

## HAURAKI DISTRICT COUNCIL

### AUDIT & RISK COMMITTEE

MINUTES OF A MEETING OF THE AUDIT & RISK COMMITTEE HELD IN THE HAURAKI ROOM, PAEROA OFFICE, WILLIAM STREET, PAEROA ON TUESDAY 20 OCTOBER 2015 COMMENCING AT 9.00AM

#### PRESENT

Mr P Bennett (In the Chair), His Worship the Mayor Mr J P Tregidga, Crs B A Gordon, G R Leonard and A A Tubman

#### IN ATTENDANCE

Messrs N Kotze and Leon Pieterse (Audit NZ), L D Cavers (Chief Executive), D Peddie (Corporate Services Manager), Ms Katina Conomos (Strategic Planner) and Ms C Black (Council Secretary)

#### APOLOGIES

##### RESOLVED

THAT the apology of Cr Adams be received and sustained.

ARC15/54

Tregidga/Leonard

CARRIED

#### LATE ITEM

Pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, the Chairperson called for late items to be accepted.

##### RESOLVED

THAT pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, the following late items be accepted for discussion.

##### **Internal Audit Work Programme and Letter of Engagement**

The item was not on the agenda because the item was unavailable at the time of the agenda deadline.

Discussion on the item could not be delayed because the item required the approval of the Committee prior to the next meeting.

ARC15/55

Leonard/Tubman

CARRIED

#### DECLARATIONS OF INTEREST

There were no declarations.

#### CONFIRMATION OF MINUTES

AUDIT & RISK COMMITTEE MEETING HELD TUESDAY 18 AUGUST 2015 (1402610)

##### RESOLVED

THAT the minutes of Audit & Risk Committee meeting held on Tuesday 18 August 2015 be taken as read and confirmed.

ARC15/56

Tubman/Gordon

CARRIED

## **BUSINESS / DISCUSSION**

### **AUDIT NZ DIRECTORS UPDATE (1412416, 1319214)**

The Strategic Planner and Corporate Services Manager presented an update on the progress regarding items raised by Audit NZ following the completion of the 2013/14 Annual Report audit, and audit for the year ended 30 June 2014.

Leon Pieterse and Naude Kotze (Audit NZ) were in attendance and provided general feedback that good progress has been made on these items raised. Mr. Pieterse advised that soon Audit NZ will issue a Management Letter for the 2014/15 audit.

Staff advised that the next report to the Audit & Risk Committee would be updated with the action points from the most recent Audit NZ Management Letter.

### **RESOLVED**

THAT the report be received.

ARC15/57

Leonard/Tregidga

**CARRIED**

### **2014/15 DRAFT ANNUAL REPORT – AUDIT AND RISK COMMITTEE REVIEW (1441347, 1444531)**

The Corporate Services Manager provided the Audit and Risk Committee with the opportunity to review the draft Annual Report for the year ending 30 June 2015, in particular the financial information, developed to date. A copy of the Annual report was provided separately.

Leon Pieterse and Naude Kotze (Audit NZ) were in attendance.

The Corporate Services Manager stepped through the financial prudence benchmarks and performance against the benchmarks.

The Corporate Services Manager also provided an overview of the major variances to budget and the Committee discussed the revaluation of assets that has occurred throughout the past year.

The Chief Executive explained that recently greater effort has been put into assessing the useful life of assets, which has given the Council the ability to reassess a number of assumptions around asset valuations. This has resulted in favourable movements in depreciation.

Mr Pieterse explained that from Audit NZ perspective, they look at the assumptions made by the valuer. Mr. Pieterse emphasised the importance of having good underlying asset information as an essential part of the revaluation process.

The Chief Executive tabled an updated 'Message from the Mayor and Chief Executive' that will be included in the Annual Report.

Mr Pieterse presented a letter to the Committee (which was circulated prior) and summarised Audit NZ's audit of the Annual Report. Mr Pieterse requested that this letter be provided to the Council as is.

