



AUDIT AND RISK SUBCOMMITTEE AGENDA

Thursday 19 September 2019

1:00 pm Council Chamber
Level 2 Philip Laing House, 144 Rattray Street, Dunedin

Membership

Mr David Benham

(Chairperson)

Cr Stephen Woodhead

(ORC Chairperson)

Cr Gretchen Robertson

(ORC Deputy Chairperson)

Cr Doug Brown

(Chair Finance and Corporate Committee)

Cr Trevor Kempton

Cr Michael Laws

Disclaimer

Please note that there is an embargo on agenda items until 48 hours prior to the meeting. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

For our future

TABLE OF CONTENTS

1. Apologies.....	3
2. Leave of Absence	3
3. Attendance.....	3
4. Confirmation of Agenda.....	3
5. Conflict of Interest	3
6. Public Forum	3
7. Presentations	3
8. Confirmation of Minutes.....	3
9. Actions (Status of Committee Resolutions)	9
10. Matters for Noting	10
10.1. A&R1869 Treasury Report - September 2019	10
10.2. A&R1874 Health and Safety Report - September 2019.....	15
11. Resolution to Exclude the Public.....	17
12. Closure	18

1. APOLOGIES

No apologies were received prior to circulation of the agenda.

2. LEAVE OF ABSENCE

No leaves of absence were requested.

3. ATTENDANCE

4. CONFIRMATION OF AGENDA

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

5. CONFLICT OF INTEREST

Members are reminded of the need 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.

6. PUBLIC FORUM

No requests to address the Committee were received prior to circulation of the agenda.

7. PRESENTATIONS

No presentations are scheduled.

8. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) Audit and Risk Subcommittee meeting held on 20 June 2019 be received and confirmed as a true and accurate record.

Attachments

1. Minutes - Audit & Risk 20190620 [8.1.1 - 5 pages]



Minutes of a meeting of the Audit and Risk Subcommittee held in
the Council Chamber, Level 2 Philip Laing House
144 Rattray Street, Dunedin on
Thursday 20 June 2019, commencing at 1:00 pm

Membership

Mr David Benham *(Chairperson)*
Cr Stephen Woodhead *(ORC Chairperson)*
Cr Gretchen Robertson *(ORC Deputy Chairperson)*
Cr Doug Brown *(Chair Finance and Corporate Committee)*
Cr Trevor Kempton
Cr Michael Laws

Welcome

Chairman Benham welcomed Councillors, members of the public and staff to the meeting.

For our future

70 Stafford St, Private Bag 1954, Dunedin 9054 | ph (03) 474 0827 or 0800 474 082 | www.orc.govt.nz

1. APOLOGIES

Resolution

That the apologies for Cr Robertson and Cr Laws and the tardiness of Cr Kempton be accepted.

Moved: David Benham
Seconded: Cr Woodhead
CARRIED

2. LEAVE OF ABSENCE

No leaves of absence were requested.

3. ATTENDANCE

Sarah Gardner (Chief Executive)
Nick Donnelly (General Manager Corporate Services and CFO)
Liz Spector (Committee Secretary)
Stuart Lanham (Manager Finance)

4. CONFIRMATION OF AGENDA

Chairman Benham moved to reorder the agenda to consider the public-excluded report first so the external auditors would not have to wait.

Resolution

That the agenda be reordered to consider the public-excluded reports first.

Moved: David Benham
Seconded: Cr Woodhead
CARRIED

5. CONFLICT OF INTEREST

No conflicts of interest were advised.

6. PUBLIC FORUM

No public forum was held.

7. PRESENTATIONS

No presentations were held.

8. RESOLUTION TO EXCLUDE THE PUBLIC

The following resolution was made in reliance on sections 48(1)(a) of the Local Government Official information and Meetings Act 1987 and the particular interest or interests protected by Section 7 of that Act.

