

Audit and Risk Committee

OPEN AGENDA

Meeting Date: **Thursday 12 October 2017**
Time: **1.00pm**
Venue: **Breakout Room 1
Napier Conference Centre
Marine Parade
Napier**

Council Members John Palaret (In the Chair), Mayor Bill Dalton, Geoff Foster, Councillor Claire Hague, Councillor Kirsten Wise
Officer Responsible Director Corporate Services, Adele Henderson
Administrator Governance Team

Next Audit and Risk Committee Meeting
Thursday 7 December 2017

ORDER OF BUSINESS

APOLOGIES

Nil

CONFLICTS OF INTEREST

PUBLIC FORUM

Nil

ANNOUNCEMENTS BY THE MAYOR

ANNOUNCEMENTS BY THE CHAIRPERSON

ANNOUNCEMENTS BY THE MANAGEMENT

CONFIRMATION OF MINUTES

That the Minutes of the Audit and Risk Committee meeting held on Thursday, 15 June 2017 be taken as a true and accurate record of the meeting.

NOTIFICATION AND JUSTIFICATION OF MATTERS OF EXTRAORDINARY BUSINESS

(Strictly for information and/or referral purposes only).

AGENDA ITEMS

Nil

PUBLIC EXCLUDED 3

PUBLIC EXCLUDED ITEMS

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Update on Water Supply- Drinking Water Quality Improvements
2. Napier City Council Internal Audit
3. Transfer Station Cash Handling Review
4. Internal Audit Cash Handling Reviews
5. LTP Update from Audit New Zealand
6. Audit Long Term Plan Self Assessment
7. Letters of Representation
8. Draft 2016/17 Annual Report
9. Risk Management Report October 2017
10. Napier City Council Deloitte Report Update
11. Tax Risk Governance Framework
12. Napier City Council Investment and Debt Report
13. Health and Safety Report 30 September 2017
14. Review of Audit and Risk Committee

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) TO THE PASSING OF THIS RESOLUTION
1. Update on Water Supply- Drinking Water Quality Improvements	7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Napier City Council Internal Audit	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making	48(1)A That the public conduct of the whole or 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

	available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied	exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
3. Transfer Station Cash Handling Review	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
4. Internal Audit Cash Handling Reviews	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
5. LTP Update from Audit New Zealand	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
6. Audit Long Term Plan Self Assessment	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to

	could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied	result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
7. Letters of Representation	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
8. Draft 2016/17 Annual Report	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied 7(2)(c)(ii) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
9. Risk Management Report October 2017	7(2)(e) Avoid prejudice to measures that prevent or mitigate material loss to members of the public	48(1)A That the public conduct of the whole or 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

		<p>exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>10. Napier City Council Deloitte Report Update</p>	<p>7(2)(a) Protect the privacy of natural persons, including that of a deceased person</p> <p>7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>11. Tax Risk Governance Framework</p>	<p>7(2)(e) Avoid prejudice to measures that prevent or mitigate material loss to members of the public</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>12. Napier City Council Investment and Debt Report</p>	<p>7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>13. Health and Safety Report</p>	<p>7(2)(d) Avoid prejudice to</p>	<p>48(1)A That the public conduct</p>

<p>30 September 2017</p>	<p>measures protecting the health and safety of members of the public</p>	<p>of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>14. Review of Audit and Risk Committee</p>	<p>7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>

Audit and Risk Committee

OPEN MINUTES

Meeting Date: **Thursday 15 June 2017**
Time: **1pm – 1.55pm**
Venue: **Main Committee Room
3rd floor Civic Building
231 Hastings Street
Napier**

Present: John Palairt (In the Chair), Mayor Bill Dalton, Geoff Foster, Councillor Kirsten Wise, Councillor Claire Hague [from 1.19pm]

In Attendance: Director Corporate Services, Director City Infrastructure (Acting Chief Executive), Chief Financial Officer, Manager Asset Strategy

Mr Stephen Lucy – Audit New Zealand

Mr Phil Fisher and colleague – PriceWaterhouseCooper

Administration: Governance Team

APOLOGIES

Apologies were accepted from:
Mayor Bill Dalton
Chief Executive Wayne Jack
Councillor Claire Hague for lateness

CONFLICTS OF INTEREST

Nil

PUBLIC FORUM

Nil

ANNOUNCEMENTS BY THE MAYOR

Nil

ANNOUNCEMENTS BY THE CHAIRPERSON

Nil

ANNOUNCEMENTS BY THE MANAGEMENT

Nil

CONFIRMATION OF MINUTES

Councillor Wise / Mr Foster

That the Minutes of the meeting held on 16 March 2017 were taken as a true and accurate record of the meeting.

