



MINUTES

Audit and Risk Subcommittee Meeting Tuesday, 18 June 2019

Ref: 1264197

**Minutes of Timaru District Council
Audit and Risk Subcommittee Meeting
Held at the Meeting Room 1, Timaru District Council, King George Place, Timaru
on Tuesday, 18 June 2019 at 11am**

Present: Clr Peter Burt, Mayor Damon Odey (Mayor), Clr Andrea Leslie, Clr Nigel Bowen, Keiran Horne

In Attendance: Group Manager Commercial and Strategy (Donna Cross), Group Manager People and Digital (Symon Leggett), Chief Information Officer (Justin Bagust), Management Accountant (Sandy Hogg), Financial Advisor (Stephen Halliwell), Executive Assistant Commercial and Strategy (Jo Doyle)

Apology

Committee Resolution 2019/2

Moved: Clr Nigel Bowen

Seconded: Mayor Damon Odey

That the apology received from Chief Executive (Bede Carran) and Chief Financial Officer (David Codyre) be accepted and leave of absence granted.

Carried

1 Identification of Items of Urgent Business

Two reports to be included in Public Excluded section of the meeting.

1. Insurance Renewal
2. Audit NZ Update – Interim Audit Briefing

2 Identification of Matters of a Minor Nature

Nil

3 Declaration of Conflicts of Interest

Nil

4 Confirmation of Minutes

5.2 Minutes of the Audit and Risk Subcommittee Meeting 4 December 2018

The corrected minutes from 4 December 2018 will be included for confirmation in the agenda for next Audit and Risk Meeting 2 October 2019.

5.3 Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019

Committee Recommendation

Moved: Clr Nigel Bowen

Seconded: Clr Andrea Leslie

That the Minutes of the Audit and Risk Subcommittee Meeting held on 9 April 2019 be confirmed as a true and correct record of that meeting.

Matters Arising From Minutes

An update was requested on the Anderson Lloyd review of the Delegated Authority policy. The initial review is underway internally. This has raised a number of questions that need to be worked through.

What has been proposed is to undertake a staged approach to the Delegations review. Firstly, to make sure it is accurate and fit for purpose, secondly to look at what broader improvements could be made to the policy, and thirdly to look at potentially moving it to a different platform (e.g. technology based) to make it more user friendly (and ultimately support compliance).

An update was also sought on the reporting on key CCO risks. Officers are seeking the view of the Chair of TDHL on the prospect of including CCO risks in the Timaru District Council risk register.

The asset revaluation (transition to fair value) was not mentioned in the accounting policy paper, but planning needs to start now. This is not effective until 1 July 2019 and officers clarified that while not included, work has started on this, through a Project Team who are considering which Assets need to be included.

5 Reports

6.1 Work Programme

The revised programme has now been corrected, and new items have been added, namely the Legal Update and LGOIMA requests that were not previously included as part of regular reporting.

The All Risks Register will be reported to the committee at the next meeting to give time to hold a workshop with SLT.

It was requested that Cyber Security should be added to the work programme, and that the Work programme be split into Public and Public Excluded items.

There are two new items that the Subcommittee requests, be added as standing items in the Agenda, these are Auditor Only Time and Chief Executive Only Time (both Public Excluded).

It was noted that the current engagement agreement with the auditor has not budgeted for attendance at every meeting. This is due for renegotiation shortly so can be amended.

Committee Recommendation

Moved: Mayor Damon Odey

Seconded: Clr Andrea Leslie

- 1 That the report be received and noted and the Committee agreed with the additions to the Work Programme and Agenda.

6.2 Health and Safety Update

A refresh on statistics has been made as the year is April to March. The Incident only line has increased which is reflective of more incidents being reported from staff, but also shows a decline on lost time.

There is increased focus on Standard Operating Procedures which is proving beneficial. The next area of focus is ensuring that all high risk activities that could potentially harm staff or visitors are identified then removed or mitigated as much as possible.

Confined spaces and working at heights are due to be assessed and reviewed within the Health and Safety risk register.

The learnings from the Christchurch City Council incident in March 2019 are being considered through Central Government. The findings from this incident have not yet been made available, however issues to be considered are the possibility of lockdowns that could run overnight. This would mean a need for basic necessities such as food, medications and comfort.

Security for customer services based in the main building during critical incidents has been addressed with an external consultant, this training covered an escape and response plan as well as lockdown procedures. The next step in the process is to roll this out through external Service Centres this year.

Committee Recommendation

Moved: Cllr Andrea Leslie

Seconded: Mayor Damon Odey

That the report be received and noted.

6.3 Accounting Policies for 2019 Annual Report

An update was provided by the Management Accountant.

At this stage there are no changes to the Accounting Policies. However any changes recommended from the outcome of the audit may need to be taken into account.

Some groupings have changed for consistency with other reporting and on Audit NZ advice.

It was noted that there was a previous audit recommendation in relation to changing the Landfill Aftercare policy. This has been done for the Annual Report, is now a practice in place for future calculations, but is not a change to the accounting policy.

There are no impairments or contingency liabilities are expected heading into the end of financial year.

Committee Recommendation

Moved: Cllr Nigel Bowen

Seconded: Cllr Andrea Leslie

That the Audit and Risk Subcommittee receive and note this report.

6.4 Audit NZ Audit Plan 2018/19

This is the same report that was presented to the Subcommittee at the April meeting, but with dates now included. The dates have been discussed with the Auditor and have been confirmed, so as to ensure the audit will be completed prior to the election.