*On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, **it was resolved:***

1. That the following items are considered with the public excluded:

Meeting Item	Grounds for excluding the public
<i>Audit Plan</i>	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 it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)
<i>Managed Fund Report</i>	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 – Section 7(2)(b)(ii); and, To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)
<i>Investment Manager Transfer</i>	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 – Section 7(2)(b)(ii); and, To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)
<i>Insurance Renewal</i>	To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h); and, To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)
<i>Risk Report</i>	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 it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i); and, To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)

Resolution

That the meeting move into Public-Excluded at 01:08 pm.

Moved: David Benham
 Seconded: Cr Woodhead
 CARRIED

Resolution

That the meeting resume in public session at 02:42 pm.

Moved: David Benham
Seconded: Cr Woodhead
CARRIED

9. CONFIRMATION OF MINUTES

Resolution

That the minutes of the (public portion of the) meeting held on 14 March 2019 be received and confirmed as a true and accurate record.

Moved: David Benham
Seconded: Cr Kempton
CARRIED

10. ACTIONS (STATUS OF COMMITTEE RESOLUTIONS)

Status report on the resolutions of the Audit and Risk Subcommittee

Report	Meeting Date	Resolution	Status
10.2 Risk Report - Oct 2018	14/03/2019	That staff provide at the next Audit and Risk Subcommittee meeting the following: a. An updated risk report; b. A summary of top operational risks currently facing the Council; c. An outline showing the process of cascading risks through the Council to those responsible for mitigating those risks; and, d. A list of specific areas of risk for the subcommittee to review in greater depth.	To be provided at the 20 June 2019 Audit & Risk Subcommittee Mtg. COMPLETE
10.2 Risk Report - Oct 2018	14/03/2019	That a section be added to the standard Council/Committee report template to include a section on risk.	COMPLETE
Sandbars in river	14/03/2019	Contractor to assess. ORC compliance team working on this and harbourmaster to review by end of June.	COMPLETE

11. MATTERS FOR NOTING

10.1. A&R1868 Treasury Report - March 2019

General Manager Corporate Nick Donnelly and Manager Finance Stuart Lanham addressed the quarterly treasury report. After a general discussion, it was noted that Mr Donnelly will review the ORC treasury policy which details percentages of investments allowed to be invested in one particular bank and report back to the committee at the next meeting. Mr Donnelly was also asked to request a summary of the detailed quarterly reports from the corporate investment manager, JBWere.

Resolution

That the Audit and Risk Subcommittee:

- a) **Receives** this report.

Moved: David Benham
Seconded: Cr Brown
CARRIED

10.2. A&R1869 Annual Report Timetable and Matters under Consideration

Manager Finance Stuart Lanham outlined the annual report timetable to ensure the draft comes to the Audit and Risk Subcommittee meeting in September. He said a draft Fixed Assets and Capitalisation Policy was included as an agenda attachment for the committee members' review. He stated the committee had questions at the previous meeting about the high annual leave balance and this is addressed at the end of the report. Chief Executive Gardner said the annual leave liability is high and ELT is now receiving a monthly report and taking specific actions to encourage those with high leave balances to start using them in a targeted way. Mr Donnelly said the external auditor did note ORC did not have a documented policy addressing annual leave balances and this has been added to the draft Fixed Assets and Capitalisation Policy. After a general discussion, Chair Benham asked for a motion.

Resolution

That the Audit and Risk Subcommittee:

- a) **Receives** this report.
b) **Endorses** the Fixed Assets and Capitalisation Policy.

Moved: Cr Kempton
Seconded: David Benham
CARRIED

12. NOTICES OF MOTION

No Notices of Motion were submitted.

13. CLOSURE

The meeting was declared closed at 03:07 pm.

