

**HAURAKI DISTRICT**  
**AUDIT AND RISK COMMITTEE**

MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE HAURAKI ROOM,  
WILLIAM STREET, PAEROA ON TUESDAY, 18 DECEMBER 2018 COMMENCING AT 9.00 AM

**PRESENT** Mr P Bennett (In the Chair), Crs D A Adams, P A Milner, R Harris and D Smeaton

**IN ATTENDANCE** D Walker (Audit NZ- 9.00am-12.15pm), Messrs L D Cavers (Chief Executive), D Peddie (Group Manager – Corporate Services), S Baker (Finance Manager) and Ms C Black (Council Secretary)

**APOLOGIES**

**RESOLVED**

THAT the apology of His Worship the Mayor Mr J P Tregidga be received and sustained.

ARC18/104

Adams/Milner

**CARRIED**

**LATE ITEMS**

There were no late items.

**DECLARATIONS OF INTERESTS**

There were no declarations of interests.

Change of Membership of Audit and Risk Committee

Acknowledgement was made of the change in membership to the Audit and Risk Committee. Cr Gill Leonard has relinquished her role as a member of the Committee and has now been replaced by Cr Ross Harris.

AUDIT RISK COMMITTEE MINUTES 25.9.18 (2465234)

**RESOLVED**

THAT the minutes of a meeting of the Audit and Risk Committee held on Tuesday 25 September 2018 be received and are a true and correct record.

ARC18/105

PROGRESS AGAINST AUDIT NZ RECOMMENDATIONS DECEMBER 2018 (2507365)

Appendix A- Progress on Matters Raised by Audit NZ December 2018 (2507345)

Steve Baker presented a report which updated the Committee on the progress being made on key matters raised by Audit New Zealand as a result of the 2016/17 audit.

**RESOLVED**

THAT the report be received.

ARC18/106

Adams/Milner

**CARRIED**

Key matters currently being reviewed:

- Expenditure Controls- self approvals and manual purchase orders
- Project Management
- Contract Management
- Risk Management
- Service Request Database

- Asset Management Plans (AMP)
- Earthquake Prone Buildings
- Revenue Controls
- Rating Reconciliations
- Long standing creditors balances

AUDIT AND RISK COMMITTEE - AUDIT NZ INTERIM AND FINAL AUDIT MANAGEMENT LETTERS 2018 (2507358)

Appendix A - Report on the interim audit of Council for the year ended 30 June 2018 (2507342)

Appendix B - Report on the final audit of Council for the year ended 30 June 2018 (2507349)

Steve Baker presented the Interim and Final Audit Management Report for year ended 30 June 2018 following the audit process undertaken by Audit NZ.

**RESOLVED**

THAT the report be received.

ARC18/107

Harris/Smeaton

**CARRIED**

Following the completion of the Interim Audit for the 2017/18 Annual Report audit, Audit NZ produced a management letter. A similar letter was also produced at the completion of the Final Audit for the 2017/18 Annual Report audit.

Matters raised within these Management Letters will be analysed by staff and corrective actions added to the report tabled to each Committee meeting which covers progress against recommendations for improvement raised by Audit NZ.

David Walker commented on key matters that Audit NZ are currently monitoring.

*Peer Review of Rates Resolution*

Mr Walker emphasised the importance for councils to be vigilant when formulating their rates resolutions and to ensure there is a good peer review process in place before Council releases/adopts its resolution.

*Expenditure Controls - Auto Approval of Invoices*

Other comments made were in reference to auto approval of invoices. Mr Walker stated that this process is on Audit NZ's watch list.

The CEO commented on the merit that a weekly report is generated to show status of all auto approved invoices. This will enable monitoring that approvals are being processed within delegation that communications with suppliers are being undertaken appropriately and that purchase orders are being completed correctly.

Cr Adams also raised the point that it is essential that staff ensure that a process is in place to check that goods received are as per the purchase order.

AUDIT AND RISK COMMITTEE - TREASURY REPORT AS AT 30 NOVEMBER 2018 (2507355)

The Group Manager – Corporate Services and Finance Manager presented a report which updated on the current position of the loan/debt status, against the parameters outlined in the Councils Financial Strategy and Liability Management Policy.

**RESOLVED**

THAT the report be received.

ARC18/108

Bennett/Harris

**CARRIED**

### Paeroa Promotions Trust

A brief discussion was held concerning the unsecured interest free loan of \$40,000 to the Paeroa Promotions Trust. The Trustees have announced their intention to wind up the trust and it is unclear if there are sufficient funds, if any, to repay the loan.

It was requested that a report come to the February meeting updating on what the status is regarding the Council loan to the Trust, and specifically what their ability is to repay the loan.

