

# 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, 22 AUGUST 2017 COMMENCING AT 9.00AM

### **PRESENT**

Mr P Bennett (In the Chair), His Worship the Mayor Mr J P Tregidga, Crs D A Adams, G R Leonard (from 9.07am), P A Milner and D Smeaton (from 9.09am)

### **IN ATTENDANCE**

Mr David Walker (Audit Director - 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**

### **RESOLVED**

THAT the apology for lateness of Cr G Leonard and D Smeaton be received and sustained.

ARC17/57

Bennett/Milner

**CARRIED**

### **LATE ITEMS**

There were no late items.

### **DECLARATIONS OF INTERESTS**

There were no declarations.

CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES – 20-06-17 (2224534)

### **RESOLVED**

THAT the minutes of the Audit and Risk Committee meeting held on Tuesday, 20 June 2017 be confirmed and are a true and correct record.

ARC17/58

Bennett/Adams

**CARRIED**

PROGRESS AGAINST AUDIT NZ RECOMMENDATIONS AUGUST 2017 (2259616)  
Appendix A - Progress on matters raised by Audit NZ August 2017 (2259614)

Mr David Walker (Audit Director - Audit NZ) spoke to the report and addressed key matters raised from the 2015-16 audit.

### **RESOLVED**

THAT the report be received.

ARC17/59

Bennett/Milner

**CARRIED**

Cr Leonard attended the meeting at 9.07am.  
Cr Smeaton attended the meeting 9.09am.

Mr Walker provided feedback to the Committee on cash handling.  
The Committee was asked if they wished to add 'cash handling risk assessment' to the programme.

Cr Adams believed that audit continue with current matters before adding any new ones to the programme.

Mr Walker stated there needs to be a reliance placed on field staff to ensure they record the correct time for attending or resolving service requests. This potentially affects such time sensitive performance measures. A scenario where this system will be especially stressed will be "no water" or "flooding" incidents affecting several properties. In such instances, the field staff will busy attending to the service requests and will then have to enter the data into the database retrospectively. There is no independent verification of the response time made when this is later recorded.

For stormwater or land drainage issues, the public also has the ability to contact the Drainage Manager or Drainage Overseer directly (as well as the CSAs). There is a risk that all service request incidents may not be recorded in the customer service request system; especially during heavy rainfall events when the Drainage Manager and Overseer will be busy.

AUDIT NEW ZEALAND ENGAGEMENT LETTER DEBENTURE TRUST DEED (2257272)  
Appendix A - Audit New Zealand - Limited Independent Assurance report Debenture Trust Deed (2259366)

David Walker presented the Audit New Zealand Audit Engagement Letter, for the 2016/17 Limited Independence Assurance Report in respect of HDC's Debenture Trust Deed, to the Committee for approval.

**RESOLVED**

THAT the report be received.

ARC17/60

Leonard/Bennett

**CARRIED**

HDC, as a shareholder of the New Zealand Local Government Funding Agency, (LGFA), is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder, and therefore take advantage of the lower interest rate margins LGFA offer. HDC also uses the Debenture Trust Deed to provide security for its borrowings from banks. HDC signed the Debenture Trust Deed between HDC and Trustee Executors Limited (the Council's Trustee), on 29 November 2012.

Mr Walker explained that a Debenture Trust Deed is a deed entered into between a local authority and a trustee under which the local authority grants a security interest in its rates and rates revenue to the trustee to hold on behalf of holders of the 'stock' issued under the Debenture Trust Deed. The local authority can then issue 'stock' to creditors which has the benefit of the security granted to the trustee.

**RESOLVED**

THAT the Committee approves the Audit NZ Engagement Letter in respect of Hauraki District Councils Debenture Trust Deed for signature by the Mayor.

ARC17/61

Bennett/Milner

**CARRIED**

## AUDIT NEW ZEALAND - AUDIT PROPOSAL LETTER (2259361, 2257364)

The Finance Manager presented a report which outlined that under Section 99 of the Local Government Act Councils are required to provide an Annual Report and Summary which must contain an audit report from the Auditor General.

### **RESOLVED**

THAT the report be received.

ARC17/62

Bennett/Adams

**CARRIED**

Mr Walker talked the Committee through the letter which set out the audit fees for the following three years. He explained the changes to the hours required to complete the audit, and the resulting impact on audit fees due to this change.

It was requested that the Audit Proposal Letter for the 2016/17, 2017/18 and 2018/19 audits be approved and signed by the Mayor.

### **RESOLVED**

THAT the Committee approve the Audit Engagement Letter for signature by the Mayor.

ARC17/63

Bennett/Smeaton

**CARRIED**

## RATES AFFORDABILITY INFORMATION REPORT (2259954)

The Group Manager – Corporate Services presented a report which outlined a range of sources of information to evaluate whether rates affordability is an issue in Hauraki. Overall the measures indicated that for a significant part of the community, rates are likely to be less affordable than an average community in New Zealand.

Options were discussed as to how Council could help address some of the key issues around affordability of the community to pay rates and what measures could be put in place to assist with these issues.

### **RESOLVED**

THAT the report be received.

ARC17/64

Leonard/Bennett

**CARRIED**

Discussion was held regarding Maori freehold land that has been split into multiple ownership and land that can be sold.

The following options to assist in the manageability of paying rates were discussed:

- Value Based Rates vs. Annual Charges
- More frequent instalments
- Alternative payment methods
- Discounts
- Rates Rebates – increasing uptake
- Rates remission based on rates rebate scheme
- Rates Postponement
- Improving Household Income

Committee members supported the suggestion that staff and Councillors visit district marae to explain the process for applying for rates rebates. It was also emphasised the need to target 'extreme' cases of hardship where rates demands are continually not being met early before the rates arrears reach an unsurmountable level.

