

## HAURAKI DISTRICT COUNCIL

### AUDIT & RISK COMMITTEE

MINUTES OF A MEETING OF THE AUDIT & RISK COMMITTEE HELD IN THE HAURAKI ROOM, PAEROA COUNCIL OFFICE, WILLIAM STREET, PAEROA ON TUESDAY 16 FEBRUARY 2016 COMMENCING AT 9.00AM

#### **PRESENT**

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

#### **IN ATTENDANCE**

Cr P A Milner, Messrs L D Cavers (Chief Executive), D Peddie (Finance Manager), Ms Katina Conomos, Ms K Quinn (Strategic Planner), Mrs S Holmes (Strategic Planner) and Ms C Black (Council Secretary)

#### **APOLOGIES**

#### **RESOLVED**

THAT the apology of Cr B A Gordon be received and sustained.

ARC16/01

Tregidga/Adams

**CARRIED**

#### **LATE ITEMS**

There were no late items.

#### **DECLARATIONS OF INTEREST**

There were no declarations.

#### **COMMITTEE ONLY TIME WITH AUDITORS**

Chairperson, Paul Bennett, Internal Auditors and Committee met for (committee only time) from 9.20-9.30am.

#### **CONFIRMATION OF MINUTES**

AUDIT & RISK COMMITTEE MEETING HELD ON TUESDAY 9 DECEMBER 2016 (1464030)

#### **RESOLVED**

THAT the minutes of the meeting held on 9 December 2016 be taken as read and confirmed.

ARC16/02

Tregidga/Adams

**CARRIED**

#### **BUSINESS / DISCUSSION**

KPMG INTERNAL AUDIT REPORT - PROCUREMENT REVIEW (1488908, 1489535)

The Corporate Services Manager presented the first of the KPMG internal audits reviews to the Committee regarding procurement.

Internal Auditors - KPMG Partner David Sutton and Director Bineeta Nand attended the meeting at 9.35am.

Mr Sutton and Ms Nand presented their assessment of the effectiveness of key procurement controls and compliance with HDC's current procurement policies and procedures (included as Appendix A to the report).

Mr Sutton advised that procurement is an area of focus across the local government sector presently and that the "developing" rating given by KPMG is on par with other local authorities.

Mr Sutton and Ms Nand suggested that there would be benefit to the Council from more analysis being undertaken and improvements to some of Councils current procedures, in particular analysis of procurement spend and the process of raising of purchase orders.

The CEO spoke briefly on initiatives being established within the organisation to assist staff with procurement procedures and awareness of the procedures.

The Committee discussed challenges regarding balancing the centralisation of procurement for efficiencies with the diversity of supply chain and a "buy local" policy.

The Committee requested that staff report to the Committee not only on the progress made against the matters raised by KPMG, but overall targets on what is being achieved as a result addressing the matters raised by KPMG. (I.e. if the KPMG report is a baseline, what are the improvements desired).

**RESOLVED**

THAT the report be received.

ARC16/03

Leonard/Tregidga

**CARRIED**

**AUDIT NZ MANAGEMENT REPORT FOR YEAR ENDED 30 JUNE 2015 (1488905, 1466659, 1476775)**

The Strategic Planner presented the Audit Management Report for year ended 30 June 2015 to the Audit and Risk Committee and advised of the intended staff responses.

Audit NZ Auditors, Leon Pieterse and Naude Kotze were not in attendance and sent their apologies.

The Committee discussed the urgent rating given by Audit NZ to the \$100 all staff delegation. The Committee requested that staff should endeavour to clear a number of the straight-forward matters raised by Audit NZ.

It was agreed that the action plan report be presented to each meeting (as per page 77) onwards as well as an overall assessment of the number of items being 'cleared' as progress is made.

The Committee queried the volume of senior manager time that is spent monitoring expenditure. The CEO and Corporate Services Manager provided examples demonstrating that the time is minimal.

**RESOLVED**

THAT the report be received.