Chairperson

Date

9. ACTIONS (STATUS OF COMMITTEE RESOLUTIONS)

Status report on the resolutions of the Audit and Risk Subcommittee

Report	Meeting Date	Resolution	Status
10.2 Risk Report – Oct 2018	14/03/2019	<p>That staff provide at the next Audit and Risk Subcommittee meeting the following:</p> <ul style="list-style-type: none">a. An updated risk report;b. A summary of top operational risks currently facing the Council;c. An outline showing the process of cascading risks through the Council to those responsible for mitigating those risks; and,d. A list of specific areas of risk for the subcommittee to review in greater depth.	COMPLETE
10.2 Risk Report – Oct 2018	14/03/2019	That a section be added to the standard Council/Committee report template to include a section on risk.	COMPLETE

10. MATTERS FOR NOTING

10.1. A&R1869 Treasury Report - September 2019

Prepared for:	Audit and Risk Subcommittee
Activity:	Treasury Report
Author:	Sarah Munro, Finance Manager – Expenditure and Reporting
Authoriser:	Nick Donnelly, General Manager Corporate Services
Date:	10 September 2019

PURPOSE

- [1] This report provides information on the management and performance of the Council's short-term deposits and the managed fund, for the 12 months ended 30 June 2019.

EXECUTIVE SUMMARY

- [2] Short term investments held by the Council are in the form of term deposits held with banking institutions and managed on the Council's behalf by a separate investment arm of the BNZ under a multi-bank arrangement.
- [3] Council also has a Managed Fund portfolio managed externally. Transition of management of the fund from BNZ to JB Were commenced in quarter 3 and as at 30 June 2019 all managed funds are held with JB Were.

STAFF RECOMMENDATION

That the Audit and Risk Subcommittee:

- a) **Receives** this report.

