

# HAURAKI DISTRICT COUNCIL

## AUDIT AND RISK COMMITTEE

MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE HAURAKI ROOM, COUNCIL OFFICE, WILLIAM STREET, PAEROA ON TUESDAY, 20 JUNE 2017 COMMENCING AT 8.30AM

### **PRESENT**

Mr P Bennett (In the Chair), His Worship the Mayor Mr J P Tregidga (9.00-10.00am), Crs D A Adams, G R Leonard, P A Milner (10.55am-11.15) and D Smeaton

### **IN ATTENDANCE**

Mr David Walker (Audit NZ), Cr R Harris, Messrs L D Cavers (Chief Executive), D Peddie (Finance Manager), Ms K Vatselias and Ms C Black (Council Secretary)

### **APOLOGIES**

There were no apologies.

### **Introduction of David Walker – Audit NZ**

Mr David Walker was introduced to the Committee as the new Audit NZ representative.

### **LATE ITEMS**

There were no late items.

### **DECLARATIONS OF INTERESTS**

Item 16 – Overview of Councils Insurance Policies - Chief Executive declared he was a Trustee of the Local Authority Protection Programme.

### **CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES - 04-04-17 (2190057)**

### **RESOLVED**

THAT the minutes of the Audit and Risk Committee meeting held on Tuesday, 4 April 2017 be confirmed and are a true and correct record.

ARC17/39

Bennett/Tregidga

**CARRIED**

### **INFORMATION REPORT - PROGRESS AGAINST AUDIT NZ RECOMMENDATIONS (2217840) Appendix A - Progress on Matters Raised by Audit NZ (2218345)**

The Finance Manager, Kelly Vatselias presented the progress on matters raised by Audit NZ. She reported on a new purchasing system (Purchase Cards) where a limit is set being trialled which will replace the current purchase order process for small purchases. Will not be approved until the system has proven to work.

### **RESOLVED**

THAT the report be received.

ARC17/40

Adams/Bennett

**CARRIED**

#### TREASURY REPORT AS AT 31 MAY 2017 (2217838)

The Group Manager – Corporate Services presented the treasury report as at 31 May 2017 which 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.

ARC17/41

Leonard/Adams

**CARRIED**

The Group Manager noted that he holds meetings with PWC, Council Treasury advisors, to review external debt.

#### RATES AFFORDABILITY INFORMATION REPORT (2222637)

The Group Manager - Corporate Services presented a report which provided updated information on rates affordability.

#### **RESOLVED**

THAT the report be received.

ARC17/42

Bennett/Leonard

**CARRIED**

At the December 2016 meeting, it was requested the Committee be provided with information regarding rates affordability in the District. The report outlined some key statistics and information relating to rates and ratepayers in the Hauraki District. It also summarised some previous discussions and decisions by the Committee and Council.

A discussion was held around recovering debt. The Chairman asked that a breakdown be provided on where debt is identified, i.e. Maori land / Business land / Commercial land / Farming land.

Further discussion was had on options for recovering rates arrears and how this issue can best be addressed.

The Group Manager - Corporate Services was asked to provide a more detailed analysis of debt to be reported to the next meeting in August and to be the first item on the agenda.

Cr Harris suggested that a discount process be considered if people pay rates in advance.

Cr Adams believed there needs to be a ‘communication’ push about options and benefits of paying rates within required time period.

#### OVERHEADS REPORT 30-04 2017 (2220458) (2187966)

The Group Manager – Corporate Services presented a report which showed Council’s Overhead expenditure for the ten months to 30 April 2017. Total overheads for this period, before allocation, is \$7,493,000. This is \$269,000 (4%) more than budgeted for the same period.

#### **RESOLVED**

THAT the report be received.

ARC17/43

Bennett/Tregidga

**CARRIED**

Planning and Environmental, and Corporate Services are the main areas where overheads are higher than budgeted.

The additional overheads in the Planning and Environment department are mainly due to additional staff resources required as a result of the increased activity in planning and consents. These increased overheads are offset by the additional revenue received as a result of the increased activity. The increased revenue is shown in the main Council financial report so doesn't show here.

Corporate Services overheads are higher than budgeted mainly due to an additional staff member in the Network Services team and increased water meter reading costs.

Detailed summaries, together with explanations of significant variances, were included in the attached appendices. The Group Manager advised that he would continue to provide this report on a quarterly basis.

Mayor, John Tregidga left the meeting at 10.00am.

David Walker covered three key questions before year end.

- Fraud – no
- Unusual transactions – no
- Off balance sheet transactions e.g. design, build, finance operate it – no.

Systems need to have a process in place to avoid these situations.

Mr Walker answered questions from the Group Manager – Corporate Services regarding the process to monitor financial transactions within Council.

**Matters to be taken with the Public Excluded**

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 - 31 May 2017	<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.
2	KPMG Internal Audit Reviews _ Progress Report - May 2017	<b>Section 7(2)(f)(i)</b> – 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) of this Act 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.

ARC17/44

Bennett/Adams

**CARRIED**

Item 1:

RATES IN ARREARS – 31 MAY 2017 (2187966)

The Group Manager – Corporate Services presented a report which updated on information regarding rates in arrears, and in particular, progress on properties that have been previously identified for rating sale.

**RESOLVED**

THAT the report be received.

ARC17/45

Bennett/Smeaton

**CARRIED**

Cr Adams asked for an update on the rate arrears of Mr Mark Ofoski. An update was provided by the Group Manager - Corporate Services.

Approval was sought that a rating sale proceeds for the property at 5 Dolphin Drive Whiritoa owned by Annelies Holden and Wayne Angus Holden in arrears of \$9,432.61.

