

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 23 AUGUST 2016 COMMENCING AT 9.00AM

PRESENT Mr P Bennett (Chairperson), His Worship the Mayor, J P Tregidga (from 9:14am), Crs B A Gordon, G R Leonard and A A Tubman

IN ATTENDANCE Cr P A Milner, Messrs L D Cavers (Chief Executive), D Peddie (Group Manager Corporate Services) and Ms K Conomos (Strategic Planner). Mr David Sutton and Ms Bineeta Nand from KPMG for item 5.1 only.

APOLOGIES

RESOLVED

THAT the apology for Cr D A Adams and the apology for lateness of His Worship the Mayor be received and sustained.

ARC 16/48

Gordon/Tubman

CARRIED

It was noted that Messrs Leon Pieterse and Naude Kotze (Audit NZ) had apologised for not attending the meeting

DECLARATION OF LATE ITEMS

There were no late items.

DECLARATIONS OF INTEREST

Whilst not a member of the Committee, the Chief Executive acknowledged his position as a Trustee of the Local Authority Protection Programme Disaster Fund (LAPP) which is mentioned in relation to item 5.4 Overview of Council's Insurance Policies.

RESOLVED

THAT the declaration of interest of the Chief Executive be received and sustained.

ARC 16/49

Leonard/Tubman

CARRIED

CONFIRMATION OF MINUTES

AUDIT & RISK COMMITTEE MEETING HELD ON TUESDAY 21 JUNE 2016 (1551521)

RESOLVED

THAT the minutes of the meeting held on Tuesday 21 June 2016 be taken as read and confirmed.

ARC 16/50

Bennett/Tubman

CARRIED

BUSINESS

KPMG INTERNAL AUDIT REPORT – PAYROLL

Mr David Sutton and Ms Bineeta Nand from KPMG presented the payroll internal audit report to the Committee. Mr Sutton explained the overall rating of adequate and stepped through the high and medium findings for the Committee. The Committee were advised that the next internal audit review will focus on accounts payable.

His Worship the Mayor, J P Tregidga joined the meeting at 9:14am.

The Committee were offered Committee-only time with internal auditors, however, KPMG advised that they had no issues to raise.

RESOLVED

THAT the report be received.

ARC 16/51

Bennett/Leonard

CARRIED

TREASURY REPORT AS AT 31 JULY 2016 (1577806)

The Group Manager - Corporate Services presented 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.

ARC 16/52

Leonard/Gordon

CARRIED

Mr Peddie advised that staff are reporting on the June 2015 targets for the Financial Strategy until 2015/16 figures are confirmed.

Cr Tubman inquired whether the Council is exposed with its current swaps given the interest rate decrease. Mr Peddie advised that the Council is paying a base interest rate of 4% when the current base interest rate may be around 3.5%. However, advice is sought regularly from Council's Treasury Advisors and with swaps it is likely a loss will be borne somewhere. The Committee had a discussion regarding interest rate trends.

The Committee had a discussion regarding the guarantee for the Waihi Netball Association and the duration of the guarantee. The Committee expressed a preference for there to be term/durations attached to such guarantees in future.

2015/16 OVERHEADS ACTIVITY REPORT (1579458)

The Group Manager - Corporate Services reported on the 2015-16 overheads activity for the Committee's information.

RESOLVED

THAT the report be received.

ARC 16/53

Bennett/Tubman

CARRIED

Mr Peddie advised of an error in the report and that the overhead position is \$8,000 over not under budget. Consequently, he tabled updated expenditure by overhead and expenditure by type graphs.

The Committee had a discussion regarding a desire to benchmark Council's overhead expenditure. The Chief Executive advised that the Council is taking part in a Price Waterhouse Coopers Operational Effectiveness programme for this purpose. The Mayor also provided information to the Committee regarding the LGNZ benchmarking survey which is currently underway.

OVERVIEW OF COUNCIL'S INSURANCE POLICIES (1577406)

The Group Manager - Corporate Services presented a report with the annual update to the Committee regarding the Council's insurance policies.

RESOLVED

THAT the report be received.

ARC 16/54

Bennett/Leonard

CARRIED

Mr Bennett queried the cost of the Maximum Probable Loss exposure that the Council is likely to face. The Chief Executive and Mr Peddie advised that the premium cost for Council's Maximum Probable Loss position for underground infrastructure is in order of \$70,000 per annum.

The Chief Executive provided background to the Committee regarding the drivers of the Maximum Probable Loss requirement and gave examples of government agencies that self-insure.

DEPARTURES FROM PROCUREMENT POLICY (1577896)

The Chief Executive presented a report regarding the 11 uses of the departure from procurement process that have occurred between March 2016 and August 2016.

RESOLVED

THAT the report be received.

ARC 16/55

Bennett/Gordon

CARRIED

Cr Gordon queried whether staff is instructed to procure locally where possible. The Chief Executive advised that this is the case and is a feature of the Council's procurement policy, and provided examples of where this is possible and where it is not.

HEALTH AND SAFETY REPORT (1578481)

The Chief Executive presented a report of the Council's implementation progress against the Health and Safety at Work Act 2015

RESOLVED

THAT the report be received.

ARC 16/56

Tubman/Leonard

CARRIED

It was noted that a similar detailed report was recently presented to the Operations Committee.

Mr Bennett requested that this be kept as a standing item on the agenda for the time being.

The Committee provided feedback to the presentation of the report noting that the readability of the graphs was poor and should be corrected for future reports.

