section (section 3) there needs to be some mention of the upside risks, opportunities need to be captured.

The Risk and Assurance Manager is to confirm to the Committee if the risks assessed as high or very high under 4.3 of the Risk Management Framework are gross or residual. Also the last line under 4.4 needs to be updated.

The following corrections are to be made to the framework:

- Page 14 under Contingency Plans, "staff, students or contractors" amend to read "staff, community or contractors".

- Page 33 under Almost Certain and Possible, “9 or next 10 years” and “4 or next 10 years” amend to read “9 of the next 10 years” and “4 of the next 10 years”.
- Appendix 5 needs a heading on the same page.
- Appendix 5 under Risk Rating Health and Safety, second risk is not in line with Appendix 3 – the Risk and Assurance Manager to look into this inconsistency in thresholds.
- Appendix 6 is not consistent with Appendix 5 – Risk and Assurance Manager is to look into and update inconsistencies around who is to be notified – Group Manager or Chair.

The Risk Policy is meant to be the higher level but there is some information duplicated – duplication can be removed and policy elevated to a higher level document.

### **Resolution 2020/29**

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the report be received and noted, and the framework with revisions (taking into account the Committee’s feedback) will come back to the Committee to make a recommendation to Council to approve.

**Carried**

### **ACTION POINTS**

- The Risk Management Framework is to be updated to take into account the comments and suggestions from the Committee noted above. The updated risk management framework will come back to the next meeting for review prior to it being recommended to Council for approval.

## **6.4 Internal Audit Plan**

The Risk and Assurance Manager provided a more detailed audit plan for 2020/21 which outlined the resource required to carry out the proposed audits.

The Committee was provided a revised plan to prioritise key audits and risk management activities.

Risk and Assurance will review the Internal Audit Plan periodically and advise the Senior Leadership Team of any extreme/high risks matters and will propose for those areas to be prioritised for a review if required.

The Group Manager Commercial and Strategy advised the Committee that council has not undergone an independent risk maturity assessment.

There needs to be clarity around when checks will be carried out, particularly if an area identified for audit has not been or will not be audited within three years. One member asked officers to consider prioritisation of the following audit areas if not recently reviewed: procurement, assets (purchasing/disposals), leases, grants, privacy.

Group Manager Commercial and Strategy noted that these internal audits are in addition to the continuous improvement activities of each team within the organisation to ensure its own practices and procedures are compliant and consistent with good practice.

The Chief Executive noted that if we identified heightened risk we would move to do greater internal assurance.

It was noted that due to the resources available, not all areas can be audited every year. Further risk and resource based prioritisation of the risks will occur prior to confirming the future audit programme.

The Chair is satisfied with the process that is being taken for 2020/2021.

### **Resolution 2020/30**

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That we recommend the Draft Internal Audit Plan to Council for approval.

**Carried**

### **ACTION POINTS**

- The draft internal audit plan is to be referred to Council for approval, on the recommendation of the Committee.

## **6.5 AuditNZ - Long Term Plan Audit - Letter of Engagement**

The Chair welcomed John Mackey, Director from Audit New Zealand (AuditNZ).

Group Manager Commercial and Strategy and the Audit Director have held discussions in regard to the letter of engagement mainly around timeframes which will differ from previous Long Term Plans due to COVID-19. These are not currently in the letter of engagement but will be added. Tools have been provided by AuditNZ to enable us to ensure that the way we are progressing is going to be useful when it comes time to do the audit.

The Audit Director elaborated further on the timeframes for Annual Reports. They have been moved out by two months to 31 December due to the need to prioritise the financial statements of government.

Long Term Plan (LTP) audits will not start until after Christmas. They will look at infrastructure strategy and asset management plans prior to Christmas. There is no action to defer the adoption date for the LTP at present which is still 30 June 2021, and timeframes will be difficult. While there is no penalty for late adoption of an LTP, it may become a problem for rating processes (the Committee also noted difficulties around interim decision making, and need to ensure good consultation).

The Chair asked officers what is being done to mitigate timing and other issues with the Long Term Plan. The Chief Executive advised the Committee that there is a LTP Project Control meeting being held next week to discuss any resourcing issues.

The Chair noted that there is a requirement for the Mayor to sign the engagement letter and was advised that there is no requirement for this to go to Council.

The Chair noted that the self-assessment document is to be reviewed by the Chief Executive and the Chair and is to be submitted by 22 October 2020.

### **Resolution 2020/31**

Moved: Ms Keiran Horne

Seconded: Ms Janice Fredric

That the report be received and noted.

