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**MINUTES**  
of the  
**AUDIT AND RISK COMMITTEE MEETING**  
held  
**1.30 pm, Thursday, 5 December 2019**  
at  
**Tasman Council Chamber, 189 Queen Street, Richmond**

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Present: Councillors D Ogilvie (Chair), Greening, Hill, Mackenzie, Walker and Mr G Naylor

In Attendance: Corporate & Governance Services Manager M Drummond,  
Finance Manager M McGlinchey, Financial Accountant C Thomas, Audit Director John Mackey,  
Executive Assistant Christina Ewing, Operational Governance Manager Trudi Zawodny

Part Attendance: Chief Information Officer S Manners

**1 OPENING, WELCOME**

**2 APOLOGIES AND LEAVE OF ABSENCE**

Nil

**Moved Cr Ogilvie/Cr Greening**  
**FNAU19-12-1**

**That apologies be accepted.**  
**CARRIED**

**3 DECLARATIONS OF INTEREST**

Nil

**4 LATE PAPERS**

Nil

**5 PRESENTATIONS**

Nil

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## 6 REPORTS

### 6.1 Risk Appetite Statements

#### Trudi Zawodny-Operational Governance Manager

The Operational Governance Manager (OGM) presented the Risk Appetite Statements Report and took it as read by the Committee Members.

The Risk Management Policy was adopted in 2017 and is part of good Governance. It's the guideline and processes that the Council has to manage risk.

The categories in the Risk Appetites have been presented to Council for approval, once these have been approved staff will start rolling out the process.

It was noted that it was good to see the Council progressing the Risk Framework, however a member of the committee enquired as to how Council would make it a living framework, imbedded in the organisations culture. They also had queried the management systems within the Council that support this. The Corporate Governance Service Manager (CGSM) said there was not yet any formal reporting to support this process. At the moment at the Leadership meeting (weekly) the risks are reported. Part of the development of this process is to get the reporting in place, and to also review the Risk Register. The framework will allow this process to be more formal.

A member pointed out that they hoped that the exercise didn't become a compliance *tick the box* document. The Operational Governance Manager (OGM) outlined how part of her role is to champion and monitor the Risk Register and work with the Managers in the organisation.

It was also acknowledged by a member how it was good that the Risk Register and the Risk Framework were being updated and made a priority. They also asked how staff will report on identified risks and how will this information be mapped. The OGM explained that additional staff are joining the Governance team and their roles will be insuring mitigations that have identified are followed through.

A member of the Committee indicated how he would like to see the Risk Appetite compared to the Area of the Council and whether it is succeeding or failing. It was explained how the Risk Register sits behind the Risk Appetite and that individual risks will be identified.

The CGSM responded that the intention is that the high-level reporting on Councils larger Risks and Exposures will go to the Audit & Risk Committee, smaller risks will go to the Operations Committees. The Leadership Team (LT) has recognised that the reporting in this area has not been high and that is one reason why the Operational and Governance Team was created. The initiative in creating this team was supported by LT and Council.

A member of the Committee wanted acknowledgement that the operational risks would come to the Audit & Risk Committee. The discussion continued with the member enquiring as to what the risks are and how are they tracking on an operational level. It was noted by another member of the Committee, that moving forward what will transpire will be that high level risk(s) will be reported to this Committee with the Risk Appetite and the response. It was noted that the CGSM agreed with Mr Naylor that he was correct on the approach and that it was one the Council intended to take.

A member of the Committee asked if it could be explained how the risk appetites were determined. There was a brief explanation of the workshop process which led to the development of the Risk Appetites. A member highlighted some wording changes for the Risk Appetite document. These were noted and passed onto the OGM for updating. (Action 1)

Another Member highlighted the Risk Appetite on Page 7 where he did not feel they matched the Existing Risk Rating. An example was discussed amongst the group- Risk 2 'Maintaining sufficient Water Supply' The CGSM responded that the risk appetite to maintain sufficient water supply was

*moderate*, however due to the current level of risk based on existing controls and last Summer's drought the current level of risk was *Extreme*, though once the Waimea Community Dam is completed the water supply will be improved and therefore the risk rating will drop. We must maintain water supply at all times and have a stable supply, the community have a *low risk appetite* for not maintaining this.