Mr Pieterse sought information from the Committee regarding whether there were any significant events that have occurred since 30 June 2015 that could impact on, or should be reported in, the Annual Report. This matter was discussed and the Committee and Audit NZ

noted that no significant events have occurred since 30 June 2015 that could impact on, or would necessitate reporting in the Annual Report.

Mr Pieterse then sought information from the Committee regarding any actual or suspected frauds, and also assurance that the Committee is comfortable with the systems or controls management have put in place to prevent or detect fraud.

The Committee discussed these points and noted that they were unaware of any actual or suspected frauds, and that they were comfortable with the systems or controls management have put in place to prevent or detect fraud, and noted that improvements are being made in this area presently with the introduction of an internal audit programme.

The Corporate Services Manager advised that the Annual Report is due to be adopted at 28 October Council meeting. Mr. Pieterse advised that he would not be available at the 28 October Council meeting.

**RESOLVED**

THAT the report be received, and

THAT it be recommended to Council that the Annual Report be adopted including any changes suggested by Audit NZ.

ARC15/58

Tregidga/Tubman

**CARRIED**

**LATE ITEM**

**INTERNAL AUDIT WORK PROGRAMME AND LETTER OF ENGAGEMENT (1446134, 1446308, 1446310)**

KPMG Partner David Sutton and KPMG Director Bineeta Nand (appointed internal auditors) were in attendance to meet the Committee and to provide a brief overview of their proposed work programme.

David Sutton introduced himself and provided the Committee on his background and experience. Mr Sutton advised that the first matter they will be looking at is procurement.

A copy of the internal audit work programme and letter of engagement between HDC and KPMG for internal audit services was presented. It was requested that the Committee approve these.

**RESOLVED**

THAT the report be received, and

THAT the Audit and Risk Committee approve the internal audit work programme, and

THAT the Audit and Risk Committee approve the letter of engagement with KPMG for internal audit services.

ARC15/59

Tubman/Gordon

**CARRIED**

**TREASURY REPORT AS AT OCTOBER 2015 (1444040, 1391827)**

The report updated on the current position of the loan/debt status, against the parameters outlined in the Council's Financial Strategy and Liability Management Policy.

The Corporate Services Manager took the Committee through the report, noting that we are currently complying with Council policy.

**RESOLVED**

THAT the report be received.

ARC15/60

Bennett/Leonard

**CARRIED**

PRESENTATION ON INTEREST RATES SWAPS AS AT OCTOBER 2015 (1444053)

Due to time constraints, the PowerPoint presentation prepared on interest rate swaps as at October 2015 was not provided but would be presented instead to the meeting on 9 December 2015.

INTERNAL DEBT (1413121)

The Corporate Services Manager reported on internal debt as at October 2015. It was agreed that the report be submitted to Council.

**RESOLVED**

THAT the report be received, and

THAT the report on Internal Debt be submitted to Council.

ARC15/61

Bennett/Tregidga

**CARRIED**

OVERVIEW OF COUNCIL'S INSURANCE POLICIES (1418216)

The Corporate Services Manager provided an overview of Councils insurance policies.

**RESOLVED**

THAT the report be received.

ARC15/62

Tubman/Leonard

**CARRIED**

RATES INFORMATION (1399211)

The Strategic Planner presented information about how rates are received through direct debits, automatic payments and internet banking as well as presented information about the frequency of rates instalments.

The Mayor queried the practice of rating on Maori land that we know will not be paid and pointed to work done previously by Northland Council and LGNZ for further investigation.

The Mayor suggested that the status quo needs to be challenged and there needs to be some incentive to ratepayers for paying rates instalment more frequently. He suggested a rates notice could be sent out every second month and this would assist with people's ability to pay, making it more manageable for most people.

The Mayor suggested that a working party be formed to investigate ways of providing better customer service with respect to rates billing, and in particular mechanisms which will make it easier for ratepayers to pay their rates.

