

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 AUGUST 2020 COMMENCING AT 9.00 AM

PRESENT

Mr C Buchanan (Independent Chair), Cr P A Milner, His Worship the Mayor D A Adams, Cr R Harris 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)

APOLOGIES

RESOLVED

THAT the apology of Cr Daley be received and sustained.

ARC20/51

Adams/Smeaton

CARRIED

LATE ITEMS

There were no late items.

DECLARATIONS OF INTERESTS

The CEO declared a conflict of interest in relation to Item 11 – Aon NZ Insurance.

CONFIRMATION: AUDIT AND RISK COMMITTEE MINUTES – (16-06-20) (2774322)

RESOLVED

THAT the minutes of the meeting of the Audit and Risk Committee meeting held on Tuesday, 16 June 2020 are received and confirmed as a true and correct record.

ARC20/52

Smeaton/Milner

CARRIED

MATTERS ARISING FROM THE MINUTES

Update on security of zoom meetings for staff and elected members. The Group Manager advised that measures are in place to ensure security of zoom meetings are secure. The Chair and members asked that a report to the Audit and Risk Committee or Council still be prepared on this subject.

AUDIT AND RISK COMMITTEE - 2020 WORK PROGRAMME (2802963)

The Group Manager – Corporate Services presented the work programme to December 2020.

RESOLVED

THAT the report be received.

ARC20/53

Smeaton/Adams

CARRIED

Audit and Risk Committee Self-Assessment Forms

Concerning the Audit and Risk Committee self-assessment forms, it was agreed that no change was required to the wording in the forms. The forms were distributed to the members to complete.

PROGRESS UPDATE AUDIT NZ RECOMMENDATIONS AUGUST 2020 (2803382)
APPENDIX A - AUDIT NZ MANAGEMENT REPORT ACTION SCHEDULE (AUGUST-2020)
(2802559)

The Finance Manager presented a report that provided a mechanism for the Audit and Risk Committee to adopt to monitor the Councils progress in relation to the implementation of recommendations Audit NZ have identified in previous audits of Council.

RESOLVED

THAT the report be received.

ARC20/54

Harris/Smeaton

CARRIED

Staff advised that the Office of the Auditor General has released a statement to territorial authorities that the deadline for annual report adoption has been extended to December 2020. The Finance Manager advised that HDC intend to still meet the deadline of 31 October.

The Chair queried what the definition of 'suspense' accounts was and asked staff if any review of account naming was required. The Finance Manager explained the methodology in naming of suspense accounts, adding that there was no requirement to review the naming of these accounts.

AUDIT AND RISK COMMITTEE – DEPARTURES FROM PROCUREMENT POLICY 1 JANUARY 2020 TO 30 JUNE 2020 (2803121)

The Group Manager – Corporate Services provided information regarding the uses of the 'departure from procurement' policy process that have occurred between 1 January 2020 and 30 June 2020.

RESOLVED

THAT the report be received.

ARC20/55

Adams/Milner

CARRIED

The Finance Manager explained the departure from procurement policy process. Staff provided an explanation of how an assessment is made of a preferred supplier/contractor in relation to procurement. When assessing a preferred supplier/contractor consideration must be given to community outcomes but this has to be weighed against higher prices, as the cost does sit with the ratepayer.

REPORT ON AUTO APPROVED INVOICES AND MITIGATION (2803425)

The Finance Manager presented a report that provided a summary of invoices that were auto approved during the period 1 January 2020 – 30 June 2020.

RESOLVED

THAT the report be received.

ARC20/56

Harris/Smeaton

CARRIED

The Finance Manager spoke on the patches that had been applied to council's software to resolve the self-approval of invoice issue. It was emphasised that currently, no single person can approve an invoice. This process is monitored regularly on a weekly basis.

It was agreed that reporting to the Committee be an annual update as long as no issues are identified. If any issues are identified, that these be reported Committee at the next meeting.

RESOLVED

THAT issues regarding self-approved invoicing are only reported to the committee as required, except for an annual update.

ARC20/57

Milner/Adams

CARRIED

TREASURY REPORT - 31 JULY 2020 (2803516)

The Group Manager - Corporate Services presented a report on the financial performance in relation to Council's investments and liabilities.

RESOLVED

THAT the report be received.

ARC20/58

Smeaton/Adams

CARRIED

Council's performance is monitored on a regular basis to enable it to fulfil its requirements of managing investments and liabilities prudently, and in a way that promotes the current and future interests of the community. Council has policy limits to ensure this prudence.

The Group Manager and CEO provided examples of financial risk scenarios.

HEALTH AND SAFETY AUDIT AND RISK REPORT 4 AUGUST 2020 (2793791)

The Health and Safety Advisor attended the meeting and spoke to the Health and Safety report that detailed where Council is tracking in the areas of health, safety and wellbeing.

RESOLVED

THAT the report be received.

ARC20/59

Smeaton/Milner

CARRIED

Declaration of Conflict of Interest

The Chief Executive declared an interest in the following item and took no part in the discussion.