Councillor Greening wanted it noted that he believes the Risk Appetite for the district water supply is incorrect and that the community are prepared to accept the current *Extreme Risk*- Meaning that the community is prepared to take a risk of low water supply over periods of drought.

A discussion continued on *Risk Appetite Targets, Ratings and Existing Controls* was explained that the *Risk Appetite Target* states how much risk you are prepared to take and the *Risk Rating* is where it is sitting currently.

A member of the Committee pointed out how the introduction of the Risk Appetite for the first time to new Councillors could be causing problems. The CGSM mentioned how the Council have done an analysis to determine current Risks. He continued to explain how on the left hand side of the table is the *Appetite* that Council have and if the *Existing Risk* is much different we need to mitigate.

It was mentioned by Cr Greening that he would like to see the risk to be re-assessed and if it was a *low risk* then the Council should look at what they are spending. (*Low risk equals low spend*)

The CGSM noted that to reduce *Risk* you need to have an investment in future planning and in the Long Term Plan (LTP). Councillors can debate this however this is not the correct place or process.

The Chair mentioned that the Waimea Community Dam solution does take a *low risk* approach, though we are still trying to determine and set the overall district wide target. It is said however that the dam will significantly reduce the risk in the area.

Councillor Greening wanted it noted in the minutes that he did raise concerns of the Waimea Community Dam project. Also that he could not support all the risk changes and therefore voted against the motion".

#### **Moved Cr Mackenzie/Cr Hill FNAU19-12-2**

**That the Audit and Risk Committee;**

- 1. receives the Risk Appetite Statements RFNAU19-12-4; and**
- 2. recommends to Council the Risk Appetite Statements for approval and adoption**

**CARRIED**

#### **6.2 Internal Audit Update Report-Dec 2019-Charlotte Thomas**

The purpose of the Internal Audit function at Tasman District Council is to assist the Council to achieve its objectives by providing independent and objective assurance and consulting services to add value and improve the Council's operations. The report was received and the contents noted.

#### **Presentation (Verbal) by Steve Manners - Chief information officer**

CIO joined the meeting to respond to previously identified *Financial Management Information*

*System-Issues and Risks.*

It was asked by a member of the Committee if there was any financial provisions in the Long Term Plan(LTP) for the digital strategy and re-development of the Council systems. The CGSM responded that the Council do have a small provision in the current LTP. At the time the LTP was developed we were unsure of what amounts would be required. However this will be addressed in the next Long Term Plan. While our staff are good at adapting to systems that have become outdated we are now at the stage where system upgrades are essential. The Chair agreed that the Council was at a stage where the IT systems needed to be updated to meet Councillor and rate payer expectations.

The CIO advised of the following steps are key to discerning what systems will meet our current and future requirements:

- Firstly we must collect information so we can start producing artefacts across Council and Communities.
- We must look at how we engage digitally across the organisation.
- We also need to revamp the processes currently in place.

The CIO was asked by a member of the committee what was their initial impression. The CIO advised he has an engaged team, a team that has high technical skills and delivers work of good quality. The team's engagement has been positive, because of this we have been able to maximise the life of the systems that we currently use. However the IT infrastructure has now passed its use by date and we need to upgrade both the systems and the equipment as they are outdated. We continue to use systems based on premise that is not an accepted modern practice. IT infrastructure is now usually located in a *purpose built data centre* or *in the cloud*.

Some of the problems with on premise solutions are:

- 1) The environment including heating and cooling the IT and equipment areas.
- 2) MagiQ our ERP system and Silent One our document management system are both well out of date and don't meet our requirements.
- 3) Our Geographic Information System-GIS Is overloaded and operating outside its design parameters.

The CIO advised he will be preparing a business case for consideration by Council covering the significant investment in replacement systems that will be essential. Part of the proposed solution could be to buy Information Systems rather than building our own systems from scratch. He also intends to introduce consistent data standards and data dictionaries.

He was asked to explain how the data security risks around these systems was being managed.

The CIO advised that there is always risks with Information Systems, the Council do undertake regular system checks and monitoring to ensure system integrity. He also advised that some risks would be mitigated by using a purpose built data centre and or cloud base solutions.

The committee asked if our systems were considered a *low risk* area for the Council. The CIO responded that it was higher than low, the risk was high now due to the age of our systems and us reaching system limits.

A member of the committee commended the Council for appointing a CIO and thought it was a good way to moving forward.