SHORT TERM INVESTMENTS

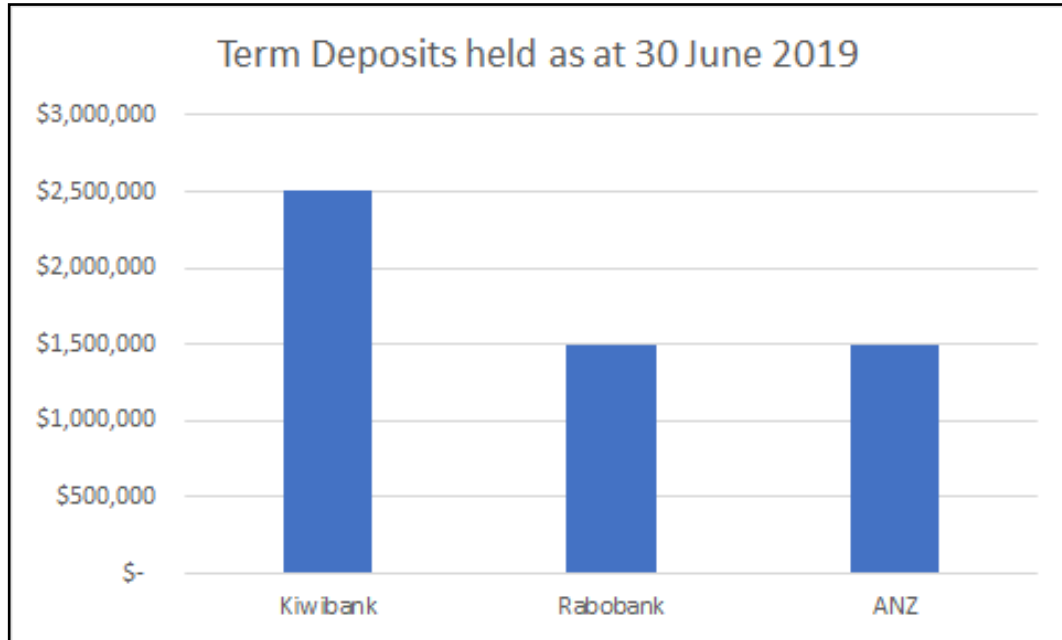
General Comments

- [4] The day-to-day working capital cash requirement of the Council, including forecasting cash movements in the short term based on forecast revenues and expenditure, is managed by finance staff.
- [5] Council's cash flow in terms of receipts and payments fluctuates significantly during the year, particularly with significant revenue streams such as rates and dividends coming in at particular times, and large payments such as GST output tax collected on rates income, becoming payable at one time.
- [6] Funds surplus to immediate cash requirements are deposited into the term deposit portfolio. The BNZ seeks competitive quotes from participating banks for new deposits and places new funds accordingly, based on the quotes received and other factors to ensure the portfolio is maintained within agreed parameters.
- [7] BNZ provides monthly reports on the composition and performance of the term deposit portfolio.
-

Term Deposits - Portfolio Composition

[8] The amount held on term deposit at 30 June 2019 was \$5,500,000 comprising 3 individual deposits – ranging from \$1,500,000 to \$2,500,000 each.

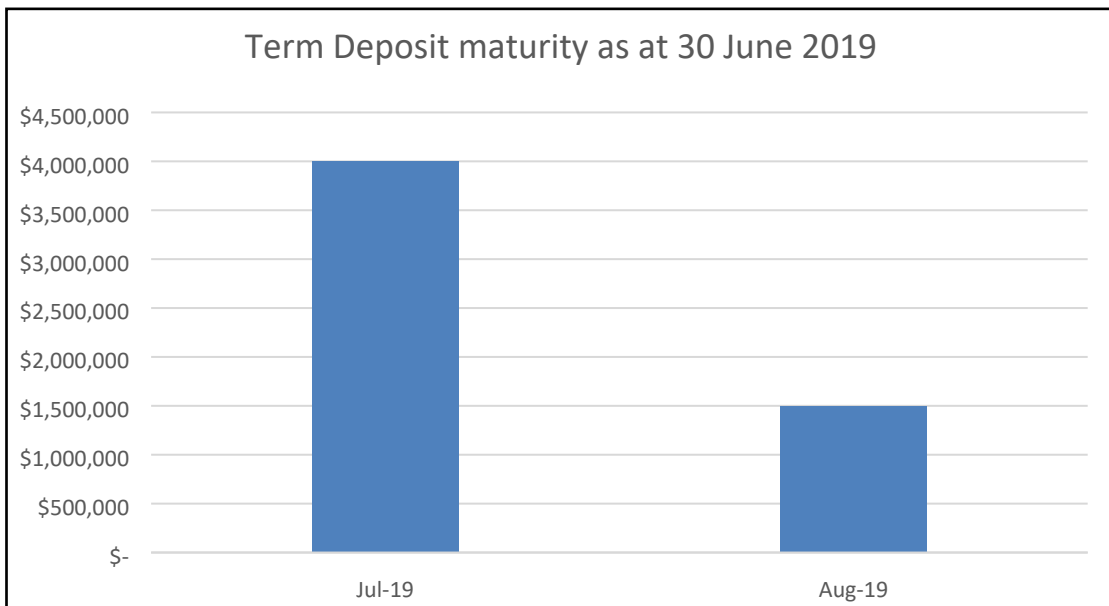
The following chart shows the total amount held with each institution at 30 June 2019.



Term Deposits – Maturity Profile

[9] The maturity profile chart below shows the maturity dates of term deposits by the month of maturity.

[10] The arrangement with the BNZ ensures that amounts maturing on a monthly basis, together with other cash movements, provide sufficient funds to meet ongoing operational requirements of the Council.