INSURANCE PRESENTATION BY AON NZ (2803275)

The Finance Manager presented a report which advised that Aon New Zealand, through a Waikato LASS contract, have recently been reappointed as Councils Insurance broker.

The members were introduced to Mr Matthew Wilson, Aon New Zealand's National Client Relationship Manager – Local Government Risk Practice and his colleague Deanna Macdonald, Local Authority Operations Manager. Matthew and Deanna provided a PowerPoint presentation and invited discussion on Aon's provision of service to Council.

RESOLVED

THAT the report be received.

ARC20/60

Adams/Harris

CARRIED

The meeting adjourned at 10.30am
The meeting reconvened at 10.45am.

The meeting adjourned at 10.50am

COMMITTEE ONLY TIME

Staff vacated the Council chamber to allow the Chair to have committee only time with the Committee members.

The meeting reconvened at 11.10am.

AUDITOR GENERAL REVIEW ON LOCAL GOVERNMENT PROCUREMENT (2803053)

The Group Manager – Corporate Services presented a report regarding the insights gathered by the Controller and Auditor-General Office during its review into Local Government procurement.

RESOLVED

THAT the report be received.

ARC20/61

Adams/Smeaton

CARRIED

Earlier in the year, the Office of the Controller and Auditor-General visited some 21 Councils to investigate how councils undertake procurement.

The Controller and Auditor-General has written an article (which was attached) outlining the insights they have gathered from those visits.

The Controller and Auditor-General encourages Council to reflect on the topics covered in its report and, where they see gaps, implement the necessary changes to strengthen their

processes and procedures.

Matters of note raised:

Does your Council have adequate policies and processes in place for staff and elected members to:

- Declare and manage risks from conflicts of interest (which might affect all stages in the procurement life cycle)?
- Record gifts and hospitality from suppliers and potential suppliers?

The Chair requested Committee members consider if they believed the staff reports on procurement are adequate.

The members stated that they had no issues with staff reports relating to procurement.

Achieving broader outcomes through procurement:

- Is your Council clear about its role in promoting the social, economic, environmental, and cultural well-being of communities now and in the future?
- Does your Council understand how procurement can contribute to those outcomes?
- How have those outcomes been incorporated into your Council's procurement policy and processes?
- Achieving community outcomes – reduce potential cost.
The Committee members agreed that this is Council's responsibility.

RESOLVED

THAT the Committee receive a short discussion paper on procurement focussed to meet the four wellbeing's with an emphasis on economic outcomes.

ARC20/62

Adams/Milner

CARRIED

PROPOSED RISK MANAGEMENT POLICY AND FRAMEWORK (2807188)
APPENDIX A - PROPOSED RISK MANAGEMENT POLICY 2020 (2807189)
APPENDIX B - PROPOSED RISK MANAGEMENT FRAMEWORK (2807190)
APPENDIX C - PROPOSED RISK ANALYSIS TEMPLATE (2807191)

The Group Manager – Corporate Services and Finance Manager presented a report on the risk management policy and sought the Committees endorsement of the proposed Risk Management Policy and Framework.

RESOLVED

THAT the report be received.

ARC20/63

Harris/Smeaton

CARRIED

During the audit of Council's 2019 Annual Report, Audit NZ pointed out that Council's Risk Management Policy was overdue for review.

Over the past few months, staff have reviewed a number of risk management policies from other Councils, along with HDC's own existing policies.

Three options within the report were offered to the Committee to consider in making a decision on the preferred process.

1. Endorses the proposed Risk Management Policy and Framework
2. Endorses the proposed Risk Management Policy and Framework with amendments, if any.
3. Instructs staff to engage an external independent resource to develop a Risk Management Policy and Framework.

RESOLVED

THAT the Committee endorses the proposed Risk Management Policy, Risk Management Framework and Risk Analysis Template.

ARC20/64

Adams/Harris

CARRIED

RISK REGISTER AUGUST 2020 (2803477)
ATTACHMENT A – HDC RISK REGISTER - JULY 2020 (2794854)

The Finance Manager presented the report on corporate risk including the risk register to July 2020 for the Committee's review.

RESOLVED

THAT the report be received.

ARC20/65

Milner/Smeaton

CARRIED

KPMG INTERNAL AUDIT REVIEWS - PROGRESS REPORT (2803342)
APPENDIX A - KPMG INTERNAL AUDIT REVIEWS PROGRESS REPORT - 11 AUGUST 2020 (2802656)

The Finance Manager presented the progress report against the matters raised by the KPMG internal Audit reviews.

RESOLVED

THAT the report be received.

ARC20/66

Harris/Smeaton

CARRIED

It was noted that 25 corrective actions have been cleared with a further four in progress.

MATTERS TO BE TAKEN WITH THE PUBLIC EXCLUDED

RESOLVED

THAT the public 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	Cybersecurity Programme Baseline Assessment	Section 7(2) (g) – Maintain Legal Professional Privilege	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 Arears	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.

ARC20/67

Adams/Smeaton

CARRIED

RESOLVED

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

ARC20/71

Harris/Adams

CARRIED

The meeting closed at with a karakia from Cr Milner at 12.10pm.

CONFIRMED

C Buchanan
Chairperson

20 October 2020