It was asked when the CIO will be in a position to say what the Council needs to do in the short term. The CIO responded by saying he'd like to publish the 'Revised Digital Strategy' in May 2020, first he will engage with Council then he may need to consult with the public. A member

noted that they had seen a number of these transformation projects that carry a high risk for failure and non-delivery. It was asked of the CIO how he envisages managing these potential problems. The CIO responded that he plans to use well tested and trusted software, this will reduce risk while undertaking the exercise. It was also asked how the CIO would assess the risk to Council in the time that would be necessary to develop and gain approval for a digital upgrade plan. The CIO again responded that he would look at staffing and available information. He assessed the risk at *moderate to high*. To reduce that risk he will have ensured appropriate processes are followed including having a robust *Change Management Programme* in place and also have people available to support Council staff and systems.

The Chair thanked the CIO for coming to the meeting and explaining his position.

*Steve Manners left the meeting at 3.00pm*

It was asked by a member of the committee how does the Council review and check the Internal Audit processes to ensure key risks like corruption are addressed. The Audit Director advised that he had previously informed the committee on issues related to bribery and corruption and how it can occur in a Council setting. An example of this could be resource or building consents being given out that should not have been. He reiterated how important it is to have sound internal processes for checking how consents are processed and approved. Internal audits of these processes is one way we can have confidence in the system.

The Finance Manager will be preparing a draft Internal Audit Plan. This Plan will be presented to the Audit & Risk Committee around February 2020. Key staff have been required to undertake suitable anti-fraud and bribery webinars/training.

A Committee member raised a concern over the independence of the Internal Audit role. The role reports to the Finance Manager, but also has direct access to the CEO and Chair of Audit and Risk Committee. The Financial Accountant advised the Committee that Council also use an external firm for internal audit work and the role has full access to that firm's senior management.

The Independent member advised that the Internal Audit and Risk Management needed to work together when reviews progress on the Internal Audit function. It was noted that progress has been made with a number of improvements.

**Moved Cr Mackenzie/Cr Walker**  
**FNAU19-12-3**

**That the Audit and Risk Committee receives the Internal Audit Update Report-Dec 2019**

**That the Audit and Risk Committee recommends to full Council the adoption of the Internal Audit Charter after amendment for the matters raised at the meeting.**  
**CARRIED**

### **6.3 Audit Management Report for the Annual Report 2019**

The Auditor Director mentioned that the June 2019 Annual Report Audit process was challenging because of the issues that were happening within the district. (Waimea Community Dam, Pigeon Valley Fires etc.) This consumed resources/staff and put considerable pressure on people's time. It was noted that there was a strong effort to get the Annual Report prepared on time. There remains some room for improvement but from a Governance perspective the management report provided a positive view.

It was mentioned by a member that it is a very fair report and considerable progress was made on matters raised in previous reports. It's good to see the commitment to continue to improve. The key thing is to anticipate the problems and put in some key strategies to overcome them.

The Auditor Director said there are some technical issues as far as accounting for Waimea Water Limited (WWL) but this is being fine-tuned for the 2020 Annual Report.

The Auditor Director said the areas of focus for the next audit will be:

- 1) WWL and developments that impact on the contingency disclosures and keeping to project budgets.
- 2) Recognition of assets and asset valuations
- 3) Issues regarding the independence of the forestry revaluation.

The following areas of focus have been advised by the Office Auditor General.

- Change in the LGA legislation related to community outcomes.
- Climate change (needs to include responses in the Long Term Plan.)
- Decisions over Capital versus Operational expenditure
- Provincial Growth Fund applications

The CGSM advised the Council currently has an application for Capital Funding for Port Tarakohe with the Provincial Growth Fund, but have not had a response yet.

It was asked by a member of the Committee what does the reporting on the achievement towards the outcome mean. The Auditor Director replied how it use to denote *what you've been doing that benefits the community*.

A member of the Committee queried if the work done by staff meet the expectations of the Auditor. The CGSM responded that he believed it did.

The Chair thanked the members of the Committee for their time and the meeting closed.

**Moved Cr Ogilvie/Cr Mackenzie**

**FNAU19-12/3**

**That the Audit and Risk Committee receives the Audit Management Report for the Annual Report 2019  
CARRIED**

The meeting concluded at 3.25

Date Confirmed:

Chair: