

## **HAURAKI DISTRICT COUNCIL**

### **AUDIT AND RISK COMMITTEE**

MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE HAURAKI ROOM, WILLIAM STREET, PAEROA ON TUESDAY, 20 OCTOBER 2020 COMMENCING AT 9.00 AM

#### **PRESENT**

Mr C Buchanan (Independent Chair), Cr P A Milner, His Worship the Mayor D A Adams, Cr P A Milner, Cr D Smeaton and Cr C Daley

#### **IN ATTENDANCE**

D Walker (Audit NZ), Anton Labuschagne (Audit NZ), L D Cavers (Chief Executive), D Peddie (Group Manager – Corporate Services), S Baker (Finance Manager), J Nicholls (Health and Safety Advisor), C Mischewski (Strategic Planner) and C Black (Council Secretary)

#### Karakia timatanga

Cr Adams opened the meeting with a karakia.

#### **APOLOGIES**

#### **RESOLVED**

THAT the apology of Cr Harris be received and sustained.

ARC20/72

Milner/Adams

**CARRIED**

#### **LATE ITEMS**

There were no late items.

#### **DECLARATIONS OF INTERESTS**

There was no declarations of interests.

CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES – 11-08-20 - 2809538

#### **RESOLVED**

THAT the minutes of the meeting of the Audit and Risk Committee meeting held on Tuesday, 11 August 2020 are received and confirmed as a true and correct record.

ARC20/73

Adams/Buchanan

**CARRIED**

#### **MATTERS ARISING FROM THE MINUTES**

##### Auditor General Review on Local Government Procurement

At the previous meeting was resolved that the Committee receive a short discussion paper on procurement focussed to meet the four wellbeing's with an emphasis on economic outcomes, it was advised that staff would report back to the Committee in December 2020 as to how the four wellbeing's would be included in the future procurement.

The full IT security report would be presented to the December meeting.

The CEO advised that Central Government have produced a discussion paper in regards to possible mandatory compliance by local authorities with the Government procurement rules. SOLGM is inviting submissions by November 2020.

#### AUDIT AND RISK COMMITTEE - 2020 WORK PROGRAMME – 2836952

The Group Manager – Corporate Services presented a report that updated the Committee on the 2020 Work Programme to date.

#### **RESOLVED**

THAT the report be received.

ARC20/74

Daley/Milner

**CARRIED**

#### Waikato LASS - Fraud Workshop

Cr Milner, Cr Daley and the Finance Manager briefly reported on the key topics covered at the Waikato LASS Fraud Workshop, which was co-presented by KPMG and Audit NZ in Cambridge recently. The key topics looked at whistle-blower processes, areas of fraud risks, bribery and corruption and best practice on how to mitigate that risk.

#### Cyber Security

It was advised that a report on cyber security would be submitted to the 15 December 2020 meeting of the Committee.

#### 2019-20 ANNUAL REPORT CONSIDERATION BY AUDIT AND RISK COMMITTEE - 2836947 APPENDIX A - 2019-20 DRAFT ANNUAL REPORT - 2837009

The Group Manager – Corporate Services presented a report that requested that the Audit and Risk Committee consider the draft 2019/20 Annual Report and provide a recommendation to Council to adopt the Annual Report at its meeting of 28 October 2020.

#### **RESOLVED**

THAT the report be received.

ARC20/75

Smeaton/Adams

**CARRIED**

#### **Feedback received from Committee members:**

Rates Affordability Benchmark. The Group Manager – Corporate Services explained the rates affordability benchmark rates income referred to on pages 40 and 41.

David Walker commented on page 39 and 40. He suggested that Council put in a Statement of Service Performance (SSP) section so it is included with the Audit Opinion.

'Our Services – What we do' on Page 53. Mr Walker suggested Council provide a summary of these results of what is to follow as well. Put a high-level summary up front. This will make it more comprehensible for the public to understand. To have a clear summary that links to the annual report.