**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:

<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>	Rates in Arrears – December 2018	<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>2</b>	Rates in Arrears – Subject Property - December 2018	<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>	Appeal to Excess Water Remission Policy	<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>4</b>	KPMG - Progress Report – 18 December 2018	<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.

ARC18/109

Adams/Milner

**CARRIED**

**RESOLVED**

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

ARC18/117

Bennett/Harris

**CARRIED**

**AUDIT AND RISK COMMITTEE - REPORT ON AUTO APPROVED INVOICES AND MITIGATION (2507354)**

The Finance Manager presented a report which presented a summary of invoices that were auto approved during the 2017/18 and 2018/19 year.

**RESOLVED**

THAT the report be received.

ARC18/118

Bennett/Adams

**CARRIED**

As part of the audit of the 2016/17 Annual Report. Audit NZ noted that a system patch was applied to Councils Financial Software (Authority) that enabled some invoices to be automatically approved for payment if it had a self-approved purchase order and the goods or services had been receipted. The application of this system patch defeated the purpose of requiring one-up approval for invoices and therefore created a risk that purchases made were not appropriate or did not relate to Council's operations.

A process change in Authority Accounts Payable module was expected to remedy this issue but cannot be initiated until March 2019.

As an interim measure, Council staff have implemented a manual system for reviewing these transactions. This involves the production of a weekly system generated report showing all transactions where there had been only one staff member involved in the transaction. The report is then reviewed by the Finance manager on a weekly basis. Transactions of interest are then investigated further.

**RESOLVED**

THAT the Audit and Risk Committee note the interim measures implemented by staff to mitigate associated risks.

ARC18/119

Bennett/Adams

**CARRIED**

**RISK REPORT TO AUDIT AND RISK COMMITTEE DECEMBER 2018 (2507366)**

The Finance Manager presented a report which provided the Corporate Risk Register to the Audit and Risk Committee for review.

**RESOLVED**

THAT the report be received.

ARC18/120

Bennett/Harris

**CARRIED**

**Climate Change**

Staff advised that a representative from the Sea Change NZ Project will be invited to address the Committee at some time in the future on the subject of climate change and the associated risks affecting the Hauraki District.

### Three Waters Review

A new risk has been added to the risk register. The department of internal affairs (DIA) is reviewing how to improve the management of drinking water, stormwater, and wastewater (three waters). The review has released an initial assessment that found evidence of performance issues and pressure points within the three waters system. Further work is being undertaken to develop options for improving the three waters system, including the management, service delivery, funding, and regulatory arrangements.

#### **RESOLVED**

THAT the Audit and Risk Committee note the risk to Council's future long term operating if the result of the review meant the removal of the three waters activities from Council's operations.

ARC18/121

Harris/Smeaton

**CARRIED**

### HDC - RISK REGISTER CORPORATE RISKS WITH CONTROLS (2507361)

The Finance Manager presented the risk register with controls in place for the Committee's consideration.

#### **RESOLVED**

THAT the report be received.

ARC18/122

Harris/Smeaton

**CARRIED**

David Walker left the meeting at 12.15pm.

### AUDIT AND RISK COMMITTEE - CASE LAW UPDATE (2507359)

#### Appendix A - Northland Regional Council V Rogan and Anor [2018] NZCA 63 (2507336)

The Finance Manager provided a report which presented a case law situation concerning an appeal to the Court of Appeal between Northland Regional Council and a ratepayer in rate arrears.

#### **RESOLVED**

THAT the report be received.

ARC18/123

Milner/Bennett

**CARRIED**

### INTERNAL DEBT AT 30 JUNE 2018 (2507362)

The Group Manager – Corporate Services presented a report which updated information to the Committee on Council's internal debt position.

THAT the report be received.

ARC18/125

Bennett/Smeaton

**CARRIED**

### HEALTH AND SAFETY REPORT TO AUDIT RISK COMMITTEE - DECEMBER 2018 (2502265)

Health and Safety Advisors were in attendance and presented to the committee how Council is tracking in the areas of health, safety and wellbeing.

#### **RESOLVED**

THAT the report be received.

ARC18/126

Milner/Adams

**CARRIED**

AUDIT AND RISK - WORK PROGRAMME AND TERMS OF REFERENCE - DECEMBER 2018  
(2507351)

The Group Manager – Corporate Services presented a report which updated on the proposed work programme for the 2019 year.

**RESOLVED**

THAT the report be received.

ARC18/127

Milner/Harris

**CARRIED**

Discussion regarding External Auditor

During each bi-monthly meeting, the facility will be available, should member's wish to take the opportunity to hold discussions with the auditor without staff present. This is now noted in the Audit and Risk Terms of Reference.

The meeting closed at 12.35pm.

CONFIRMED

P Bennett  
Chairperson

19 February 2019