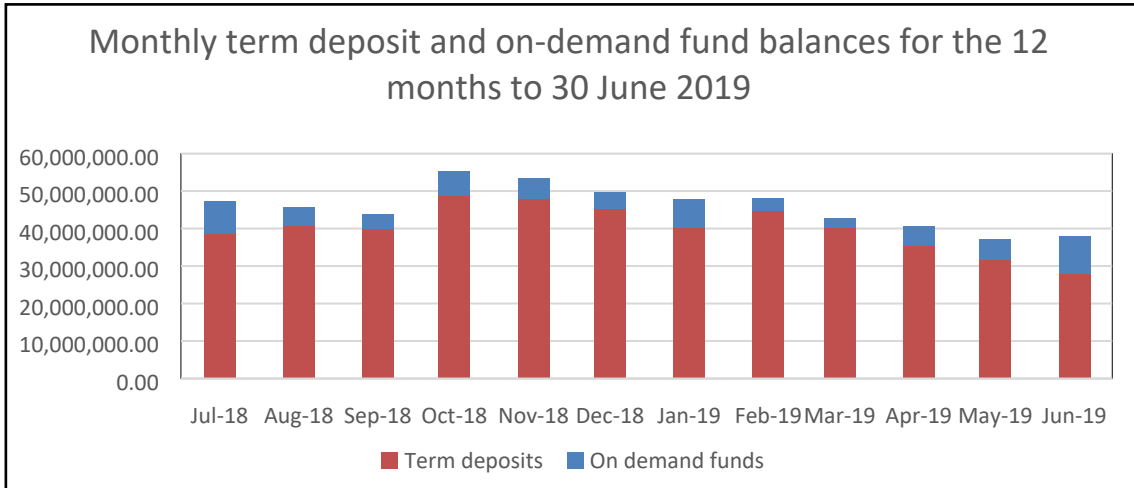


[11]

Term Deposits and On-Call Funds

[12] A sufficient amount of funds is held on-demand to meet the operational day-to-day requirements of the Council. The timing of term deposit transactions and significant cash transactions necessarily results in fluctuations in both the term deposit element of total funds held and the amount held on-demand.

[13] The chart below shows the amount held at the end of each month during the 12 months to 30 June 2019, identifying the term deposit amount and the amount held on-demand with the BNZ.

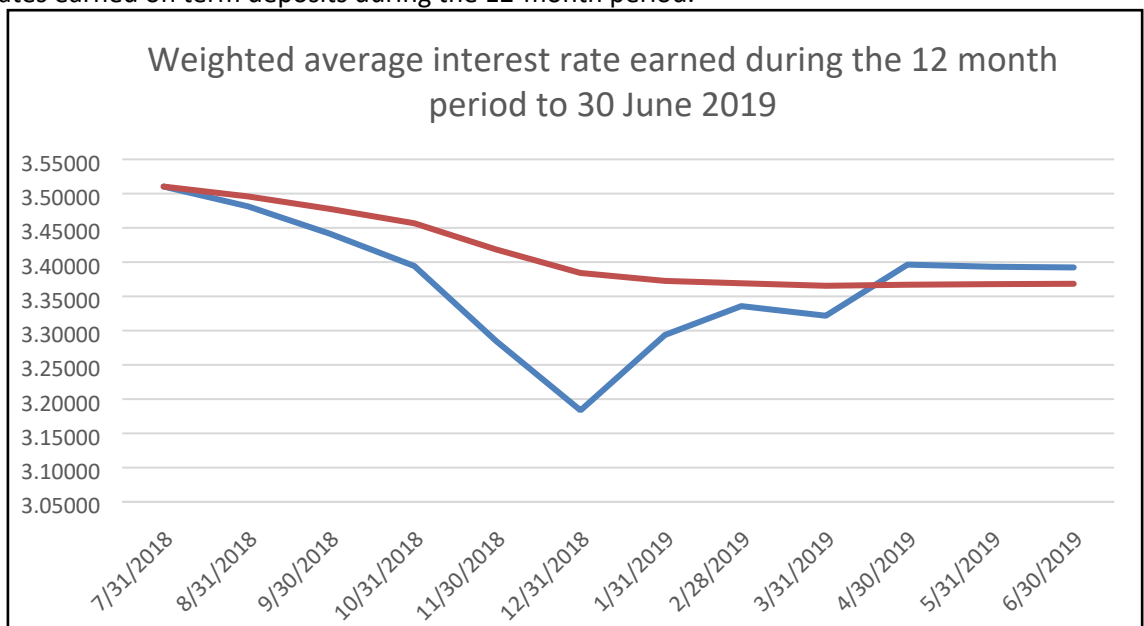


[14] During the 12-month period, total funds held peaked at \$55,000,000 at 31 October 2018 due to a large amount of rate monies received leading up to the due date of 31 October.