It was queried by a subcommittee member that with the auditors on site last week, whether this is later than usual and whether that meant the audit would be delayed. It was confirmed that the interim report will take approximately 3 weeks and is expected to be finalised by 12 July and will be ready to be tabled at the next meeting.

The timing of the audit and the Subcommittee's recommendation in relation to the adoption of the Annual Report was discussed, as the scheduled meetings of Policy and Development are 17 September or 26 November. The draft report will come to Audit and Risk on 2 October. Concern was raised as to whether the Subcommittee can make a recommendation directly to Council in relation to the adoption of the annual report. Also whether the timeframe would enable the report to be provided to Council on 8 October. The delegations confirmed that the Audit and Risk Subcommittee can recommend direct to Council.

It is expected the new team will be able to achieve the timeframes needed. Weekly meetings are to be held. The contingency plan is adoption after the election, which is still within the statutory timeframe.

At this time there are no red flags from Audit NZ. It was noted the audit was dependent on some matters that were outside of our control, such as CCOs completing their Annual Reports on time. The communication received is the required timeframes will be met.

The auditor has expressed some concern around the risk of the new finance team. However their letter states that no extra work is required at this stage. The EY review is yet to be received.

Committee Recommendation

Moved: Cllr Nigel Bowen

Seconded: Mayor Damon Odey

That the report be received and noted.

6.5 Corporate Risk Register

The Group Manager Commercial and Strategy advised that updates to the Corporate Risk Register are shown in red, and only the top risks have been reported, with the all risks register to be provided for the October meeting.

Officers noted that the market is changing rapidly around carbon credits/NZUs, and our Carbon Policy needs to be reviewed to consider how Council reports and manages risk.

The Subcommittee noted that landfill analysis will also need to be added to the risk register.

The Group Manager Commercial and Strategy provided the following update and observations:

- A Senior Leadership Team workshop was planned to undertake a full review of our corporate risk register.
- A review of our risk policy and risk framework would be undertaken.
- The risk policy contemplates a corporate risk register but also subsidiary risk management plans, such as at the group, activity, asset and project level.
- We will be looking at how risk is being managed at the subsidiary level and how that ties into our enterprise risk management.
- Effective risk management should support improved performance and decision making and we need to look at how risk is being factored into our decision making, both in terms of internal approvals and Council reports (currently an explanation of risk is not included as a specific section on Council reports).
- Our systems and practices to support effective and efficient decision making internally are being further developed, building on templates used within Environmental Services.
- The advertising for the Risk Management and Assurance position had gone live, and having this role filled will assist to lift competency across the organisation.
- A key focus for the Risk and Assurance team will be education. Raising awareness and providing training internally in relation to risk and our risk management framework.

The subcommittee was asked about the prospect of a workshop to review the risk register. It was felt that this would be a valuable exercise for the subcommittee. It was discussed that the new Risk & Assurance Manager should be involved, that the workshop needs to be held after the election, and used as a good tool for induction for any new Subcommittee members.

It was suggested that an effective organisation improvement register with audit tracking and reviews be instigated.

Another new risk that needs to be considered is climate change. A strategy is underway within the Commercial and Strategy Group, which will be presented to Senior Leadership Team. It is recognised that the right staff will need to be involved to source information and provide direction on this strategy.

In relation to the critical risk “failure to deliver capital programme”, why the consequences were so high was queried. An explanation was sought as to why this is critical and what is being done to reduce this risk? The Group Manager Commercial and Strategy explained the Chief Executive’s rationale for this (that until the mitigations proved effective, the risk should remain as high).

What is Council’s appetite for critical risk should be explored.

The Subcommittee requested a full report be presented at the next meeting, anticipating that the new risk manager should be in place by October. A full report on capital projects risk was requested.

Committee Recommendation

Moved: Clr Nigel Bowen

Seconded: Clr Andrea Leslie

That the report be received and noted.

6 Consideration of Urgent Business Items

7 Consideration of Minor Nature Matters

8 Exclusion of the Public

Recommendation

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.2 - Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons 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	To protect a person's privacy Commercial sensitivity
10.3 - Tax Advisory Services	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 Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so To enable commercial activities

	<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)(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>	
10.4 - Cyber Security Report	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
10.5 - Health and Safety Update	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
10.6 - Employee Matters	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
10.7 - Legal update	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>Commercial sensitivity</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 or industrial negotiations</p>

	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>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)</p>	
10.8 - LGOIMA Requests - Previous 12 Months	<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)(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)(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>Commercial sensitivity</p> <p>Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so</p> <p>To enable commercial activities</p>
10.9 - Outstanding Matters raised by Audit	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	<p>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>	
10.10 - 2018 Annual Report Timeframe	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

Committee Recommendation

Moved: Mayor Damon Odey

Seconded: Cllr Nigel Bowen

That Council moves out of Closed Council into Open Council.

- 9 Public Excluded Reports**
- 10.2 Public Excluded Minutes of the Audit and Risk Subcommittee Meeting 9 April 2019**
- 10.3 Tax Advisory Services**
- 10.4 Cyber Security Report**
- 10.5 Health and Safety Update**
- 10.6 Employee Matters**
- 10.7 Legal update**
- 10.8 LGOIMA Requests - Previous 12 Months**
- 10.9 Outstanding Matters raised by Audit**
- 10.10 2018 Annual Report Timeframe**
- 10 Readmittance of the Public**

The meeting closed at 1.57pm.

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Chairperson