ARC16/04

Adams/Tregidga

**CARRIED**

2016/17 ANNUAL PLAN – FINANCIAL IMPACT (1476520)

The Corporate Services Manager presented the Audit and Risk Committee with the financial impact of the draft 2016/17 annual plan proposals, providing the opportunity for feedback and direction prior to this information being considered by the full Council.

Strategic Planners, Katherine Quinn and Sarah Holmes were in attendance in support of the report.

**RESOLVED**

THAT the report be received.

ARC16/05

Bennett/Leonard

**CARRIED**

The Corporate Services Manager advised that the primary reasons for the reduction in overall rates revenue required is due to a reduction in interest costs and deferral of some capital works. Furthermore, the subsidy for the water treatment plants has been received earlier than anticipated.

The Committee discussed the impact of property valuations on rates and in particular dairying and pastoral land. The Corporate Services Manager tabled a graph showing the percentage movements in property values by property types over the last four valuations.

The Committee emphasised the importance of explaining property valuation movements to the community in the Annual Plan, the lead up to the first rates instalment and at the time of the first rates instalment. The Committee noted that this needs to be managed in a non-political manner given the first rates instalment is very close to the local body elections.

The Committee requested that the graph tabled by the Corporate Services Manager be reworked to show the trend line and be used in the above-mentioned communications.

The Committee requested that staff liaise with the Matamata-Piako District Council to align messages regarding the increase in property values in the dairying/pastoral land category if possible, and that staff include an explanation around what proportion of rates is linked to capital value.

**RESOLVED**

THAT the Committee provides a recommendation to the Council that:

1. That the non water rates increase of 2.95% and the water rates increase of 0% be accepted.

ARC16/06

Bennett/Tregidga

**CARRIED**

The meeting adjourned at 10.50am.  
The meeting reconvened at 11.05am.

**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:

<b>Item No.</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) Under Section 48(1) for the Passing of this Resolution</b>
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.

ARC16/07

Tregidga/Tubman

**CARRIED**

**RESOLVED**

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

ARC16/10

Bennett/Tubman

**CARRIED**

TREASURY REPORT AS AT 31 JANUARY 2016 (1476423, 1391827)

The Corporate Services Manager provided an update on the current position of the loan/debt status, against the parameters outlined in the Council's Financial Strategy and Liability Management Policy.

**RESOLVED**

THAT the report be received.

ARC16/11

Adams/Tregidga

**CARRIED**

PRICE WATERHOUSE COOPER - TREASURY ADVISOR

PWC Treasury Advisors, Brett Johanson and Alex Wondergem attended the meeting at 11.30am and provided a presentation on the following:

- Treasury risk management through Council's Liability Management Policy
- Interest rate and funding market update
- Local Government Funding Agency performance
- Interest rate swaps
- Funding and liquidity risk position and strategy

The Treasury Advisors discussed that the current treasury approach of the Council is one of certainty and diversification in an effort to reduce risk.

AUDIT AND RISK COMMITTEE – 2016 WORK PROGRAMME (1488907, 1252510)

The Strategic Planner presented the Audit & Risk Committee's 2016 Draft Work Programme & Terms of Reference.

The Strategic Planner provided a verbal update regarding the Risk Management project and advised that Chair Paul Bennett had agreed to meet and review the work prior to its presentation to the Committee.

The Committee discussed their role with regards to Health and Safety. The Chair articulated that the role of the Committee is to have an awareness of the issues and risks, and seek a level of comfort that the necessary and appropriate controls are in place to manage the issues and risks.

The Committee suggested that staff make contact with MPDC and TCDC to discuss how they intend to report to their Audit and Risk Committees and Councils regarding Health and Safety and report back to the next Committee meeting, noting that the next meeting of the Audit and Risk Committee is after the 4 April 2016 legislation enactment date.

**RESOLVED**

THAT the report be received, and

THAT the Committee approves the current work programme with the inclusion that an update report be prepared on procurement and be received at the meeting of 21 June.

ARC16/12

Leonard/Bennett

**CARRIED**

The meeting closed at 12.15pm.

CONFIRMED

P Bennett  
Chairperson

29 April 2016