**Carried**

### **ACTION POINTS**

- The Group Manager Commercial and Strategy will arrange for signing of the Letter of Engagement by the Mayor.
- The self-assessment document is to be completed and provided to the Chief Executive and Chair to review prior to submission to AuditNZ on 22 October.

## **6.6 Probity Report**

The Committee was advised that there have been no incidents of wrong doing brought to the attention of the Chief Executive or other senior executives in Council.

### **Resolution 2020/32**

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the report be received and noted.

**Carried**

## **6.7 Health and Safety Update**

Justin Bagust, Chief Information Officer advised the Committee he is standing in for the Group Manager People and Digital.

The Council's new Health and Safety Advisor is currently focussing mainly in the contractor space.

A question was raised in relation to a serious incident regarding a member of the public at CBay pool last year. What is being done to mitigate these types of risks. The Committee asked why this incident has not appeared in the reporting to the Committee.

The Chair requested that with the new Health and Safety Advisor coming on board, could he attend the next Committee meeting.

It was requested that additional content be included in this report in the future, including:

- What is the roadmap;
- What are the annual objectives;
- How are they measured and monitored (and performance measured);
- What are the lag and lead indicators;
- What is the benchmarking against other Councils;
- Other indicators (e.g. leave balances, staff turnover, exit themes), schedule of H&S observations and targets;
- The Chair would like clarification of critical safety risks within the organisation i.e. the risks of serious harm/death, what are the mitigations, the path forward, external reviews (what is the proposed programme for external review).



The Chief Executive noted that the People and Performance Committee receive reports on staff turnover, leave balances etc.

The Health and Safety Advisor's main focus is in the contractor space at the moment – as the risk is quite high.

There is a Health and Safety Canterbury Managers' Group so information could be obtained through that group.

Currently near misses are reported through a system called Safehold (likely to be updated).

### **Resolution 2020/33**

Moved: Ms Keiran Horne

Seconded: Ms Janice Fredric

That the report be received and noted.

**Carried**

### **ACTION POINTS**

- Kevin Rowell, Health and Safety Advisor is to be invited to the next meeting.
- A follow up report is to be provided in relation to the assault at Cbay last year with details of where this was recorded/reported.
- The next H&S report is to include additional reporting, including the items identified in the comments.

### **7 Consideration of Urgent Business Items**

No items.

### **8 Consideration of Minor Nature Matters**

No items.

### **9 Exclusion of the Public**

### **Resolution 2020/34**

Moved: Ms Keiran Horne

Seconded: Cr Peter Burt

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Plain English Reason</b>
<b>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 16 June 2020</b>	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural	To protect a person's privacy Commercial sensitivity Due to an obligation of confidence and to ensure the

	<p>persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>information avenue remains open, when it is in the public interest for it to do so</p> <p>Due to an obligation of confidence and to protect the public interest</p> <p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable commercial activities</p> <p>To enable commercial or industrial negotiations</p>
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	s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	
<b>10.2 - Health and Safety Update</b>	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
<b>10.3 - Cyber Security Report</b>	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
<b>10.4 - Employee Matters</b>	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
<b>10.5 - Recommendations Outstanding Register</b>	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
<b>10.6 - Legal Update</b>	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information  s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege  s7(2)(i) - The withholding of the information is necessary to	Commercial sensitivity  To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.  To enable commercial or industrial negotiations

	enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	
<b>10.7 - Insurance</b>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>
<b>10.8 - AuditNZ - Interim Management Report</b>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>
<b>10.9 - Timaru District Council Draft Annual Report 2019/20</b>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	disadvantage, commercial activities	
<b>10.10 - Committee and Auditor only time (agenda placeholder)</b>	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Due to an obligation of confidence and to protect the public interest</p> <p>To enable commercial activities</p>
<b>10.11 - Committee and Chief Executive only time (agenda placeholder)</b>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</p> <p>To enable commercial activities</p>

**Carried**

**Recommendation**

That the meeting moves out of Closed Meeting into Open Meeting.

- 10 Public Excluded Reports**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 16 June 2020**
- 10.2 Health and Safety Update**
- 10.3 Cyber Security Report**
- 10.4 Employee Matters**
- 10.5 Recommendations Outstanding Register**
- 10.6 Legal Update**
- 10.7 Insurance**
- 10.8 AuditNZ - Interim Management Report**
- 10.9 Timaru District Council Draft Annual Report 2019/20**
- 10.10 Committee and Auditor only time (agenda placeholder)**
- 10.11 Committee and Chief Executive only time (agenda placeholder)**
- 11 Re-admittance of the Public**

**The meeting closed at 2:20pm.**

**Minutes confirmed 8 December 2020.**

**Keiran Horne  
Chairperson**