**RESOLVED**

THAT the report be received, and

THAT a working party be formed consisting of Mayor, Cr Leonard, Crs Tubman and Gordon, and

THAT the working party develop a terms of reference and objectives for the working party and that these be provided to the next Audit & Risk Committee meeting in December.

ARC15/63

Bennett/Tubman

**CARRIED**

**DELEGATIONS FOR DEPARTURE FROM PROCUREMENT POLICY (1444054)**

The Chief Executive sought consideration to the updating of the provisions in Council's Delegations Manual to allow the Chief Executive and Departmental Managers to approve particular purchasing processes that are currently within their purchasing delegations but which are not in accordance with the current provisions of the Council's Procurement Policy.

**RESOLVED**

THAT the report be received, and

THAT the Audit and Risk Committee recommend pursuant to Section 32 of the 7<sup>th</sup> Schedule to the Local Government Act 2002, the Council delegate to the Chief Executive the power to approve departures from the Procurement Policy procedures for Discretionary purchases where, after consideration of a written report from an Authorised Purchasing Officer, he is satisfied that the recommended purchasing process is appropriate to the circumstances and will result in a cost effective purchasing option for the Council and that all such approved departures from the Discretionary purchasing provisions in the Procurement Policy shall be reported to the next available Council meeting, and

THAT the Audit and Risk Committee recommend pursuant to Section 32 of the 7<sup>th</sup> Schedule to the Local Government Act 2002, the Council delegate to Departmental Managers the power to approve departures from the Procurement Policy procedures for Negotiable purchases where, after consideration of a written report from an Authorised Purchasing Officer, they are satisfied that the recommended purchasing process is appropriate to the circumstances and will result in a cost effective purchasing option for the Council and that all such approved departures from the Negotiable purchasing provisions in the Procurement Policy shall be reported to the next available Management Team meeting, and

THAT the Audit and Risk Committee recommends Councils Delegations Manual is amended accordingly.

ARC15/64

Tregidga/Leonard

**CARRIED**

The Chairperson proposed that the Committee maintain oversight of the Management Team's Discretionary and Negotiable purchases through a report to the Committee twice per year. The Committee agreed with this proposal.

**RESOLVED**

THAT Councils Delegations Policy is monitored twice per year.

ARC15/65

Tubman/Tregidga

**CARRIED**

RISK MANAGEMENT PROJECT UPDATE (1412425)

The Strategic Planner provided an update on the risk management project. Staff has now embarked on a risk identification across the organisation.

**RESOLVED**

THAT the report be received.

ARC15/66

Gordon/Bennett

**CARRIED**

AUDIT AND RISK COMMITTEE WORK PROGRAMME (1412432, 1252510)

The Strategic Planner presented the Audit & Risk Committee's proposed work programme and Terms of Reference for consideration. The work programme and terms of reference was available with the report.

The CEO suggested that the frequency of meetings for the Audit & Risk Committee be moved to quarterly in 2016. It was considered that quarterly meetings would allow a more realistic period of time in which to produce reports.

Staff will bring forward a proposal to the meeting on 9 December 2015 with a forward work programme for 2016 for the Committee's consideration.

**RESOLVED**

THAT the report be received, and

THAT the Committee supports that there are no changes made to the current work programme as presented.

ARC15/67

Bennett/Leonard

**CARRIED**

**MATTERS TO BE TAKEN WITH THE PUBLIC EXCLUDED**

**RESOLVED**

THAT the public be excluded from the following parts of the proceedings of this meeting.

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:

Item No.	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
1	Rates in Arrears	<b>Section 7(2)(a)</b> – Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) That the public conduct of 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.

ARC15/68

Leonard/Tubman

**CARRIED**



**RESOLVED**

THAT the public be re-admitted to the meeting and that the business in committee discussed be confirmed.

ARC15/70

Bennett/Tregidga

**CARRIED**

The meeting closed at midday.

CONFIRMED

P Bennett  
Chairperson

9 December 2015