CARRIED

NOTIFICATION AND JUSTIFICATION OF MATTERS OF EXTRAORDINARY BUSINESS

(Strictly for information and/or referral purposes only).

AGENDA ITEMS

1. TAX UPDATE

<i>Type of Report:</i>	<i>Legal and Operational</i>
<i>Legal Reference:</i>	<i>N/A</i>
<i>Document ID:</i>	<i>359225</i>
<i>Reporting Officer/s & Unit:</i>	<i>Caroline Thomson, Chief Financial Officer</i>

1.1 Purpose of Report

To provide the Committee with an update on tax matters relating to Council.

At the Meeting

Mr Phil Fisher, PriceWaterhouseCooper (PwC), presented to the Committee on current tax issues. The following points were touched on during the report:

- PwC have been working with Council to develop a tax risk framework including identified mitigations and controls for any identified areas of risk.
- Particular tax areas of interest for Councils are PAYE, FBT, GST and non-resident payments.
- It is important that the Human Resources division of a Council are conversant with tax requirements as much of the implications for tax are personnel related.
- All areas of the business should communicate early with the Finance team so that tax matters are addressed early; the team are there to facilitate business in ways that ensure Council meets its requirements.
- IRD is working through a staged tax transformation:
 - Stage 1 – GST transformation. Effected February 2017 with the implementation of MyIR.
 - Stage 2 – Streamlining business income taxes
 - Stage 3 – Social policy improvements
 - Stage 4 – Tax administration, including actions to meet the legislated changes to payroll due for enactment in April 2019.
- Currently Council's tax requirements are reviewed 3 yearly; a report will be brought to the Audit and Risk Committee from the next review due in 2018.
- It was agreed that an annual report from PWC would be brought to the Audit and Risk Committee on advice given relating to tax over the year as well as any tax-related matters expected to arise over the coming year and national/ international context that may impact on this.
- It was noted that despite encouragement from departments such as the State Services Sector and the Ministry of Business, Innovation and Employment to take a collaborative approach to projects and works, tax implications including GST payments may actually form a barrier to this. It is unclear whether the Inland Revenue Department will look at ways that tax structures could better facilitate collaboration.

Councillor Hague joined the meeting during this item at 1.19pm.

COMMITTEE'S RECOMMENDATION

Councillor Wise / Mr Foster

That the Committee

- a. Receive the presentation by Phil Fisher on tax matters.

CARRIED

2. UPDATE ON WATER RISK

<i>Type of Report:</i>	<i>Information</i>
<i>Legal Reference:</i>	<i>N/A</i>
<i>Document ID:</i>	<i>359224</i>
<i>Reporting Officer/s & Unit:</i>	<i>Caroline Thomson, Chief Financial Officer</i>

2.1 Purpose of Report

To provide the Committee with an update on Council’s water risk.

COMMITTEE'S RECOMMENDATION

Mr Palairt / Mr Foster

That the Item “Update on Water Risk” be moved into the Public Excluded section of the Audit and Risk Committee meeting under section 7(2)(f)(i) of the Local Government Official Information and Meetings Act – that that the effective conduct of public affairs through the free and frank expressions of opinions of members or officers or employees of any local authority may be maintained.

CARRIED

PUBLIC EXCLUDED ITEMS

Mr Palairt / Mr Foster

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Napier City Council Annual Plan 2017/18
2. Risk Management Report May 2017
3. HB LASS Provision of Internal Audit Services
4. Audit NZ - Interim Management Report
5. Napier City Council Investment and Debt Report
6. Health and Safety Report 31 May 2017
7. Insurance Update

CARRIED

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) TO THE PASSING OF THIS RESOLUTION
1. Napier City Council Annual Plan 2017/18	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is

	similar information or information from the same source and it is in the public interest that such information should continue to be supplied	named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Risk Management Report May 2017	7(2)(e) Avoid prejudice to measures that prevent or mitigate material loss to members of the public	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
3. HB LASS Provision of Internal Audit Services	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
4. Audit NZ - Interim Management Report	7(2)(g) Maintain legal professional privilege	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
5. Napier City Council Investment and Debt Report	7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.

<p>6. Health and Safety Report 31 May 2017</p>	<p>7(2)(d) Avoid prejudice to measures protecting the health and safety of members of the public</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
<p>7. Insurance Update</p>	<p>7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities</p>	<p>48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>

The meeting moved into committee at 1.55pm

<p>APPROVED AND ADOPTED AS A TRUE AND ACCURATE RECORD OF THE MEETING</p>
<p>CHAIRPERSON: _____</p>
<p>DATE OF APPROVAL: _____</p>