INTEREST EARNED AND INTEREST RATES

[15] Interest earned on bank balances and term deposits during the 12 months to 30 June 2019 amounted to \$637,000.

[16] The following graph shows the monthly and year-to-date weighted average interest rates earned on term deposits during the 12-month period.



- [17] The graph shows that the monthly rates steadily decreased from 3.51% in July 2018 to 3.18% in December 2018 prior to increasing back up to 3.39% in May and June 2019.
- [18] The monthly fluctuations are reflected in the year-to-date line which also reflects a declining average, from 3.51% in July to 3.37% for the 12 months to 30 June 2019.
- [19] The Official Cash Rate set by the Reserve Bank began the year at 1.75% and remained at that level throughout the nine-month period to 31 March 2019.
- [20] The OCR rate was reduced 0.25% to 1.50% on 8 May 2019, this rate continued until 30 June 2019.

Note: After year end on 7 August 2019 the OCR was reduced to 1% which is after the end of this reporting period.

MANAGED FUND PORTFOLIO

- [21] The Council's managed fund comprises a portfolio of financial instruments managed externally. The transition of the fund from the BNZ to JB Were commenced during the quarter ended 31 March 2019 with all funds were transferred by 30 June 2019.

Portfolio Performance – 12 months to 30 June 2019

- [22] The portfolio reports show an increase in value of the fund of \$1,191,00 (budget 2018/19 \$900,000) for the 12-month period to 30 June 2019.

Portfolio Summary as at 30 June 2019

- [23] The following table was compiled from JB Were reports and shows the valuation of the fund by asset class as at 30 June 2019 and the percentage of each asset class held. The table compares the percentage of each asset class held with the asset allocation percentage specified in the Statement of Investment Policies and Objectives (SIPO). The SIPO a target as well as an acceptable range for each asset class.
- [24] The variance columns show the actual variances from the SIPO allocation – in terms of the percentage and the effect on the valuation.

Asset Class position as at 30 June 2019

Asset Class	Actual amount allocated	%	SIPO amount expected	SIPO target	SIPO acceptable range		SIPO met
NZ Cash	3,233,682	14%	1,125,088	5%	3%	7%	No
NZ Fixed Interest	7,660,346	34%	9,000,704	40%	35%	45%	Yes
NZ Property	1,376,571	6%	1,125,088	5%	3%	7%	Yes
NZ Equities	3,511,771	16%	3,375,264	15%	11%	19%	Yes
Australian Equities	3,359,283	15%	3,375,264	15%	11%	19%	Yes
International Cash	13,688	0%	-	0%	0%	0%	Yes
International Fixed Interest	753,706	3%	1,125,088	5%	3%	7%	Yes
International Equities	2,592,712	12%	3,375,264	15%	11%	19%	Yes
Total	22,501,760						