**RESOLVED**

THAT the affordability report be submitted to Council as part of the discussions regarding Step 4 of the Revenue and Finance Policy.

ARC17/65

Tregidga/Adams

**CARRIED**

**TREASURY REPORT AS AT 8 AUGUST 2017 (2258815)**

The Group Manager – Corporate Services 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.

ARC17/66

Bennett/Leonard

**CARRIED**

**DECISION REPORT LIABILITY AND INVESTMENT POLICY (2257323)**  
**Appendix A - Draft Liability Management and Investment Policy (2225732)**

The Group Manager – Corporate Services provided the Audit and Risk Committee with the amended Liability Management and Investment Policy for review.

**RESOLVED**

THAT the report be received.

ARC17/67

Adams/Milner

**CARRIED**

The Liability Management and Investment Policy was last reviewed and revised as part of the 2015-25 Long Term Plan process in 2014. This policy is now up for review as part of the 2018-28 Long Term Plan process.

Treasury Advisors PWC, have reviewed the current policy and have recommended some minor changes to the policy. These changes generally relate to clarifying some wording, removing some irrelevant information, and aligning the policy with current best practice, and Council requirements.

Staff recommended a change to the External Debt per Property measure to more closely align this cap to the cap generated by the other measures.

**RESOLVED**

THAT the revised Liability Management and Investment Policy be submitted to Council for adoption.

ARC17/68

Adams/Milner

**CARRIED**

DEPARTURES FROM PROCUREMENT POLICY AUGUST 2017 (2256880)

The Chief Executive presented a report which provided information regarding the uses of the departure from procurement policy process.

Previously, the Committee resolved that it maintain oversight of the use of the departure from the procurement process through a report to the Committee twice per year.

The Chairperson advised that he was satisfied with this process.

**RESOLVED**

THAT the report be received.

ARC17/69

Leonard/Bennett

**CARRIED**

RISK REPORT TO AUDIT AND RISK COMMITTEE (2259256)

Appendix A - HDC Risk Register - Corporate Risks with Control (2258319)

The Chief Executive advised at the last meeting the Committee agreed to the introduction of a 'four tier' rating for controls and the Executive Leadership team have undertaken an assessment in this regard and this is shown on the risk register. The previous assessment was also shown for the committee's information but this will be removed.

The four tier rating for controls are:

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

The members suggested that a priority list of 'not acceptable' (NA) risks be compiled and presented to the next meeting.

**RESOLVED**

THAT the report be received.

ARC17/70

Tregidga/Milner

**CARRIED**

**RESOLVED**

THAT a priority list of 'not acceptable' (NA) risks be compiled and presented to the next meeting.

ARC17/71

Tregidga/Milner

**CARRIED**

## **Matters to be Taken with the Public Excluded**

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>
<b>1</b>	KPMG Progress Report - August 2017	<b>Section 6(a)</b> – Maintenance of Law	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.
<b>2</b>	Rates in Arrears - August 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.
<b>3</b>	Rates in Arrears – Subject Property - August 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.

ARC17/72

Adams/Tregidga

**CARRIED**

**RESOLVED**

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

C17/78

Tregidga/Adams

**CARRIED**

**AUDIT AND RISK COMMITTEE SELF-ASSESSMENT RESULTS 2017 (2258316)**

The Group Manager – Corporate Services presented a report which showed the compiled results of the Audit & Risk Committee self-assessment survey and provided an opportunity for discussion around the results. Commentary regarding comparison to the previous year's survey results was also included.

**RESOLVED**

THAT the report be received.

ARC17/79

Tregidga/Adams

**CARRIED**

All members agreed, or strongly agreed, that the Committee requires financial expertise, knowledge of governance, assurance and risk management best practice, a good knowledge of the local government sector.

To allow the Committee members to gain more competency and understanding of financial matters, the Chair suggested he speak with Margaret Devlin regarding setting up training sessions for Councillors which would provide them with a basic understanding of finance.

It was also suggested that the Chief Executive make inquiries through (EQUIP) for training opportunities for members – Courses 'Finance 101 and 102'.

**RESOLVED**

THAT members of the Audit & Risk Committee attend the LGNZ Audit and Risk Training sessions.

ARC17/80

Tregidga/Adams

**CARRIED**

**HEALTH AND SAFETY REPORT AUDIT AND RISK AUGUST 2017 (2259682)**

Julie Sweeney, Human Resources Advisor joined the meeting and presented a summary on key matters to ensure Hauraki District Council continues to meet its health and safety responsibilities under the Act as part of the regular reporting to the Audit & Risk Committee.

**RESOLVED**

THAT the report be received.

ARC17/81

Bennett/Tregidga

**CARRIED**

The Chairperson commended human resources and health and safety staff on their ongoing support in developing and supporting the ongoing drive to improve the health and safety practices and processes within the organisation.

AUDIT AND RISK COMMITTEE - WORK PROGRAMME REPORT AUGUST 2017 (2259294)

The Finance Manager presented the Draft Work Programme to December 2017 and requested feedback from the members.

**RESOLVED**

THAT the report be received.

ARC17/82

Leonard/Adams

**CARRIED**

**RESOLVED**

THAT the Committee approves the work programme as presented.

ARC17/83

Leonard/Adams

**CARRIED**

The Chairperson suggested 'Fraud' be added to the work programme for 2018.

The meeting closed at 11.15am.

CONFIRMED

P Bennett  
Chairperson

17 October 2017