

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, 11 FEBRUARY 2020 COMMENCING AT 9.00 AM

PRESENT Cr R G Harris (In the Chair), His Worship the Mayor D A Adams, Cr P A Milner, Cr C Daley and Cr D Smeaton

IN ATTENDANCE L D Cavers (Chief Executive), D Peddie (Group Manager – Corporate Services), S Baker (Finance Manager) and Ms C Black (Council Secretary)

KARAKIA TIMATANGA

Mayor Adams opened the meeting with a karakia.

APOLOGIES

RESOLVED

THAT the apology of Cr A Spicer be received and sustained.

ARC20/01

Milner/Daley

CARRIED

LATE ITEMS

There were no late items.

DECLARATIONS OF INTERESTS

There were no declarations of interests.

Election of Audit and Risk Committee Chair

Nominations were sought for the election of Chairperson of the Audit and Risk Committee to be appointed in the interim until an appointment of an independent chairperson has been made.

Cr Milner nominated Cr Harris to the role as Chairperson. The nomination was supported by Cr Daley.

RESOLVED

THAT Cr Harris be elected as Chairperson of the Audit and Risk Committee in the interim until an appointment of an independent chair has been made.

ARC20/02

Milner/Daley

CARRIED

Audit and Risk Committee - Independent Chairperson

Discussions were held regarding the appointment of an independent chairperson of the Audit and Risk Committee for the 2020-2023 triennium. It was agreed that the previous chair, Paul Bennett be thanked of his input over the years since his appointment in 2014.

RESOLVED

THAT Paul Bennett be formally thanked for his leadership as independent chair of the Hauraki District Councils' Audit and Risk Committee for the period 2014-2019 and advise him that his services are no longer required, and

THAT a letter be written by the CEO and the Mayor on behalf of the Committee advising Paul Bennett of this decision and thanking him for his service.

ARC20/03

Harris/Smeaton

CARRIED

The meeting adjourned at 9.30am
The meeting reconvened at 9.40am

Due to the agreement and consensus of the Committee that Paul Bennett is no longer engaged as independent chair, consideration was requested as to his replacement.

It was proposed that the Committee consider the appointment of Mr Conall Buchanan, due to his background in business, in local government and the community and that he be approached to gauge his interest in taking on the role as independent chair of the Audit and Risk Committee.

RESOLVED

THAT Conall Buchanan be approached seeking his interest in the appointment as independent chairperson of the Hauraki District Council - Audit and Risk Committee for the 2020-2023 triennium.

ARC20/04

Harris/Adams

CARRIED

AUDIT AND RISK COMMITTEE - WORK PROGRAMME REPORT FEBRUARY 2020 (2707400)

The Group Manager – Corporate Services presented the work programme for the 2020 year for the member's consideration and feedback.

RESOLVED

THAT the report be received.

ARC20/05

Adams/Milner

CARRIED

RESOLVED

THAT the Committee adopts the work programme subject to the amendment that the date proposed for the Aon and PWC presentation is moved out to a later date to allow the new independent chairperson to settle into the role.

ARC20/06

Adams/Harris

CARRIED

PROGRESS AGAINST AUDIT NZ RECOMMENDATIONS JANUARY 2020 (2707411)
APPENDIX A - AUDIT NZ MANAGEMENT REPORT ACTION SCHEDULE (JANUARY 2020) (2707417)

The Finance Manager presented the report which presented the progress against matters raised by Audit NZ as a result of the 2017-18 and 2018-19 interim audit.

Findings of the management report on the 2018 annual report and the interim audit for 2019 annual report were updated within the report.

RESOLVED

THAT the report be received.

ARC20/07

Harris/Daley

CARRIED

Cr Daley suggested target dates be included in the progress report. She considered there needs to be more detail as to why projects are being rolled over.

Cr Harris commented on the reporting of service requests response times and referred to the pipe breaks information issue identified in 2019 by Audit NZ. He suggested reviewing non-financial performance targets need to be included as a high priority at the LTP stage.

AUDIT NZ FINAL AUDIT MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019 (2707408)
APPENDIX A - HAURAKI DC 2019 FINAL REPORT TO GOVERNORS (2707325)

The Finance Manager presented a report on the Audit NZ's final Audit Management Report for year ended 30 June 2019 to the Audit and Risk Committee.

RESOLVED

THAT the report be received.

ARC20/08

Daley/Smeaton

CARRIED

Key feedback received from Audit NZ:

- **Service Request System** - Enhance controls and review processes over the customer service request system to ensure that attendance and resolution times are recorded accurately in the system. They also recommended a review of the key decisions made when initially entering the service request information into the system to enable the data to be better aligned to reporting requirements.
- **Landfill** - Obtain an expert opinion on the likely remaining term that remediation will be required for each landfill site, as well as considering the likely costs of the required work over that term. We also recommend a review of the discount rate applied when calculating the landfill provision.
- **Procurement** - Understanding the risks: Procurement and contract management

AUDIT AND RISK COMMITTEE - TREASURY REPORT AS AT 31 JANUARY 2020 (2707415)

The Group Manager – Corporate Services presented a report which updated 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.

ARC20/09

Adams/Daley

CARRIED

Noted: Goldfields Railway 5 years from 31 October 2014 for \$30,000 for replacement of Waitete Bridge. It was requested that the date of the balance stated should be 31 January 2020 and not 31 July 2019.

FINANCE QUICK FACTS (2707404)

The Finance Manager presented the report on the quick financial facts and reference document attached.