**RESOLVED**

THAT the Committee recommends that Council resolve to proceed to a Rating Sale on the property at 5 Dolphin Drive, Whiritoa, with the valuation number 05052/216.00, and

THAT the report and decision not be released to the public.

ARC17/46

Bennett/Leonard

**CARRIED**

Item 2:

KPMG INTERNAL AUDIT REVIEWS PROGRESS REPORT - MAY 2017 (2218351)

Appendix A - KPMG Internal Audit Reviews Progress Report May 2017 (2218349)

The Finance Manager provided a report which updated on the internal audit review undertaken by KPMG.

**RESOLVED**

THAT the report be received.

ARC17/47

Bennett/Leonard

**CARRIED**

In 2015, KPMG was appointed as HDC's internal auditors. The initial work programme consisted of five reviews, which were conducted over an 18-month period. These reviews were procurement, Cash handling, Accounts payable, payroll and asset management.

Now that the initial work programme is completed, the Audit and Risk Committee should determine whether the Council engages KPMG to complete further internal audit work. Staff outlined three options and provided some commentary around the advantages and disadvantages of each of the options.

Staff recommended that further internal work is delayed as per option 2 as this will give staff the opportunity to focus on clearing the items raised as a result of the completed reviews, and also acknowledges the pressure on staff resources with the development of the LTP this year. Staff recommended this item is reconsidered in 12 months' time, with a view to developing a further internal audit programme at this time.

**RESOLVED**

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

ARC17/48

Bennett/Leonard

**CARRIED**

HEALTH SAFETY AUDIT AND RISK COMMITTEE REPORT JUNE 2017 (2222146)

Human Resources Advisor Julie Sweeney and Health & Safety Advisor, Judy Nicholls were in attendance as part of their regular reporting to the Committee on key health and safety matters to ensure Council continues to meet its health and safety responsibilities under the Act.

**RESOLVED**

THAT the report be received.

ARC17/49

Smeaton/Adams

**CARRIED**

The report updated the Committee on the implementation of the HDC Health and Safety at Work Action Plan which has been developed by the HDC Health and Safety Team in line with the HDC Health and Safety and Wellbeing charter goal's, accountabilities and reporting framework.

It was noted that in the Parks and Reserves area a downfall in health and safety practices has been identified. Steps will need to be taken to address these and the results be reported back to the Audit & Risk Committee.

Cr Milner attended the meeting at 10.50am.

AUDIT AND RISK COMMITTEE - SELF-ASSESSMENT (2219372)

Appendix A - Audit And Risk Committee - Self-Assessment Tool (2219380)

Staff recommended that the Audit and Risk Committee utilise the same self-assessment survey for 2017, which will enable comparison between the three sets of results. A copy of the survey was attached.

This approach provides a reasonable means of identifying areas for further improvement and development and requires minimal resource allocation and is a cost-effective option.

**RESOLVED**

THAT the report be received.

ARC17/50

Adams/Milner

**CARRIED**

**RESOLVED**

THAT the Committee members individually undertake a self-assessment survey by 28 July 2017, and

THAT staff compile the results and present these to the Committee at its meeting of 22 August 2017.

ARC17/51

Adams/Milner

**CARRIED**

AUDIT AND RISK COMMITTEE - INTERNAL AUDIT FUNCTION AND PRIORITIES (2219820)  
Appendix A - Internal Audit Priorities Chart (2221160)

One option is for the Committee to choose to continue with the internal audit function, and engage KPMG to develop a further work programme for the Council.

The benefit from this option is that the organisation can continue with the momentum gained from the first internal audit reviews.

**RESOLVED**

THAT the report be received.

ARC17/52

Adams/Smeaton

**CARRIED**

**RESOLVED**

THAT the Committee approve Option (2) to delay internal audit for a period of 12 months until June 2018.

ARC17/53

Adams/Smeaton

**CARRIED**

RISK REPORT TO AUDIT AND RISK COMMITTEE (2222636)  
HDC Risk Register - Corporate Risks (2222635)

The CEO presented the Corporate Risk Register for review.

**RESOLVED**

THAT the report be received.

ARC17/54

Bennett/Leonard

**CARRIED**

There have been no substantive changes to the corporate risk register since this was last presented to the Committee in February 2017, however, there have been adjustments made (both positive and negative) to five of the identified controls. These were marked in that appendix. None have been assessed to warrant a change to the overall risk level.

The Executive Leadership Team has provided commentary against each of the identified eleven risks, with changes marked up.

Staff are intending to introduce a four tier rating for controls being:

- Not acceptable (NA)
- Needs improvement (NI)
- Effective (E)
- Advanced (A)

This assessment will be implemented from the next report.

The CEO declared and interest in the following item and took no part in the discussion.

OVERVIEW OF COUNCIL'S INSURANCE POLICIES (2222637)

The Group Manager – Corporate Services presented a report which provided the annual update on Councils Insurance policies.

It was advised that the Council is a member of Local Authority Shared Services (LASS) and LASS coordinates shared insurance services across 10 councils within the Waikato.

**RESOLVED**

THAT the report be received.

ARC17/55

Bennett/Leonard

**CARRIED**

Cyber Security

The matter of cyber security was raised. It was requested that this subject be included in the next agenda of the Committee in August.

AUDIT AND RISK COMMITTEE - WORK PROGRAMME REPORT (2217837)

The Finance Manager presented the updated 2017 Audit and Risk work programme for the Committee's consideration.

**RESOLVED**

THAT the report be received.

ARC17/56

Bennett/Leonard

**CARRIED**

Noted: that the addition of topics – 'affordability' and 'cyber security' to the work programme for consideration at the August meeting.

The meeting closed at 11.15am.

CONFIRMED

P Bennett  
Chairperson

22 August 2017