Schedule 10 of the Local Government Act 'four wellbeing's – Mr Walker suggested that the summary of the four wellbeing's is linked to the wellbeing icons.

'Rates Affordability Benchmark' on Page 38 – the Chair suggested the summary under rates affordability benchmark is re-worded to pitch it at a more non-professional's language. The Group Manager stated he would review this section and make it more readable.

The Chair suggested staff consider using charts to simplify the interpretation of information as opposed to text where possible.

Mr Walker suggested that the level of achievement be reviewed (how it is presented) to use other ways to present this information as opposed to stating 'achieved/not achieved'. He believed it would be more appropriate to use the word 'substantially achieved'.

Mr Walker emphasised the importance of bringing the summary into the SSP. He noted that there are some matters that are currently being reviewed but are not significant.

Mr Walker requested that Council review the references to the effect of COVID-19 as regards to effect on property valuations etc.

**RESOLVED**

THAT the Committee recommends that Council adopt the 2019/20 Annual Report subject to matters discussed and amendments made.

ARC20/76

Smeaton/Daley

**CARRIED**

The meeting adjourned at 10.23am.  
The meeting reconvened at 10.45am

The Chair held Committee only time with members from 10.45am until 11.00am.  
The meeting reconvened at 11.00am

PROGRESS UPDATE AUDIT NZ RECOMMENDATIONS OCTOBER 2020 – 2838563  
APPENDIX A - AUDIT NZ MANAGEMENT REPORT ACTION SCHEDULE  
(OCTOBER-2020) – 2836951

The Finance Manager presented a progress report on the Audit NZ Recommendations October 2020.

**RESOLVED**

THAT the report be received.

ARC20/77

Smeaton/Milner

**CARRIED**

The attachment outlined the recommendations made by Audit NZ, management comments, and progress to date.

Of the 31 items raised:

- 16 have been resolved
- 15 are in progress

Staff continue to work towards clearing the outstanding items. It was noted that there are some items which are dependent on resourcing, specifically project management and contract

management. At this stage, existing personnel within existing budget will undertake most of the proposed responses outlined to Audit NZ.

TREASURY REPORT - 30 SEPTEMBER 2020 – 2836959

The Group Manager – Corporate Services presented a report that 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.

ARC20/78

Smeaton/Adams

**CARRIED**

HEALTH AND SAFETY REPORT - 20 OCTOBER 2020 - 2827398

The Health and Safety Advisor presented the report that updated on Health and Safety initiatives and detailed where Council is tracking in the areas of health, safety and wellbeing.

**RESOLVED**

THAT the report be received.

ARC20/79

Smeaton/Milner

**CARRIED**

The issue was raised where elected members may experience harassment from members of the public. It was suggested that elected members ask for these incidents to be registered into Councils health and safety 'Vault' system.

REPORT ON LTP ASSUMPTIONS TO AUDIT AND RISK – 2836685

The Strategic Planner attended the meeting and provided a report that presented the Draft Long Term Plan (LTP) 2021-31 assumptions to the Committee for their information and feedback.

**RESOLVED**

THAT the report be received.

ARC20/80

Smeaton/Daley

**CARRIED**

In developing the Long Term Plan, assumptions are made about the future of the activities Council provide, assets it holds, and various issues that affect the Council and its ability to deliver its services. These assumptions are required to align with budget preparation and can be financial and non-financial.

Assumptions are required by schedule 10, s17 of the Local Government Act 2002 (LGA), which states that a long-term plan must clearly identify all the significant forecasting assumptions and risks underlying the financial estimates. These are reviewed and updated during every long term planning cycle and provide the Council, management and staff with the information they need to strategically plan for the ten-year Long Term Plan including the 30-year Infrastructure Strategy.

Attached as Appendix B was a copy of the Office of an Auditor General bulletin specifically focusing on Assumptions.