RESOLVED

THAT the report be received.

ARC20/10

Harris/Daley

CARRIED

REPORT ON AUTO APPROVED INVOICES AND MITIGATION (2707401)

The Finance Manager presented a report which updated on the work undertaken to address auto approved invoices that occurred in the period from 1 July 2019 – 31 December 2019.

RESOLVED

THAT the report be received.

ARC20/11

Harris/Milner

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 which was implemented in May 2019 has seen no more instances of auto approved invoices.

Staff will continue to monitor this area.

RESOLVED

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

ARC20/12

Adams/Daley

CARRIED

INTERNAL DEBT AT 30 JUNE 2019 AND FORECAST FOR 30 JUNE 2020 (2707407)

The Group Manager – Corporate Services presented a report which updated the Committee on Councils internal debt position as at 30 June 2019 and provide a forecast position for 30 June 2020.

RESOLVED

THAT the report be received.

ARC20/13

Daley/Milner

CARRIED

The Audit and Risk Committee were last presented with a report at their meeting on 20 October 2015 on internal borrowing/lending balances. The last update was presented to the committee in June 2019 for containing a forecast internal debt position for 30 June 2019.

LIABILITY MANAGEMENT AND INVESTMENT POLICY - REPORT TO ARC FEBRUARY 2020 (2707402)

APPENDIX A - PROPOSED LIABILITY MANAGEMENT INVESTMENT POLICY - MARKED UP VERSION

The Finance Manager presented a report on the proposed Liability Management and Investment Policy for review.

RESOLVED

THAT the report be received.

ARC20/14

Harris/Daley

CARRIED

The Local Government Act (the Act) requires all local authorities (Councils) to adopt the following six funding and financial policies:

1. Revenue and financing
2. Development and/or financial contributions
3. Liability management
4. Investment
5. Remission and postponement of rates on Māori freehold land
6. Local board funding (if your local authority has local boards)

Each of these policies can only be adopted or amended following consultation in accordance with the requirements of section 82 of the Act. However, change to the liability management and investment policies can be made by Council resolution (Section 105 of the Act).

The Liability Management and Investment Policy was last reviewed and revised as part of the 2018-28 Long Term Plan process in 2017. This policy is now up for review as part of the 2021-31 Long Term Plan process.

RESOLVED

THAT the proposed Liability Management and Investment Policy be endorsed by the Committee, and

THAT the Committee recommends the proposed Liability Management and Investment Policy be submitted to Council for adoption.

ARC20/15

Milner/Daley

CARRIED

Cr Harris left meeting at 10.32am.

The Mayor took the chair.

Cr Harris returned to the meeting at 10.34am and resumed the chair.

INTERNAL AUDIT FUNCTION AND PRIORITIES 2707406)

APPENDIX A - INTERNAL AUDIT PRIORITIES - CHART (2707326)

The Group Manager – Corporate Services presented a report on the future of the internal audit function.

RESOLVED

THAT the report be received.

ARC20/16

Daley/Adams

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:

1. Procurement
2. Cash handling
3. Accounts payable
4. Payroll
5. Asset management.

In June 2018 PWC conducted a fringe benefit tax review and in 2019 Simpson Grierson conducted a legal review of the documents used in the setting of Councils rates.

Direction was sought from the Committee as to whether the Council engages KPMG to complete further internal audit work.

Staff outlined options and provided some commentary around the advantages and disadvantages of each of the options.

RESOLVED

THAT the Committee supports Option 3 – select one area, contract management, for internal audit as previously identified by KPMG.

ARC20/17

Adams/Daley

CARRIED

DEPARTURES FROM PROCUREMENT POLICY REPORT DECEMBER 2019 (2707412)

The Chief Executive and Finance Manager presented a report which provided information regarding the uses of the Departures from Procurement Policy process that have occurred between 1 July 2019 and 31 December 2019.

RESOLVED

THAT the report be received.

ARC20/18

Harris/Daley

CARRIED

RISK REPORT TO AUDIT AND RISK COMMITTEE FEBRUARY 2020 (2707409)
APPENDIX A - HDC RISK REGISTER - FEBRUARY 2020 (2701483)

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.

ARC20/19

Harris/Daley

CARRIED

HEALTH SAFETY AUDIT AND RISK REPORT 4 FEBRUARY 2020 (2705491)

The Health and Safety Advisor and Human Resources Advisor were in attendance and provided the bi monthly activity report on the organisation's health and safety processes to date. The report included statistical information and a summary of initiatives and training being implemented to ensure the health safety of all employees.

RESOLVED

THAT the report be received.

ARC20/21

Harris/Milner

CARRIED

Matters to be taken with the Public be 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
Item 1	KPMG- Progress report 31 January 2020 (2697410) Appendix A - KPMG Internal Audit Reviews progress report 31 January 2020 (2697412)	Section 7(2)(b)(i) - Protect information where the making available of the information: (1) Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	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.
Item 2	Audit and Risk Committee - Remission of Water Arrears (2713744)	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.
Item 3	Rates in Arrears - December 2019 (2707435)	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.

Item 4	Overview of Council's Insurance Policies December 2019 (2707422)	Section 7(2)(b)(i) - Protect information where the making available of the information: (2) Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	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.
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ARC20/22

Harris/Daley

CARRIED

RESOLVED

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

ARC20/29

Adams/Harris

CARRIED

Mayor Adams closed the meeting with a karakia at 11.28am.

CONFIRMED

R G Harris
Chairperson

16 June 2020