RISK REGISTER REPORT (1577642, 1577721)

The Strategic Planner, Ms Conomos presented the Corporate Risk Register for review noting no substantial change since the last presentation of the Corporate Risk Register.

RESOLVED

THAT the report be received, and

THAT the Audit and Risk Committee review the Corporate Risk Register and provides comment to staff.

ARC 16/57

Bennett/Gordon

CARRIED

Mr Bennett noted that when an organisation introduces a risk register it is more likely to have a lower risk tolerance at the beginning of the risk management journey, and that over time, organisations tend to accept a higher degree of risk.

The Committee discussed the risks and concerns of being unable to supply water, particularly on the Plains and whether there is a duty to inform ratepayers regarding the risk situation. The Committee noted that in the past, the level of understanding of this risk was higher, but over the years as the water supply has been more certain, a level of complacency has set in.

The Chief Executive advised that a risk focus will mean that conversations regarding bringing forward and advancing renewal programmes (for example) as a means of risk mitigation will be presented to Council.

AUDIT NZ MANAGEMENT REPORT FOR YEAR ENDED 30 JUNE 2015 (1577378, 1577377)

The Group Manager - Corporate Services presented a progress report to the Audit Management Report regarding items raised by Audit New Zealand in their Audit report, year ended 30 June 2015 and stepped through progress updates since the last report.

The Committee discussed that the timing of the local body election means that there is no opportunity to review the Annual Report prior to the new Council being asked to adopt the report on 26 October.

Mr Bennett advised that he feels the Committee would be discharging its duties if it didn't review the report and offer a recommendation or comment to the incoming Council. Consequently, it was discussed that the Committee would be able to review a pre-audited draft before the local body elections.

RESOLVED

THAT the report be received.

ARC 16/58

Bennett/Tubman

CARRIED

The Committee meeting adjourned for morning tea break at 10:42am and reconvened at 10:59am.

CORPORATE SERVICES UPDATE REPORT (1579462)

The Group Manager Corporate Services presented a report regarding general Corporate Services matters including the previous resolutions of the Committee regarding the rates billing frequency and promotion of direct debits.

RESOLVED

THAT the report be received.

ARC 16/59

Bennett/Leonard

CARRIED

The Committee indicated their general support to include as a consultation item in the 2017/18 draft Annual Plan the proposal to increase rates billing frequently to bi-monthly.

Mr Peddie highlighted that there have been a number of issues with the phone system over recent months and outlined the reasons for these issues.

Mr Bennett queried whether HDC partners with an IT provider and noted that Braemar Hospital use Datacom for this purpose as staff do not necessarily have the capacity to be future-looking enough. Mr. Bennett also advised that at Braemar Hospital, year on year there is a rise in IT costs.

AUDIT AND RISK COMMITTEE – SELF ASSESSMENT RESULTS (1577724, 1578029)

The Strategic Planner presented a report which compiled the results of the self assessment survey undertaken by each member of the Audit & Risk Committee to measure its effectiveness.

RESOLVED

THAT the report be received.

ARC 16/60

Leonard/Gordon

CARRIED

RESOLVED

THAT the Committee discuss the results, and

THAT the Committee determine actions and decides on what steps should be taken arising from the results.

ARC 16/61

Leonard/Gordon

CARRIED

The Committee discussed the importance of training and the need for the new Committee to receive effective training particularly with regards to financial and risk literacy. The Committee discussed the usefulness of the LGNZ Equip training and noted that it was costly and not as effective as they would have liked. The Committee expressed a preference for bringing someone external to HDC to provide an overview of the importance and function of the Audit and Risk Committees. The Chief Executive suggested that this feedback should be provided to LGNZ.

The Committee sought feedback from staff regarding the Committee's usefulness and effectiveness. Mr. Peddie advised that whilst the reporting requirement does take some time, he believes the information that is being reported should be visible and discussed with elected

members. The Chief Executive advised that the work programme of the Committee has provided more focussed oversight than what has occurred in the past and greater assurance to his role that the Governance arm is comfortable with the way in which the business is being conducted.

In light of this being the last meeting of the Committee prior to the local body election, whereby Committees of the Council are dissolved, the Mayor took the opportunity to express the Committee's appreciation to Mr Bennett for his contribution, advice and guidance in the role of independent Chair. The Mayor thanked Mr Bennett for his contribution toward establishing the programme of the Audit and Risk Committee.

AUDIT & RISK COMMITTEE 2016 WORK PROGRAMME (1577598, 1252510)

The Strategic Planner presented the forward work programme for the Audit and Risk Committee.

RESOLVED

THAT the report be received.

ARC 16/62

Tubman/Gordon

CARRIED

RESOLVED

THAT a special meeting of the Audit and Risk Committee be held on Tuesday 4 October at 11:00am to review the draft Annual Report, and

THAT the Treasury Advisor update scheduled for the 20 December meeting be pushed out to the meeting following, and

THAT that the proposed meeting date be brought forward from 20 December to earlier in December, and

THAT the Committee otherwise approves its terms of reference and work programme as presented.

ARC 16/63

Tubman/Gordon

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	KPMG Internal Audit Reviews – Progress Report	Section 7(2)(f)(i) – Maintain the effective conduct of public affairs through— (i) the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) applies, in the course of their duty.	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.
2	Rates in Arrears	Section 7(2)(a) – 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.

ARC 16/64

Bennett/Gordon

CARRIED

RESOLVED

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

ARC 16/73

Bennett/Tubman

CARRIED

The meeting closed 12:16pm

CONFIRMED

P Bennett
Chairperson