Two options were presented for the members to consider that draft assumptions be adopted as presented, or, that they be amended if deemed necessary.

An additional assumption was discussed regarding possible government subsidies for upgrades to meet new environmental standards. It was agreed that this should be included.

Discussions were also held about the projections and the Chair questioned whether the Council had considered adopting the high projections instead of the medium scenario. The Strategic Planner explained the Council rationale for adopting the medium scenario. It was suggested by the Chair that the Council also consider the inclusion of the high scenario as a possible outcome in the longer term (e.g. years 11-30 of the Infrastructure Strategy).

**RESOLVED**

THAT the Committee supports Option 2 and recommends that Council adopt the draft long term plan 2031-31 assumptions as amended, and

THAT the Council considers these decisions to be not significant under its Significance and Engagement Policy 2020.

ARC20/81

Smeaton/Adams

**CARRIED**

2021 FINANCIAL STRATEGY – 2838575

APPENDIX A – DRAFT FINANCIAL STRATEGY - 2838573

The Group Manager – Corporate Services presented a report to provide the Audit and Risk Committee with the opportunity to review the draft financial strategy, as developed to date, and provide feedback to staff prior to the strategy being presented to the Council workshop of 21 October 2020.

**RESOLVED**

THAT the report be received.

ARC20/82

Daley/Smeaton

**CARRIED**

The key issues addressed in the strategy were:

- Rates affordability
- The cost of higher environmental standards
- Three waters reforms
- Aging infrastructure
- Climate change
- Covid-19

The Committee supported the government subsidy on wastewater but agreed it requires attention. The CEO spoke on this matter in more detail.

RISK REGISTER OCTOBER 2020 – 2836958  
APPENDIX A - HDC RISK REGISTER - OCTOBER 2020 – 2816206

The Finance Manager presented the Corporate Risk report to October 2020.

**RESOLVED**

THAT the report be received.

ARC20/83

Smeaton/Daley

**CARRIED**

The members were invited for comment on the risk register as presented.

- It was suggested that to add 'government subsidy on wastewater' be added to the register.
- Getting message out to farmers that there is a risk of 'no water' due to an earthquake event causing damage to water pipes and where drought conditions are experienced limiting water supply.

ZOOM SECURITY REPORT - 20 OCTOBER 2020 – 2836280

The Group Manager – Corporate Services presented a report, which provided a summary of the security features, and suitability of the video conferencing application Zoom.

**RESOLVED**

THAT the report be received.

ARC20/84

Daley/Milner

**CARRIED**

It was reported that Zoom has a highly secure Personal Meeting ID (PMI) solution. The Personal Meeting ID is a person's own permanent personal meeting room and is used especially in the work from home era where ad-hoc meetings are common.

Zoom also has full password capabilities on their PMI's and now requires them by default. Zoom extended the length of the PMI's and randomised them to secure them further.

KPMG INTERNAL AUDIT REVIEWS - PROGRESS REPORT - 2836955  
ATTACHMENT A - KPMG INTERNAL AUDIT REVIEW PROGRESS REPORT – 20-10-20 – 2836951

The Finance Manager presented a report which advised on the progress against the recommendations received from KPMG as a result of those audits.

**RESOLVED**

THAT the report be received.

ARC20/85

Smeaton/Daley

**CARRIED**

25 recommendations have been cleared with a further four in progress. Payroll processing is timelier now and the payroll Masterfile changes report is produced within a tighter timeframe.

The Audit NZ representatives left the meeting at midday.

## **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:

<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 - October 2020	<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>	Fuel Card Fraud Report	<b>Section 6 (a)</b> - Making this information public would be likely to 'prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial'.	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.

ARC20/86

Daley/Milner

**CARRIED**

**RESOLVED**

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

ARC20/90

Adams/Daley

**CARRIED**

Cr Milner closed the meeting with karakia closed at 12.34pm.

CONFIRMED

C Buchanan  
Chairperson

15 December 2020