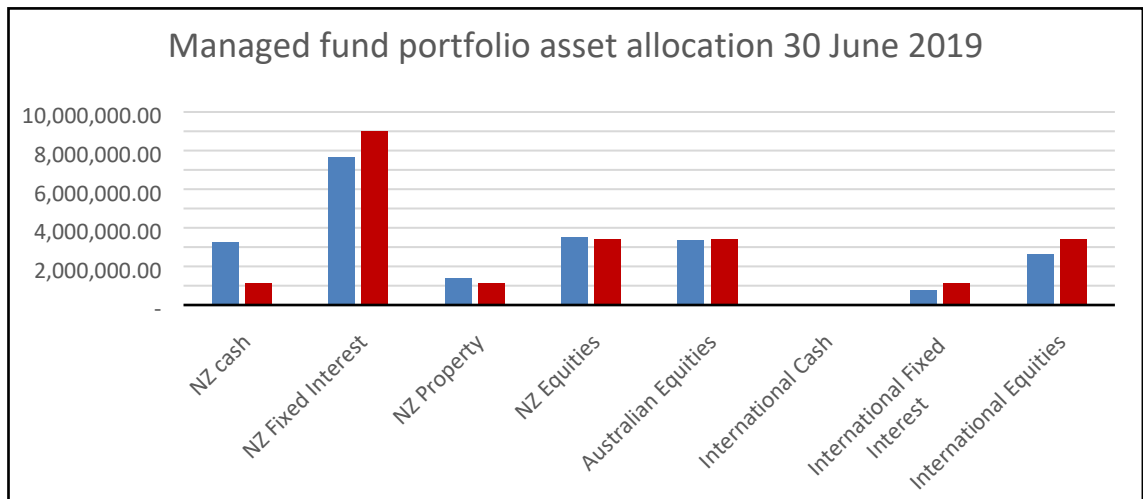
[25] The breach of the NZ cash SIPO acceptable range is the result of a temporary situation caused by a fund transfer being in progress at the reporting date. Some of the funds are yet to transfer and a portion of the fund is yet to reinvested in line with the SIPO strategic asset allocations.

[26] The managed fund current position has been re assessed as at 11 September 2019. All asset classes were within the SIPO acceptable range. Refer to the 11 September position in the table below.

Asset Class position as at 11 September 2019

Asset Class	Actual amount allocated	%	SIPO amount expected	SIPO target	SIPO acceptable range		SIPO met
NZ Cash	619,187	3%	1,152,997	5%	3%	7%	Yes
NZ Fixed Interest	8,995,368	39%	9,223,975	40%	35%	45%	Yes
NZ Property	1,495,139	6%	1,152,997	5%	3%	7%	Yes
NZ Equities	3,666,405	16%	3,458,990	15%	11%	19%	Yes
Australian Equities	3,309,123	14%	3,458,990	15%	11%	19%	Yes
International Cash	54,825	0%	0	0%	0%	0%	Yes
International Fixed Interest	1,453,132	6%	1,152,997	5%	3%	7%	Yes
International Equities	3,466,757	15%	3,458,990	15%	11%	19%	Yes
Total	23,059,936						

[27] The following chart graphically represents the actual asset allocation within the managed fund compared with the target SIPO allocation at 30 June 2019.



Attachments

Nil

10.2. A&R1874 Health and Safety Report - September 2019

Prepared for: Audit and Risk Subcommittee

Report No. A&R1874

Activity: Governance Report

Author: Sally Giddens, General Manager People, Culture and Communications

Date: 13 September 2019

PURPOSE

- [1] To present an update of key developments in the Health and Safety function that have impacted on our reporting capability to the Audit and Risk Subcommittee for this period.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) *Receives this report.*

BACKGROUND

- [3] Prior to September 2018, Health and Safety reporting had been limited to a section in the Chief Executive's 6-weekly report to Council.
- [4] In September 2018 we presented the first Health and Safety report to the Audit and Risk Subcommittee. A report was also presented in the following quarter (March 2019) by Victoria Donohue, Health and Safety Business Partner. The content and presentation of these reports has been evolving, based on feedback from the Subcommittee.
- [5] In the June reporting period a report was prepared by Victoria Donohue for the Audit and Risk Subcommittee meeting, however it was not submitted due to it containing areas of concern and overall being below the standard required in terms of content, focus and presentation.
- [6] On 13 August 2019 Victoria Donohue resigned from the role of Health and Safety Business Partner at ORC. Her resignation was effective immediately.
- [7] On 26 August 2019 ORC engaged Sane Solutions (Tom Samuel) to provide part-time Health and Safety consulting services to ORC for a period of up to three months' duration, following the departure of the ORC Health and Safety Business Partner.
- [8] In addition to providing interim Health and Safety advisory services, Sane Solutions is undertaking a review of the internal ORC Health and Safety function and resourcing and will present findings and recommendations to the General Manager People, Culture & Communications and the Manager People & Culture mid-October 2019.

Key Priority Areas

[9] The key priority areas over the next 4-6 weeks are:

- Reinstatement of an ORC Health and Safety Committee. This will be in addition to the Health and Safety Reps Group that was established earlier this year.
- Reviewing and updating of the ORC Health and Safety Risk Register (including critical risks) and presenting a report to ELT.
- Recruitment of a Health and Safety Co-ordinator for a 12-month fixed term (currently vacant due to internal promotion)
- Input and technical guidance into the 2 Health and Safety Working Groups established by the PCBU (Person Conducting a Business or Undertaking) in response to concerns raised by the Health and Safety Reps Group. The Working Groups will present recommendations to the ELT and PCBU early October:

Outdoor Working Group - to identify and assess the outdoor work activities of ORC (under section 30 of the Health and Safety at Work Act 2015) and making recommendations for the course of action that ORC could adopt for the elimination and minimisation of risks to staff undertaking that work. *[This work will help inform the PCBU and ELT of some of the critical risks in our business, along with further assessments, elimination/minimisation strategies that need to be actioned.]*

Security Working Group – to identify and assess the activities, locations of work and premises of ORC (under section 30 of the Health and Safety at Work Act 2015) and their security requirements for staff, and to make recommendations for the course of action that ORC could adopt for the elimination and minimisation of security risks to staff when undertaking work in both office and field environments. *[This work will help inform the PCBU and ELT of some of the critical risks in our business, along with further assessments, elimination/minimisation strategies that need to be actioned.]*

- Prior to the establishment of the above working groups, 'Working at Heights' was identified as a critical risk to ORC. A Heights Safety Audit has been completed by Chris Cox (NZ Safety Blackwoods). His report and recommendations will be presented to ELT later this month.

Next Steps

[10] Determine the Health and Safety resourcing capability needed for ORC to meet its commitments under the Health and Safety at Work Act 2015 and recruit accordingly.

[11] Identify and implement a fit for purpose Health and Safety Management System to enable more effective reporting.

[12] To ensure a fit for purpose report is prepared and presented to the March 2020 Audit and Risk Subcommittee of Council, focussing on the top 3 (out of 10 identified) critical risks to ORC. Reporting will be aligned to the ORC's Risk Assessment Form (i.e. Risk Identification, Risk Assessment, Risk Treatment, Risk Monitoring & Review)

11. RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- 2.1 A&R1873 Annual Report and Audit Management Letter
- 2.2 A&R1870 Managed Fund Report – September 2019
- 2.3 A&R1871 Risk Report

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under [section 48\(1\)](#) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
2.1 Annual Report and Audit Management Letter	<p>Section 48(1)(a): Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds:</p> <p>(a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>	7(2)(c)(i) - 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 it is in the public interest that such information should continue to be supplied.
2.2 Managed Fund Report September 2019	<p>Section 48(1)(a): Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds:</p> <p>(a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good</p>	Section 7(2)(b)(ii), 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; Section 7(2)(c)(i) - 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 it is in the public

	reason for withholding would exist.	interest that such information should continue to be supplied, Section 7(2)(h) - To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.
<i>2.3 Risk Report</i>	Section 48(1)(a): Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.	Section 7(2)(c)(i) - 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 it is in the public interest that such information should continue to be supplied, Section 7(2)(h) - To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.

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 or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

12. CLOSURE